



**BOURNEMOUTH
STATEMENT
OF ACCOUNTS**

2010/2011

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EXPLANATORY FOREWORD

1 Introduction

The Statement of Accounts is for the single entity of Bournemouth Borough Council.

They summarise the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2003, which require the Statement of Accounts to be prepared in accordance with proper accounting practices.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Statement of Accounts for the Council consists of :-

- **The Explanatory Foreword**
- **The Statement of Responsibilities for the Statement of Accounts**
- **The Core Financial Statements :-**

Movement in Reserves Statement

Comprehensive Income and Expenditure Statement

Balance Sheet

Cash Flow Statement

- **The Notes to the Core Financial Statements**

Including Accounting Policies

- **The Supplementary Financial Statements :-**

Housing Revenue Account (HRA) Income and Expenditure Statement

Movement on the HRA Statement

HRA Notes

Collection Fund

Collection Fund Notes

Required to be included but not part of the Statement of Accounts :-

- **The Annual Governance Statement**
- **A Glossary of Terms is included at the back of the document to assist in understanding the Statement of Accounts.**

2 Movement in Reserves Statement

This Statement shows the movement in the year on the different Reserves held by the Authority, analysed into 'Usable Reserves' (ie those that can be applied to fund Expenditure or reduce Local Taxation) and 'Other Reserves'. The '(Surplus) or Deficit on the Provision of Services' line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes.

The adjustment is made in the line "Adjustments between Accounting Basis and Funding Basis under Regulation", this converts the Surplus or Deficit on a purely accounting basis to the figures that are used in setting the Council Tax and Housing Rents.

Items of particular note for 2010/2011 are a substantial credit to offset the impact of the exceptional item of the impairment to the HRA property valuations charged to the Comprehensive Income and Expenditure Account - which is not a charge to the General Fund Balance.

There is also a substantial debit to offset the Past Service Cost credit to the Comprehensive Income and expenditure Account that was as a result of a change in the method of calculating future pension increases. This also is an item that does not count against the General Fund Balance

3 Comprehensive Income and Expenditure Statement - 2010/2011

This Statement shows the Accounting Cost in the year of providing Services in accordance with generally accepted accounting practices, rather than the amount to be funded from Taxation. Authorities raise Taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

A summary of the Comprehensive Income and Expenditure Statement for 2010/2011 follows showing a comparison with the revised budget. This shows what actually happened in the year compared with what was planned.

	Actual	Revised Year End Budget	Difference
	£	£	£
Cost of Services	166,649,375	110,018,285	56,631,090
Other Operating Expenditure	414,463	241,000	173,463
Financing and Investment Income and Expenditure	15,227,272	15,688,105	(460,833)
Taxation and Non-Specific Income	(181,339,930)	(154,251,631)	(27,088,299)
Surplus or Deficit on Provision of Services	<u>951,180</u>	<u>(28,304,241)</u>	<u>29,255,421</u>

The main reasons for the difference between actual and budget is the exceptional Item of the HRA Property Impairment and the new treatment for Capital Grants which now sees them recognised in the Comprehensive Income and expenditure Account.

Neither of these items are allowed for in the budget. However it is the bottom line of the General Fund that is important in terms of setting the Council Tax and both of these items are reversed out in the Movement in Reserves Statement and thus do not impact on the bottom line.

4 Balance Sheet

The Balance Sheet summarises the Council's financial position at 31 March each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As Local Councils do not have equity, the bottom half is comprised of reserves that show the disposition of an authority's net worth, falling into two categories :-

- Usable Reserves, which include the revenue and capital resources available to meet future expenditure (eg the General Fund Balance and the Capital Receipts Reserve), and
- Unusable Reserves, which include :-
 - unrealised gains and losses, particularly in relation to the revaluation of property, plant and equipment (eg the Revaluation Reserve)
 - adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure (eg the Capital Adjustment Account and the Pensions Reserve).

Items of particular note for 2010/2011 are the reduction in the value of the Council Dwelling Stock as a result of the impairment. This is offset by a change in the Capital Adjustment Account.

Also, the Pensions Liability has reduced considerably due in part to a change in the index that is used to establish future pension payments, this is offset by a movement in the Pension Reserve.

5 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities :-

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

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

6 Housing Revenue Account (HRA) Income and Expenditure Statement

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

Items of particular note for 2010/2011 are the exceptional impairment to the value of the HRA dwellings, the exceptional cost of pensions adjustment and the recognition of Capital Grants in the Income and Expenditure Account.

It should be noted that all of these items are reversed out in the movement in Reserves Statement and have no impact on the Housing Revenue Account Balance.

7 Collection Fund Statement

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

8 The Statement of Responsibilities for the Statement of Accounts

This Statement sets out the respective responsibilities of the Council and the Executive Director Business Improvement and Finance.

9 The Annual Governance Statement

The Council needs to demonstrate that there is a sound system of internal control in place. This Statement details the framework and processes the Council has in place and any significant issues highlighted resulting from the review.

10 Material Assets Acquired during 2010/2011 :-

	Actual	Budget
	£	£
Housing :-		
Council Housing Enhancement	5,582,838	5,600,000
Social Housing grant	-	687,460
Mallard Road - affordable housing scheme	832,233	957,800
Draper Road - extra care sheltered housing	1,718,167	2,567,700
Disabled facilities grant	991,785	1,180,000
NHS campus reprovision	3,007,271	4,266,190
Education :-		
St Michael's CE primary - extension & remodelling	1,496,174	1,671,340
King's Park Primary - extension & refurbishment	1,124,966	1,100,000
Christ the King Primary	507,899	623,100
Other :-		
Pavilion Dance centre	2,280,380	2,280,380
Pelham's Park leisure centre	2,293,364	2,445,810
New Mortuary	1,748,820	2,440,930
A338 Wessex Way - Station overbridge	561,671	568,428
Kinson Click (Kinson new library)	586,974	668,800
Holdenhurst Road/Richmond Park Road - traffic signs	837,369	717,000

11 Pensions Liability

These accounts include amounts that have been calculated in accordance with FRS 17 as assessed by an actuary. Due to the valuation methodology and the derivation of the main financial assumptions required, FRS17 is likely to produce volatile numbers from year to year.

Due to the extreme fluctuations that there have been in the economic climate during the last two financial years the figures assessed by the actuary have been subject to similar violent fluctuations.

Pensions need to be viewed in the long term and conclusions should not be drawn at a point in time and particularly during major changes in the economic climate.

12 Material or Unusual Charge or Credit in the Accounts

During the year 2010/2011 a number of material and unusual charges have been made in the accounts these were :-

	2010/2011
	<u>£</u>
Amounts paid to Officers in settlement of previous years back pay relating to the job evaluation exercise - note this amount had been fully provided for in previous year's accounts	6,007,388
Impairment losses charged to HRA for change in valuation basis	62,009,488
Exceptional Cost of Pensions Adjustment	(65,449,000)

It should be noted that neither of the last two items impact directly on the General Fund Balance as Accounting Regulations are in place to allow their impact to be reversed in the Movement in Reserves Statement.

13 Significant Changes in Accounting Policies

The Statement of Accounts for 2010/2011 is the first to be prepared on an IFRS basis. Adoption of the IFRS Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the Financial Statements are different from the equivalent figures presented in the Statement of Accounts for 2009/2010.

For details of the effect of these changes see note 2.

14 Summary of Revenue and Capital Investment Plans for 2011/2012

The Council set a revenue and capital budget for 2011/2012 on the 16th February 2011.

The revenue budget has been based on no Council Tax increase for 2011/2012. This Council Tax freeze compares with the 3.5% increase predicted in the Medium Term Financial Plan approved in February 2010. This Council Tax freeze was delivered with the support of specific Government grant funding of £2m.

The revenue budget set in February 2011 reflected the major changes to Council grant funding introduced by the Government as part of the Comprehensive spending review. The objective to lower public sector spending was implemented through the Governments 2011/2012 grant settlement to local authorities.

For Bournemouth the overall level of Government funding fell for 2011/2012 by £10.6m. This 2011/2012 grant settlement was 12.8% lower than the equivalent 2010/2011 settlement. Excluding the new Council Tax Freeze grant of £2m a more comparable assessment was of a 15.3% reduction in Government grants.

It is within this sharply constrained national funding picture that the 2011/2012 revenue budget was set.

The Council had anticipated a reduction in overall spending and has implemented a two year budget reduction programme for 2010/2011 and 2011/2012. The Council has embarked on a 'whole Council' transformation programme to identify new annual efficiency savings of £55m. Savings have also been built into the MTFP from reduced provision for inflation and the use of reserves and balances. This includes the use of £3m from the General Fund balance to help meet the Government grant reduction to Supporting People.

14 Summary of Revenue and Capital Investment Plans for 2011/2012 - Contd.

Due to the level of pressure on the core Council revenue budget there is limited scope to undertake additional investment. Extra resources have been identified to meet emerging funding issues such as increased pension costs and liabilities arising from the carbon reduction commitment.

The impact of the recession and market weakness continues to be felt within the Borough. As well as the direct implications on Bournemouth residents and businesses, the economic climate continues to have a direct impact upon many of the services provided by the Council, such as the increase in caseload for housing benefits and reduced income for planning and building control fees.

These economic pressures are expected to continue into 2011/2012 and beyond. Provision has been made within the Medium Term Financial Plan for future loss of Government Grant of £3.7m in 2012/13. Projected Council Tax increases have been reduced to 2.5%.

The indications are that the Government funding in future years is likely to reduce significantly and during 2010/2011 Council will consider how to manage service provision with regard to the likely available funding.

In responding to the funding pressure the Council is actively reviewing opportunities to work with local communities, private sector partnerships and to improve efficiency, effectiveness and value for money throughout service delivery. The Council has established an independent charitable Trust in 2010/2011 to operate the Council's Conference, Entertainment and Leisure facilities and completed negotiations with an external partner to directly run certain Council services and provide strategic and operational support for the Councils transformation programme..

The capital programme identifies investment of £17.7m in 2011/2012. This represents a continuation of the major investment programme developed since 2006/2007. Major investment have or will be completed at Kinson Community Library, Boscombe Spa development, the Waterfront building, environmental work at the Crematorium and further arts based development at the Pavilion Theatre. Investment continues to be made into core assets such as schools, housing and highways. Major investment has been approved to update and expand Primary Schools to meet changes in the number and needs of primary children.

The Council is also working with its chosen partner in the long term investment in the Town Centre and through supporting the Academy school building programme.

Detailed revenue and capital budgets for 2011/2012 are available on the Council's web site (through the link below).

http://www.bournemouth.gov.uk/Council/Departments/resources/Finance/Budgets/budget_book_1112.asp

15 Public Works Loan Board (PWLB) - Borrowing

The Council's overall borrowing from the PWLB remained unchanged in 2010/2011 at £24.5m. Given the current level of balances invested it is not intended to increase the current level of borrowing. Indeed if further opportunities present themselves, the intention will be to further reduce the amount owed to the PWLB. This will minimise the exposure to risks associated with fluctuations in interest rates.

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1 The Council's Responsibilities

The Council is required :-

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director, Business Improvement and Finance.
- to manage its affairs to secure economic, efficient and effective use of the resources and safeguard its assets.
- to approve the Statement of Accounts

3 Executive Director, Business Improvement and Finance's Responsibilities

The Executive Director, Business Improvement and Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice')

In preparing this Statement of Accounts, the Executive Director, Business Improvement and Finance has :-

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

The Executive Director, Business Improvement and Finance has also :-

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

4 Executive Director, Business Improvement and Finance's Certificate

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



Mike Forrester
Executive Director Business Improvement and Finance

Date 7 September 2011

MOVEMENT IN RESERVES STATEMENT 2010/2011

Note Comparatives on Page 9

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£	£	£
Balance at 1 April 2010	(18,079,921)	(46,500,726)	(3,381,569)	(2,144,212)	(17,793,112)	(12,737,753)	(100,637,293)	(373,912,386)	(474,549,679)
(Surplus) or Deficit on Provision of Services (accounting basis) - See Page 10	(54,589,191)	-	55,540,371	-	-	-	951,180	-	951,180
Other Comprehensive Expenditure and Income - See Page 11	-	-	-	-	-	-	-	(85,316,513)	(85,316,513)
Total Comprehensive Expenditure and Income	(54,589,191)	-	55,540,371	-	-	-	951,180	(85,316,513)	(84,365,333)
Adjustments Between Accounting Basis and Funding Basis under Regulations - See Pages 40 - 43	45,212,035	-	(55,672,894)	(83,462)	3,857,906	(5,122,255)	(11,808,670)	11,808,670	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(9,377,156)	-	(132,523)	(83,462)	3,857,906	(5,122,255)	(10,857,490)	(73,507,843)	(84,365,333)
Transfers to / from Earmarked Reserves	7,747,012	(7,747,012)	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(1,630,144)	(7,747,012)	(132,523)	(83,462)	3,857,906	(5,122,255)	(10,857,490)	(73,507,843)	(84,365,333)
Balance at 31 March 2011	(19,710,065)	(54,247,738)	(3,514,092)	(2,227,674)	(13,935,206)	(17,860,008)	(111,494,783)	(447,420,229)	(558,915,012)

This Statement shows the movement in the year on the different Reserves held by the Authority, analysed into 'Usable reserves' (ie those that can be applied to fund Expenditure or reduce Local Taxation) and 'Other Reserves'. The '(Surplus) or Deficit on the Provision of Services' line shows the true economic cost of providing the Authority's services, more details of which are shown in Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund Balance and Housing Revenue Account for Council Tax setting and dwellings rent setting purposes. The 'Net (Increase) /Decrease before transfers to earmarked reserves' line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

MOVEMENT IN RESERVES STATEMENT 2009/2010

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£	£	£
Balance at 1 April 2009	(12,146,081)	(47,008,819)	(3,054,242)	(2,301,992)	(22,914,919)	(7,756,078)	(95,182,131)	(532,841,522)	(628,023,653)
(Surplus) or Deficit on Provision of Services (accounting basis) - See Page 10	33,801,147	-	(1,484,155)	-	-	-	32,316,992	-	32,316,992
Other Comprehensive Expenditure and Income - See Page 11	-	-	-	-	-	-	-	121,156,982	121,156,982
Total Comprehensive Expenditure and Income	33,801,147	-	(1,484,155)	-	-	-	32,316,992	121,156,982	153,473,974
Adjustments Between Accounting Basis and Funding Basis under Regulations - See Pages 44 - 47	(39,226,894)	-	1,156,828	157,780	5,121,807	(4,981,675)	(37,772,154)	37,772,154	-
Net (Increase) / Decrease before Transfers to Earmarked Reserves	(5,425,747)	-	(327,327)	157,780	5,121,807	(4,981,675)	(5,455,162)	158,929,136	153,473,974
Transfers to / from Earmarked Reserves	(508,093)	508,093	-	-	-	-	-	-	-
(Increase) / Decrease in Year	(5,933,840)	508,093	(327,327)	157,780	5,121,807	(4,981,675)	(5,455,162)	158,929,136	153,473,974
Balance at 31 March 2010	(18,079,921)	(46,500,726)	(3,381,569)	(2,144,212)	(17,793,112)	(12,737,753)	(100,637,293)	(373,912,386)	(474,549,679)

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2010/2011

This Statement shows the Accounting Cost in the year of providing Services in accordance with generally accepted accounting practices, rather than the amount to be funded from Taxation. Authorities raise Taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The Taxation position is shown in the Movement in Reserves Statement.

	Expenditure	Income	Net Expenditure	Net Expenditure Restated 2009/2010
	2010/2011	2010/2011	2010/2011	2009/2010
	£	£	£	£
Service :-				
Central Services to the Public	20,318,253	17,729,759	2,588,494	3,190,835
Court Services	756,135	470,878	285,257	289,877
Cultural, Environmental and Planning	60,297,250	21,558,342	38,738,908	57,288,796
Childrens and Education	162,351,875	120,146,283	42,205,592	48,135,890
Highways, Roads and Transport	21,719,929	11,007,049	10,712,880	13,414,369
Local Authority Housing (HRA)	16,192,098	18,747,700	(2,555,602)	(1,586,713)
Exceptional Cost of HRA Impairment	62,009,488	-	62,009,488	-
Other Housing Services	106,974,932	92,800,975	14,173,957	5,673,883
Adult Social Care	74,254,815	15,396,550	58,858,265	51,365,240
Corporate and Democratic Core	5,165,785	84,649	5,081,136	5,581,888
Non-Distributed Costs	-	-	-	216,586
Exceptional Cost of Pensions Adjustment	(65,449,000)	-	(65,449,000)	-
COST OF SERVICES	464,591,560	297,942,185	166,649,375	183,570,651
Other Operating Expenditure :-				
Loss on disposal and decommissioning of fixed assets			536,006	1,110,657
(Gain) or Loss on Investments Sold			-	-
Investment Properties			85,000	-
Other Capital Income			(770,766)	(41,193)
Levies			241,080	233,442
Contribution of housing capital receipts to Government Pool			323,143	125,132
			414,463	1,428,038
Financing and Investment Income and Expenditure :-				
Interest payable and similar charges			3,176,649	2,946,064
Pensions Interest Cost and Expected Return on Pensions Assets			13,711,000	12,243,000
Interest and Investment Income			(1,660,377)	(3,662,110)
			15,227,272	11,526,954
Taxation and Non-Specific Income :-				
Income from Council Tax			(81,646,681)	(78,683,450)
Revenue Support Grant			(6,976,956)	(10,168,875)
Local Authority Business Growth Incentive Grant			-	(186,200)
Area Based Grant			(16,576,977)	(8,228,179)
Non Domestic Rates redistribution			(48,047,585)	(44,056,789)
PFI Support Grant			(1,254,181)	(1,254,181)
Capital Grants and Contributions			(26,837,550)	(21,630,977)
			(181,339,930)	(164,208,651)
Surplus or Deficit on Provision of Services			951,180	32,316,992

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT 2010/2011

	Net Expenditure 2010/2011 £	Net Expenditure Restated 2009/2010 £
Surplus or Deficit on Provision of Services Brought Forward	951,180	32,316,992
Surplus / Deficit on Revaluation of Fixed Assets	(3,289,321)	(19,703,925)
Actuarial gains / losses on Pensions Assets / Liabilities	(82,027,192)	140,860,907
Other Comprehensive Income and Expenditure	(85,316,513)	121,156,982
Total Comprehensive Income and Expenditure	(84,365,333)	153,473,974

BALANCE SHEET

	Note	Balance at 31 March 2011 £	Balance at 31 March 2010 Restated £	Balance at 1 April 2009 Restated £
Long Term Assets				
Property Plant and Equipment				
	10			
- Council Dwellings		199,794,844	260,240,002	258,571,132
- Other Land and Buildings		471,677,662	465,069,656	471,762,084
- Vehicles Plant and Equipment		7,169,554	8,234,795	8,605,044
- Infrastructure		70,134,973	69,024,269	63,578,839
- Community Assets		2,784,912	3,050,806	3,861,035
- Assets under Construction		3,613,887	219,096	1,607,412
Investment Property	11	250,000	335,000	310,000
Intangible Assets	12	738,737	812,951	900,185
Long Term Debtors		2,614,672	2,323,481	2,126,300
Total Long Term Assets		758,779,241	809,310,056	811,322,031
Current Assets :-				
Short Term Investments		60,266,025	53,428,536	56,681,379
Inventories	14	902,444	874,370	986,676
Short Term Debtors	15	27,622,409	30,904,845	33,343,252
Cash and Cash Equivalents	16	2,215,230	6,972,868	(2,603,656)
Assets held for Sale	17	-	-	4,800,000
Total Current Assets		91,006,108	92,180,619	93,207,651
Current Liabilities :-				
Short Term Borrowing		(705,273)	(808,501)	(6,494,529)
Short Term Creditors	18	(34,007,574)	(33,799,641)	(33,035,890)
Provisions	19	(13,126,279)	(17,719,843)	(14,013,818)
Total Current Liabilities		(47,839,126)	(52,327,985)	(53,544,237)
Long Term Liabilities :-				
Long Term Borrowing :-				
Long Term Borrowing		(24,500,000)	(24,500,000)	(24,500,000)
PFI Capital Obligation		(11,597,884)	(11,844,481)	(12,073,587)
Other Long Term Liabilities :-				
Pensions Liability	40	(203,183,263)	(332,740,388)	(182,037,810)
Capital Grants Receipts in Advance	32	(3,750,065)	(5,528,142)	(4,350,395)
Total Long Term Liabilities		(243,031,212)	(374,613,011)	(222,961,792)
Net Assets Total		558,915,011	474,549,679	628,023,653

BALANCE SHEET - contd

	Note	Balance at 31 March 2011 £	Balance at 31 March 2010 Restated £	Balance at 1 April 2009 Restated £
Reserves :-				
Usable Reserves :-				
	20			
General Fund		(19,710,065)	(18,079,921)	(12,146,081)
Housing Revenue Account		(3,514,092)	(3,381,569)	(3,054,242)
Housing - Major Repairs Reserve		(2,227,674)	(2,144,212)	(2,301,992)
Earmarked Reserves		(54,247,738)	(46,500,726)	(47,008,819)
Usable Capital Receipts Reserve		(13,935,206)	(17,793,112)	(22,914,919)
Capital Grants Unused Reserve		(17,860,008)	(12,737,753)	(7,756,078)
Total Usable Reserves		(111,494,783)	(100,637,293)	(95,182,131)
Unusable Reserves :-				
	21			
Revaluation Reserve		(67,123,678)	(64,132,749)	(50,371,994)
Capital Adjustment Account		(591,726,152)	(648,611,301)	(670,449,682)
Deferred Capital Receipts		(503,723)	(537,305)	(569,924)
Financial Instrument Adjustment Account		615,695	624,469	728,952
Pensions Reserve		203,183,263	332,740,388	182,037,810
Unequal Pay Back Pay Account		6,000,000	3,000,000	3,000,000
Accumulated Absences Reserve		3,818,907	4,436,539	3,617,864
Collection Fund Adjustment Account		(1,684,540)	(1,432,427)	(834,548)
Total Unusable Reserves		(447,420,228)	(373,912,386)	(532,841,522)
Total Reserves		(558,915,011)	(474,549,679)	(628,023,653)

CASH FLOW STATEMENT

	Note	2010/2011 £	2009/2010 Restated £
Net Surplus or Deficit on the provision of services		951,180	32,316,992
Adjust net Surplus or Deficit on the Provision of Services for Non Cash Movements		(36,990,508)	(84,421,432)
Adjust for Items included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		27,796,144	29,660,881
Net Cash Flows from Operating Activities	22	<u>(8,243,184)</u>	<u>(22,443,559)</u>
Investing Activities	23	14,191,687	4,080,787
Financing Activities	24	(1,190,865)	8,786,248
Net Increase or Decrease in Cash and Cash Equivalents		<u>4,757,638</u>	<u>(9,576,524)</u>
Cash and Cash Equivalents at beginning of the reporting period		6,972,868	(2,603,656)
Cash and Cash Equivalents at end of the reporting period		2,215,230	6,972,868

1 Accounting Policies

i. - General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an Annual Statement of Accounts by the Accounts and Audit Regulations 2003, which require the Statement of Accounts to be prepared in accordance with proper accounting practices.

This year sees the first time adoption of IFRS for the presentation of this Statement of Accounts.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

ii. - Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

iii. - Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

1 Accounting Policies - Contd.**iv. - Exceptional Items**

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

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

vi. - Charges to Revenue for Non-Current Assets

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance of the revenue provision for borrowing, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

vii. - Employee Benefits**Benefits Payable During Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

1 Accounting Policies - Contd.**vii. - Employee Benefits - Contd****Benefits Payable During Employment - Contd**

An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits

Employees of the Authority are members of two separate pension schemes: -

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

The Local Government Pensions Scheme, administered by Dorset County Council.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in the year.

1 Accounting Policies - Contd.**vii. - Employee Benefits - Contd****THE LOCAL GOVERNMENT PENSION SCHEME**

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

- The liabilities of the Dorset County Council pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality corporate bonds.

- The assets of Dorset County Council pension fund attributable to the Authority are included in the Balance Sheet at their fair value:-

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value.

The change in the net pensions liability is analysed into seven components: -

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve

- contributions paid to the Dorset County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense. In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

1 Accounting Policies - Contd.**vii. - Employee Benefits - Contd****THE LOCAL GOVERNMENT PENSION SCHEME Contd**

In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

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

Discretionary Benefits

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

viii. - Events After the Balance Sheet Date

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

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

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

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

ix. - Financial Instruments**Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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

1 Accounting Policies - Contd.**ix. - Financial Instruments - Contd****Financial Liabilities - Contd**

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid.

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types :-

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

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

The Council has made a number of loans at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

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.

1 Accounting Policies - Contd.**ix. - Financial Instruments - Contd****Loans and Receivables - Contd**

The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

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

Available-for-Sale Assets

The Council does not currently have any available-for-sale assets

x. - Government Grants and Contributions

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

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

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

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ring fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

1 Accounting Policies - Contd.**xi. - Intangible Assets**

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xii. - Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value, care is taken to write out obsolescent stock.

Work in progress on uncompleted works is valued at the lower of cost (including an allocation of overheads) or net realisable value.

xiii. - Investment Property

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

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

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

1 Accounting Policies - Contd.**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 or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

The Authority as Lessee**Finance Leases**

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

Lease payments are apportioned between :-

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- a finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

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

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising 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.

Operating Leases

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

1 Accounting Policies - Contd.**xiv. Leases - Contd****The Authority as Lessor****Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal) ,matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between :-

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

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement.

When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

xv. - Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of :-

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

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

1 Accounting Policies - Contd.**xvi. - Property, Plant and Equipment**

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising :-

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

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

The cost of assets acquired other than by purchase is deemed to be its fair value.

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 (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

1 Accounting Policies - Contd.**xvi. - Property, Plant and Equipment - Contd****Measurement - Contd**

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases :-

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer.
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the item as advised by a suitably qualified officer.

1 Accounting Policies - Contd.**xvi. - Property, Plant and Equipment - Contd****Depreciation - Contd**

- infrastructure – straight-line allocation over 20 or 25 years.

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

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

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

1 Accounting Policies - Contd.**xvii. - Private Finance Initiative (PFI) and Similar Contracts**

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for a minimal or no additional charge, the Council carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

The original recognition of these assets at fair value (based on the cost to purchase the property, plant and equipment) was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into four elements :-

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- finance cost – an interest charge is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

xviii. - Provisions, Contingent Liabilities and Contingent Assets**Provisions**

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

1 Accounting Policies - Contd.**xviii. - Provisions, Contingent Liabilities and Contingent Assets - Contd****Provision for Back Pay Arising from Unequal Pay Claims**

The Authority has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred before the Authority implemented its equal pay strategy. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified.

The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

Landfill Allowance Schemes

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used, a liability and an expense are recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Contingent Liabilities

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

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

Contingent Assets

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

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

1

Accounting Policies - Contd.**xix. - Reserves**

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

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

xx. - Revenue Expenditure Funded from Capital under Statute

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

xxi. - VAT

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

2 Adjustments to Amounts Previously Presented

The Statement of Accounts for 2010/2011 is the first to be prepared on an IFRS basis. Adoption of the IFRS Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the Financial Statements are different from the equivalent figures presented in the Statement of Accounts for 2009/2010.

The following tables explain the differences between the amounts presented in the 2009/2010 Financial Statements and the equivalent amounts presented in the 2010/2011 Financial Statements.

DEFERRED CREDITS

This figure represents Government Grant that has been received in connection with the Library PFI in advance of when amounts are due to be paid to the provider. The amount was to be written back to revenue when the grant level in the year falls below the payment required.

Under the new accounting requirements this grant, for which there are no outstanding conditions, should have been recognised in the Comprehensive Income and Expenditure Account. It would not be prudent to leave this amount in the General Fund Balance as generally available as it is required for a specific future commitment.

For that reason the equivalent amount has been transferred to an Earmarked Reserve where it will remain until it is required to fund future PFI payments and has resulted in the following changes being made to the 2009/2010 Financial Statements.

	2009/2010 Statements £	Adjustments Made £
Opening 1 April 2009 Balance Sheet :-		
Deferred Credits	(1,479,000)	1,479,000
Earmarked Reserves	(39,836,948)	(1,479,000)
31 March 2010 Balance Sheet :-		
Deferred Credits	(1,479,000)	1,479,000
Earmarked Reserves	(39,837,618)	(1,479,000)

SHORT TERM ACCUMULATING COMPENSATED ABSENCES

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

Employees build up an entitlement to paid holiday as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

2 Adjustments to Amounts Previously Presented - Contd**SHORT TERM ACCUMULATING COMPENSATED ABSENCES - Contd**

Accruing for short term accumulating compensated absences has resulted in the following changes to be made to the 2009/2010 Financial Statements.

	2009/2010 Statements £	Adjustments Made £
Opening 1 April 2009 Balance Sheet :-		
Provisions	(10,395,954)	(3,617,864)
Accumulated Absences Reserve	-	3,617,864
31 March 2010 Balance Sheet :-		
Provisions	(13,283,304)	(4,436,540)
Accumulated Absences Reserve	-	4,436,540
2009/2010 Comprehensive Income and Expenditure Statement :-		
Cost of Services (Net)		
Central Services to the Public	3,178,667	4,391
Court Services	289,404	171
Cultural, Environmental and Planning	56,302,403	1,147
Childrens and Education	42,958,488	809,456
Highways, Roads and Transport	13,009,177	(158)
Local Authority Housing (HRA)	(1,609,179)	(1,837)
Other Housing Services	3,478,640	28,590
Adult Social Care	50,761,629	(30,209)
Corporate and Democratic Core	5,572,545	7,125
Non-Distributed Costs	216,586	-
COST OF SERVICES	174,158,360	818,676

CAPITAL GRANTS AND CONTRIBUTIONS - DEFERRED

Under the code, grants and contributions for capital schemes are recognised as income as they become receivable. Previously, grants were held in a Grants Deferred Account and recognised as income over the life of the asset which they were used to fund.

As a consequence of adopting the accounting policy required by the code, the Financial Statements have been amended as follows.

The balance on the Capital Grants and Contributions Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account.

The amounts of the Capital Grants and Contributions that were amortised in the Income and Expenditure Account in 2009/2010 have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

2 Adjustments to Amounts Previously Presented - Contd**CAPITAL GRANTS AND CONTRIBUTIONS - DEFERRED - Contd**

	2009/2010 Statements £	Adjustments Made £
Opening 1 April 2009 Balance Sheet :-		
Capital Grants & Contributions Deferred	(54,736,924)	54,736,924
Capital Adjustment Account	(615,712,758)	(54,736,924)
31 March 2010 Balance Sheet :-		
Capital Grants & Contributions Deferred	(63,301,371)	63,301,371
Capital Adjustment Account	(585,309,930)	(63,301,371)
2009/2010 Comprehensive Income and Expenditure Statement :-		
Cost of Services (Net)		
Central Services to the Public	3,178,667	7,777
Court Services	289,404	302
Cultural, Environmental and Planning	56,302,403	911,730
Childrens and Education	42,958,488	829,450
Highways, Roads and Transport	13,009,177	405,350
Local Authority Housing (HRA)	(1,609,179)	24,303
Other Housing Services	3,478,640	39,686
Adult Social Care	50,761,629	34,354
Corporate and Democratic Core	5,572,545	2,218
Non-Distributed Costs	216,586	-
COST OF SERVICES	174,158,360	2,255,170

The corresponding credit that used to appear in the Statement of Movement of General Fund Balance has also been removed from the comparatives, leaving an overall nil impact on the General Fund Balance.

UNAPPLIED CAPITAL GRANTS AND CONTRIBUTIONS

Under the code, grants and contributions for capital schemes are recognised as income as they become receivable. Previously, grants were initially held in an Unapplied Capital Grants and Contributions Account prior to being used to finance Capital Schemes.

The accounting policy required by the code requires for the grant to be recognised in the Comprehensive Income and Expenditure Account at the point that the conditions applying to the grant have been met. If the Capital Expenditure to be funded by the grant has not been incurred at the year end the amount credited to the Comprehensive Income and Expenditure Account is appropriated to a Capital Grants Unused Account where it can be used to finance the expenditure when it is incurred.

The amounts of the Capital Grants and Contributions that were credited to service in the Income and Expenditure Account in 2009/2010 for REFCUS finance have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures. Capital Grants are no longer credited to service but are shown under a new heading in Taxation and Non Specific Income.

2 Adjustments to Amounts Previously Presented - Contd**UNAPPLIED CAPITAL GRANTS AND CONTRIBUTIONS - Contd**

	2009/2010 Statements £	Adjustments Made £
Opening 1 April 2009 Balance Sheet :-		
Capital Grants Receipts in Advance	(12,106,473)	(7,756,078)
Capital Grants Unused Reserve	-	(7,756,078)
31 March 2010 Balance Sheet :-		
Capital Grants Receipts in Advance	(18,265,894)	12,737,752
Capital Grants Unused Reserve	-	(12,737,752)
2009/2010 Comprehensive Income and Expenditure Statement :-		
Cost of Services (Net)		
Central Services to the Public	3,178,667	
Court Services	289,404	
Cultural, Environmental and Planning	56,302,403	222,378
Childrens and Education	42,958,488	3,310,942
Highways, Roads and Transport	13,009,177	
Local Authority Housing (HRA)	(1,609,179)	
Other Housing Services	3,478,640	1,576,364
Adult Social Care	50,761,629	720,000
Corporate and Democratic Core	5,572,545	
Non-Distributed Costs	216,586	
COST OF SERVICES	174,158,360	5,829,684

The corresponding credit that used to appear in the Statement of Movement of General Fund Balance has also been removed from the comparatives, leaving an overall nil impact on the General Fund Balance.

UNSPENT REVENUE GRANTS AND CONTRIBUTIONS

Under the code, grants and contributions for revenue expenditure are recognised as income as they become receivable. Previously, unspent grants were carried forward as Receipts in Advance to match the expenditure when it was incurred.

The accounting policy required by the code requires for the grant to be recognised in the Comprehensive Income and Expenditure Account at the point that the conditions applying to the grant have been met. If the Revenue Expenditure to be funded by the grant has not been incurred at the year end an amount equivalent to the unspent balance is appropriated to a Revenue Grants Unspent Account it is then appropriated back to revenue when the expenditure is incurred.

2 Adjustments to Amounts Previously Presented - Contd**UNSPENT REVENUE GRANTS AND CONTRIBUTIONS - Contd**

	2009/2010 Statements £	Adjustments Made £
Opening 1 April 2009 Balance Sheet :-		
Short Term Creditors	(38,728,760)	5,692,869
Earmarked Reserves	(39,836,948)	(5,692,869)
31 March 2010 Balance Sheet :-		
Short Term Creditors	(38,983,749)	5,184,108
Earmarked Reserves	(39,837,618)	(5,184,108)
2009/2010 Comprehensive Income and Expenditure Statement :-		
Cost of Services (Net)		
Central Services to the Public	3,178,667	
Court Services	289,404	
Cultural, Environmental and Planning	56,302,403	(148,862)
Childrens and Education	42,958,488	227,554
Highways, Roads and Transport	13,009,177	
Local Authority Housing (HRA)	(1,609,179)	
Other Housing Services	3,478,640	550,603
Adult Social Care	50,761,629	(120,534)
Corporate and Democratic Core	5,572,545	
Non-Distributed Costs	216,586	
COST OF SERVICES	174,158,360	508,761

The corresponding credit to offset this, appropriation from Earmarked Reserves, has been amended, leaving an overall nil impact on the General Fund Balance Carried Forward.

TOTAL IMPACT ON 2009/2010 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

As can be seen above there are a number of changes to the Cost of Services as shown last year. This statement below shows the original Service analysis as published last year, the sum of the changes and the Revised Comparatives as they now show in the Comprehensive Income and Expenditure Statement.

2 Adjustments to Amounts Previously Presented - Contd**TOTAL IMPACT ON 2009/2010 COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT - Contd**

	2009/2010 Statements	Total Adjustments Made	2009/2010 Restated Comparatives
	£	£	£
Cost of Services (Net)			
Central Services to the Public	3,178,667	12,168	3,190,835
Court Services	289,404	473	289,877
Cultural, Environmental and Planning	56,302,403	986,393	57,288,796
Childrens and Education	42,958,488	5,177,402	48,135,890
Highways, Roads and Transport	13,009,177	405,192	13,414,369
Local Authority Housing (HRA)	(1,609,179)	22,466	(1,586,713)
Other Housing Services	3,478,640	2,195,243	5,673,883
Adult Social Care	50,761,629	603,611	51,365,240
Corporate and Democratic Core	5,572,545	9,343	5,581,888
Non-Distributed Costs	216,586	-	216,586
COST OF SERVICES	174,158,360	9,412,291	183,570,651

3 Accounting Standards that have been Issued but have not been adopted

The adoption of FRS 30 "Heritage Assets" will mean that the Council will recognise Heritage Assets as a separate class of asset for the first time in the 2011/2012 Financial Statements.

An investigation has shown that the amount of Heritage Assets held by the Council is not material.

The change is not anticipated to materially impact on revaluation gains and losses or any impairment or depreciation charged in the accounts.

4 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, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

- The Council is a trustee of the BH Live Leisure Trust, a charitable organisation that operates the Conference Facilities and Leisure Centres previously operated directly by the Council. It has been determined that the Council does not have control of the Trust and it is not a subsidiary of the Authority.

4 Critical Judgements in applying Accounting Policies - Contd

- The Authority is deemed to control the services provided under the PFI agreement for the provision of a Central Library and associated IT and also to control the residual value of the Library at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the library recognised as Property, Plant and Equipment on the Council's Balance Sheet.

5 Assumptions made about the future and Other Major Sources of Estimation Uncertainty

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

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

Uncertainties	Effect if Actual Results Differ from Assumptions
Provisions	
The Council has made provision for the settlement of claims for back pay arising from the equal Pay Initiative based on the best estimate available from suitably qualified staff.	It is possible that the provision made will prove to be insufficient when all of the claims have been lodged. If an increase in the provision of 10% is required this would result in an additional charge of £600,000.
Pensions Liability	
Pensions Liability Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability. The Pension Scheme is under government review and there is a strong possibility this will result in a reduction in the cost of the scheme to the Council.
Pensions Assets	
Pensions Assets are estimated by a firm of consulting actuaries at each year end. This figure is at a point in time and subject to significant movement within the year subject to the vagaries of the market and world economic conditions - because of this the figure is very much an estimate and will vary considerable year on year.	Variations in the asset value will have a significant effect on the net liability shown in these accounts - however as these amounts are removed by accounting regulation there is no overall impact on the General Fund Balance.

Uncertainties
Effect if Actual Results Differ from Assumptions**Accrual of income and expenditure**

The Council has made provision, as part of the closedown process, for the inclusion of income and expenditure where the service or supply was received in 2010/2011 but where actual payment will be made in 2011/2012. This is to ensure compliance with Accounting Policy ii.

Provision for Bad Debts

The Council has made provision, as part of the closedown process, for the potential non payment of outstanding debtor accounts. A provision is held for each type of debt account and appropriate level of provision for 2010/2011 has been calculated based on the age debtor profile. Additional provision is calculated by staff based on a detailed knowledge of debt risk and recovery action. This is to ensure

The current bad debt provision of £11.7m represents cover of 52% of the outstanding debt. It is based on best available information and the professional view of experienced staff. The individual debt transactions are small and the current level of bad debt provision is considered both realistic and prudent. The effect of a change in assumptions is not likely to be material.

Valuation of Assets

Assets are valued in line with Accounting Policy xvi. Asset values are provided by qualified valuation staff operating under RICS professional guidance.

The current value in the balance sheet is £758.8m the impact of errors on the valuation assumptions would flow through the balance sheet and would have no direct impact on the revenue account. Based on the experience of Council staff and the guidance under which they operate it is not anticipated that any variances will materially affect the accounts.

Calculation of Depreciation

Depreciation is provided for all property, plant and equipment assets by a systematic allocation of their depreciable amounts over their useful lives. Depreciation values are provided by qualified valuation staff operating under RICS professional guidance.

Impact of errors on the depreciation assumptions would flow through the balance sheet and would have no direct impact on the revenue account. Based on the experience of Council staff and the guidance under which they operate it is not anticipated that any variances will materially affect the accounts.

5 Assumptions made about the future and Other Major Sources of Estimation Uncertainty (contd)

Uncertainties	Effect if Actual Results Differ from Assumptions
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Support Services Reallocations

The costs of support services are charged to those areas of service in accordance with BVACOP. Total cost for each service area is allocated on an agreed basis that is appropriate for the service supply. This is to ensure compliance with Accounting Policy xv.

As these reallocations simply spread out costs over other service heads the impact of an error in the estimating assumptions would be limited to where the incidence of reported costs fell and the consequence for unit costs. It is not considered that this area represents a significant risk to the Council accounts.

6 Material Items of Income and Expense

During the year 2010/2011 a number of material and unusual charges have been made in the accounts these were :-

	2010/2011
	£
Amounts paid to Officers in settlement of previous years back pay relating to the job evaluation exercise - note this amount had been fully provided for in previous year's accounts	6,007,388
Impairment losses charged to HRA for change in valuation basis	62,009,488
Exceptional Cost of Pensions Adjustment	(65,449,000)

It should be noted that neither of the last two items impact directly on the General Fund Balance as Accounting Regulations are in place to allow their impact to be reversed in the Movement in Reserves Statement.

7 Events after the Balance Sheet Date

The Statement of Accounts was reauthorised for issue by Executive Director Business Improvement and Finance on 7 September 2011. Events taking place after this date are not reflected in the Financial Statements or Notes.

Where events take place before this date, provided the information is about conditions existing at 31 March 2011, the figures in the Financial Statements and Notes have been adjusted in all material respects to reflect the impact of this information.

There are no known events that have not been adjusted for which took place after 31 March 2011.

8 Adjustments between Accounting Basis and Funding Basis under Regulation

The tables shown on page 40 to page 47 detail the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£	£	£
Adjustments Primarily Involving the Capital Adjustment Account :-									
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement :-									
Depreciation and Impairment of Non-Current Assets	(14,152,343)	-	(62,009,488)	-	-	-	(76,161,831)	76,161,831	-
Revaluation Losses on Property Plant and Equipment	(6,303,489)	-	-	-	-	-	(6,303,489)	6,303,489	-
Movement in the Market Value of Investment Property	(85,000)	-	-	-	-	-	(85,000)	85,000	-
Amortisation of Intangible Assets	(157,232)	-	-	-	-	-	(157,232)	157,232	-
Capital Grants and Contributions Applied	7,851,238	-	1,853,167	-	-	-	9,704,405	(9,704,405)	-
Revenue Expenditure Funded from Capital under Statute	(9,119,003)	-	-	-	-	-	(9,119,003)	9,119,003	-
Grant Finance of Revenue Expenditure Funded from Capital	4,500,079	-	-	-	-	-	4,500,079	(4,500,079)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(1,196,527)	-	(170,682)	-	-	-	(1,367,209)	1,367,209	-
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement :-									
Statutory Provision for the Financing of Capital Investment	4,152,232	-	-	-	-	-	4,152,232	(4,152,232)	-
Capital Expenditure charged against General Fund and HRA Balances	2,686,699	-	2,285,385	-	-	-	4,972,084	(4,972,084)	-
Sub Total Carried to Page 41	(11,823,346)	-	(58,041,618)	-	-	-	(69,864,964)	69,864,964	-

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£	£	£
Sub Total Bfwd from Page 40	(11,823,346)	-	(58,041,618)	-	-	-	(69,864,964)	69,864,964	-
Adjustments Primarily Involving the Capital Grants Unapplied Account :-									
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	12,095,413	-	537,652	-	-	(12,633,065)	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	-	7,510,810	7,510,810	(7,510,810)	-
Adjustments Primarily Involving the Capital Receipts Reserve :-									
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	525,594	-	433,000	-	(958,594)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	758,769	-	11,997	-	(770,766)	-	-	-	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	-	5,304,311	-	5,304,311	(5,304,311)	-
Contribution from Capital Receipts Reserve towards administrative costs of Non-Current Asset disposal	-	-	(2,063)	-	2,063	-	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(323,143)	-	-	-	323,143	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	(33,582)	-	(33,582)	33,582	-
Repayment Deferred Debtors financed from Capital	-	-	-	-	(8,669)	-	(8,669)	8,669	-
Sub Total Carried to Page 42	1,233,287	-	(57,061,032)	-	3,857,906	(5,122,255)	(57,092,094)	57,092,094	-

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£	£	£
Sub Total Bfwd from Page 41	1,233,287	-	(57,061,032)	-	3,857,906	(5,122,255)	(57,092,094)	57,092,094	-
Adjustments Primarily Involving the Major Repairs Reserve :-									
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	-	(3,700,778)	-	-	(3,700,778)	3,700,778	-
Excess Depreciation Charged to HRA	-	-	(41,566)	41,566	-	-	-	-	-
Use of major Repairs Reserve to finance new Capital Expenditure	-	-	-	3,575,750	-	-	3,575,750	(3,575,750)	-
Adjustments Primarily involving the Financial Instrument Adjustment Account :-									
Amount by which Finance Costs charged to the Comprehensive Income and Expenditure Statement are different from the Finance Costs chargeable in the year in accordance with the Statutory Requirements	9,800	-	(1,026)	-	-	-	8,774	(8,774)	-
Adjustments Primarily involving the Pensions Reserve :-									
Reversal of items relating to retirement Benefits debited or credited to the Comprehensive Income and expenditure Statement	31,052,668	-	1,005,332	-	-	-	32,058,000	(32,058,000)	-
Employer's Pensions Contributions and Direct payments to Pensioners payable in the year	15,053,155	-	418,778	-	-	-	15,471,933	(15,471,933)	-
Adjustments Primarily involving the Collection Fund Adjustment Account :-									
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax Income calculated for the year in accordance with Statutory Requirements	252,113	-	-	-	-	-	252,113	(252,113)	-
Sub Total Carried to Page 43	47,601,023	-	(55,679,514)	(83,462)	3,857,906	(5,122,255)	(9,426,302)	9,426,302	-

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£	£	£
Sub Total Bfwd from Page 42	47,601,023	-	(55,679,514)	(83,462)	3,857,906	(5,122,255)	(9,426,302)	9,426,302	-
Adjustments Primarily Involving the Unequal Pay Back Pay Account :-									
Amounts by which amounts charged for Equal Pay Claims to the Comprehensive Income and Expenditure Statement are different from the Costs of Settlements chargeable in the year in accordance with Statutory Requirements	(3,000,000)	-	-	-	-	-	(3,000,000)	3,000,000	-
Adjustments Primarily Involving the Accumulated Absences Account :-									
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration Chargeable in the year in accordance with Statutory Requirements	611,012	-	6,620	-	-	-	617,632	(617,632)	-
Grand Total of Adjustments carried to Page 8	<u>45,212,035</u>	<u>-</u>	<u>(55,672,894)</u>	<u>(83,462)</u>	<u>3,857,906</u>	<u>(5,122,255)</u>	<u>(11,808,670)</u>	<u>11,808,670</u>	<u>-</u>

Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2009/2010

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£	£	£
Adjustments Primarily Involving the Capital Adjustment Account :-									
Reversal of Items debited or credited to the Comprehensive Income and Expenditure Statement :-									
Depreciation and Impairment of Non-Current Assets	(48,375,657)	-	(1,224,755)	-	-	-	(49,600,412)	49,600,412	-
Amortisation of Intangible Assets	(145,969)	-	-	-	-	-	(145,969)	145,969	-
Capital Grants and Contributions Applied	8,067,895	-	112,226	-	-	-	8,180,121	(8,180,121)	-
Revenue Expenditure Funded from Capital under Statute	(8,401,390)	-	-	-	-	-	(8,401,390)	8,401,390	-
Grant Finance of Revenue Expenditure Funded from Capital	4,557,126	-	-	-	-	-	4,557,126	(4,557,126)	-
Amounts of Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	(8,890,840)	-	(60,280)	-	-	-	(8,951,120)	8,951,120	-
Insertion of Items not debited or credited to the Comprehensive Income and Expenditure Statement :-									
Statutory Provision for the Financing of Capital Investment	3,681,186	-	-	-	-	-	3,681,186	(3,681,186)	-
Capital Expenditure charged against General Fund and HRA Balances	3,572,492	-	2,201,185	-	-	-	5,773,677	(5,773,677)	-
Sub Total Carried to Page 45	(45,935,157)	-	1,028,376	-	-	-	(44,906,781)	44,906,781	-

Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2009/2010 - Contd.

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£	£	£
Sub Total Bfwd from Page 44	(45,935,157)	-	1,028,376	-	-	-	(44,906,781)	44,906,781	-
Adjustments Primarily Involving the Capital Grants Unapplied Account :-									
Capital Grants and Contributions Unapplied credited to the Comprehensive Income and Expenditure Statement	8,523,333	-	370,398	-	-	(8,893,731)	-	-	-
Application of Grants to Capital Financing transferred to the Capital Adjustment Account	-	-	-	-	-	3,912,056	3,912,056	(3,912,056)	-
Adjustments Primarily Involving the Capital Receipts Reserve :-									
Transfer of Cash Sale Proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	7,914,904	-	115,000	-	(8,029,904)	-	-	-	-
Other Capital Income credited to the Comprehensive Income and Expenditure Statement	-	-	41,193	-	(41,193)	-	-	-	-
Use of Capital Receipts Reserve to finance new Capital Expenditure	-	-	-	-	13,189,810	-	13,189,810	(13,189,810)	-
Contribution from Capital Receipts Reserve towards administrative costs of Non-Current Asset disposal	-	-	(411)	-	411	-	-	-	-
Contribution from Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(125,132)	-	-	-	125,132	-	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	-	-	(32,618)	-	(32,618)	32,618	-
Repayment Deferred Debtors financed from Capital	-	-	-	-	(89,831)	-	(89,831)	89,831	-
Sub Total Carried to Page 46	(29,622,052)	-	1,554,556	-	5,121,807	(4,981,675)	(27,927,364)	27,927,364	-

Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2009/2010 - Contd.

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£	£	£
Sub Total Bfwd from Page 45	(29,622,052)	-	1,554,556	-	5,121,807	(4,981,675)	(27,927,364)	27,927,364	-
Adjustments Primarily Involving the Major Repairs Reserve :-									
Transfer of HRA Depreciation to Major Repairs Reserve	-	-	-	(3,620,442)	-	-	(3,620,442)	3,620,442	-
Excess Depreciation Charged to HRA	-	-	(44,585)	44,585	-	-	-	-	-
Use of major Repairs Reserve to finance new Capital Expenditure	-	-	-	3,733,637	-	-	3,733,637	(3,733,637)	-
Adjustments Primarily involving the Financial Instrument Adjustment Account :-									
Amount by which Finance Costs charged to the Comprehensive Income and Expenditure Statement are different from the Finance Costs chargeable in the year in accordance with the Statutory Requirements	105,508	-	(1,026)	-	-	-	104,482	(104,482)	-
Adjustments Primarily involving the Pensions Reserve :-									
Reversal of items relating to retirement Benefits debited or credited to the Comprehensive Income and Expenditure Statement	(24,415,759)	-	(770,828)	-	-	-	(25,186,587)	25,186,587	-
Employer's Pensions Contributions and Direct payments to Pensioners payable in the year	14,928,042	-	416,874	-	-	-	15,344,916	(15,344,916)	-
Adjustments Primarily involving the Collection Fund Adjustment Account :-									
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax Income calculated for the year in accordance with Statutory Requirements	597,879	-	-	-	-	-	597,879	(597,879)	-
Sub Total Carried to Page 47	(38,406,382)	-	1,154,991	157,780	5,121,807	(4,981,675)	(36,953,479)	36,953,479	-

Analysis of Adjustments Between Accounting Basis and Funding Basis under Regulations 2009/2010 - Contd.

	General Fund	Earmarked General Fund Reserves	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unused	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£	£	£	£	£	£	£	£	£
Sub Total Bfwd from Page 46	(38,406,382)	-	1,154,991	157,780	5,121,807	(4,981,675)	(36,953,479)	36,953,479	-
Adjustments Primarily Involving the Accumulated Absences Account :-									
Amount by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from Remuneration Chargeable in the year in accordance with Statutory Requirements	(820,512)	-	1,837	-	-	-	(818,675)	818,675	-
Grand Total of Adjustments carried to Page 9	<u>(39,226,894)</u>	<u>-</u>	<u>1,156,828</u>	<u>157,780</u>	<u>5,121,807</u>	<u>(4,981,675)</u>	<u>(37,772,154)</u>	<u>37,772,154</u>	<u>-</u>

9 Transfers to / from Earmarked Reserves

This note sets out the net amounts set aside into / drawn from Earmarked Reserves. This provides a mechanism to provide financing for future expenditure plans.

Note Schools' Balances are unspent delegated balances and are only available to be spent by Schools.

Movement on Earmarked Reserves for 2010/2011	Balance as at 31 March 2010	Net Movement in Year	Balance as at 31 March 2011 Restated
	£	£	£
Other Earmarked Reserves	20,580,726	5,587,971	26,168,697
Unspent Revenue Grants Reserves	6,663,108	872,159	7,535,267
Schools' Balances	3,785,641	638,481	4,424,122
Renewal Funds	579,630	170,026	749,656
Repairs and Improvements	415,861	245,639	661,500
Capital Fund	3,684,258	443,642	4,127,900
Insurance & Contingent Liabilities	12,191,249	58,097	12,249,346
	47,900,473	8,016,015	55,916,488
Borrow to Invest Scheme	(1,399,747)	(269,003)	(1,668,750)
Net Earmarked Reserves	46,500,726	7,747,012	54,247,738

Comparative Movement on Earmarked Reserves for 2009/2010	Balance as at 1 April 2009 Restated	Net Movement in Year	Balance as at 31 March 2010 Restated
	£	£	£
Other Earmarked Reserves	17,784,240	2,796,486	20,580,726
Unspent Revenue Grants Reserves	7,171,870	(508,762)	6,663,108
Schools' Balances	4,125,654	(340,013)	3,785,641
Renewal Funds	418,056	161,574	579,630
Repairs and Improvements	495,530	(79,669)	415,861
Capital Fund	2,580,220	1,104,038	3,684,258
Insurance & Contingent Liabilities	14,446,379	(2,255,130)	12,191,249
	47,021,949	878,524	47,900,473
Borrow to Invest Scheme	(13,130)	(1,386,617)	(1,399,747)
Net Earmarked Reserves	47,008,819	(508,093)	46,500,726

10 Property Plant and Equipment**MOVEMENT ON BALANCES**

For the full analysis of the movements on Balances refer to the Tables on Pages 49 and 50.

Property, Plant and Equipment

Movements in Balances 2010/2011	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	Total Operational Assets
	£	£	£	£	£	£	£	£
Cost or Valuation								
Brought Forward 1 April 2010	268,496,269	517,206,995	17,194,392	123,144,140	6,592,644	-	219,096	932,853,536
Additions	5,862,454	17,257,946	1,175,317	6,632,418	102,657	-	2,550,400	33,581,192
Revaluation Increase / Decrease recognised in Revaluation Reserve	-	(250,888)	-	-	-	-	450,000	199,112
Revaluation increase / Decrease recognised in Surplus / Deficit Provision of Services	-	(8,195,763)	-	-	-	-	-	(8,195,763)
Derecognition - Disposals	(170,682)	(549,376)	(12,200)	-	-	-	-	(732,258)
Derecognition - Other	-	(656,054)	(286,767)	(49,310)	-	-	-	(992,130)
Reclassification - within PPE	(394,611)	381,205	83,528	(64,285)	(400,448)	-	394,611	-
Balance Carried Forward 31 March 2011	273,793,430	525,194,065	18,154,270	129,662,963	6,294,853	-	3,614,107	956,713,689
Accumulated Depreciation and Impairment								
Brought Forward 1 April 2010	(8,256,267)	(52,137,339)	(8,959,597)	(54,119,871)	(3,541,838)	-	-	(127,014,912)
Depreciation for year	(3,700,778)	(6,086,261)	(2,286,999)	(5,457,429)	(321,653)	-	-	(17,853,120)
Depreciation Written out to Revaluation Reserve	-	3,122,483	-	-	-	-	-	3,122,483
Depreciation Written out to Surplus / Deficit on Provision of Services	-	1,892,273	-	-	-	-	-	1,892,273
Impairment Losses / Reversals recognised in the Revaluation Reserve	(32,274)	-	-	-	-	-	-	(32,274)
Impairment Losses / Reversals recognised in Surplus / Deficit on Provision of Services	(62,009,488)	-	-	-	-	-	-	(62,009,488)
Derecognition - Disposals	-	-	12,200	-	-	-	-	12,200
Derecognition - Other	-	45,991	249,680	49,310	-	-	-	344,979
Reclassification - within PPE	221	(353,550)	-	-	353,550	-	(221)	-
Balance Carried Forward 31 March 2011	(73,998,586)	(53,516,403)	(10,984,716)	(59,527,990)	(3,509,941)	-	(221)	(201,537,857)
Balance Sheet Amount 1 April 2010	260,240,002	465,069,656	8,234,795	69,024,269	3,050,806	-	219,096	805,838,624
Balance Sheet Amount 31 March 2011	199,794,844	471,677,662	7,169,554	70,134,973	2,784,912	-	3,613,886	755,175,832
Nature of Asset Holding 31 March 2011								
Owned	199,794,844	462,219,662	7,169,554	70,134,973	2,784,912	-	3,613,886	745,717,831
PFI	-	9,458,000	-	-	-	-	-	9,458,000
	199,794,844	471,677,662	7,169,554	70,134,973	2,784,912	-	3,613,886	755,175,831

Property, Plant and Equipment**Movements in Balances 2009/2010**

	Council Dwellings	Other Land and Buildings	Vehicles Plant and Equipment	Infrastructure	Community Assets	Surplus Assets	Assets under Construction	Total Operational Assets
	£	£	£	£	£	£	£	£
Cost or Valuation								
Brought Forward 1 April 2009	262,015,035	490,131,881	15,756,331	112,403,354	7,404,361	-	1,607,412	889,318,374
Additions	5,867,910	19,639,456	1,641,653	8,180,117	37,854	-	179,138	35,546,128
Revaluation Increase / Decrease recognised in Revaluation Reserve	494,466	12,045,864	-	-	(5,369)	-	-	12,534,961
Derecognition - Disposals	(60,280)	(2,888,461)	(55,000)	-	-	-	-	(3,003,741)
Derecognition - Other	-	(1,233,713)	(283,473)	-	-	-	-	(1,517,186)
Reclassification - within PPE	179,138	(463,032)	134,881	2,560,669	(844,202)	-	(1,567,454)	-
Reclassification - outside PPE	-	(25,000)	-	-	-	-	-	(25,000)
Balance Carried Forward 31 March 2010	268,496,269	517,206,995	17,194,392	123,144,140	6,592,644	-	219,096	932,853,536
Depreciation								
Brought Forward 1 April 2009	(3,443,903)	(18,369,798)	(7,151,287)	(48,824,515)	(3,543,326)	-	-	(81,332,829)
Depreciation for year	(3,620,442)	(6,657,663)	(2,100,126)	(5,279,643)	(411,240)	-	-	(18,069,114)
Depreciation Written out to Revaluation Reserve	32,834.00	7,130,762.00	-	-	5,369.00	-	-	7,168,965
Depreciation Written out to Surplus / Deficit on Provision of Services	3,411,069.00	4,218,727.00	-	-	-	-	-	7,629,796
Impairment Losses / Reversals recognised in Surplus / Deficit on Provision of Services	(4,635,825.00)	(38,140,941.00)	-	-	(4,771.00)	-	-	(42,781,537)
Derecognition - Disposals	-	-	55,000.00	-	-	-	-	55,000
Derecognition - Other	-	75,303.00	239,504.00	-	-	-	-	314,807
Reclassification - within PPE	-	(393,729.00)	(2,688.00)	(15,713.00)	412,130.00	-	-	-
Balance Carried Forward 31 March 2010	(8,256,267)	(52,137,339)	(8,959,597)	(54,119,871)	(3,541,838)	-	-	(127,014,912)
Balance Sheet Amount 1 April 2009	258,571,132	471,762,083	8,605,044	63,578,839	3,861,035	-	1,607,412	807,985,545
Balance Sheet Amount 31 March 2010	260,240,002	465,069,656	8,234,795	69,024,269	3,050,806	-	219,096	805,838,624
Nature of Asset Holding 31 March 2010								
Owned	260,240,002	455,425,656	8,234,795	69,024,269	3,050,806	-	219,096	796,194,624
PFI	-	9,644,000	-	-	-	-	-	9,644,000
	260,240,002	465,069,656	8,234,795	69,024,269	3,050,806	-	219,096	805,838,624

10 Property Plant and Equipment - Contd**DEPRECIATION**

The following have been used in the determination of Depreciation charges :-

Classification	Depreciation Method
Council Dwellings	Equates to Major Repairs Allowance
Other Buildings	Straight Line
Vehicles Plant and Equipment	Straight Line
Infrastructure	Straight Line
Community Assets	Straight Line
Assets under Construction	None
Investment Property	None
Surplus Assets	None

Following consultation with the Directorates the following lives have been applied for depreciation :-

Buildings	50 years
Highways Infrastructure	20 years
Coast Protection Infrastructure	25 years
Plant and Equipment	1 - 20 years
Vehicles	5 - 10 years

CAPITAL COMMITMENTS

Major commitments under Capital Contracts at 31 March were as follows :-

	2011	2010
	£	£
King's Park primary - extension & refurbishment phase 1	5,423,280	-
St Michael's Primary school - extension and remodelling	4,886,120	-
Pavilion Dance Centre - construction & fit out of centre & lift	2,659,380	2,280,380
Imax Acquisition	2,166,750	3,644,000
Muscliff primary - expansion	1,695,990	-
Christ the King Primary - refurbishment	896,500	-
Kinson Community Library & Information Centre	668,800	668,800
Crematorium - mercury abatement unit	654,000	-
NHS Campus Reprovision	-	4,266,190
Pelham's Park Leisure Centre	-	2,532,510
Slades Farm - park extension	-	882,000
Mallard Road - affordable housing	-	1,011,300
New Mortuary	-	2,464,930
	<u>19,050,820.00</u>	<u>17,750,110.00</u>

EFFECTS OF CHANGES IN ESTIMATES

In the year the Council made no material changes to its accounting estimates for Property, Plant and Equipment other than the factor applied to Council Dwellings which resulted in the exceptional item shown on the face of the Comprehensive Income and Expenditure Account.

10 Property Plant and Equipment - Contd**REVALUATIONS**

Other Land and Buildings and Investment properties are revalued on a five year rolling basis, the proportion of the total of these assets valued over the previous financial years is as follows. Where an asset reaches its revaluation date it is checked to see if there is any major work planned which would affect the valuation. If that is the case the revaluation is postponed until the work has been carried out. The valuations are carried out using the Authority's Property Services section who hold the Fellow of the Royal Institute of Chartered Surveyors (FRICS) qualification.

All HRA Council Dwellings are revalued each year.

Year of Valuation	Other Land and Buildings	
	Valuation	Depreciation
	£	£
Historic and Awaiting Completion of Major Works	903,285	103,209
2006/2007	2,516,016	563,670
2007/2008	67,440,904	4,353,490
2008/2009	107,959,481	5,187,185
2009/2010	278,587,033	42,533,489
2010/2011	67,787,346	775,360
	<u>525,194,065</u>	<u>53,516,403</u>

11 Investment Properties

The following table summarises the movement in the Fair Value of Investment Property :-

	2010/2011	2009/2010
	£	£
Brought Forward 1 April	335,000	310,000
Revaluations	(85,000)	-
Reclassification	-	25,000
Balance Carried Forward 31 March	<u>250,000</u>	<u>335,000</u>

12 Intangible Assets

The Council accounts for its Major Software purchases as Intangible Assets, to the extent that the software is not an integral part of a particular IT system when it would be accounted for as part of the Hardware Item of Property, Plant and Equipment.

All Software is given a finite life based on the period that the Software is expected to be of use to the Council. The Carrying Amount of Intangible Assets is amortised on a straight line basis.

The amortisation charge for year was charged to the service that used the licences either directly or indirectly through recharges.

12 Intangible Assets - Contd.

	Software Licences 2010/2011 £	Software Licences 2009/2010 £
Gross Carrying Amount		
Brought Forward 1 April	986,180	927,445
Additions	83,018	58,735
Balance Carried Forward 31 March	<u>1,069,198</u>	<u>986,180</u>
Amortisation		
Brought Forward 1 April	(173,229)	(27,260)
Depreciation for year	(157,232)	(145,969)
Balance Carried Forward 31 March	<u>(330,461)</u>	<u>(173,229)</u>
Net Balance Sheet Amount 1 April	<u>812,951</u>	<u>900,185</u>
Net Balance Sheet Amount 31 March	<u>738,737</u>	<u>812,951</u>

13 Financial Instruments**CATEGORIES OF FINANCIAL INSTRUMENTS :-**

	Balance as at 31 March 2011 £	Balance as at 31 March 2010 Restated £	Balance as at 1 April 2009 Restated £
Financial Assets :-			
Loans and Receivables :-			
Long Term Debtors	2,614,672	2,323,481	2,126,300
Short Term Investments	60,266,025	53,428,536	56,681,379
Short Term Debtors - See Note 15	14,887,073	12,268,112	15,023,342
Cash and Bank - See Note 16	2,215,230	6,972,868	(2,603,656)
Total Financial Assets	<u>79,983,000</u>	<u>74,992,997</u>	<u>71,227,365</u>
Financial Liabilities :-			
Borrowings :-			
Long Term Borrowing	(24,500,000)	(24,500,000)	(24,500,000)
Short Term Borrowing	(705,273)	(808,501)	(6,494,529)
Other :-			
Creditors - See Note 18	(22,947,908)	(19,135,871)	(17,935,449)
Total Financial Liabilities	<u>(48,153,181)</u>	<u>(44,444,372)</u>	<u>(48,929,978)</u>

13 Financial Instruments - Contd**GAINS AND LOSSES**

The gains and losses recognised in the Income and Expenditure Account in relation to Financial Instruments are made up as follows.

	Financial Liabilities Measured at Amortised Cost 2010/2011 £	Financial Assets Loans and Receivables 2010/2011 £	Total 2010/2011 £
Interest Expense for PFI Arrangement	1,152,479		1,152,479
Interest Expense for Financial Instruments	1,380,534		1,380,534
Charge to Service on issue of Soft Loans		75,638	75,638
Bad Debt Provisions		643,634	643,634
	2,533,013	719,272	3,252,285
Interest Income for Financial Instruments		(1,660,377)	(1,660,377)
Net (Gain) / Loss for 2010/2011	2,533,013	(941,105)	1,591,908
Net (Gain) / Loss for 2009/2010	2,534,106	(3,199,523)	(2,946,703)

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial Liabilities and Financial Assets represented by Borrowings, Long Term Debtors and Investments are carried in the Balance Sheet at amortised cost. Their Fair Value can be assessed by calculating the present value of the Cash Flows that will take place over the remaining term of the instruments.

- The Fair Value of the PWLB loans has been calculated at 31 March by reference to the "premature repayment" set of rates in force on that day.

- Where an Instrument will mature in the next 12 months, Carrying Amount is assumed to approximate Fair Value

- the Fair Value of Trade and Other Receivables is taken to be the invoiced or billed amount

Financial Liabilities :-	Balance as at 31 March 2011 £	Balance as at 31 March 2010 Restated £	Balance as at 1 April 2009 Restated £
PFI Obligation	(11,844,481)	(12,073,587)	(12,286,443)
Financial Instrument Liabilities	(48,153,181)	(44,444,372)	(48,929,978)
Total Carrying Amount	(59,997,662)	(56,517,959)	(61,216,421)
Fair Value	(64,972,167)	(60,927,279)	(67,038,301)

The fair value is greater than the carrying amount because the Council's portfolio of borrowing includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the loans.

13 Financial Instruments - Contd

Financial Assets	Balance as at 31 March 2011	Balance as at 31 March 2010 Restated	Balance as at 1 April 2009 Restated
	£	£	£
Carrying Amount	79,983,000	74,992,997	71,227,365
Fair Value	79,983,000	74,992,997	71,227,365

The fair value is shown as the same as the carrying value. This is because a number of the loans are at a variable interest rate which corresponds with the current market rate. The remainder fall within the "soft loan" category and have had their amortised value reassessed to the market rate at the balance sheet day and are thus also at fair value.

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

14 Inventories

These accounts are not operated using a Stores System. They represent unused amounts of various supplies and are valued at each year end and brought into account. Work in Progress represents work undertaken for third parties that has not yet been billed.

	Balance as at 31 March 2011	Balance as at 31 March 2010 Restated	Balance as at 1 April 2009 Restated
	£	£	£
Work in Progress	17,861	26,795	86,774
Consumable Stores	644,980	592,185	625,310
Stock held for Sale	239,603	255,390	274,592
	<u>902,444</u>	<u>874,370</u>	<u>986,676</u>

15 Debtors

	Balance as at 31 March 2011	Balance as at 31 March 2010 Restated	Balance as at 1 April 2009 Restated
	£	£	£
Non Financial Instruments			
Collection Fund Amounts :-			
Council Tax debtors	7,728,692	7,330,705	6,670,146
Bad Debts provision - Council Tax	(6,049,139)	(4,855,044)	(3,918,176)
Preceptors Balances	-	-	78,259
NNDR Balance	3,597,050	4,948,877	1,863,181
Total Collection Fund Amounts	5,276,603	7,424,538	4,693,410
Other Non Financial Instrument Amounts :-			
HM Revenue and Customs (VAT)	2,088,701	1,053,697	677,049
Payments in Advance	4,891,827	6,346,156	8,361,262
Government Debtors relating to Grants	478,205	3,812,342	4,588,189
Total Non Financial Instruments	12,735,336	18,636,733	18,319,910
Financial Instruments			
Government and Public Bodies	3,705,957	3,629,018	6,325,702
Rent Arrears	693,923	207,620	214,651
Other Goods and Services	14,638,837	11,960,888	11,615,731
Bad Debts provision - Impairment	(4,151,644)	(3,529,414)	(3,132,742)
Total Financial Instruments	14,887,073	12,268,112	15,023,342
Total Short Term Debtors per Balance Sheet	27,622,409	30,904,845	33,343,252

16 Cash and Cash Equivalents

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

	Balance as at 31 March 2011	Balance as at 31 March 2010 Restated	Balance as at 1 April 2009 Restated
	£	£	£
Cash and Bank Accounts in Credit	8,236,017	8,538,936	9,164,167
Authority's Main Bank Account	(8,920,787)	(9,566,068)	(11,767,823)
Short Term Deposits with Financial Institutions	2,900,000	8,000,000	-
Total Cash and Cash Equivalents	2,215,230	6,972,868	(2,603,656)

17 Assets held for Sale

Current Assets :-	2010/2011 £	2009/2010 £
Balance as at 1 April	-	4,800,000
Assets Sold	-	(4,800,000)
Balance as at 31 March	-	-

18 Creditors

	Balance as at 31 March 2011 £	Balance as at 31 March 2010 Restated £	Balance as at 1 April 2009 Restated £
Non Financial Instruments			
Collection Fund Amounts :-			
Council Tax Prepayments	(1,328,115)	(1,391,133)	(1,500,290)
Preceptors Balances	(254,683)	(65,820)	-
Total Collection Fund Amounts	(1,582,798)	(1,456,953)	(1,500,290)
Other Non Financial Instrument Amounts :-			
HM Revenue & Customs payroll deductions	(2,278,297)	(2,570,599)	(2,566,777)
Receipts in Advance	(7,198,571)	(10,279,729)	(11,033,374)
Government Creditors relating to Grants	-	(356,489)	-
Total Non Financial Instruments	(11,059,666)	(14,663,770)	(15,100,441)
Financial Instruments			
Government and Public Bodies	(3,161,214)	(3,468,510)	(5,550,274)
Other Creditors	(19,786,694)	(15,667,361)	(12,385,175)
Total Financial Instruments	(22,947,908)	(19,135,871)	(17,935,449)
Total Creditors per Balance Sheet	(34,007,574)	(33,799,641)	(33,035,890)

19 Provisions

Movement on Provisions for 2010/2011	Balance as at 31 March 2010 £	Net Movement in Year £	Balance as at 31 March 2011 £
Insurance Provisions	2,985,832	212,147	3,197,979
Equal Pay Back Pay Employee Claims	3,000,000	3,000,000	6,000,000
Equal Pay Back Pay Arrears	7,297,472	(7,188,079)	109,393
Accumulated Absences	4,436,539	(617,632)	3,818,907
	17,719,843	(4,593,564)	13,126,279

19

Provisions - Contd

Comparative Movement on Provisions for 2009/2010	Balance as at 1 April 2009	Net Movement in Year	Balance as at 31 March 2010
	£	£	£
Insurance Provisions	2,395,954	589,878	2,985,832
Equal Pay Back Pay Employee Claims	3,000,000	-	3,000,000
Equal Pay Back Pay Arrears	5,000,000	2,297,472	7,297,472
Accumulated Absences	3,617,864	818,675	4,436,539
	<u>14,013,818</u>	<u>3,706,025</u>	<u>17,719,843</u>

INSURANCE PROVISIONS

Since April 1992, the Council's insurance strategy has been primarily to be self insured, with claims falling within self insured limits being funded from the Insurance Fund. As an indication, the current insurance arrangements require the Insurance Fund to meet any Liability, Fidelity Guarantee, and Professional Indemnity claims under £38,500 and Material Damage claims under £25,000 except losses involving storm/wet perils where the excess is £50,000. To limit the exposure for each year, "stop-loss" cover is arranged annually and the current stop is at £1,100,000. The Fund is financed by contributions from all Business Units.

On 30 September 1992 the Council's insurers at the time, Municipal Mutual Insurance (MMI), ceased accepting new business. The Council has a number of outstanding claims with MMI and arrangements are in place to enable an orderly settlement of the sums due. The estimated value of claims submitted to MMI as at 31 March 2011 was £512,950.

EQUAL PAY BACK PAY EMPLOYEE CLAIMS

This is to provide for possible claims from employees for periods before the implementation of the Equal Pay Scheme. The provision was increased by £3m in 201/2011. It is not certain when this amount could become payable.

EQUAL PAY BACK PAY ARREARS

This is to provide for amounts that will be due to employees when the Equal Pay Scheme is implemented and the amounts due to employees for the delay in the implementation of the scheme become payable.

During 2010/2011 the majority of the arrears have been paid and charged against the provision - the remaining balance relates to a small number of staff who have yet to receive their arrears.

ACCUMULATED ABSENCES

This is to provide for amounts that are due to employees that relate to untaken holiday entitlement carried forward and any amounts of flexitime untaken at the year end. The amount is revised each year to reflect the current obligation and not actually paid to employees who receive their accumulated absence amounts in accordance with their contracts of employment.

20

Usable Reserves

Movements in the Council's Usable Reserves are detailed in the Movement in Reserves Statements and supporting analysis on Pages 8 to 47.

A greater analysis of the Earmarked Reserves is shown in Note 9.

21

Unusable Reserves**REVALUATION RESERVE**

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

Revalued Downwards or Impaired and the Gains are lost
Used in the provision of Services and the gains are consumed through depreciation
Disposed of and the Gains are realised

The Reserve contains only Revaluation Gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated Gains arising before that date are consolidated into the Balance on the Capital Adjustment Account.

	2010/2011	2009/2010
	£	£
Balance as at 1 April	64,132,749	50,371,994
Net Gain / Loss on revaluations in year	3,321,595	19,703,925
Impairments charged to Revaluations Reserve	(32,274)	-
Surplus or Deficit on Revaluation of Non Current Assets not posted to the Surplus or Deficit on the Provision of Services	3,289,321	19,703,925
Difference between Fair Value Depreciation and Historical Cost Depreciation	(191,953)	(477,772)
Accumulated Gains on Assets Sold or Scrapped	(106,439)	(5,465,398)
Amount Written off to the Capital Adjustment Account	(298,392)	(5,943,170)
Balance as at 31 March	67,123,678	64,132,749

CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of Non-Current Assets and for Financing the acquisition, Construction or Enhancement of those Assets under Statutory Provisions.

The Account is debited with the Cost of Acquisition, Construction or Enhancement as Depreciation, Impairment Losses and Amortisations are charged to the comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert Fair Value Figures to a Historical Cost Basis).

The Account is credited with the amounts set aside by the Council as Finance for the cost of Acquisition, Construction and Enhancement.

The Account contains the Accumulated Gains and Losses on Investment Properties and Gains recognised on Donated Assets that have yet to be consumed by the Council.

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

21 Unusable Reserves - Contd**CAPITAL ADJUSTMENT ACCOUNT - Contd**

	2010/2011 £	2009/2010 £
Balance as at 1 April	648,611,301	670,449,682
Reversal of Items Relating to Capital Expenditure debited or credited to the Comprehensive Income and Expenditure Account :-		
Charges for Depreciation and Impairment on Non Current Assets	(76,161,831)	(49,600,412)
Depreciation of HRA Non Current Assets to Major Repairs Reserve	(3,700,778)	(3,620,442)
Revaluation Losses for PPE charged to Services	(6,303,489)	-
Amortisation of Intangible Assets	(157,232)	(145,969)
Revenue Expenditure Funded from Capital under Statute	(9,119,003)	(8,401,390)
Amounts of Non Current Assets written off on Disposal or Sale as part of the Gain / Loss on Disposal to The Comprehensive Income and Expenditure Account	(1,367,209)	(8,951,120)
	<u>(96,809,542)</u>	<u>(70,719,333)</u>
Release of revaluation gains on disposal	106,439	5,465,398
Depreciation in excess of Historic Cost	191,953	477,772
Net written out amount of the cost of Non Current Assets consumed in the year	<u>(96,511,150)</u>	<u>(64,776,163)</u>
Carried Forward to next page	<u>552,100,151</u>	<u>605,673,519</u>

21 Unusable Reserves - Contd**CAPITAL ADJUSTMENT ACCOUNT - Contd**

	2010/2011	2009/2010
	£	£
Brought Forward from previous page	552,100,151	605,673,519
 Capital Financing Applied in the Year :-		
Use of Capital Receipts Reserve to Finance new Capital Expenditure	5,304,311	13,189,810
Use of Major Repairs Reserve to Finance new Capital Expenditure	3,575,750	3,733,637
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Capital Financing	9,704,405	8,180,121
Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to Revenue Expenditure Funded from Capital under Statute	4,500,079	4,557,126
Application of Grants to Capital Financing from Capital Grants Unapplied Account	7,510,810	3,912,056
Statutory Provision for the Financing of Capital Investment charged against the General Fund and HRA Balances	4,152,232	3,681,186
Capital Expenditure Charged against the General Fund and HRA Balances	4,972,084	5,773,677
	<hr/>	<hr/>
	39,719,671	43,027,613
Movements in the Market Value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(85,000)	-
Deferred Debtors repaid	(8,670)	(89,831)
 Balance as at 31 March	 <hr/> <hr/>	 <hr/> <hr/>
	591,726,152	648,611,301

21 Unusable Reserves - Contd**DEFERRED CAPITAL RECEIPTS RESERVE**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of Non Current Assets but for which Cash Settlement has yet to take place.

Under Statutory arrangements, the Council does not treat these gains as usable for Financing new capital Expenditure until they are backed by Cash Receipts.

When the Deferred Cash Settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2010/2011	2009/2010
	£	£
Balance as at 1 April	537,305	569,923
Transfer to Capital Receipts Reserve upon receipt of Cash	(33,582)	(32,618)
Balance as at 31 March	<u>503,723</u>	<u>537,305</u>

FINANCIAL INSTRUMENT ADJUSTMENT ACCOUNT

The Financial Instrument Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for Income and Expenditure relating to certain Financial Instruments and for bearing losses or benefitting from gains per Statutory Provisions.

The Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans.

Premiums and Discounts are debited and credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to this account in the Movement in Reserves Statement.

Over time, the amounts are posted back to the General Fund Balance in accordance with Statutory Arrangements for spreading the burden on Council Tax.

The Account is also used to manage the interest costs associated with the Council's Soft Loans.

	2010/2011	2009/2010
	£	£
Balance as at 1 April	(624,469)	(728,952)
Proportion of Premiums and Discounts incurred in previous Financial Years to be charged to the General Fund Balance in accordance with Statutory Requirements	(3,623)	48,608
Cost of Soft Loans Charged to Comprehensive Income and Expenditure Statement in year	(75,638)	(50,627)
Proportion of Cost of Soft Loans incurred in previous Financial Years to be credited to General Fund Balance in accordance with Statutory Requirements	88,035	106,502
Amount by which finance costs shown in the Comprehensive Income and Expenditure Statement are different from the amounts shown in accordance with Statutory Requirements	8,774	104,483
Balance as at 31 March	<u>(615,695)</u>	<u>(624,469)</u>

21 Unusable Reserves - Contd**PENSIONS RESERVE**

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for Post Employment Benefits and for funding Benefits in accordance with Statutory Provisions.

The Council accounts for Post Employment Benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by Employees accruing years of service, updating Liabilities recognised to reflect Inflation, changing Assumptions and Investment Returns on any Resources set aside to meet the costs.

However, Statutory Arrangements require Benefits earned to be financed as the Council makes Employer's Contributions to Pension Funds or eventually pays any pension for which it is directly responsible.

The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current Employees and the Resources the Council has set aside to meet them.

The Statutory Arrangements will ensure that Funding will have been set aside by the time the Benefits come to be paid.

	2010/2011	2009/2010
	£	£
Balance as at 1 April	332,740,388	182,037,810
Actuarial Gains or Losses on Pensions Assets and Liabilities	(82,027,192)	140,860,907
Reversal of items relating to Retirement Benefits debited or Credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(32,058,000)	25,186,587
Employer's Pension Contributions and Direct Payments to Pensioners payable in the year	(15,471,933)	(15,344,916)
Balance as at 31 March	<u>203,183,263</u>	<u>332,740,388</u>

UNEQUAL PAY BACK PAY ACCOUNT

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Council provides for potential costs of Back Pay Settlements in relation to Equal Pay Cases and the ability under Statutory Provisions to defer the impact on the General Fund Balance until such times as cash might be paid out to claimants.

	2010/2011	2009/2010
	£	£
Balance as at 1 April	3,000,000	3,000,000
Increase in Provision for back Pay in relation to Equal Pay Cases	3,000,000	-
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of Settlements chargeable in the year in accordance with Statutory Requirements.	3,000,000	-
Balance as at 31 March	<u>6,000,000</u>	<u>3,000,000</u>

21 Unusable Reserves - Contd**ACCUMULATED ABSENCE ACCOUNT**

The Accumulated Absence Account absorbs the difference that would otherwise arise on the General Fund Balance from accruing Compensated Absences earned but not taken in the year, eg Annual Leave Entitlement carried forward at 31 March.

Statutory Arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

	2010/2011	2009/2010
	£	£
Balance as at 1 April	4,436,539	3,617,864
Settlement or cancellation of accrual made at the end of the preceding year	(617,632)	(3,617,864)
Amounts accrued at end of current year	-	4,436,539
Amounts by which Officer Remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from the Remuneration chargeable in the year in accordance with Statutory Requirements	(617,632)	818,675
Balance as at 31 March	3,818,907	4,436,539

COLLECTION FUND ADJUSTMENT ACCOUNT

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax Payers compared with the Statutory Arrangements for paying across amounts to the General Fund from the Collection Fund

	2010/2011	2009/2010
	£	£
Balance as at 1 April	(1,432,427)	(834,548)
Amount by which Council Tax Income credited to the Comprehensive Income and Expenditure Statement is different from the Council Tax Income calculated for the year in accordance with Statutory Requirements	(252,113)	(597,879)
Balance as at 31 March	(1,684,540)	(1,432,427)

22 Cash Flow Statement - Operating Activities

The Cash Flows for Operating Activities include the following items :-

	2010/2011	2009/2010
	£	£
Interest Received	(1,334,853)	(5,808,451)
Interest Paid	3,176,649	3,016,567

23 Cash Flow Statement - Investing Activities

	2010/2011	2009/2010
	£	£
Purchase of Property Plant and Equipment, Investment Property and Intangible Assets	33,996,322	35,333,273
Purchase of Short Term and long Term Investments	97,100,000	384,350,000
Other Payments for Investing Activities	5,684	112,966
Proceeds from Sale of Property Plant and Equipment, Investment Property and Intangible Assets	(1,342,175)	(7,466,897)
Proceeds from Short Term and Long Term Investments	(90,500,000)	(385,350,000)
Other receipts from Investing Activities	(25,068,144)	(22,898,555)
Net Cash Flow from Investing Activities	<u>14,191,687</u>	<u>4,080,787</u>

24 Cash Flow Statement - Financing Activities

	2010/2011	2009/2010
	£	£
Cash Receipts of Short and Long Term Borrowing	(291,460,568)	(134,602,679)
Cash Payments for the reduction of the Outstanding Liabilities relating to Finance Leases and on Balance Sheet PFI Contracts	229,106	212,856
Repayments of Short and Long Term Borrowing	291,581,287	140,234,454
Other Payments for Financing Activities	(1,540,690)	2,941,617
Net Cash Flow from Financing Activities	<u>(1,190,865)</u>	<u>8,786,248</u>

25 Amounts Reported for Resource Allocation Decisions

The analysis of Income and Expenditure by Service on the face of the Comprehensive Income and Expenditure Statement (see page 10) is that specified by the Best Value Accounting Code of Practice. However, decisions about Resource Allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Cabinet Portfolios.

Amounts Reported for Resource Allocation Decisions - Contd

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 amounts actually paid as Employer's Contributions rather than Current Service Benefits accrued in the year.

No charge is included for Revenue Expenditure Funded from Capital under Statute or Impairment Losses in excess of the balance on the Revaluation Reserve

No charge is included for adjustment required to the Accumulated Absence Reserve

The amounts included for the Library PFI are on the basis that they were recorded in the accounts prior to the introduction of the adjustments required for the inclusion of the Library PFI on Balance Sheet.

CABINET PORTFOLIO INCOME AND EXPENDITURE - 2010/2011

Cabinet Portfolio	Total Income £	Total Expenditure £	Net Expenditure £
Arts & Culture/Major Projects	2,349,024	8,410,641	6,061,617
BBC Client - BH Live	1,845,479	4,872,340	3,026,861
Communities & Planning	16,352,484	18,777,403	2,424,919
Deputy Leader & Resources	120,753,334	68,368,673	(52,384,661)
Economy, Leisure & Tourism	8,805,724	17,531,570	8,725,846
Education & Children's Services	123,636,807	163,696,239	40,059,432
Environment & Transport	19,370,708	40,644,332	21,273,624
Housing, Health & Social Care	27,194,268	94,215,656	67,021,388
Leader of the Council	31,372,266	95,291,793	63,919,527
Service Development & Corporate Efficiency	6,548,551	6,556,230	7,679
Total	358,228,645	518,364,877	160,136,232

CABINET PORTFOLIO INCOME AND EXPENDITURE - 2009/2010

Cabinet Portfolio	Total Income £	Total Expenditure £	Net Expenditure £
Leader of the Council	4,246,287	4,300,098	53,811
Deputy Leader & Resources	121,664,393	135,106,768	13,442,375
Adult Services	36,495,288	88,303,612	51,808,324
BIC	15,975,526	16,282,934	307,408
Community	3,311,441	6,209,690	2,898,249
Culture and Schools Development	2,005,392	7,890,684	5,885,292
Education & Children's Services	119,851,425	153,628,037	33,776,612
Environment & Transport	24,271,689	49,740,134	25,468,445
Leisure & Tourism	15,879,158	26,338,737	10,459,579
Social Housing and Support	27,538,693	25,856,552	(1,682,141)
Total	371,239,292	513,657,246	142,417,954

RECONCILIATION OF CABINET PORTFOLIO INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This reconciliation shows how the figures in the Cabinet Portfolio Income and Expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/2011	2009/2010
	£	£
Net Expenditure in the Cabinet Portfolio Analysis	160,136,232	142,417,954
Amounts in the Comprehensive Income and Expenditure Statement not reported in the Cabinet Portfolio Analysis	7,259,434	41,783,736
Amounts included in the Cabinet Portfolio Analysis not included in the Comprehensive Income and Expenditure Statement	(746,291)	(631,039)
Cost of Services in Comprehensive Income and Expenditure Statement	<u>166,649,375</u>	<u>183,570,651</u>

RECONCILIATION TO SUBJECTIVE ANALYSIS

This reconciliation shows how the figures in the Cabinet Portfolio analysis of Income and Expenditure relate to a subjective analysis of the Surplus or Deficit of the Provision of Services included in the Comprehensive Income and Expenditure Statement.

The tables for this and the comparative year are shown on pages 68 and 69.

Reconciliation to Subjective Analysis 2010/2011

	Cabinet Portfolio Analysis	Service and Support Services not in Analysis	Amounts not Reported to Management for Decision Making	Amounts not Included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£	£	£	£	£	£	£	£
INCOME								
Fees Charges and Other Service Income	140,456,137	-	289,660	493,560	(46,986,630)	94,252,727	-	94,252,727
Interest and Investment Income	-	-	-	-	-	-	1,575,377	1,575,377
Income from Council Tax	-	-	-	-	-	-	81,646,681	81,646,681
Government Grants and Contributions	217,772,508	-	-	(1,254,181)	-	216,518,327	99,693,249	316,211,576
Total Income	358,228,645	-	289,660	(760,621)	(46,986,630)	310,771,054	182,915,307	493,686,361
EXPENDITURE								
Employee Expenses	99,805,387	-	7,236,382	-	-	107,041,769	-	107,041,769
Other Service Expenses	276,104,973	-	312,712	(1,506,912)	-	274,910,773	-	274,910,773
Support Service Recharges	46,986,630	-	-	-	(46,986,630)	-	-	-
Depreciation Amortisation and Impairment	95,467,887	-	-	-	-	95,467,887	-	95,467,887
Interest Payments	-	-	-	-	-	-	3,176,649	3,176,649
Pensions Interest and Expected Return	-	-	-	-	-	-	13,711,000	13,711,000
Precepts and Levies	-	-	-	-	-	-	241,080	241,080
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	323,143	323,143
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	(234,760)	(234,760)
Total Expenditure	518,364,877	-	7,549,094	(1,506,912)	(46,986,630)	477,420,429	17,217,112	494,637,541
Surplus or Deficit on the Provision of Services	160,136,232	-	7,259,434	(746,291)	-	166,649,375	(165,698,195)	95,180

Reconciliation to Subjective Analysis 2009/2010 - Comparatives Figures

	Cabinet Portfolio Analysis	Service and Support Services not in Analysis	Amounts not Reported to Management for Decision Making	Amounts not Included in I&E	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£	£	£	£	£	£	£	£
INCOME								
Fees Charges and Other Service Income	156,150,129	-	1,938,090	348,022	(55,485,779)	102,950,462	-	102,950,462
Interest and Investment Income	-	-	-	-	-	-	3,662,110	3,662,110
Income from Council Tax	-	-	-	-	-	-	78,683,450	78,683,450
Government Grants and Contributions	215,089,163	-	-	(1,254,181)	-	213,834,982	85,525,201	299,360,183
Total Income	371,239,292	-	1,938,090	(906,159)	(55,485,779)	316,785,444	167,870,761	484,656,205
EXPENDITURE								
Employee Expenses	175,519,552	-	183,395	-	-	175,702,947	-	175,702,947
Other Service Expenses	264,376,033	-	8,386,691	(1,537,198)	-	271,225,526	-	271,225,526
Support Service Recharges	55,485,779	-	-	-	(55,485,779)	-	-	-
Depreciation Amortisation and Impairment	18,275,882	-	35,151,740	-	-	53,427,622	-	53,427,622
Interest Payments	-	-	-	-	-	-	2,946,064	2,946,064
Pensions Interest and Expected Return	-	-	-	-	-	-	12,243,000	12,243,000
Precepts and Levies	-	-	-	-	-	-	233,442	233,442
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	125,132	125,132
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	1,069,464	1,069,464
Total Expenditure	513,657,246	-	43,721,826	(1,537,198)	(55,485,779)	500,356,095	16,617,102	516,973,197
Surplus or Deficit on the Provision of Services	142,417,954	-	41,783,736	(631,039)	-	183,570,651	(151,253,659)	32,316,992

26 Trading Operations

The Council operates the following significant trading operations which are incorporated into the Comprehensive Income and Expenditure Statement as an integral part of the services the Council offer to the public.

PAVILION and BIC

The Pavilion complex incorporates a theatre and ballroom; the BIC constitutes a multi purpose centre for conferences, exhibitions, entertainments and leisure events. Whilst the Council operates all venues on a mainly commercial basis, it does require facilities to be provided consistent with Bournemouth's position as an "all year round resort".

	2010/2011	2009/2010
	£	£
Income	897,460	15,975,526
Less Expenditure	1,157,330	27,555,955
Net Surplus / (Deficit)	<u>(259,870)</u>	<u>(11,580,429)</u>

Note the operation of this venue transferred to BH Live on 1 May 2010, and therefore the Net Deficit for 2010/11 represents April 2010 trading only

AMUSEMENT CENTRES

The amusement centre at Bournemouth Pier which provides gaming and amusement machines is operated in order to maximise income reducing the support costs of Seafront. The introduction of the Gambling Act has seen all arcades suffer with restricted ability to maximise trade. The income levels have been sustained by moving more towards the prize (crane) type machines but this has had a detrimental effect on expenditure with more prizes being purchased.

	2010/2011	2009/2010
	£	£
Income	1,034,559	1,134,111
Less Expenditure	621,664	738,282
Net Surplus / (Deficit)	<u>412,895</u>	<u>395,829</u>

TRADE REFUSE

The Council collects and disposes of commercial waste on behalf of businesses throughout the Borough. The operation generates a surplus in order to contribute to the Council's total waste management costs. The cost of Waste Disposal is increasing yearly due to a yearly escalator which increases the tax charged for waste disposed to Landfill by £8 per tonne each year. The council continues to work with residents and commercial customers to minimise waste, increase recycling and reduce the volume of waste taken to Landfill.

	2010/2011	2009/2010
	£	£
Income	1,062,179	1,026,286
Less Expenditure	1,016,140	927,504
Net Surplus / (Deficit)	<u>46,039</u>	<u>98,782</u>

26 Trading Operations - Contd**GOLF COURSE MANAGEMENT**

An 18 hole golf course is provided which also offers bar and buffet facilities.

	2010/2011	2009/2010
	£	£
Income	375,492	473,757
Less Expenditure	487,105	592,332
Net Surplus / (Deficit)	<u>(111,613)</u>	<u>(118,575)</u>

CATERING

The operation consists of five temporary catering outlets on the seafront. Trade is wholly weather dependant.

	2010/2011	2009/2010
	£	£
Income	511,137	549,360
Less Expenditure	435,977	403,157
Net Surplus / (Deficit)	<u>75,160</u>	<u>146,203</u>

LITTLEDOWN CENTRE

The facility offers a variety of sports/recreational activities ranging from gym facilities, exercise classes, swimming and spa facilities.

	2010/2011	2009/2010
	£	£
Income	356,245	4,261,210
Less Expenditure	552,378	5,675,325
Net Surplus / (Deficit)	<u>(196,133)</u>	<u>(1,414,115)</u>

Note the operation of this venue transferred to BH Live on 1 May 2010, and therefore the Net Deficit for 2010/11 represents April 2010 trading only

27 Pooled Budgets

Section 75 of the Health Act 2006 contains powers that enable health and local authorities to work together for the benefit of clients of their services by using pooled budgets and the delegation of functions. A pooled budget is a mechanism by which the partners to the agreement bring money to form a discrete 'fund'. The purpose and scope of the fund is agreed at the outset and then used to pay for the services and activities for the relevant client group.

The Council contributed to one Pooled Budget during 2010/2011.

INTEGRATED COMMUNITY EQUIPMENT STORE

This pooled budget arrangement is between all the principal local and health authorities in Dorset. This Council acts as the 'host' Authority for this budget. The scheme commenced 1st January 2004.

27 Pooled Budgets - Contd

	2010/2011 £	2009/2010 £
Funding provided to the Pooled Budget :-		
The Council	450,000	450,000
Partners	1,639,596	1,605,811
	<u>2,089,596</u>	<u>2,055,811</u>
Expenditure met from the Pooled Budget	2,089,596	2,055,811
Net Surplus arising on the Pooled Budget during the year	<u>-</u>	<u>-</u>
Council's share of the Net Surplus		

28 Members' Allowances

In accordance with the Local Authorities (Members' Allowances) Regulations 2003 the Council publishes each year details of the total amount of basic allowance, special responsibility allowance, travel allowance, subsistence allowance, carer's allowance and co-optees allowance paid to Members of Bournemouth Borough Council.

	2010/2011 £	2009/2010 £
Total Allowances Paid	769,062	792,600

29 Officers' Emoluments

The number of directly employed employees whose gross remuneration, excluding employer pension contributions was £50,000 or more in bands of £5,000 were :-

Remuneration Band	2010/2011 No. of Employees	2009/2010 No. of Employees
£50,000 - £54,999	45	48
£55,000 - £59,999	40	51
£60,000 - £64,999	28	14
£65,000 - £69,999	16	8
£70,000 - £74,999	4	11
£75,000 - £79,999	4	7
£80,000 - £84,999	5	2
£85,000 - £89,999	4	3
£90,000 - £94,999	5	-
£95,000 - £99,999	2	2
£100,000 - £104,999	5	1
£105,000 - £109,999	3	5
£110,000 - £114,999	-	-
£115,000 - £119,999	1	-
£120,000 - £124,999	-	-
£125,000 - £129,999	1	1
Total	<u>163</u>	<u>153</u>

Note the figures for 2010/2011 contain "Back Pay" - these are amounts that were paid to the officers in the year but relate to previous pay periods. The amounts were as a result of a job evaluation exercise which took a number of years to complete and have artificially inflated the numbers for the year.

Note the above figures contain the Council's Senior Officers that have been individually listed on pages 73 and 74.

Officer's Emoluments

Individual Posts of Senior Employees :-	Salary, Fees, Allowances	Expenses Back Pay relating Allowances to 2008/2009 and 2009/2010 evaluation	2007/2008, and job	Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
	£	£	£		£	£	£
2010/2011 :-							
Chief Executive	125,481	1,576	-	-	127,057	22,692	149,749
Executive Directors :-							
Business and Improvement	146,486	3,509	-	-	149,995	-	149,995
Environment and Economic Services	104,673	1,352	-	-	106,025	18,797	124,822
Children and Families Services	103,850	2,302	-	-	106,152	18,797	124,949
Adult and Community Services	103,397	1,320	-	-	104,717	18,797	123,514
Service Directors :-							
Managing Director of BIC, Pavilion moved to new Trust 30 April 2010	7,715	103	-	-	7,818	1,335	9,153
Adult and Community Support	75,175	1,713	4,235	-	81,123	14,373	95,496
Children's Strategic Services	75,175	1,239	5,562	-	81,976	14,613	96,589
Children's Social Services	79,755	1,739	2,038	-	83,532	14,805	98,337
Planning and Transport	77,675	1,954	8,821	-	88,450	15,656	104,106
Information, Culture and Community Learning	75,175	1,076	8,821	-	85,072	15,203	100,275
Children's Learning and Engagement	75,175	2,553	8,589	-	86,317	15,161	101,478
Tourism and Corporate Communications	75,283	3,564	8,821	-	87,668	15,203	102,871
Community Care	79,755	1,113	10,868	-	91,736	16,403	108,139
Technical Services	77,633	1,077	-	291	79,001	14,073	93,074
Leisure - left 22 October 2010	43,380	1,007	11,948	291	56,626	10,045	66,671
Environmental Health and Consumer Services	77,472	826	12,633	291	91,222	16,342	107,564
Housing Landlord and Parks	77,373	2,271	14,072	291	94,007	16,602	110,609
Resources - left 31 July 2010	138,303	688	13,377	-	152,368	132,399	284,767
Law and Governance	86,580	885	13,392	-	100,857	18,198	119,055
Human Resources and Organisational Development	70,940	826	-	-	71,766	12,840	84,606
	1,776,451	32,693	123,177	1,164	1,933,485	422,334	2,355,819

Note the above figures contain a column relating to "Back Pay" - these are amounts that were paid to the officers in the year but relate to previous pay periods. The amounts were as a result of a job evaluation exercise which took a number of years to complete.

Officer's Emoluments

Individual Employees :-	Posts of Senior	Salary, Fees, Allowances	Expenses Allowances	Compensation for loss of Employment	Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
		£	£	£	£	£	£	£
2009/2010 :-								
Chief Executive		125,481	1,170	-	-	126,651	22,692	149,343
Executive Directors :-								
Business and Improvement		56,760	1,389	-	-	58,149	-	58,149
Environment and Economic Services		105,661	1,170	-	-	106,831	18,797	125,628
Children and Families Services		103,850	1,170	-	-	105,020	18,797	123,817
Adult and Community Services		103,850	1,170	-	-	105,020	18,797	123,817
Service Directors :-								
Managing Director of BIC, Pavilion		88,814	1,170	-	-	89,984	16,016	106,000
Partnerships and Improvement		70,940	1,170	-	-	72,110	12,840	84,950
Adult and Community Support		70,940	1,170	-	-	72,110	12,840	84,950
Children's Strategic Services		70,940	1,170	-	-	72,110	12,840	84,950
Children's Social Care		76,185	1,170	-	-	77,355	13,790	91,145
Planning and Transport		73,440	1,170	-	-	74,610	13,293	87,903
Information, Culture and Community Learning		71,021	1,167	36,055	-	108,243	157,599	265,842
Children's Learning and Engagement		70,940	1,170	-	-	72,110	12,840	84,950
Tourism and Corporate Communications		71,048	1,170	-	-	72,218	12,840	85,058
Community Care		70,940	1,170	-	-	72,110	12,840	84,950
Technical Services		77,571	1,170	-	581	79,322	14,126	93,448
Leisure		72,167	1,170	-	581	73,918	13,148	87,066
Environmental Health and Consumer Services		72,167	1,170	-	581	73,918	13,148	87,066
Housing Landlord		73,705	1,170	-	581	75,456	13,446	88,902
Resources		77,109	1,170	-	-	78,279	13,953	92,232
Law and Governance		77,088	1,170	-	-	78,258	13,953	92,211
Human Resources and Organisational Development - started 2 November 2009		29,361	484	-	-	29,845	5,314	35,159
		1,709,978	25,270	36,055	2,324	1,773,627	443,909	2,217,536

30 External Audit Costs

The Council has incurred the following costs in relation to the Audit of the Statement of Accounts, Certification of Grant Claims and Statutory Inspections and to Non-Audit Services Provided by the Council's External Auditors

	2010/2011 £	2009/2010 £
Fees payable to External Auditors with regard to External Audit Services carried out by the appointed Auditor for the year	256,654	272,849
Fees payable to External Auditors in respect of Statutory Inspections	-	16,630
Fees payable to External Auditors for the certification of Grant Claims and Returns for the year	26,100	43,888
Total	<u>282,754</u>	<u>333,367</u>

31 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an Authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/2011 are as follows :-

	Central Expenditure £	Individual Schools Budget £	Total £
Final DSG receivable for 2010/2011			79,511,000
Brought Forward from 2009/2010			139,178
Agreed Budgeted Distribution for 2010/2011	7,972,397	71,677,781	79,650,178
Actual Central Expenditure	8,540,106		
Actual ISB deployed to Schools		71,287,502	
Carry Forward to 2011/2012	<u>(567,709)</u>	<u>390,279</u>	<u>(177,430)</u>

Grant Income

The Council credited the following grants, contributions and Donations to the Comprehensive Income and Expenditure Statement

	2010/2011 £	2009/2010 £
Credited to Taxation and Non Specific Grant Income :-		
Revenue Grants :-		
Revenue Support Grant	(6,976,956)	(10,168,875)
Local Authority Business Growth Incentive Grant	-	(186,200)
Area Based Grant	(16,576,977)	(8,228,179)
Non Domestic Rates Redistribution	(48,047,585)	(44,056,789)
PFI Support Grant	(1,254,181)	(1,254,181)
Capital Grants and Contributions :-		
Standards Fund Grant	(14,494,348)	(2,545,889)
Miscellaneous Other Education Grants	(2,282,648)	(6,024,430)
Integrated Transport Block	(1,633,000)	(2,202,799)
Regional Housing Grant	(1,116,324)	-
Sheltered Housing - Govt Grant	(1,050,000)	-
Sheltered Housing - Contribution from PCT	(1,000,000)	-
Miscellaneous Govt Grants	(3,421,602)	(1,168,574)
Other Contributions	(1,839,628)	(1,296,793)
Coast Protection	-	(2,010,004)
Lottery Contribution to Kinson Library	-	(1,650,290)
NHS Campus	-	(2,816,000)
Provision of Children Centres	-	(1,916,198)
	<u>(99,693,249)</u>	<u>(85,525,201)</u>
Credited to Services :-		
Dedicated Schools Grant	(79,511,000)	(79,312,638)
School Standards Grant	(3,704,653)	(4,013,830)
Standards Fund	(7,782,241)	(6,141,771)
Sure Start, Early Years and Childcare Grant	(4,870,530)	(4,366,435)
Supporting People Grant	-	(10,706,766)
Sixth forms funding	(6,746,112)	(6,479,950)
Council Tax Benefit	(16,090,215)	(14,900,095)
Rent Allowances	(71,538,132)	(64,482,650)
Rent Rebates	(12,380,306)	(12,287,413)
Miscellaneous	(13,024,695)	(9,561,427)
	<u>(215,647,884)</u>	<u>(212,252,975)</u>

32 Grant Income - Contd

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

	2010/2011 £	2009/2010 £
Capital Grants Receipts in Advance :-		
Government Grants	(1,912,262)	(3,798,108)
Other Contributions	(1,837,803)	(1,730,034)
	<u>(3,750,065)</u>	<u>(5,528,142)</u>

33 Related Parties

The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

CENTRAL GOVERNMENT

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. Council Tax Bills, Housing Benefit).

Grants received from Government Departments are set out in the subjective analysis in Note 25 on Reporting for Resource Allocation decisions. Grant Receipts outstanding at 31 March are show in Note 32.

MEMBERS

Members of the Council have direct control over the Council's financial and operating policies.

The total of Members allowances paid is shown in Note 28.

During 2010/2011 the Council entered into transactions totalling £37.1m with companies and other organisations declared in the register of Members' interests at 31 March 2011. The majority of this relates to amounts paid to Dorset Fire and Rescue Service (£3.9m), Dorset Police Authority (£13.4m), Dorset County Council (£2.1m) and Dorset Pension Fund (£14.9m). Any declarations of interest are properly recorded in the register of Members' interests which is open to public inspection.

The following Private Companies declared in the register received payment from the Council in 2010/2011 :-

	£
Yenton Hotel Ltd	1,408
Carillion PLC	37,823
Apple House Ltd	10,540
Ramon Travel	64,181

33 Related Parties - Contd**OFFICERS**

During 2010/2011 there were no transactions with related parties declared by Officers.

OTHER PUBLIC BODIES (subject to common control by Central Government)

The Council has a Pooled Budget arrangement with other Public bodies in the area for the provision of an Integrated Community Equipment Store. Transactions and Balances outstanding are shown in Note 27.

ENTITIES CONTROLLED OR SIGNIFICANTLY INFLUENCED BY THE COUNCIL

None

34 Capital Expenditure and Capital Financing

The total amount of Capital Expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

Where Capital Expenditure is to be financed in future years by charges to Revenue as Assets are used by the Council, the Expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the Capital Expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	2010/2011	2009/2010
	£	Restated £
Opening Capital Financing Requirement	95,243,329	94,151,723
Capital Investment :-		
- Property Plant and Equipment	33,581,192	35,546,128
- Investment Properties	-	-
- Intangible Assets	83,018	58,735
- Deferred Debtors	5,684	112,966
Sub Total Capital Expenditure	33,669,894	35,717,829
Revenue Expenditure Funded from Capital under Statute (REFCUS)	9,119,003	8,401,390
Sources of Finance :-		
- Capital Receipts	(5,304,311)	(13,189,810)
- Government Grants and Contributions	(21,715,294)	(16,649,303)
- Revenue Finance	(4,972,084)	(5,773,677)
- Major Repairs Reserve	(3,575,750)	(3,733,637)
Other Sums set aside from Revenue :-		
- Revenue Provision for Repayment of Borrowing	(4,152,232)	(3,681,186)
Closing Capital Financing Requirement	98,312,555	95,243,329

34 Capital Expenditure and Capital Financing - Contd

Explanation of movements in year :-	2010/2011 £	2009/2010 Restated £
Increase in underlying need to borrow (supported by Government financial assistance)	(432,663)	152,339
Increase in underlying need to borrow (unsupported by Government financial assistance)	3,501,889	939,267
Increase in Capital Financing Requirement	3,069,226	1,091,606

35 Leases**Authority as Lessee :-****OPERATING LEASES****Vehicles Plant and Equipment :-**

The Council uses assets classified as vehicles, plant and equipment acquired under the terms of operating leases.

	2010/2011 £	2009/2010 £
Amounts paid in the year	1,414,738	1,259,549

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

	2010/2011 £	2009/2010 £
Not later than one year	1,194,079	1,414,738
Later than one year and not later than five years	666,427	1,795,783
Later than five years	9,078	73,801
	1,869,584	3,284,322

Other Land and Buildings :-

The Council uses assets classified as Other Land and Buildings acquired under the terms of operating leases.

	2010/2011 £	2009/2010 £
Amounts paid in the year	1,738,659	1,738,359

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

	2010/2011 £	2009/2010 £
Not later than one year	1,678,959	1,738,659
Later than one year and not later than five years	1,375,149	1,678,959
Later than five years	1,187,643	1,375,149
	4,241,751	4,792,767

35

Leases - Contd**Authority as Lessee (Contd) :-****FINANCE LEASES****Other Land and Buildings :-**

There are two finance leases where no annual rental charge is payable, due to an initial premium payment.

The net book carrying amount at the balance sheet date for these two assets is :-

	Balance as at 31 March 2011	Balance as at 31 March 2010
	£	£
Other Land and Buildings	4,133,865	4,218,977

For details of the Private Finance Initiative see note 36 below.

Authority as Lessor :-**OPERATING LEASES****Other Land and Buildings :-**

The Council lease assets classified as Other Land and Buildings under the terms of operating leases.

	2010/2011	2009/2010
	£	£
Amounts received in the year	938,818	938,518

The future minimum lease payments receivable in future years are :-

	2010/2011	2009/2010
	£	£
Not later than one year	899,307	891,343
Later than one year and not later than five years	604,694	839,232
Later than five years	459,841	474,841
	1,963,842	2,205,416

FINANCE LEASES**Other Land and Buildings :-**

The future minimum lease payments receivable in future years are :-

	2010/2011	2009/2010
	£	£
Leases expiring within 50 years	29,600	29,600
Leases expiring within 100 years	5,000	5,000
Leases expiring within 100+ years	5,000	5,000
	39,600	39,600

35 Leases - Contd**Authority as Lessor (Contd) :-****FINANCE LEASES - Contd****Other Land and Buildings - Contd :-**

The net book carrying amount at the balance sheet date for these assets is :-

	Balance as at 31 March 2011	Balance as at 31 March 2010
	£	£
Other Land and Buildings	368,068	387,428

36 Private Finance Initiatives and Similar Contracts**CENTRAL LIBRARY PFI SCHEME**

The Council has a PFI contract for the provision of the Central Library and related IT equipment. The contract commenced on 11 March 2002 and is for a period of 30 years.

The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards.

The Contractor took on the obligation to construct the Library and maintain it to a minimum acceptable standard.

The buildings at the end of the contract will be transferred to the Council for a minimal consideration.

Property Plant and Equipment

The Assets used to provide the Services at the Central Library are recognised in the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 10.

Payments

The Council is committed to making the following payments under the terms of the PFI contract. The payments are subject to change in accordance with the Retail Price Index (RPI). The amounts listed below are at March 2011 price base.

	Capital Obligation	Interest Element	Service Charge
	£	£	£
Within one year	246,597	1,181,943	744,166
Within two to five years	1,189,584	4,524,579	2,976,664
Within six to ten years	2,074,753	5,067,950	3,720,830
Within eleven to fifteen years	2,997,255	4,145,448	3,720,830
Within sixteen to twenty years	4,329,931	2,812,772	3,720,830
Within twenty one to twenty five years	1,006,361	1,766,198	1,444,302

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

36 Private Finance Initiatives and Similar Contracts - Contd**Payments - contd**

The liability outstanding to pay the contractor for capital expenditure is as follows :-

	2010/2011 £	2009/2010 £
Brought Forward 1 April	(12,073,587)	(12,286,443)
Repayment during year	229,106	212,856
Carried Forward 31 March	<u>(11,844,481)</u>	<u>(12,073,587)</u>

37 Impairment Losses

The Council is required to disclose by class of Asset the amounts for Impairment Losses and Impairment Reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure.

These disclosures are shown in notes 10 and 12 reconciling the movements over the year in Property, Plant and Equipment and Intangible Asset balances.

The Authority continues to revalue the HRA housing stock on a beacon method of valuation. The adjustment factor for vacant possession for the South West has been changed from 44% to 31%. This resulted in an impairment charge to the HRA I&E Account of some £62m.

Another material revaluation that took part in the year was a reduction in the value of a School that was demolished in the year and the remaining site valued on a different basis.

38 Termination Benefits

The cost to the Council for the termination of contracts of employment is as follows :-

	2010/2011 £	2009/2010 £
Liabilities Incurred	2,117,482	371,356

The large increase for 2010/2011 is due to the implementation of the first stage of "Shaping Success".

39 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Education. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries fixed each year. The amount paid to the Teachers' Pension Scheme is recognised in the accounts as a charge to net cost of service.

The Scheme is technically a Defined Benefit Scheme. However, the Scheme is unfunded and the Department for Education uses a Notional Fund as the basis for calculating the Employer's Contribution rate paid by Local Authorities.

The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a Defined Benefit Scheme.

39 Pension Schemes Accounted for as Defined Contribution Schemes - Contd

	2010/2011	2009/2010
Amount paid to Teachers' Pensions Scheme - £	5,870,944	5,929,290
Percentage of pensionable pay - %	14.10	14.10

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Scheme. These costs are accounted for on a Defined Benefit basis and detailed in Note 40.

40 Defined Benefit Pension Schemes**PARTICIPATION IN PENSION SCHEMES**

As part of the Terms and Conditions of Employment of its Officers, the Council makes contributions towards the cost of Post Employment Benefits.

Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in two post employment schemes :-

The Local Government Pension Scheme - administered by Dorset County Council - this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a Fund, calculated at a level intended to balance the Pensions Liabilities with Investment Assets.

Arrangements for the award of discretionary post retirement benefits upon early retirement - this is an unfunded Defined Benefit arrangement, under which liabilities are recognised when awards are made. However, there are no Investments built up to meet these Pension Liabilities, and cash has to be generated to meet actual Pensions Payments as they eventually fall due.

TRANSACTION RELATING TO POST-EMPLOYMENT BENEFITS

The Council recognise the cost of Retirement Benefits in the reported Cost of Service when they are earned by employees, rather than when the benefits are eventually paid as Pensions.

However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of post employment / retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

40 Defined Benefit Pension Schemes - Contd**TRANSACTION RELATING TO POST-EMPLOYMENT BENEFITS - Contd**

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

LOCAL GOVERNMENT PENSION SCHEME	2010/2011	2009/2010
	£	£
Comprehensive Income and Expenditure Statement		
Cost of Services :-		
- Current Service Cost	19,680,000	12,727,000
- Past Service Costs	(45,155,000)	-
- Loss on Curtailment	(20,294,000)	143,000
	<u>(45,769,000)</u>	<u>12,870,000</u>
Financing and Investment Income and Expenditure :-		
- Interest Cost	31,493,000	25,635,000
- Expected Return on Assets	(17,782,000)	(13,392,000)
Sub Total Interest and Expected Return	<u>13,711,000</u>	<u>12,243,000</u>
Total Post Employment Benefit charged to the Surplus or Deficit on the provision of Services	<u>(32,058,000)</u>	<u>25,113,000</u>
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement :-		
- Actual Return less expected return on pension scheme assets	2,185,618	57,225,479
- Experience Gains and Losses	11,932,000	-
- Changes in assumptions underlying the present value of the scheme liabilities	67,858,000	(196,944,000)
- Actuarial (Gains) and Losses	<u>81,975,618</u>	<u>(139,718,521)</u>
Total Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	<u>49,917,618</u>	<u>(114,605,521)</u>
Movement In Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	32,058,000	(25,113,000)
Actual amount charged against the General Fund Balance for Pensions in the year :-		
- Employers' Contributions payable to the Scheme	<u>14,875,198</u>	<u>14,705,521</u>

Defined Benefit Pension Schemes - Contd

TEACHERS' ADDITIONAL BENEFITS	2010/2011 £	2009/2010 £
Comprehensive Income and Expenditure Statement		
Cost of Services :-		
- Past Service Costs	-	73,587
Total Post Employment Benefit charged to the Surplus or Deficit on the provision of Services	-	73,587
Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement :-		
- Actuarial (Gains) and Losses	(51,574)	1,142,386
Total Post Employment Benefit charged to the Comprehensive income and Expenditure Statement	(51,574)	1,215,973
Movement In Reserves Statement		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-	(73,587)
Actual amount charged against the General Fund Balance for Pensions in the year :-		
- Retirement Benefits payable to Pensioners	596,735	639,395
ASSETS AND LIABILITIES IN RELATION TO POST - EMPLOYMENT BENEFITS		
Reconciliation of Present Value of the Scheme Liabilities (defined benefit obligation)		
LOCAL GOVERNMENT PENSION SCHEME	2010/2011 £	2009/2010 £
Opening Defined Benefit Obligation at 1 April	(607,675,000)	(380,335,000)
Current Service Cost	(19,680,000)	(12,727,000)
Interest Cost	(31,493,000)	(25,635,000)
Contributions by Scheme Participants	(4,877,000)	(4,886,000)
Actuarial Gain / (Loss)	88,887,000	(196,944,000)
Benefits Paid (Net of transfers in)	16,383,000	12,084,000
Payment of Bulk Transfer Values	34,744,000	-
Unfunded Pension Payments	885,000	911,000
Past Service Cost	45,155,000	-
Curtailments and Settlements	20,294,000	(143,000)
Closing Defined Benefit Obligation at 31 March	(457,377,000)	(607,675,000)

40 Defined Benefit Pension Schemes - Contd**ASSETS AND LIABILITIES IN RELATION TO POST - EMPLOYMENT BENEFITS - Contd****Reconciliation of Present Value of Scheme Liabilities (defined benefit obligation) - Contd**

TEACHERS' ADDITIONAL BENEFITS	2010/2011	2009/2010
	£	£
Opening Defined Benefit Obligation at 1 April	(11,413,388)	(10,836,810)
Actuarial (Gain) / Loss	51,574	(1,142,386)
Unfunded Pension Payments	596,735	639,395
Past Service Cost	-	(73,587)
Closing Defined Benefit Obligation at 31 March	<u>(10,765,079)</u>	<u>(11,413,388)</u>

Reconciliation of Fair Value of the Scheme Assets

LOCAL GOVERNMENT PENSION SCHEME	2010/2011	2009/2010
	£	£
Opening Balance at 1 April	286,348,000	209,134,000
Expected Return on Assets	17,782,000	13,392,000
Actuarial Gain / (Loss)	(6,911,382)	57,225,479
Employer Contributions	14,875,198	14,705,521
Contributions by Scheme Participants	4,877,000	4,886,000
Benefits Paid (Net of transfers in)	(17,268,000)	(12,995,000)
Receipt of Bulk Transfer Value	(34,744,000)	-
Closing Balance at 31 March	<u>264,958,816</u>	<u>286,348,000</u>

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

	2010/2011	2009/2010
	£	£
Actual Return on Scheme Assets	19,928,000	70,785,000

SCHEME HISTORY

The liabilities as detailed on page 89 show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £203m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduced balance of £559m. However, statutory arrangements for funding the Council mean that the financial position of the Council remains unchanged.

The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

40 Defined Benefit Pension Schemes - Contd**SCHEME HISTORY - Contd**

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £14m.

The total pension payments expected to be made to the Teachers' Additional Benefits Scheme by the Council in the year to 31 March 2012 is £600,000.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES**LOCAL GOVERNMENT PENSION SCHEME**

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary level etc.. The Dorset County Council Fund liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries, estimates for the County Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been

LOCAL GOVERNMENT PENSION SCHEME	2010/2011	2009/2010
	%	%
Long-term expected return on assets in the scheme :		
Equities	7.40	7.50
Gilts	4.40	4.50
Other Bonds	5.50	5.50
Property	5.40	5.50
Cash	3.00	3.00
Other	5.00	5.00
Total	6.20	6.40
Assumed Life Expectations from age 65 are :-	Years	Years
- Longevity at 65 retiring today :-		
- Men	19.80	20.84
- Women	23.90	23.86
- Longevity at 65 retiring in 20years :-		
- Men	21.90	21.79
- Women	25.80	24.80
	2010/2011	2009/2010
	%	%
Retail Price Inflation - p.a.	3.50	3.90
Consumer Price Index - p.a.	2.70	-
Consumer Price Index - p.a. - real	(0.80)	-
Increase in Salaries - p.a.	4.80	5.40
Increase in Salaries - real	1.30	1.50
Increases in Pensions and Deferred Pensions - p.a.	2.70	3.90
Increases in Pensions and Deferred Pensions - p.a. - real	(0.80)	-
Discount Rate - p.a.	5.50	5.50
Discount Rate - real	1.90	1.50
Take up rate of lump sum payments	50.00	50.00

40 Defined Benefit Pension Schemes - Contd**LOCAL GOVERNMENT PENSION SCHEME - Contd**

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

	31 March 2011	31 March 2010
	%	%
Equities	59.00	61.00
Gilts	22.00	16.00
Other Bonds	-	5.00
Property	7.00	7.00
Cash	6.00	6.00
Other	6.00	5.00
	<u>100.00</u>	<u>100.00</u>

TEACHERS' ADDITIONAL BENEFITS

The liabilities associated with the unfunded Teacher's Additional Benefits have been valued in the accounts in accordance with Local Authority Accounting Panel (LAAP) Bulletin 51. This produces a Capital value based on the ongoing payments and any new amounts awarded.

HISTORY OF EXPERIENCE GAINS AND LOSSES

The Actuarial Gains and Losses identified as movements on the Pensions Reserve can be analysed into the categories shown on page 89, measured as a percentage of Assets or Liabilities at 31 March.

41 Contingent Liabilities

The Council entered into a number of warranties associated with the sale of its holding in Bournemouth Transport Limited in 2005/2006. The warranties are subject to a cap of £5m in total and cover a period of seven years from the date of sale and relate to possible claims against the current owner that relate to events before the sale date.

All of these warranties are being actively managed by the Council to minimise their impact. A proportion of the Capital Receipt is being retained until these warranties expire to protect the Council against the possible impact of these contingent liabilities materialising. As at 31 March 2011 none have materialised.

42 Nature and Extent of Risks Arising from Financial Instruments

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

- Credit Risk - the possibility that other parties might fail to pay amounts due to the Council
- Liquidity Risk - the possibility that the Council might not have funds available to meet its commitments to make payments
- Market Risk - the possibility that financial loss might arise for the Council as a result of changes in interest rates

The actuarial gains identified as movements in the Reconciliations of Scheme Assets and Liabilities can be analysed into the following categories, measured in absolute amounts and as a percentage of assets or liabilities.

Scheme History :-	2010/2011	2009/2010	2008/2009	2007/2008	2006/2007
	£	£	£	£	£
LOCAL GOVERNMENT PENSION SCHEME					
Present Value of Liabilities	(457,377,000)	(607,675,000)	(380,335,000)	(402,955,000)	(427,405,000)
Fair Value of Assets	264,958,816	286,348,000	209,134,000	277,857,000	299,492,402
Surplus / (Deficit) - LGPS	(192,418,184)	(321,327,000)	(171,201,000)	(125,098,000)	(127,912,598)
TEACHERS' ADDITIONAL BENEFITS					
Present Value of Liabilities	(10,765,079)	(11,413,388)	(10,836,810)	(10,077,058)	(9,902,157)
Total Surplus / (Deficit)	(203,183,263)	(332,740,388)	(182,037,810)	(135,175,058)	(137,814,755)
History of Experience Gains and Losses :-					
	%	%	%	%	%
LOCAL GOVERNMENT PENSION SCHEME					
Differences between the expected and actual return on assets	0.81	20.04	(44.55)	(11.09)	(0.07)
Differences between actuarial assumptions about liabilities and actual experience	(2.62)	0.03	-	4.22	0.69
Changes in the demographic and financial assumptions used to estimate liabilities	(14.84)	32.41	(15.58)	(14.99)	(3.66)
Effect of Change in Accounting Methodology	-	-	-	1.09	-
TEACHERS' ADDITIONAL BENEFITS					
Differences between actuarial assumptions about liabilities and actual experience	(0.48)	10.01	9.71	4.20	6.38

Nature and Extent of Risks Arising from Financial Instruments - Contd

The Authority has adopted CIPFA's Treasury Management in the Public Services: Code of Practice and it has set treasury management indicators to control key financial instrument risks in accordance with CIPFA's Prudential Code.

The Treasury Management function is carried out in accordance with the Annual Treasury Management Strategy which is approved each year by Cabinet.

Key Indicators in the 2010/2011 Strategy were :-

- Authorised Limit £101.4m - This represents the maximum limit of External Borrowing and Long Term Liabilities

- Operational Boundary £72.0m - This represents the expected level of External Borrowing and Long Term Liabilities

- The maximum amounts of fixed and variable interest rate exposure based on the Council's net debt were set at 95% and 5% respectively

Credit Risk

Credit risk arises from deposits with Banks and Financial Institutions, Loans that have been made and from normal Trade Debtors defaulting on the amounts due.

Deposits are not made with Banks and Financial Institutions unless they are rated independently, with a minimum Fitch Rating of Short Term F1, Long Term A, Support 2 and Individual B. The Council has a policy of not lending more than 25% of its surplus balances to one institution. There are no geographical limitations on where the investments are made provided they meet the rating requirements.

These requirements have been relaxed where the UK government has become a major share holder of the institution.

Historically the Council has never suffered a loss as a result of deposits with Banks and Financial Institutions.

- Short term Rating 'F1' Indicates the strongest capacity for timely payment of financial commitments.

- Long Term Rating 'A' denotes expectations of a low credit risk. The capacity for payment of financial commitments is considered strong.

- Support Rating '2' denotes a Bank for which there is a high probability of support.

- Individual Rating 'B' denotes a strong Bank. There are no major concerns regarding the Bank.

The above criteria is extended to include Support Rating 3 for Building Societies and Banks that have converted from Building Societies.

- Support Rating '3' denotes a Bank for which there is a moderate probability of support.

Nature and Extent of Risks Arising from Financial Instruments - Contd

Credit Risk - Contd

Financial Assets :-	Balance as at 31 March 2011	Balance as at 31 March 2010 Restated	Balance as at 1 April 2009 Restated
	£	£	£
Long Term Debtors :-			
- with other Public Bodies	490,673	518,150	545,633
- secured against property	2,099,342	1,794,712	1,570,036
- unsecured	24,657	10,619	10,631
Short Term Investments :-			
Building Societies	-	18,099,697	35,698,330
UK Domiciled Banks	60,266,025	35,328,839	10,479,749
Non UK Banks	-	-	10,503,300
Debtors :-			
Government and Public Bodies	3,705,957	3,629,018	6,325,702
Rent Arrears	693,923	207,620	214,651
Other Goods and Services	14,638,837	11,960,888	11,615,731
Bad Debts provision - Impairment	(4,151,644)	(3,529,414)	(3,132,742)
Cash and Cash Equivalent	2,215,230	6,972,868	(2,603,656)
Total Financial Assets	<u>79,983,000</u>	<u>74,992,997</u>	<u>71,227,365</u>

The credit risk associated with the Loans with other Public Bodies and those secured against property is minimal, however the unsecured loans are at risk of non payment. However, the credit risk associated with these amounts is reflected in bad debt provisions.

Debtors are also subject to non payment, bad debt provisions are calculated for these based on the historical experience of levels of default. By including these provisions within the accounts the credit risk is recognised in the accounts.

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. The Council's strategy is to maintain a balanced maturity portfolio such that debt repayable in any one year is not excessive. The Council also holds significant deposits with approved Financial Institutions which would allow flexibility when any replacement borrowings have to be taken out.

The maturity analysis shown below refers to the items classified as Financial Instruments, see note 36 for the maturity analysis of the capital element of the PFI.

Nature and Extent of Risks Arising from Financial Instruments - Contd**Liquidity Risk - Contd**

The maturity analysis of the Financial Instruments held is as follows :-

	Balance as at 31 March 2011	Balance as at 31 March 2010 Restated	Balance as at 1 April 2009 Restated
	£	£	£
less than one year	(23,653,181)	(19,944,373)	(24,429,978)
between one and two years	(5,000,000)	-	-
between two and five years	-	(5,000,000)	(5,000,000)
between five and ten years	-	-	-
in ten years or more	(19,500,000)	(19,500,000)	(19,500,000)
Total Financial Liabilities	<u>(48,153,181)</u>	<u>(44,444,373)</u>	<u>(48,929,978)</u>

Market Risk - Interest Rate Changes

The Council is exposed to risk associated with changes in interest rates on its borrowings and lendings. A rise in interest rates would have the following impact on the Council's accounts :-

- Long Term Borrowings - the fair value of these fixed interest borrowings shown in this note would be less
- Temporary Borrowings - the interest payable in the Income and Expenditure Account would be greater
- Long Term Loans and Receivables - the interest receivable on the variable interest loans in the Income and Expenditure Account would be greater and the fair value shown in these notes would be less
- Short Term Investments - the interest receivable in the Income and Expenditure Account would be greater
- PFI contract payments are not subject to variations in interest rates but the payments are subject to adjustments based on the Retail Price Index RPI.

The Treasury Management function of the Council monitors projected interest rate changes. As at 31 March HM Treasury's list of forecasting institutions were not expecting the Base Rate to exceed 1% by the end of 2011.

If Interest Rates had been 1% higher (with all other variables held constant) the financial impact on the accounts would be :-

Comprehensive Income and Expenditure Statement :-

	2010/2011	2009/2010
	£	£
Increase in Interest Payable on :-		
Temporary Borrowing	80,465	48,660
Short Term Investments	(911,280)	(849,263)
Long Term Debtors	(6,093)	(6,295)
Impact on Income and Expenditure	<u>(836,908)</u>	<u>(806,898)</u>

42 Nature and Extent of Risks Arising from Financial Instruments - Contd**Market Risk - Interest Rate Changes - Contd**

If Interest Rates had been 1% higher (with all other variables held constant) the financial impact on the accounts would be :-

Decrease in Fair Values	Balance as at 31 March 2011	Balance as at 31 March 2010 Restated	Balance as at 1 April 2009 Restated
	£	£	£
Fixed Rate Long Term Borrowing - Liability	3,050,868	3,176,128	3,504,405
Soft Loans - Asset	72,328	69,032	62,782

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

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

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

	Note	2010/2011	2009/2010
		£	£
EXPENDITURE			
Repair and Maintenance	4	3,170,933	3,062,812
Supervision and Management		5,381,696	4,897,071
Rents, rates, taxes and other charges		104,434	126,934
Negative Housing Subsidy Payable	10	3,784,799	3,906,746
Depreciation and Impairment of Non-current Assets	7	3,700,778	4,845,197
Exceptional Cost of Impairment		62,009,488	-
Debt Management Expense		49,458	49,458
Total Expenditure		78,201,586	16,888,218
INCOME			
Dwelling rents (gross)		17,392,006	17,157,349
Non-dwelling rents (gross)		361,458	353,907
Charges for services/facilities		828,353	850,175
Contributions towards expenditure		165,883	113,500
Total Income		18,747,700	18,474,931
Net Cost of HRA Services as included in the Comprehensive Income and expenditure Account		59,453,886	(1,586,713)
HRA share of - Non Distributed Costs		-	4,389
Exceptional Cost of Pensions Adjustment		(2,052,467)	-
Net Income for HRA Services		57,401,419	(1,582,324)
HRA share of the operating Income and expenditure included in the Comprehensive Income and Expenditure Statement			
(Gain) or loss on disposal of HRA fixed assets		(260,254)	(54,309)
Other Capital Income		(11,997)	(41,193)
Interest payable and similar charges		402,094	326,492
Investment Income		(30,046)	(25,989)
Pensions Interest Cost and Expected Return on Pension Assets	11	429,974	375,791
Capital Grants and Contributions		(2,390,819)	(482,623)
(Surplus) / Deficit for the year on HRA Services		55,540,371	(1,484,155)

MOVEMENT ON THE HRA STATEMENT

	Note	2010/2011	2009/2010
		£	£
(Surplus) / Deficit on HRA Income and Expenditure Statement		55,540,371	(1,484,155)
Adjustments between Accounting Basis and Funding Basis under Statute :-			
See also Pages 41 to 47 under the column for the HRA.			
Impairment of Non-current Assets		(62,009,488)	(1,224,755)
Excess Depreciation Charged to HRA	3	(41,566)	(44,585)
Value of assets disposed		(170,682)	(60,280)
Direct Grant Finance of Capital		1,853,167	112,226
Capital Grants Unused Reserve		537,652	370,398
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/ receivable to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt		(1,026)	(1,026)
Net Charges made for pensions under FRS17		1,005,332	(770,828)
Employer's Contributions Payable to Pension Fund and retirement benefits payable direct to pensioners	11	418,778	416,874
Capital Expenditure charged in year to HRA		2,285,385	2,201,185
Sale Proceeds of Assets Disposed		433,000	115,000
Other Capital Income		11,997	41,193
Capital Receipts to finance Admin of sales		(2,063)	(411)
Accumulated Absence Reserve		6,620	1,837
Total Adjustments between Accounting Basis and Funding Basis under Statute		(55,672,894)	1,156,828
(Increase) or Decrease in year on the HRA		(132,523)	(327,327)
Balance at beginning of year		(3,381,569)	(3,054,242)
Balance at end of year		(3,514,092)	(3,381,569)

NOTES TO THE HOUSING REVENUE ACCOUNT

1 Housing Stock

The Council was responsible for managing the following housing stock :-

	Bedrooms	31 March 2011	31 March 2010
	No.	No.	No.
Houses	1	1	1
	2	664	662
	3	1,068	1,069
	4	88	88
	5+	5	5
Flats	1	2,053	2,052
	2	784	779
	3	19	19
Bungalows	1	283	283
	2	109	109
	3	30	30
		5,104	5,097

2 Balance Sheet Value of HRA Assets

Fixed Assets Operational Assets :- Cost or Valuation	Council Dwellings £	Other Land and Buildings £	Total £
Brought Forward 1 April 2010	264,169,015	4,327,254	268,496,269
Additions	5,862,454	-	5,862,454
Derecognition Disposals	(170,682)	-	(170,682)
Reclassifications within PPE	(112,226)	(282,385)	(394,611)
Balance Carried Forward 31 March 2011	269,748,561	4,044,869	273,793,430
Cumulative Depreciation and Impairments			
Brought Forward 1 April 2010	(8,211,461)	(44,806)	(8,256,267)
Depreciation for year	(3,659,212)	(41,566)	(3,700,778)
Impairment Losses / Reversals recognised in the Revaluation Reserve	-	(32,274)	(32,274)
Impairment Losses / Reversals recognised in Surplus / Deficit on Provision of Services	(61,904,700)	(104,788)	(62,009,488)
Reclassification - within PPE	-	221	221
Balance Carried Forward 31 March 2011	(73,775,373)	(223,213)	(73,998,586)
Balance Sheet Amount 1 April 2010	255,957,554	4,282,448	260,240,002
Balance Sheet Amount 31 March 2011	195,973,188	3,821,656	199,794,844

2 Balance Sheet Value of HRA Assets contd

Fixed Assets	Assets Under Construction	Surplus Assets	Total Non Operational
Non Operational Assets :-	£	£	£
Cost or Valuation			
Brought Forward 1 April 2010	219,097	-	219,097
Additions	2,550,400	-	2,550,400
Balance Carried Forward 31 March 2011	<u>2,769,497</u>	-	<u>2,769,497</u>
Depreciation			
Brought Forward 1 April 2010	-	-	-
Balance Carried Forward 31 March 2011	<u>-</u>	<u>-</u>	<u>-</u>
Balance Sheet Amount 1 April 2010	<u>219,097</u>	-	<u>219,097</u>
Balance Sheet Amount 31 March 2011	<u>2,769,497</u>	-	<u>2,769,497</u>

The Balance Sheet value is based on existing use value as Social Housing.

In addition the Government requires a Housing Council to value its housing stock as if it was unoccupied and could be sold with vacant possession. This form of valuation is higher than for existing social use. For Bournemouth the vacant possession value of dwellings on the 1 April 2010 was £630,191,405. The difference between these two methods of valuation for dwellings within the HRA shows the economic cost to the Government of providing council housing at less than market rent.

3 Major Repairs Reserve

The Major Repairs Reserve receives a transfer from the Capital Adjustment Account equivalent to the total depreciation charged to the HRA. A transfer is put to the HRA to reduce this amount to the value of the Major Repairs Allowance. The net sum is then available to finance HRA Capital Expenditure.

	2010/2011	2009/2010
	£	£
Balance Brought Forward 1 April	2,144,212	2,301,992
HRA Depreciation from Capital Adjustment Account	3,700,778	3,620,442
Excess Depreciation to HRA	(41,566)	(44,585)
Financing of HRA Capital Expenditure - Council Housing	(3,575,750)	(3,733,637)
Balance Carried Forward 31 March	<u>2,227,674</u>	<u>2,144,212</u>

4 Repair and Maintenance

	2010/2011	2009/2010
	£	£
Responsive Repairs	1,359,194	1,599,349
Programmed Repairs	1,532,091	1,201,130
Support Costs	279,648	262,333
Charge to Housing Revenue Account	<u>3,170,933</u>	<u>3,062,812</u>

The Council does not maintain a separate Housing Repair Account.

5 Summary of Capital Expenditure and Sources of Finance

	2010/2011	2009/2010
	£	£
Opening Capital Financing Requirement	<u>11,465,327</u>	<u>11,465,327</u>
Capital Investment :-		
Property Plant and Equipment	8,412,854	6,047,049
Sources of Finance :-		
Government Grants and Contributions	(2,147,286)	(112,227)
Revenue Finance	(2,285,385)	(2,201,185)
Major Repairs Reserve	(3,575,750)	(3,733,637)
Closing Capital Financing Requirement	<u>11,869,760</u>	<u>11,465,327</u>
Explanation of movements in year :-		
Increase in underlying need to borrow (unsupported by Government financial assistance)	404,433	-
Increase / (decrease) in Capital Financing Requirement	<u>404,433</u>	<u>-</u>

6 Capital Receipts

	2010/2011	2009/2010
	£	£
Usable Capital Receipts Brought Forward 1 April	1,607,212	1,755,731
Capital receipts in year :-		
- Sale of Council Houses	430,937	114,589
- Discounts Repaid	11,997	41,193
- Housing Advances Repaid	6,105	4,931
Pooled Capital Receipts	(323,143)	(125,132)
Applied to finance Capital Expenditure :-		
- Housing - Non HRA	-	(184,100)
Balance Carried Forward 31 March	<u>1,733,108</u>	<u>1,607,212</u>

7 Cost of Capital Charge

Depreciation of £3,700,778 and Impairment charges of £62,009,488 create a total revenue charge within Net Cost of Service of £3,700,778.

Within the Income and Expenditure Account the deprecation charge of £3,700,778 is transferred to the Major Repairs Reserve, where it is adjusted to equal the Major Repairs Allowance.

8 Impairment Charges

Impairment Charges for 2010/2011 totalled £62,009,488 (£1,224,755 2009/2010).

9 Rent Arrears

	Balance as at 31 March 2011	Balance as at 31 March 2010
	£	£
Cumulative Gross Arrears	710,829	629,468
Provision for Uncollected Debts	483,924	422,124

In addition to the provision for uncollected rents shown above, there is also a provision for non payment of amounts outstanding for rechargeable works that have been carried out on behalf of tenants / leaseholders.

10 Housing Revenue Account Subsidy

The Council is required by the Government to maintain a notional Housing Revenue Account in order that the Council's entitlement to Housing Subsidy can be calculated.

	2010/2011	2009/2010
	£	£
Expenditure on Notional Account	13,171,383	12,699,205
Income on Notional Account	(16,956,182)	(16,604,400)
Surplus on Notional Account	(3,784,799)	(3,905,195)
Previous Year Adjustment	-	(1,551)
Housing Subsidy Grant Receivable / (Payable)	(3,784,799)	(3,906,746)

11 Analysis of HRA Contributions to / (from) Pensions Reserve

	2010/2011	2009/2010
	£	£
Net Cost of Service		
Current Service Cost	617,161	390,648
Past Service Costs	(1,416,051)	-
Loss on Curtailment	(636,416)	4,389
	(1,435,306)	395,037
Net Operating Expenditure		
Interest Cost	987,614	786,850
Expected Return on Assets	(557,640)	(411,059)
Sub Total Interest and Expected Return	429,974	375,791
	(1,005,332)	770,828
Reversal of net charges made for retirement benefits in accordance with FRS 17	1,005,332	(770,828)
Actual amount charged against the HRA for Pensions in the year	418,778	416,874
	418,778	416,874

THE COLLECTION FUND

The Collection Fund is an agent's statement that reflects the statutory obligation for billing Councils to maintain a separate Collection Fund.

The statement shows the transactions of the billing council in relation to the collection from taxpayers and distributions to local councils and the government of council tax and non-domestic rates.

	Note	2010/2011 £	2009/2010 £
INCOME			
Income from Council Tax		82,987,336	80,313,072
Transfers from General Fund :-			
- Council Tax Benefit		15,970,726	14,850,002
Sub-Total - Council Tax		98,958,062	95,163,074
Income Collectable from Business Ratepayers (NDR.)		57,984,532	58,679,895
Contribution from Precepting Authorities			
- towards deficit balance	5	-	-
Total Income		156,942,594	153,842,969
EXPENDITURE			
Precepts and Demands	4	95,441,938	92,112,984
Business Rate :-			
- Payment to National Pool		57,675,952	58,425,833
- Costs of Collection		308,580	254,062
Bad and Doubtful Debts :-			
Council Tax :-			
- Write Offs		281,973	492,474
- Provisions		1,431,218	1,120,305
Contribution to Authorities			
- of surplus balance	5	1,500,000	725,000
Total Expenditure		156,639,661	153,130,658
Movement in Fund Balance (Surplus)/Deficit		(302,933)	(712,311)
Balance Brought Forward 1 April :-			
- Bournemouth's Proportion		(1,432,427)	(834,548)
- Preceptor's Proportion		(271,002)	(156,570)
Balance Carried Forward 31 March		(2,006,362)	(1,703,429)
- Bournemouth's Proportion		(1,684,540)	(1,432,427)
- Preceptor's Proportion		(321,822)	(271,002)
		(2,006,362)	(1,703,429)

The balance on the Collection Fund is taken into account when calculating the level of Council Tax each year. A surplus becomes a contribution to the Annual Borough Requirement reducing the level required to be raised from Council Taxpayers, a deficit requires a higher payment from Council Taxpayers to bring the amount into balance.

NOTES TO THE COLLECTION FUND

1 Income from Council Tax

The Council Tax is calculated and charged on domestic properties. For the purposes of identifying liability and determining the level of Tax, properties are placed in one of eight Valuation Bands by the Inland Revenue. After accounting for discounts, exemptions etc. these are then converted to a Band D equivalent which is known as the Tax Base. The Tax Base for 2010/2011 on which the tax was set was :-

Valuation Band	No. of Properties	Proportion to Band D	No. of Band D Equivalent Properties
A * - disabled relief for Band A property	7	5 / 9	4
A	11,927	6 / 9	7,951
B	14,578	7 / 9	11,338
C	19,526	8 / 9	17,356
D	13,071	9 / 9	13,071
E	6,821	11 / 9	8,337
F	3,000	13 / 9	4,333
G	1,283	15 / 9	2,138
H	63	18 / 9	126
Total	70,276		64,654

The above Band D Equivalent figure is adjusted by the expected collection rate of 98.5% to give the Tax Base for the year. The Tax Base for 2010/2011 was set by the Council at 63,684 (2009/2010 63,385).

2 Reconciliation of Budgeted Council Tax Income to Actual - 2010/2011

	Actual £	Budgeted £	Difference £
Balance Brought Forward	(1,703,430)	(1,500,000)	(203,430)
Council Tax Gross Income	(98,958,062)	(96,895,658)	(2,062,404)
Bad Debt Provision	1,713,191	1,453,720	259,471
	(98,948,301)	(96,941,938)	(2,006,363)

3 Income from Business Ratepayers

	2010/2011	2009/2010
Total Rateable Value at 31 March (£)	171,851,465	142,677,897
The Multiplier (rate in the £) as set by Government (Pence)	41.40	48.50

The 2009/2010 rate in the pound of 48.5 pence includes a 0.4 pence supplement to pay for the Small Business Rate Relief introduced. The five yearly revaluation of all rateable values took place on 1 April 2010 and the resulting overall total increase in the level of the rateable values has resulted in a reduction in the rate in the pound for 2010/2011 to 41.40 pence to ensure that the total yield raised continues to increase in line with inflation between the two years. The 2010/2011 rate in the pound includes a 0.7 pence supplement to pay for the Small Business Rate Relief.

4 Precepts and Demands

The following Precepts and Demands were met by the Collection Fund :-

	2010/2011	2009/2010
	£	£
Bournemouth Borough Council	80,132,941	77,474,852
Dorset Police Authority	11,463,120	10,930,109
Dorset Fire and Rescue Service	3,845,877	3,708,023
Total	95,441,938	92,112,984

5 Distribution of Estimated Balance on the Collection Fund

In accordance with regulations the balance on the Collection Fund has to be estimated on 15 January each year. This estimate is distributed the following year between the authorities.

The Estimated (Surplus) / Deficit on the Collection Fund was distributed as below :-

	2010/2011	2009/2010
	£	£
Bournemouth Borough Council	(1,261,627)	(610,719)
Dorset Police Authority	(177,990)	(85,302)
Dorset Fire and Rescue Service	(60,383)	(28,979)
Total	(1,500,000)	(725,000)

6 Accrued Council Tax Income

The Comprehensive Income and Expenditure Statement of the Council on page 10 shows the accrued Income from Council Tax attributable to this Council.

This is made up of the amount payable in the year by way of Demand and distribution of estimated balance together with a share of the actual surplus for the year. This surplus is then reversed out of the Statement of Movement in General Fund Balance to the Collection Fund Adjustment Account where it appears on the Balance Sheet.

	Precept / Demand Plus Share of Estimated Balance	Share of Surplus for the year	Accrued Council Tax Income
	2010/2011	2010/2011	2010/2011
	£	£	£
Bournemouth Borough Council	81,394,568	252,113	81,646,681
Dorset Police Authority	11,641,110	38,553	11,679,663
Dorset Fire and Rescue Service	3,906,260	12,267	3,918,527
	96,941,938	302,933	97,244,871



Independent auditor's report to Members of Bournemouth Borough Council

Opinion on the Authority accounting statements

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

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

Respective responsibilities of the Executive Director, Business Improvement and Finance and the auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Executive Director, Business Improvement and Finance is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

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

Opinion on other matters

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

Matters on which I report by exception

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

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

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

Auditor's responsibilities

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

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

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

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

Conclusion

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

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by a local authority elector. I am satisfied that these matters do not have a material effect on the financial statements.

Simon Garlick
District Auditor
Audit Practice of the Audit Commission
Collins House
Bishopstoke Road
Eastleigh
Hampshire
SO50 6AB
21 September 2011

ANNUAL GOVERNANCE STATEMENT**For the Year Ended 31 March 2011****Scope of responsibility**

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

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

Bournemouth Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at:

http://www.bournemouth.gov.uk/Council/strategies_plans/Corporate_Governance.asp or can be obtained from the Service Director, Law and Governance, Town Hall, Bourne Avenue, Bournemouth BH2 6DY. This statement explains how Bournemouth Borough Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment)(England) Regulations 2006 in relation to the publication of a statement on internal control. It should be noted that the Accounts and Audit Regulations 2011 will supersede the foregoing version from April 2011.

The purpose of the governance framework

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

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

The governance framework has been in place at Bournemouth Borough Council for the year ended 31 March 2011 and up to the date of approval of the 'Backward Look 2010/11' annual report and statement of accounts.

The governance framework

The 'Local Code of Corporate Governance Principles Matrix 2010/11' explains how the Council integrates the following components of Governance in its delivery of services:

- identifying and communicating the council's vision of its purpose and intended outcomes for citizens and service users
- reviewing the council's vision and its implications for the council's governance arrangements

The governance framework - contd.

- measuring the quality of services for users, for ensuring they are delivered in accordance with the council's objectives and for ensuring that they represent the best use of resources
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks
- ensuring the council'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)
- undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- whistleblowing and for receiving and investigating complaints from the public
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the council's overall governance arrangements

The Executive Director, Business Improvement is the council's statutory Chief Finance Officer under Section 151 of the Local Government Act, 1972. That Officer has confirmed that the council'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).

Review of effectiveness**Internal Control**

Bournemouth 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 is informed by the work of the following, further details of which are given below:
 - internal auditors including the Head of Internal Audit's annual report
 - senior managers within the Council who are responsible for the development and maintenance of the governance environment
 - comments made by the external auditors and other review agencies and inspectorates.
- The Council has established its future priorities in the Corporate Plan. It continues to operate a Service Planning and Performance Management Framework which regularly monitors achievement against these priorities.
- Risks to the achievement of objectives are reflected in the Council's Strategic and Operational Risk Registers.

Internal Audit

- The Council's risk based Internal Audit Plan is consulted upon with Service Directors and approved by the Audit & Governance Committee. This provides the basis for the review of internal control within the Council. The content of the Strategic and Operational Risk Registers also inform the Audit Plan.
- Achievement of the Internal Audit Plan and the work of Internal Audit generally is monitored by the Executive Board and the Audit & Governance Committee.
- Internal Audit provides a formal Internal Audit Opinion in both annual and interim reports to the Executive Board and the Audit & Governance Committee. These reports contain an assurance about the system of internal control throughout the Council.

Whilst Internal Audit is unable to give absolute assurance, the results of the reviews completed during the year have resulted in an overall audit opinion that:-

- Systems and internal control arrangements continue to be effective and ensure that the Council achieves its overall objectives and uses its resources economically, efficiently and effectively. Specific exceptions are referred quarterly to the Executive Board and the Audit & Governance Committee. Details are included within the evidence file that supports this statement.
- Accounting arrangements are sound.
- Agreed policies, regulations and the Constitution are complied with.
- Managers throughout the Council are aware of the importance of maintaining internal controls and the recommendations made by Internal Audit are accepted as practical and a valuable contribution to the continued operation of those systems. Instances where implementation of recommendations is not achieved by the dates agreed are brought to the attention of the appropriate Executive and/or Service Director.
- Appropriate arrangements are operated to deter and detect fraud.

The Accounts and Audit Regulations of 2003 were amended in 2006 to require that: 'The relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit'. This review is carried out internally as a self assessment and reported to the Audit & Governance Committee. The Accounts and Audit Regulations have been revised in 2011, to be effective from April 2011. The wording in the section referring to a requirement for a review of internal audit is slightly changed but the substance is not changed.

Elected Members

- Internal Control forms part of the agenda of the Audit & Governance Committee (Terms of Reference – see item 090729Pa).

Executive Directors' Assurance Statement

Each Executive Director is required to sign off an over-arching Annual Assurance Statement on internal control arrangements within their Service Unit clusters.

Service Directors' Assurance Statements

- Each Service Director is required to compile an Annual Assurance Statement on internal control arrangements within their service area(s). They are responsible for monitoring and reviewing internal controls as an integral part of the risk management process. Any significant control issues identified are included in a Governance Improvement Plan.
- Service Units maintain Operational Risk Registers in respect of the risks to the achievement of their Service Plans and service delivery. This process is closely aligned to the Service Planning framework. It acts as a significant part of the evidence for the Assurance Statements.

External Audit and Inspection

The Council's External Auditors issued their Annual Audit Letter in November 2010. This is available on the Council's website. This report summarises the findings of the External Auditors' 2009/10 audit. It includes messages arising from the audit of the Council's financial statements and the results of the work undertaken to assess arrangements to secure value for money in the use of resources.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Significant governance issues

- We have been advised on the implications arising from the review of the effectiveness of the system of internal control operated by the Council.
- This includes Annual Assurance Statements from Executive Directors and Service Directors. The Council does not consider that it has any significant control risks. However any weaknesses identified, together with details of actions proposed to ensure continuous improvement to service delivery, are included in a Governance Improvement Plan. This Plan is monitored regularly, with reporting to the Executive Board and the Audit & Governance Committee on a quarterly basis.
- We note areas of concern arising from the work of Internal Audit which have been separately reported in regular progress reports to the Audit & Governance Committee. These are on the website at the following link:
http://www.bournemouth.gov.uk/main/Minutes_Agendas/AuditGovernanceCommittee.asp
- The Council's Strategic Risk Register is reviewed and refreshed regularly. A full externally facilitated review of the Strategic Risk Register took place on 9 July 2010. Executive Directors, Service Directors, Members of the Audit & Governance Committee and the Leader of the Council were invited. The Strategic Risks were rationalised into a reduced number of over-arching risks to be more in line with current objectives and the environmental context. The Council's Strategic Risk appetite was also reviewed. The following risks are currently identified as High:-

No	Risk
1	Failure to respond to needs arising from a changing demography
2	Failure of key projects to deliver stated outcomes
3	Failure to respond to change/uncertainty resultant from central government
4	Failure to respond to change/uncertainty resultant from local government
5	Lack of workforce appropriate for service delivery
6	Failure of effective and timely change management in order to deliver anticipated outcomes related to the vision
7	Safeguarding – Failure to protect people from abuse and harm
8	Interruption of technology – loss of information, loss of service
9	Failure of partnership working to deliver key outcomes
10	Recession – failure to deal with the impact of the recession on services and residents
11	Recession – failure to adjust/contribute to the recovery from recession
12	Management/security of information
13	Failure to positively address the causes and impacts of climate change and the transition towards renewable energy
14	Finance – failure to deliver balanced budget and failure to deliver services

A further review of the Council's Strategic Risk Register is planned for the summer of 2011. This review will again be carried out through an externally facilitated workshop.

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

GLOSSARY

Accruals

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

Borrow to Invest Schemes

The scheme allows Business Units to borrow from the Council's reserves, the loan repayments are subject to interest.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Receipt

The proceeds from the sale of a fixed asset. A proportion of Capital Receipts relating to the Sale of Council Dwellings is payable to the National Pool the remainder of Capital Receipts are available to finance Capital Expenditure.

Charging Authority

The Council responsible for administering the Collection Fund, including raising bills for and collecting the appropriate council tax and non-domestic rates (NDR).

Contingent Asset

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

Contingent Liability

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or

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

Council Tax

A charge on the residential property within the Council's area to finance a proportion of the Council's expenditure.

Creditors

Amounts owed by the Council for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.

Current Assets

Assets which can be expected to be consumed or cease to have material value during the next accounting period, examples are stock and debtors.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period, examples are creditors.

Debtors

Amounts due to the Council for goods or services provided within the accounting period but not received at the balance sheet date.

Deferred Capital Receipts

Amounts due to the Council from the sale of fixed assets which are not receivable immediately on sale.

GLOSSARY

Depreciation

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Fixed Assets

Tangible assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.

General Fund

The main account of the Council which records the cost of service provision.

Government Grants

Payments by Central Government towards the cost of local Council services either specifically (e.g. improvement grants) or generally (e.g. revenue support grant).

Housing Benefits

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

Housing Revenue Account

A separate account from the General Fund recording all the transactions relating to the provision of housing accommodation by the Council.

Infrastructure Assets

Fixed assets that are not able to be transferred or sold, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

Leasing

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

Liquid Resources

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

- Readily convertible to known amounts of cash as or close to the carrying amount; or
- Traded in an active market.

Minimum Revenue Provision (MRP)

Is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

Non-Domestic Rates (NDR)

A flat rate is set annually by central government and levied on businesses in the Borough. The money is collected by the Council and then passed to Central Government who reallocate the proceeds to all Councils.

Non-Operational Assets

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

Operational Assets

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

GLOSSARY

Post Balance Sheet Events

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

Precept

The amount which a Precepting Authority requires from a Charging Council to meet its expenditure requirements, requiring the Charging Council to collect income from council taxpayers on their behalf.

Precepting Authority

Local Authorities, including fire and rescue and police authorities, which cannot levy a council tax directly on the public but have the power to precept Charging Councils.

Projected Unit Method

The value of the assets held in the fund is compared directly to the value of pension liabilities accrued in respect of service prior to the valuation date. For active members, this method allows for pensionable service to date, but account is taken of the expected final pensionable salary (projected forward to allow for future pay increases).

Private Finance Initiative (PFI)

The PFI is a government policy designed to increase private sector involvement in the provision of public services. The Council does not own the asset, for example, the Bournemouth Library, but pays the PFI contractor payments over the period of the contracts for the use of the facilities under the contract period.

Provisions

Amounts set aside in the accounts for future liabilities which cannot accurately be quantified.

Public Works Loan Board (PWLB)

A Central Government Agency which lends money to public bodies for capital purposes at interest rates only slightly higher than those at which the Government itself can borrow.

Related Party Transaction

This is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

Reserves

Amounts set aside in the accounts for the purpose of providing money for future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are often described as balances.

Revenue Account

An account which records the Council's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.

Revenue Budget Comparison

This statement reports the actual expenditure and income of the services for which the Council is responsible. It demonstrates how the new cost has been financed from general Government Grants and from Local Taxpayers. It brings together expenditure and income relating to all of the Council's functions.

Revenue Expenditure

The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

GLOSSARY**Revenue Support Grant (RSG)**

A general Central Government Grant paid to the Income and Expenditure Account in support of the Charging Council's revenue expenditure.

Stocks

Items of raw materials and stores purchased by the Council to use on a continuing basis and which has not been used. The value of those items not used at the balance sheet date are included as assets of the Council.

Temporary Borrowing/Investment

Money borrowed or invested for an initial period of less than one year.

Work in Progress

The value of work done on an uncompleted project which has not been recharged to the appropriate account at the balance sheet date.