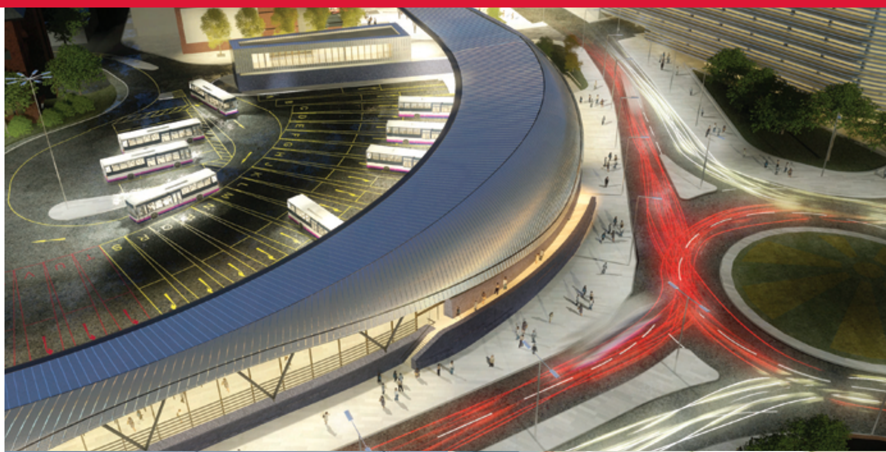
Statement of Accounts 2011/12



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1. Explanatory Foreword

Welcome to the Statement of Accounts for Stoke-on-Trent City Council for the financial year 2011/12. The purpose of this document is to summarise and provide a true and fair view of the financial performance of the City Council in delivering services to the citizens of Stoke-on-Trent, providing an overall financial position of the council for the year ended 31 March 2012. The accounts and accompanying documents are subject to external independent review by the Audit Commission and their opinion forms part of this report.

Stoke-on-Trent City Council is a unitary council with no parish councils. The City Council provides key services to a population of over 240,000 residents in over 113,000 households and geographically covers an area of 36 square miles which is made up of residential, industrial, commercial land with significant greenspace for a mainly urban area. The City Council has 44 elected members and employs circa 10,000 staff (including schools) who provide a diverse range of services for residents, local business and visitors to the city.

Unprecedented Times

The Comprehensive Spending Review in October 2010 announced that there would be a 28% reduction in funding for local government throughout 2011/12 to 2014/15 with the highest element of these cuts taking place during the first two years.

Stoke-on-Trent was the 8th worst financially treated unitary authority in England with the changes to the formula and specific grants resulting in a combined loss of grant support in 2011/12 of £25 million. This included the deletion of the Working Neighbourhoods Fund, for which the City Council received over £9 million in 2010/11. These were the most severe reductions in recent history and 2011/12 was guaranteed to be a challenging year. The scale of funding cuts combined with the late announcement of the final details resulted in a budget strategy for 2011/12 that contained some very difficult local decisions. This resulted in the need to produce an overall savings programme of circa £36m without any increase to council tax.

Although inevitably some frontline services were hit, the majority of savings in the budget came from redesigning services, delayering management and supervision, and other efficiency measures. Through strong political leadership and robust financial management the collective performance of the City Council to cope with the challenging year has been impressive. During the year there have been additional pressures but all necessary steps were taken to remain within budget. The City Council's ambitious capital programme delivered £131m worth of investment in 2011/12 which included a number of key achievements during the year. The programme has provided a strong foundation and significant improvements to the City's physical infrastructure and environment has commenced.

Stoke-on-Trent's ambitions are to meet the challenge head on, to strive to change the city for the good of all its citizens. In July 2011, the council proposed a framework and set of principles around which planning, investment and effective resource management could be made to create positive and sustainable economic change in Stoke-on-Trent. It is an ambitious and exciting programme to create a "great working city". The following principles formed the basis of what has now been agreed as the Mandate for Change for the city.

- Make Stoke-on-Trent the place to bring business
- Support and develop existing business
- Work with people to promote independence and healthy lives
- Make Stoke-on-Trent a great city to live in
- Develop an effective and confident council

Explanation of the Format of the Statement of Accounts

Stoke-on-Trent City Council is a complex and varied organisation providing a range of services to its communities. Whilst much of the year focused on planning for the future, this explanatory foreword seeks to summarise the key events during 2011/12 and assess their financial impact to help to make the Statement of Accounts as easy as possible to understand and comprehend. By its very nature, this statement is a complex and significant document. This foreword aims to present an overview of the main financial issues arising during the year and to help the reader's understanding. This is also supported by a glossary of financial terms which is included at the end of this document. The City Council also produces and publicises summary, non-statutory financial management information based on its audited accounts each year, to support its transparency agenda.

The purpose of these accounts is to give readers and stakeholders clear information about the City Council's finances and will endeavour to answer questions such as:

- What did the City Council's services cost in the financial year?

- Where did the money come from?

- What was the value of the City Council's assets at the end of the financial year?

- What is the net worth of the City Council?

The primary statements within the document offer the reader a financial summary of the activities of the City Council. They are supported by disclosure notes providing more detailed explanation to assist the reader in interpreting and understanding the accounts.

Compliance with the International Financial Reporting Standards (IFRS) reporting format, introduced for the year ended March 2011, resulted in some significant changes to presentation and accounting terms used and has altered the format and structure of the accounts from previous versions.

The Statement of Accounts comprises:

- Independent Auditor's Report to Members (section 2)
- Statement of Responsibilities for the Statement of Accounts (section 3)
- Statement of Accounting Policies adopted for preparation of the accounts (section 4)
- Statement of Accounting Standards issued but not yet adopted in preparation of the accounts (section 5)
- Critical Judgement on application of the accounting policies (section 6)
- Core Financial Statements (sections 7-10)
- Impact of transition to IFRS and prior period adjustments (section 11)
- Assumptions made about the estimation uncertainties (section 12)
- Notes to the Core Financial Statements (section 13)
- Supplementary Financial Statements (section 14-18)
- Glossary of Financial Terms (section 19)

The Core Financial Statements comprise:

- **Movement in Reserves Statement** – This shows the movement in the year on the different reserves held by the authority.
- **Comprehensive Income and Expenditure Statement** – This statement summarises all the costs of providing all City Council services.
- **Balance Sheet** – This summarises the Council's financial position at 31 March each year. It contains the assets and liabilities it holds and reserves showing the council's net worth.
- **Cash Flow Statement** – This summarises the flows of cash that have taken place in and out of the Council's bank accounts over the financial year.

The Supplementary Financial Statements comprise:

- **Housing Revenue Account (HRA) Income and Expenditure Account** – Showing the economic cost of providing social housing services in the year.
- **Movement on the HRA Statement** – Summarising the increase or decrease in the Housing Revenue Account reserve.
- **Collection Fund Statement** – Receipts and payments relating to council tax and business rates.
- **Annual Governance Statement** (published separately) – The City Council is required to publish an Annual Governance Statement for the financial year.

  The City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. It is responsible for ensuring that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The City 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.

  This Annual Governance Statement explains how the City Council has complied with this responsibility. This statement will further explain the progress that the City Council has made towards the achievement of the improvement actions outlined in previous years Annual Governance Statements.

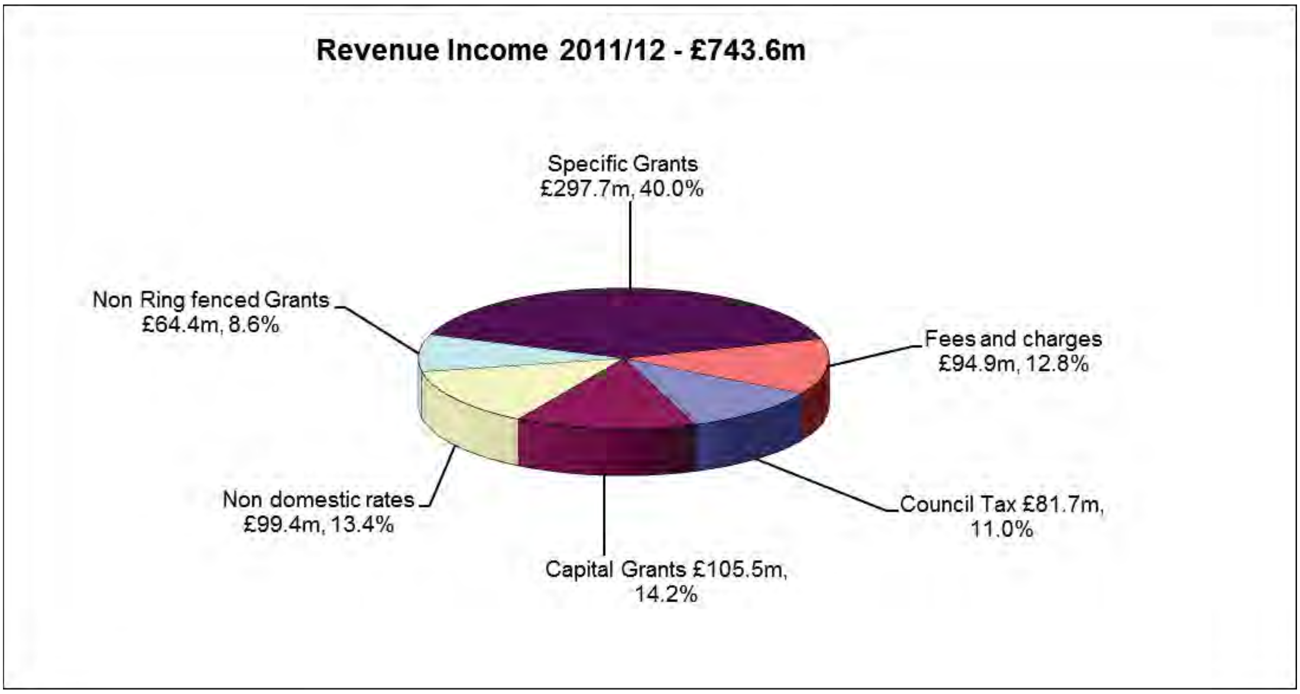
Movement in Reserves and Comprehensive Income and Expenditure

Each year, the City Council aims to deliver its approved Medium Term Financial Strategy, spending money on key services to reflect local priorities and those that have to be provided by law. The charts below show where the income comes from and what services the money is spent on.

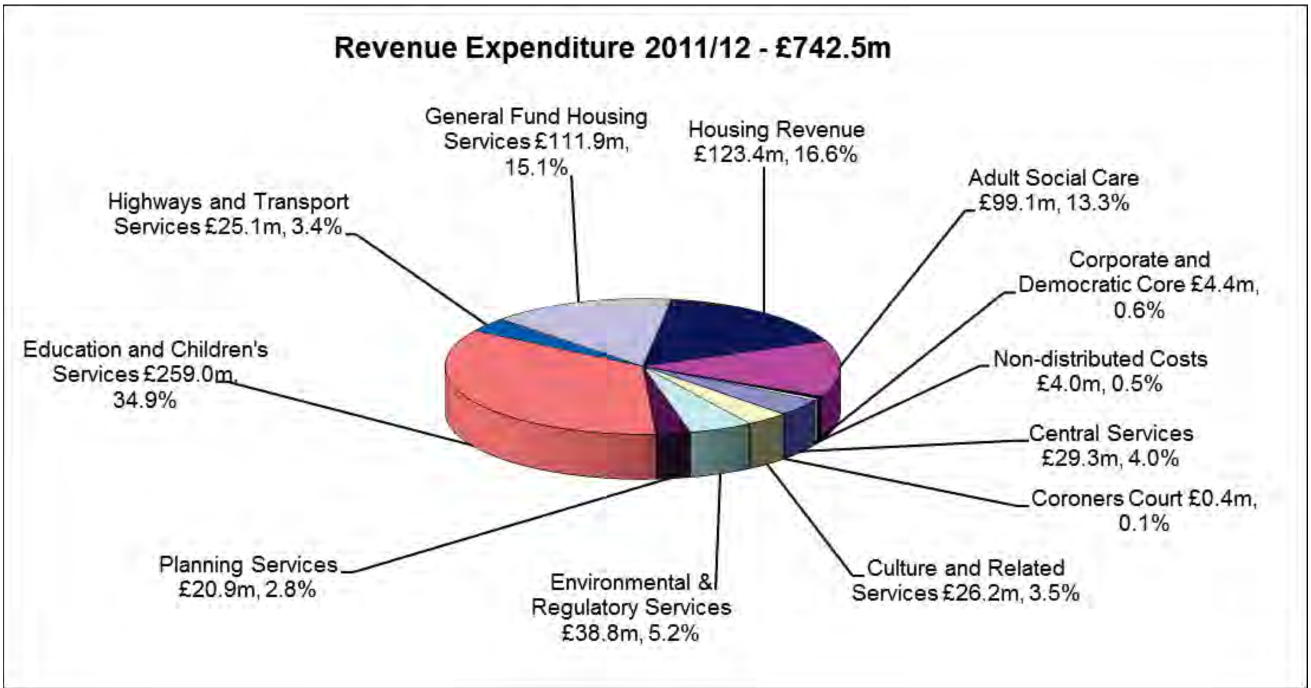
The City Council's income and expenditure are as follows:

	Expenditure	**Income**
General Fund	£680.0m	**£681.7m**
Housing Revenue Fund	£62.5m	£61.9m
Total	**£742.5m**	**£743.6m**

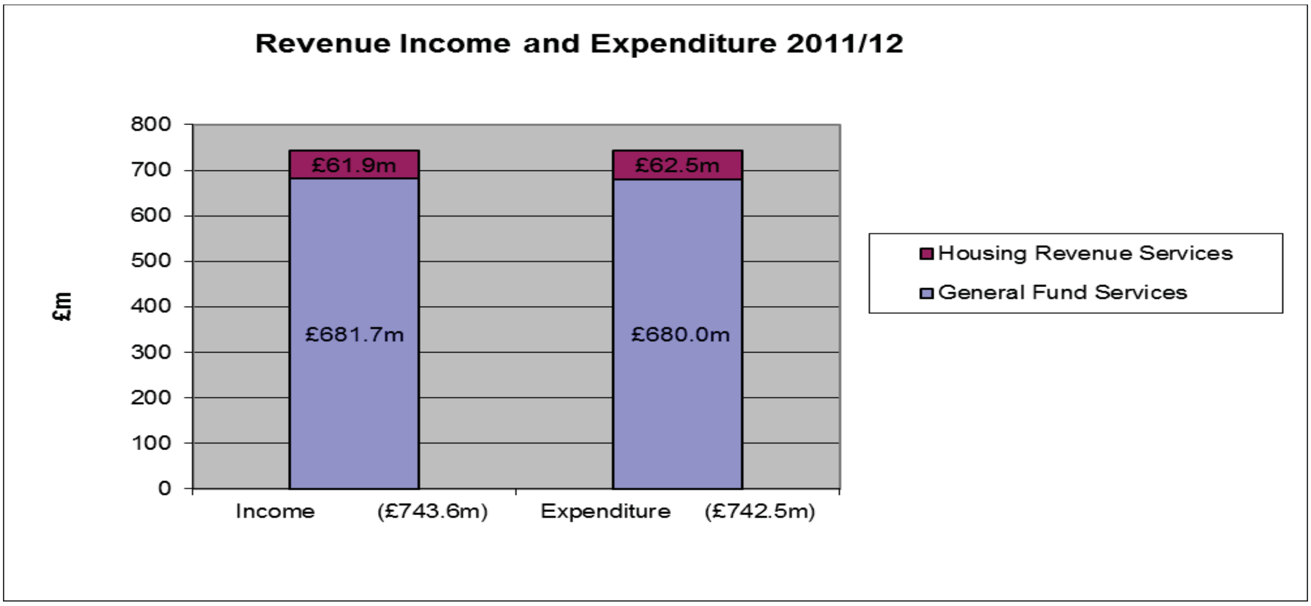
The City Council's expenditure for 2011/12 was funded from a number of different income sources as shown in the following graph.



The chart below shows how the money was spent in 2011/12.



The council, by law, has to be able to account separately for general fund and housing revenue account activities. The chart below breaks the Comprehensive Income and Expenditure into its general fund and housing revenue account activities. A detailed breakdown of income and expenditure relating to specific services is shown in the following sections.



During the year total income exceeded expenditure by £1.125m, made up of a £1.643m surplus on the General Fund and £0.518m deficit on the Housing Revenue account.

General Fund Services

The focus of this section is to look at how the City Council spends its General Fund (non-Council Housing) resources on day to day activities. The income comes primarily from central government in the form of grants and from local residents in the form of council tax payments.

As part of the Government's austerity measures, 2011/12 was the first year of a financial settlement for local government which would see a cumulative reduction in funding across the sector. Where possible, advantage was taken by implementing savings prior to the start of 2011/12 to provide a strong foundation for the year ahead. During the year there have been pressures from out of city placements, increased demand for community care packages and a shortfall in some income streams. These pressures along with the original budget savings were monitored closely throughout the year. All necessary steps were taken to manage this potential overspend, including strict vacancy control, all directorates cutting non-essential spend, identifying additional funding and proposing alternative / additional savings were required. Directorates, working with finance colleagues, proactively improved the outturn position throughout the year which has enabled a number of new earmarked reserves to be established for identified risks and commitments that may be faced in the future.

City Council endorsed the funding strategy for the redundancy programme on 24 February 2011. This effectively approved the borrowing, on a temporary basis, from the Council's earmarked reserves of up to £25m. The plan was to make repayments, as quickly as possible, over a maximum period of up to five years. For 2010/11 £14.3m was borrowed from earmarked reserves with a further £5.7m to meet the redundancy costs in 2011/12. During the year it was identified that an additional amount would be able to be repaid in 2011/12 over that already programmed. The proactive action of officers, which has resulted in departmental underspends, together with the reduction in financing charges as a result of the re-sequencing and management of slippage within the capital programme, has created extra flexibility. Consequently it has been considered prudent to increase the repayment as much as possible to leave the current level of outstanding borrowing from earmarked reserves at £4.181m. This is budgeted to be repaid in 2012/13.

The contribution to the General Fund balance of £1.643m is reflected in accordance with current accounting standards in the Movement in Reserves Statement and Comprehensive Income and Expenditure account and summarised in the table below.

General Fund Reserve Movement 2011/12	Expenditure	Income	Net
	£000	£000	£000
Net cost of services (General Fund)	**661,220**	**(417,513)**	**243,707**
Less HRA services share of Corporate & Democratic Core	(344)	-	(344)
Other Operating Expenditure	17,813	-	17,813
Net operating expenditure	**678,689**	**(417,513)**	**261,176**
Financing and Investment Income & Expenditure	24,527	(1,425)	23,102
Other Revenue income	-	(350,761)	(350,761)
Deficit/(surplus) for the year	**703,216**	**(769,699)**	**(66,483)**
Adjustments to Comprehensive Income and Expenditure under statute (Note 13.01)	(61,662)	105,358	43,696
Transfers to/from other reserves (excluding Schools)	38,477	(17,333)	21,144
Total (income)/expenditure	**680,031**	**(681,674)**	**(1,643)**

Council Housing Services

Day to day expenditure on the City Council's housing stock, such as general property maintenance, is funded by tenants' rents and monies received from central government in the form of housing subsidy. By law, these monies can only be spent on council house related matters and not on any other services provided by the Council. Similarly, General Fund monies, including council tax revenues, cannot be used to fund council housing services.

The Housing Revenue Account outturn for 2011/12 incurred a deficit of £0.518m.

Housing Revenue Fund Movement 2011/12	Expenditure	Income	Net
	£000	£000	£000
Net cost of services (Housing Revenue Account)	**128,148**	**(61,103)**	**67,045**
Add HRA services share of Corporate & Democratic Core	344	-	344
Net operating expenditure	**128,492**	**(61,103)**	**67,389**
Financing and Investment Income & Expenditure	3,646	(181)	3,465
Other revenue income	-	(162)	(162)
Deficit/(surplus) for the year	**132,138**	**(61,446)**	**70,692**
Adjustments to Comprehensive Income and expenditure under statute (Note 13.01)	(69,672)	162	(69,510)
Transfers to/from other reserves	-	(664)	(664)
Total (income)/expenditure	**62,466**	**(61,948)**	**518**

From April 2012 there has been a complete overhaul of the national funding system for housing finance. This is explained more fully in the paragraph 'Significant transaction during the year' below.

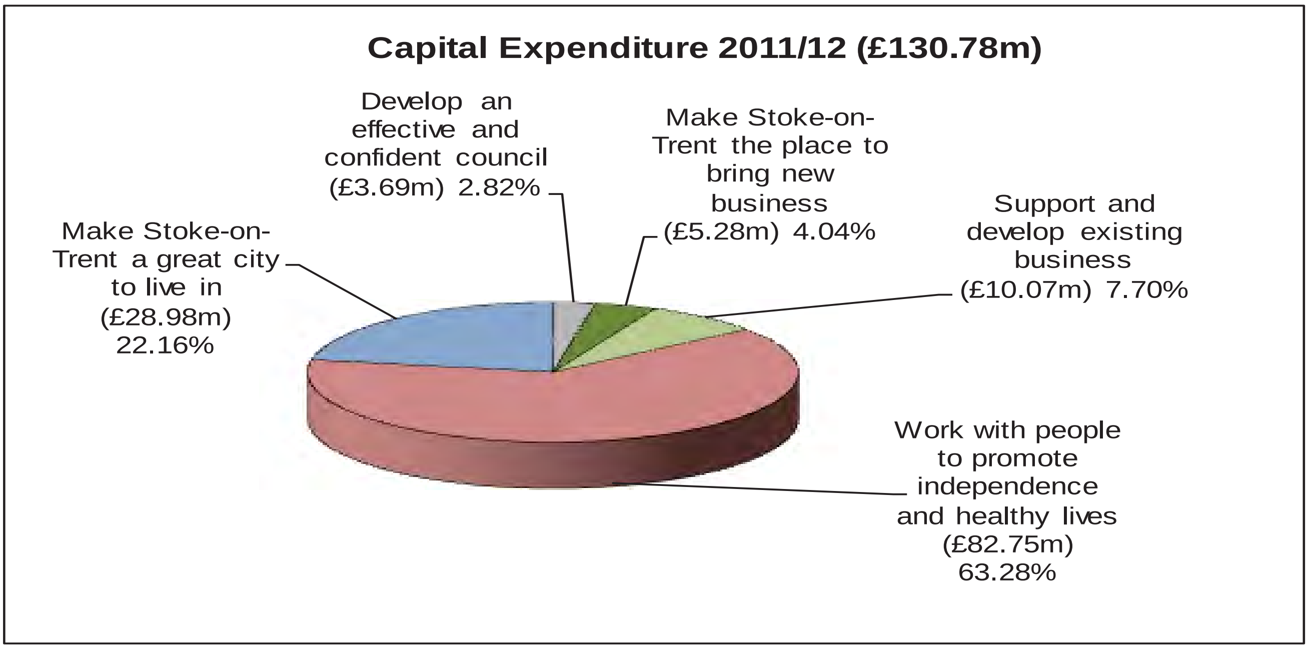
Budget versus Outturn 2011/12

The City Council organises itself into Directorates which are responsible for the performance and financial management of its services. The budget is set at the beginning of each year which is aligned to these operational departments and monitored on a regular basis. The table below shows the Directorates performance against the budget, resulting in a surplus on the general fund of £1.643m, and a deficit on the HRA of £0.518m.

Detail	2011/12 Budget	2011/12 Outturn	Variance (under)/ overspend
	£000	£000	£000
Non-Schools Children & Young People's Services	50,276	46,856	(3,420)
Adult & Neighbourhood Services	84,138	81,087	(3,051)
City Renewal Services	51,507	51,669	162
Business Services	4,599	3,796	(803)
Chief Executive's	3,818	3,770	(48)
Benefits Payments	-	(783)	(783)
Civic & Corporate Expenses	7,406	7,460	54
Non-departmental costs / transfers to & from reserves	8,497	16,243	7,746
General Fund Net Expenditure	**210,241**	**210,098**	**(143)**
Funded By	(211,741)	(211,741)	-
Total General Fund	**(1,500)**	**(1,643)**	**(143)**
Total Housing Revenue Account	**204**	**518**	**314**
Movement in General Fund and Housing Revenue Account	**(1,296)**	**(1,125)**	**171**

Capital Expenditure

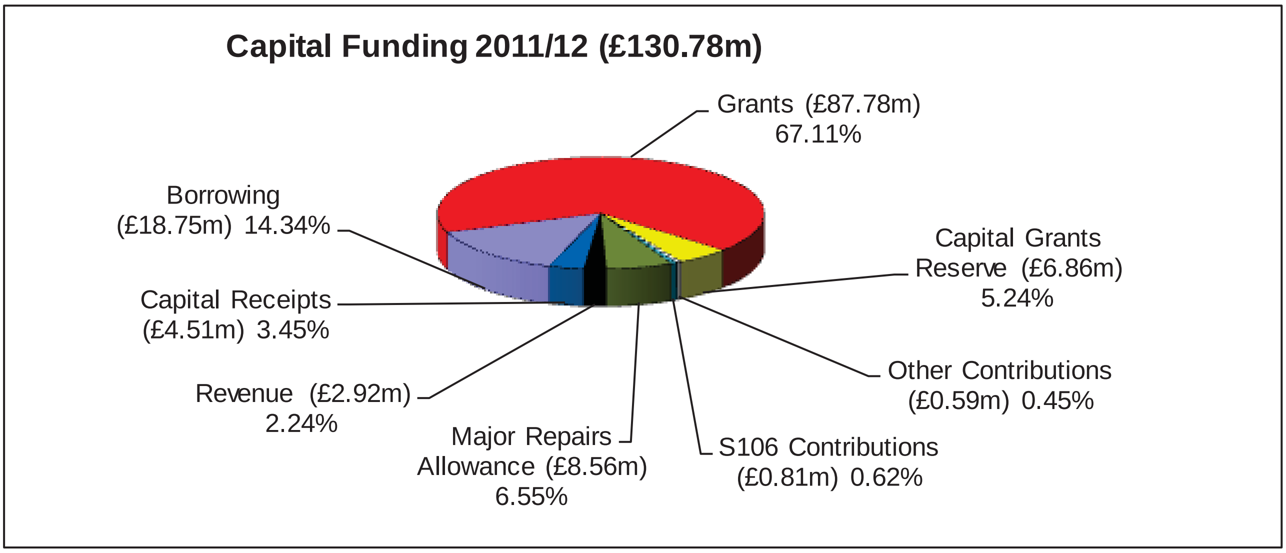
As well as delivering day to day services, the City Council also spends money on capital investment, which results in assets such as land, buildings, vehicles and equipment. The authority has a very ambitious agenda over the medium term to regenerate the City through capital investment in education, infrastructure, housing, regeneration and private sector led projects. In 2011/12 the City Council spent £130.78m on capital expenditure, which is analysed in the following graph against the Mandate for Change priorities.



The programmes with the most significant spend in the year include:

- Regeneration initiatives for the City Centre (£4.2m), including the Bus Station
- Building Schools for the Future (£70.4m) with 6 schools expected to be completed during 2012
- The Technology Centre at the Centre of Refurbishment Excellence was completed in December 2011 (£4.5m)
- Continuing the investment previously funded through the RENEW Housing Pathfinder programme (£7.6m)
- Investment from the Department of Transport into the Local Transport Plan and other Highways Projects (£5.5m)
- Housing Capital Programme (£16.3m)
- Education Service development programmes including Primary Capital and Devolved Capital budgets (£10.5m)
- Greenspace projects (£2.6m) including completed projects at Tunstall Park, Anchor Road and Goms Mill.

The capital programme is funded through a variety of sources as illustrated in the following chart.



Significant Transactions during the Year

From April 2012 there has been a complete overhaul of the national funding system for housing finance. Under the system of self-financing, the government has allocated an amount of national housing debt to each council with a housing stock and, in turn, has ended the national subsidy system. In 2012/13 the City Council will no longer have to make payments of negative subsidy to the government which previously were £9.7m per year. The self-financing system from 2012/13 is a mandatory requirement for all councils with a housing stock.

To enable councils to be free from the subsidy system, the government calculated the value of each council's housing business and re-allocated housing debt on that basis. The valuation meant many councils had to take on more housing debt, with Stoke-on-Trent being one of these authorities. The final determinations published on 1 February 2012 valued the City Council's housing stock, equating to an extra debt requirement of £74.441m. A loan for this amount was taken out by the City Council and paid to central government in March 2012 essentially enabling the City Council to buy itself out of the current housing subsidy system. This payment increased the level of debt attributable to the HRA but had a nil effect on the expenditure levels during 2011/12 other than a small increase in interest costs.

Pensions

The Council makes contributions on behalf of its employees to the Staffordshire Local Government Pension Scheme in addition to those made by individual employees. The scheme is funded, which means that money is invested to cover both the current and future costs of the scheme. The level of contribution made by the Council is determined by the extent to which the current and future costs can be met by these investments.

The pension's net liability on the balance sheet has increased by £57.3m (2010/11 decrease of £181.3m) to £295.7m reflecting the changes in the Actuary's view of future returns and costs of pensions. As per the Actuary's report, this is principally due to the fact that the financial assumptions at 31 March 2012 are less favourable than they were at 31 March 2011.

The investment return for Local Government Pension Schemes during 2011/12 has reduced to typically 0%-5% (2010/11 5%-10%). Furthermore, as a result of changes in actuarial assumptions, a £55m actuarial loss (£87m actuarial gain in 2010/11) is reported in the Comprehensive Income & Expenditure Account.

Changes in Accounting Policy

Heritage Assets

The Council has adopted FRS 30 *'Heritage assets'* to apply to assets that are held and maintained principally for their contribution to knowledge and culture, demonstrating historical, artistic, scientific, geophysical or environmental qualities.

Carbon Emissions

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised.

Investment Properties

The City Council has reviewed the assets classified as Investment Property and determined that assets of indeterminate use should be classified as surplus and has amended the accounts to reflect this. In addition, assets held that the Council considers provide community facilities or are held for current or future economic regeneration as their principal purpose, have been removed from Investment Property and transferred to Other Land and Buildings within Property, Plant and Equipment.

The impact of adopting the above changes, are disclosed in section 11. There is no impact on net movement on reserves or net assets brought forward from prior years and the respective Balance Sheet categories have been restated.

Balance Sheet

Reserves and Balances

The City Council needs to keep a prudent level of balances and reserves to meet unforeseen expenditure that may arise and for any planned future expenditure. These balances are held in the form of a general contingency, such as the General Fund reserve, or for a specific purpose in the form of an earmarked reserve.

General Fund Reserves

The City Council's financial strategy includes a determination that a prudent level of General Fund reserve is to have on average circa £8m, having due regard for the inherent levels of future financial risk and uncertainty. The balance at the start of the financial year of £5.813m was under the targeted average but despite the significant financial challenges that the authority faced in year, it has been possible to contribute £1.643m by the end of the year which was greater than the £1.5m that was originally budgeted. The City Council does not plan to make any contribution to this balance in 2012/13 as the general reserve is now at a level that is considered reasonable and fit for purpose for the future.

The City Council also holds significant earmarked reserves, in the main due to the schools' PFI funding arrangements with central government and balances held for self insurance purposes. The movement during the year is shown below.

General Fund Reserves	Non-Earmarked Reserve	Earmarked Reserves
	£000	£000
Opening Balance (1 April 2011)	5,813	60,925
Contribution 2011/12	1,643	21,092
Closing Balance (31 March 2012)	**7,456**	**82,017**

Housing Revenue Account Reserve
The City Council planned to make a small withdrawal of £0.204m from the non-earmarked reserve in 2011/12. Due to the introduction of a new system for responding to tenant-led responsive repairs in 2010/11 an underspend in that year increased the opening balance. The changes introduced have resulted in a slightly higher draw on the general balance than budgeted in 2011/12. The balance as at 31 March 2012 is held as a general contingency to cater for unforeseen future items of spend.

A small number of earmarked reserves are also held within the Housing Revenue Account.

Housing Revenue Account Reserves	Non-Earmarked Reserve	Earmarked Reserves
	£000	£000
Opening Balance (1 April 2011)	7,537	2,486
Withdrawal 2011/12	(518)	(664)
Closing Balance (31 March 2012)	**7,019**	**1,822**

Net Worth
The net worth of the Council decreased by 11% from £511m to £454m mainly as a result of an increase in net pension liability and increased long term borrowings (mainly in respect of the HRA funding changes).

Borrowing
The City Council has a capital financing requirement of £515.084m which represents the underlying need to borrow for capital purposes. The majority of this debt is authorised and supported by grant payment from central government to help meet loan costs. The authorised limit for external debt, which is set annually by the City Council, was £467m for 2011/12 and is £486m for 2012/13. Against this limit, the City Council has long term external borrowings of £304.2m at the year end, which reflects the current approach of using cash balances to fund capital expenditure as part of a clear and deliberate integrated treasury management strategy. Like many councils, Stoke-on-Trent continued its strategy of running down its day to day cash balances during the year to limit its exposure to relatively low interest rates and uncertain money markets.

The majority of the City Council's long term borrowings are undertaken from the Public Works Loan Board (PWLB) which is a statutory body operating within the United Kingdom Debt Management Office, an executive agency of HM Treasury. The authority has repaid £4m of loans in 2011/12 and taken out £74.441m in loans to fund the HRA subsidy reform with central government.

Future funding for Capital Assets

The City Council's Budget Report in February 2012 approved a capital programme for the period 2012/13 of £227m and an indicative programme for 2013/14 to 2014/15 of £161m. The programme has been developed to ensure that the costs remain within a prudent level of resources to finance those costs such as the use of borrowing, capital receipts and external grants and contributions. The City Council's adoption and use of prudential indicators provides assurance that the capital investment remains affordable over the period.

Significant provisions, contingencies or write-offs

Icelandic Bank

The City Council had £5m invested with the Icelandic bank Landsbanki at the time of its collapse in 2008. Following legal representations to the Icelandic courts, in conjunction with other affected authorities and the Local Government Association, preferential creditor status in respect of its deposits was confirmed to the authority in October 2011.

The result of this judgment is that the City Council expects 100% of the principal investments to be returned. An initial payment of £1.468m has been received by the authority which represents the first instalment.

It is not known when the balance of the outstanding investment will be received but a further payment of around £616k was received in May 2012.

Port Vale

In 2006 the City Council entered in to a loan agreement with Port Vale Football Club. In March 2012 the Club went in to administration and the City Council were required to underwrite the administrators' fees, cost of administration and the Club's operating costs until the Club was sold. The estimated cost to the City Council resulting from Port Vale Football Club going into administration is circa £1.5m. The estimated value of the property on which the Council holds a legal charge is £0.700m. The council has considered it prudent to make a provision against the whole of the loan. Although this is a considerable cost, it was independently assessed as the best deal for the citizens of Stoke-on-Trent in the circumstances. Liquidation as an alternative would have created extra risk and uncertainty and potentially cost the local taxpayer substantially more over the medium term.

Redundancy Programme

The funding strategy agreed for the redundancy programme was to borrow, on a temporary basis, from the City Council's earmarked reserves of up to £25m. For 2010/11 £14.333m was borrowed from earmarked reserves with a further £5.748m required to meet the redundancy costs in 2011/12. Due to strong political leadership and decisive decision making, flexibility has been created to accelerate the repayment in 2011/12 over that already programmed. The current level of outstanding borrowing from earmarked reserves is £4.181m which is budgeted to be repaid in 2012/13.

De-recognition of assets
A number of assets have been derecognised due to replacement or disposal or transfers of schools following conversion to academy status. Where assets have been identified as impaired and no longer provide a level of service to the City Council against which the asset was originally valued or their value has been affected by changes to market conditions, the value of that asset has been adjusted to reflect this occurrence. Land relating to three foundation schools has also been de-recognised in accordance with legislation. The value of the land de-recognised was £2.026m. Fixed asset note (13.22a) provides details of the sums involved in respect of de-recognition, transfer and impairment.

Material Events post reporting date

Central Business District
On 5 July 2012, the City Council will receive a report recommending an update to the Capital Programme for 2012/13 with indicative figures for 2013/14 and 2014/15 to take account of issues which have occurred since approval in February 2012. This predominantly reflects the Cabinet recommendation of 31 May 2012 to commit to becoming the anchor occupier in the Central Business District and act as the catalyst for regeneration in the city centre. A prosperous city needs a successful city centre. The successful regeneration of the city centre is required in order to achieve the transformational step change for the City.

The City Council's proactive commitment to being the anchor occupier, will provide the stimulus to kick-start the new office-led mixed use scheme within the city centre, which in turn will provide the footfall to support the wider regeneration of the City. It will complement and exploit the opportunities from the wider redevelopment of the city centre including the new bus station, public realm and City Sentral, and will create a business, living and leisure environment of regional significance that combines the benefit of high quality accommodation with close proximity to the full range of facilities offered by a vibrant city centre.

In Summary

Like many local authorities, Stoke-on-Trent City Council is facing unprecedented financial pressures due to higher than forecast levels of inflation, the negative impact of the euro area debt on confidence, and the on-going structural impact of the financial crisis. This has led to reducing income levels and increasing demands for many services at a time when levels of government grant support is significantly reducing.

This is compounded by planned national policy changes including a fundamental review of the way in which local government is funded including: a complete overhaul of the financing of local authority housing provision; comprehensive welfare reform; introduction of universal credits; the Localism Act 2011; planning reform; and the changing landscape of education provision.

The City Council has proved its ability to deliver by responding proactively to the challenges faced during 2011/12 by securing savings of £36m, accelerated the level of repayment of borrowing relating to the redundancy programme, creating new reserves for the future and achieving a balanced budget for the year. This has provided the City Council with a strong foundation for 2012/13. Budget development was challenging again for 2012/13, with further reductions in funding and increasing pressures but preparation started early and a comprehensive and inclusive consultation programme was implemented. The 2012/13 budget was agreed by Council on 23 February 2012, approving budgeted net expenditure for the year of £84.497m and budgeted capital expenditure of £227.509m. The final budget for the Housing Revenue Account for the planned period 2012/13 was agreed by full council on the 2 February 2012.

The City Council is committed to the Mandate for Change and passionate about improving outcomes for its local residents. By working with partners, the City Council will deliver this bold and ambitious programme over the next four years and beyond. The agenda of modernisation and transformation will continue to improve value in the delivery of services to the people of Stoke-on-Trent. Work has already begun to create the right conditions to enable the City's economy to grow, which will deliver increased job opportunities, wealth, better quality housing, greater health and well-being for all our citizens.

Peter Bates
Assistant Director, Financial Services
(Section 151 Officer)
Date:

Further information about the accounts is available from:

Stoke-on-Trent City Council
Corporate Services Directorate
Financial Services Division
Civic Centre, Glebe Street,
Stoke-on-Trent,
ST4 1HH
Telephone (01782) 238052
E-mail: finance@stoke.gov.uk

These accounts, the Annual Governance Statement and other sources of financial information are available on the City Council's website at http://www.stoke.gov.uk. Comments on these accounts are welcomed and can be made via the website or the contact options shown above. The Statement of Accounts is also available in alternative formats, such as large print, Braille or alternative languages upon request, using the contact options above.

2. Independent Auditor's Report to the Members of Stoke-on-Trent City Council

Opinion on the Authority financial statements
I have audited the financial statements of Stoke on Trent city Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Stoke on Trent City 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 Section 151 Officer and auditor
As explained more fully in the Statement of the Section 151 Officer's Responsibilities, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Section 151 Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements
In my opinion the financial statements:

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

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

Matters on which I report by exception
I report to you if:

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

I have nothing to report in these respects

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

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

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources
I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

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

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

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

Certificate
I certify that I have completed the audit of the accounts of Stoke on Trent City Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Mark Stocks
District Auditor
1st Floor No. 1 Friarsgate
1011 Stratford Road
Solihull
West Midlands
B90 4EB

September 2012

3. Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Section 151 Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts.

Following the delegation of responsibility by the City Council to the Audit Committee, I confirm that the accounts were approved by the Audit Committee at its meeting on 27th September 2012.

Councillor Shaun Pender
Chair of the Audit Committee
Date

The Section 151 Officers' Responsibilities

The Section 151 Officer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has:

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

The Section 151 Officer has also:

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

Certificate of Section 151 Officer

I certify that this statement of accounts gives a true and fair view of the financial position as at 31 March 2012, financial performance and cash flow of the City Council for the year ended 31 March 2012.

Peter Bates
Assistant Director, Financial Services
Section 151 Officer
Date

4. Statement of Accounting Policies – for 2011/12 under International Financial Reporting Standards (IFRS)

1. General

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12, based on International Financial Reporting Standards ("the Code") which is produced by CIPFA/LASAAC under the oversight of the Financial Reporting Advisory Board.

The Code specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents a 'true and fair' view of the financial position and transactions of a local authority.

The fundamental accounting concepts (accruals, going concern and primacy of legislative requirements) have been followed unless specifically stated below. These accounts have been prepared principally using historic cost, modified by the revaluation of certain categories of non-current assets and financial instruments in accordance with accounting practice

2. Changes in Accounting Policies and Prior Period Adjustments

Significant Policy Changes

Heritage Assets
The council has adopted FRS 30 '*Heritage assets*' to apply to assets that are held and maintained principally for their contribution to knowledge and culture, demonstrating historical, artistic, scientific, geophysical or environmental qualities.

Where the council has information on the estimated value of a heritage asset these will be shown on the balance sheet at historic value or market valuation as a proxy for current value. Where this information is not available and the historical cost information cannot be obtained the asset will be excluded from the balance sheet.

Carbon Reduction Commitment (CRC)
The council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. The council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised.

Investment Properties
The Council has considered assets classified as investment property. In accordance with the Accounting Code of Practice, assets identified as indeterminate are to be classified as surplus assets. Housing related assets and assets held to provide economic regeneration are classified as operational properties based on their principal function being service related.

The impact of the above significant policy changes on last year's financial statements and on the opening balance sheet is, where material, disclosed in Note 11 to the Statement of Accounts. The new accounting policies are, disclosed in sections 31 and 32 below.

3. <u>Critical Accounting Judgments</u>

In the application of the City Council's accounting policies, management is required to apply their best judgement, estimate and assumption about the carrying amounts of assets and liabilities where information is not readily apparent from other sources and is based on historical experience and other factors that are considered to be relevant. Where subsequent actual results are known that may differ from those estimates; future estimates and underlying assumptions are reviewed to take that knowledge into account. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below) that management has made in the process of applying the City Council's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

<u>PFI schemes</u>
The assessment of PFI schemes and other arrangements as to whether they fall within the scope of IFRIC 12 *Service Concession Arrangements* and if so, the determination of control over the related assets to establish whether they are included or excluded from the City Council's balance sheet.

<u>Provisions</u>
The assessment as to the probability of the settlement of obligations arising as a result of a past event such that the council must establish a provision for payment of said obligations.

<u>Leases</u>
The assessment of the risks and rewards of ownership and control of assets in lease and similar arrangements under IAS 17 *Leases* and IFRIC 4 *Determining Whether an Arrangement Contains a Lease* to determine whether arrangements should be accounted for as finance or operating leases.

<u>Schools</u>
Schools within Stoke-on-Trent are run under a number of arrangements: Foundation schools, Academy schools, Church schools and Local Authority run schools. To determine the balance sheet treatment of schools the council has to make a judgment, on a case by case basis, as to who bears the significant part of the risks and rewards of ownership of school assets and thus whether the assets are recognised on the City Council's balance sheet.

<u>Funding</u>
There is a high degree of uncertainty about future levels of funding for local government. The council needs to make a judgment as to whether this uncertainty is sufficient to provide an indication that the assets of the Council might be significantly impaired as a result of a need to close facilities and reduce levels of service provision.

<u>Investment Property</u>
The assessment as to whether land and buildings owned and rented out by the council are investment properties or held on basis that their principal function is service related.

4. **Key Sources of Estimation Uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The estimated values of each item are shown in the relevant note to the accounts.

Provisions
The estimate of the required level of provisions is performed by the Council on a case by case basis using the best information available at the time. Due to the nature of the obligations to make provisions amounts are uncertain and hence final settlement figures may vary from those provided in the accounts.

Pensions
The present value of pension obligations is calculated based upon a number of estimates and assumptions including discount rates, asset returns and inflation. Professionally qualified actuaries are employed to perform the calculations based upon appropriate assumptions and estimates.

Property Plant and Equipment (PPE)
The council estimates the remaining useful life of its assets based upon professional valuation advice. Variation in such estimates could have a material impact upon the depreciation charge for the next financial year.

Arrears
Where the council has outstanding loans receivable, sundry debtors (including housing rent, council tax and business rates), the council provides for an impairment of doubtful debts dependent on the age of the debt and past experience of collection of different types of debt, where appropriate. Given the current economic climate it is uncertain if the provisions for doubtful debts will be adequate.

More detailed assumptions are provided in notes to accounts: “Assumptions made about the future and other major sources of estimation uncertainty”.

Changes in accounting estimates
There have been no changes to accounting estimates that have had a material effect in the current period or are expected to have a material effect in future periods.

5. **Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council e.g. software licenses, is capitalised when it brings economic or service benefits for more than one year. Intangible fixed assets are initially recognised at cost. Thereafter, where an active market exists for the asset they are carried at fair value, otherwise they are included in the balance sheet at historic cost less any accumulated depreciation and impairment.

Assets of a finite life are amortised on a straight line basis over the life. For assets of an infinite life they are assessed for impairment. The City Council does not amortise assets in the year of acquisition, but a full year’s charge is made in the year of disposal.

6. Property Plant and Equipment

Recognition

Expenditure on the acquisition, creation or enhancement of property, plant and equipment that have a physical substance has been capitalised on an accruals basis where:

- it is probable that the future economic benefits or service potential associated with the item will flow to the entity, and;
- the cost of the item can be measured reliably, and;
- the cost of the item is above the following de minimis levels set for administrative purposes:
  - Land and Buildings £15,000
  - Equipment £ 5,000
  - Schools Capital £ 2,000

This excludes routine repairs and maintenance, which is charged directly to the service revenue accounts.

Some expenditure below de minimis levels relating to a number of assets that in totality are above the de minimis levels qualify as capital spend.

Where expenditure is determined not to add value to an asset and the asset is held at current value the expenditure is treated as impairment and charged to the Comprehensive Income and Expenditure Statement in the year incurred.

Single assets below de minimis value are not reflected in the balance sheet except where the assets are grouped and collectively their value exceeds the de minimis.

Valuation

Property, plant and equipment is initially measured at cost, being costs attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. Thereafter the assets are valued, dependent upon their class, as follows:

- infrastructure, community assets and assets under construction – depreciated historic cost less any impairment loss;
- all other classes of asset – fair value.

Fair value is assessed as:

- council dwellings – existing use value - social housing with an adjustment factor applied to the open market value;
- specialised assets for which there is no active market – depreciated replacement cost;
- non-property assets with short useful lives and/or low values – depreciated historic cost as a proxy for fair value;
- other properties – existing use value.

The asset values used in the accounts are based upon certificates issued by the City Council's Valuation Officers and independent external valuers. The assets are valued according to a rolling programme of revaluations that ensure each asset is valued at least once every five years or where it is determined that a valuation should be applied more frequently.

Gains arising on the revaluation of assets are taken to the Revaluation Reserve except where the asset has been subject to a previous revaluation or impairment loss in which case the gain is credited to the Comprehensive Income and Expenditure Statement to the extent that the carrying value of the assets returns to that which would have been the case if no previous revaluation loss or impairment had occurred. Any excess gain over this amount is credited to the Revaluation Reserve. Where a loss arises on revaluation this is charged to the Revaluation Reserve to the extent that a credit balance exists in the reserve and thereafter charged to the Comprehensive Income and Expenditure Statement.

With effect from 1 April 2010 the City Council has separately accounted for components of assets where the components have a value which is significant in relation to the total value of the asset and have different useful lives and / or depreciation bases. This treatment has been applied prospectively from 1 April 2010 and has thus been applied to assets:

- acquired on or after 1 April 2010;
- enhanced (including replacing components) on or after 1 April 2010;
- revalued on or after 1 April 2010

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.

Depreciation
The City Council does not charge depreciation in the year of acquisition, but does charge a full year's depreciation in the year of disposal. The general principle being that the value of assets is allocated to services over the periods expected to benefit from their use.

Property, plant and equipment are depreciated using the straight line method, over the following useful economic lives:

- Infrastructure – 20 to 40 years;
- Buildings – 20 to 60 years;
- Vehicles, Plant and Equipment – 5 to 20 years.

Land is considered to have an indefinite useful life and is not depreciated but is subject to impairment reviews.

Impairment
The City Council undertakes an annual assessment as to whether any indication of impairment of its assets exists or that any impairment loss previously recognised may have decreased. If there is such an indication the recoverable amount of the asset is estimated to determine whether an impairment charge or reversal should be recognised.

Where an impairment is identified this is accounted for by writing off the impairment charge against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment reversal is identified it is credited to the Comprehensive Income and Expenditure Statement to the extent that the carrying value of the assets returns to that which would have been the case if no previous impairment had occurred. Any excess gain over this amount is treated as a revaluation gain and credited to the Revaluation Reserve.

Disposals
When an asset or significant component of an asset is disposed of, replaced or decommissioned the gain or loss on disposal, being the difference between the net disposal proceeds, if any, and the net carrying amount of the asset, is recognised in the Comprehensive Income and Expenditure Statement as a gain or loss on disposal. Any revaluation gains in the Revaluation Reserve related to the asset or part thereof are transferred to the Capital Adjustment Account.

Amounts 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 credited to the Usable 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 Usable Capital Receipts Reserve via the Movement in Reserves Statement.

Revaluation on Disposal of Housing Assets
HRA assets disposed of under Right to Buy (RTB) legislation continue to be valued as operational assets up to the point of disposal. Once disposal takes place there is no revaluation to the discounted RTB value. This approach is in line with the CLG *Guidance on Stock Valuation for Resource Accounting* which authorities in England are required to follow.

7. Investment Property

Investment property is property held solely to earn rentals and / or for capital appreciation. The property is accounted for in accordance with accounting policy set out for property, plant and equipment.

8. Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale and which is normally expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The gain or loss on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Comprehensive Income and Expenditure Statement

9. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, amounts charged are reversed out of the General Fund Balance as a Movement on Reserves so there is no impact on the level of Council Tax.

10. Basis of Charges for Capital

Under the capital finance regulations, a proportion of capital receipts from the sale of some assets, plus sums from the revenue accounts, are applied to the repayment of existing debt or as a substitute for new borrowing, in accordance with legislation. All interest charges and expenses arising on loans raised to fund capital expenditure are recharged between the Housing Revenue Account and the General Fund as determined by a statutory formula (referred to as the Item 8 Determination).

11. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant / contribution, and there is reasonable assurance that the monies will be received. Where conditions are outstanding, the amounts are treated as either capital or revenue receipts in advance, forming part of short or long term creditors.

Service specific revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) form part of Taxation and Non-Specific Grant Income at the foot of the Comprehensive Income and Expenditure Statement.

12. Revenue Income and Expenditure

The revenue accounts are maintained on an accruals basis. Expenditure is charged to the revenue accounts in the period in which goods and services are received and, similarly, income is credited in the period in which it falls due, regardless of the timing of cash payments or receipts. The exception to the accruals basis is in sundry revenue accounts where the amounts involved are not material e.g. residential care homes act as agents in collecting contributions to fees and charges, due from clients.

Interest due to or from third parties in relation to loans and investments, is accrued in full at the year-end.

Provision is made for the impairment of debts in the General Fund and Housing Revenue Accounts.

13. VAT

VAT is included within the accounts only to the extent that it is irrecoverable. The City Council is able to recover VAT on nearly all its expenditure (input tax) and in addition, accounts for VAT on its income (output tax) where applicable.

14. Reserves

The City Council sets aside specific amounts as reserves for future policy purposes or to cover unexpected events / contingencies. When the expenditure to be financed from reserves is incurred, it is charged to the appropriate service revenue account in that year and included in net cost of services in the Comprehensive Income and Expenditure Statement. The corresponding amount is then transferred from the reserve account back into the General Fund to ensure that there is no net charge on the council tax for that year. The City Council's usable reserves include usable earmarked Reserves, which are set aside for specific purposes; and the General Reserve, which is set aside for future general use.

The Council has a number of unusable reserves that are not able to be used to provide services. These represent unrealised gains and losses and adjustments between accounting basis and funding basis under regulation.

15. Inventories and Work in Progress

Inventories are included in the accounts on the basis of the latest purchase price. Allowances are made for the loss of the value of obsolescent items. This treatment departs from the terms of IAS 2, but the effect is immaterial.

Work in progress is valued at cost including an allocation of overhead expenses.

16. Support Services

The cost of overheads and support services are allocated to those that benefit from the supply of service in proportion to the benefits received, on an appropriate basis to accord with CIPFA's Service Reporting Code of Practice 2011/12 (SeRCOP), for example, recorded staff time or the number of related transactions. Costs associated with administrative buildings have been allocated on the basis of head count.

In order to accord with the requirements of SeRCOP, the following categories are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, Corporate and Democratic Core (cost relating to the council's status as multi-functional, democratic organisation) and Non-Distributed Costs (the cost of discretionary benefits awarded to employees retiring early and impairment losses on assets held for sale)

17. Provisions

The City Council sets aside provisions for any liabilities where the timing or the amount involved is uncertain. Provisions are only recognised when the City Council has a present obligation as a result of a past event, where it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Where the obligation is expected to be settled after more than one year and the effect of the time value of money is material, the amount of a provision reflects the present value of the expenditure expected to be required to settle the obligation.

18. Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. Assets held under finance leases are recognised on the City Council's balance sheet. All other leases are classified as operating leases. Where a lease is for land and buildings, and the value is significant, the land and building components are considered separately and the rental apportioned between the two components prior to making an assessment of whether the lease is a finance lease, except where statutory exclusions apply.

Finance Leases
The council as lessee:
Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the surplus / deficit for the year. Contingent rentals are expensed in the period in which they are incurred.

The council as lessor:
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Council's net investment in the leases. Where income received under leases qualifies under the definition of capital receipts, the element of finance lease payments relating to the write-down of the debtor's obligation will be treated as a capital receipt applied to accounting periods, so to reflect a constant periodic rate of return on the council's net investment outstanding in respect of the leases.

Operating Leases
The council as lessee:
Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Operating leases and the related liabilities for future rentals are disclosed within the notes to the core financial statements.

The council as lessor:
Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

19. Employee Benefits

Short-term employee benefits
Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs
The City Council participates in two pension schemes, the Staffordshire County Council Pension Fund and the Teachers' Pension Scheme.

The Teachers' Pension Scheme is a nationally administered unfunded defined benefit scheme. The Scheme is not designed to be run so as to be possible for the City Council to identify its share of the underlying liabilities and, as permitted under IAS 19, it is therefore accounted for as a defined contribution scheme. The costs charged to the Comprehensive Income and Expenditure Statement for the Scheme equals the contributions payable for the year. For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme and are accounted for on a defined benefit scheme basis as for the Staffordshire County Council Pension Fund below.

The Staffordshire County Council Pension Fund is a funded defined benefit pension scheme. In accordance with IAS 19 retirement benefits earned under defined benefits schemes are accounted for as they are earned, even if the actual payment may be made many years in the future. The proportion of the pension fund's assets and liabilities that relate to City Council's scheme members are recognised in the City Council's accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within the net cost of services. The expected gain during the year from fund assets and the interest cost during the year arising from the unwinding of the discount on the fund liabilities are recognised within operating expenditure. The costs included within the Comprehensive Income and Expenditure Statement therefore reflect the increase in liabilities expected to arise from employees' service in the current year, rather than the actual payments by the employer into the pension fund. Actuarial gains and losses on the fund during the year are recognised in the pensions reserve and reported in Other Comprehensive

Income and Expenditure. The figures that are used to account for the scheme are commissioned annually from the Staffordshire County Council Pension Fund actuary, Hymans Robertson, specifically for this purpose.

The pension increase assumption applies the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI).

20. Financial Instruments

Financial Instruments are defined as any contract that gives rise to a financial asset of one body and a financial liability of another. Many assets and liabilities are collectively financial instruments even where separately identified on the balance sheet.

Assets are valued in the balance sheet at amortised cost or fair value. The fair value is determined by calculating the net present value of the future cash flows, which provides an estimate of the value of payments in the future in today's terms. The calculations are made with the following assumptions:

- for PWLB debt, the discount rate used is the rate for new borrowing as per rates provided by the PWLB;
- for other market debt and investments the discount rate used is the rates available for an instrument with the same terms from a comparable lender;
- interpolation techniques have been used between available rates where the exact maturity period was not available;
- no early repayment or impairment is recognised;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Financial Assets
The City Council has a number of investments that are financial assets. Financial assets are classified in the accounts as 'loans and receivables' – assets that have fixed or determinable payments but are not quoted in an active market

Loans and receivables are initially measured at fair value and carried at their amortised cost except for short-term receivables with no stated interest rate which are measured at invoiced cost. Annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the City Council has made, this means that the amount presented in the balance sheet is the outstanding principal receivable and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the City Council has made a number of loans to voluntary organisations at less than market rates (soft loans). The majority of these are not material so they have been disclosed in a note to the financial statements, but no entries have been made in the Comprehensive Income and Expenditure Statement. Where a loan is material it has been treated as a soft loan and carried at fair value in the accounts. The basis for the percentage rate used is a combination of the base rate at the time the loan was granted and an allowance for the risk that the loan may not be repaid.

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 Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the de-recognition of the asset, are credited / debited to the Comprehensive Income and Expenditure Statement and reversed out of the General Fund through the Statement of Movement on Reserves, to ensure there is no impact on council tax.

Financial Liabilities
The vast majority of City Council debt is in the form of Public Works Loans Board maturity loans. These financial liabilities are initially measured at fair value and carried at their amortised cost. Fair value is based on the comparable new borrowing / deposit rate for the same financial instrument from a comparable lender. A consistent approach has been applied to assets and liabilities. However, the premature redemption amount has been disclosed in notes to the accounts for completeness. Annual charges to 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. For most of the borrowings that the City Council has, this means that the amount presented in the balance sheet is the outstanding principal repayable plus accrued interest, and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

The City Council may pay off or replace loans earlier than originally planned as part of its debt management strategy, dependent upon prevailing market conditions, risk and financial benefits that may accrue to the authority.

One of the mechanisms for managing long term loans is the restructuring of the debt portfolio. This may be carried out in order to achieve a more balanced debt profile, to change the volatility of existing debt, to amend cash flows or to reduce financing costs. Debt rescheduling may give rise to a payment to the lender (a premium) or a payment to the borrower (a discount).

Gains and losses on the re-purchase or early settlement of borrowing are credited / debited to Net Cost of Services in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where re-purchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.
Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The City Council, in accordance with financial reporting standards, spreads the gain / 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.

The condition under which the Housing Revenue Account proportion of premium or discount must be spread is determined under statutory determination. In this case, the HRA share is written off over the lower of ten years or the unexpired period of the repurchased debt.

21. Interests in Companies

Equity interests that are not material are shown in the City Council’s accounts at cost as long-term investments.

22. Private Finance Initiative (PFI) and similar contracts

PFI and service concessionary transactions are treated in the City Council's accounts in accordance with latest recommended practice in the Code, based on IFRIC12 (control of asset). The following PFI schemes are operational:

- Schools – assets transferred to Transform Schools (Stoke) Limited.
- Street Lighting – assets transferred to Tay Valley Lighting (Stoke-on-Trent) Limited.
- Bentilee District Centre – assets transferred to Bentilee HUB (Project Company) Limited.
- Hanford Waste – asset transferred to Hanford Waste Service Limited

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets 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 fixed assets will pass to the council at the end of the contracts for no additional charge, the council carries the fixed assets used under the contracts on the balance sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets. The liabilities are written down by any lump sum capital cash contributions (bullet payments) made during the life of the scheme.

Fixed 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 (known as the unitary charge) are analysed into five 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 of an agreed % on the outstanding balance sheet liability, debited to Interest Payable and Similar Charges 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 Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the balance sheet liability towards the PFI operator;
- lifecycle replacement costs (regular planned refurbishments) – recognised as fixed assets on the balance sheet.

23. Foundation Status Schools & Academies

In accordance with the "Schools Organisation" (Prescribed Alteration to Maintained School) (England) Regulation 2007, the freehold title to buildings occupied by any foundation school, is transferred from the City Council to the governing body of the school, together with any contractual obligations and benefits under any PFI contracts attached to the school buildings.

To determine the Balance Sheet treatment of Foundation Schools, the City Council has to consider who bears the risk and rewards of ownership of the Foundation School's assets. In the event that the risks and rewards are borne mainly by the authority, the Foundation School's balance sheet will be consolidated into the authority's balance sheet. The City Council currently has several foundation schools. It is the council's view that it bears a significant proportion of the risks and rewards relating to the schools. Hence, the assets and liabilities are consolidated into the council's balance sheet with the exception of land, as control of land remains with the school. Given that the Foundation School is part of the PFI scheme, the accounting treatment will be in line with IFRIC12.

The City Council has a number of schools which have become Academies. It is the City Council's view that the academy schools as an independent entity bear a significant proportion of the risks and rewards relating to the school. Hence the assets and liabilities of the academies are not consolidated into the Council's Balance Sheet.

Where the school is part of the PFI scheme, the accounting treatment will be in line with IFRIC12.

24. <u>Council Tax</u>

The collection of council tax is, as identified in the Code of Practice for Local Authority Accounting, in substance, an agency arrangement for both billing authorities and major preceptors. The City Council is the billing authority in this arrangement, while Police and Fire are the preceptors. Therefore the council tax income included in each body's Comprehensive Income and Expenditure Statement for the year is their proportion of accrued income for the year. The cash collected belongs proportionately to the council and the preceptors. There is, therefore, a debtor / creditor position between the billing authority and each major preceptor recognised in the balance sheets. The council only recognises in its balance sheet the City Council's share of any outstanding council tax arrears, receipts in advance and receivables impairment allowance.

The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included in the Movement in Reserves statement.

25. <u>Housing Market Renewal</u>

Stoke-on-Trent City Council used to be the accountable body of the RENEW North Staffordshire Pathfinder project. In 2010/11, funding for the programme was withdrawn and the partnership arrangement ceased. The funding carried over in 2010/11 was "unringfenced" which meant any unused grant did not have to be spent on RENEW in future years. Transitional funding was put in place to ensure that any outstanding obligations entered into by the partnership programme were met.

Where it is considered that other parties have an interest in the assets created with the transitional funding, the City Council will ensure that all assets, liabilities, income and expenditure are accounted for appropriately.

26. <u>Equal Pay</u>

Where the City Council's liability in respect of equal pay legislation has been agreed and paid before 31 March 2012 in the form of a compensatory payment, the related amounts have been included as expenditure within the Net Cost of Service. For these payments, a composite rate of taxation and national insurance contributions has been agreed with HMRC. The City Council has now settled all known equal pay claims and no longer holds a provision.

27. National Non-Domestic Rates (NNDR)

Income and Expenditure Treatment
The City Council is the billing authority for National Non-Domestic Rates (NNDR). NNDR income is not the income of the City Council as it is collected on behalf of the Government and is not included in the Comprehensive Income and Expenditure Statement of the Council. The cost of collection allowance received is treated as the City Council's income and is included in the Comprehensive Income and Expenditure Statement

Balance Sheet Treatment
NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not assets and liabilities of the council and are not recognised in the City Council's balance sheet.

Cash collected from NNDR taxpayers by the council (net of the cost of collection allowance) not yet paid to the Government is included in the balance sheet as a creditor; similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the billing authority's cost of collection allowance), the excess is included in the Balance Sheet as a debtor.

Cash Flow Treatment
Cash collected from NNDR taxpayers by the council is not a revenue activity and is not included in the council's Cash Flow Statement as a cash inflow except for the cash retained in respect of the cost of collection allowance. Similarly, the council's payment into the NNDR national pool is not a revenue activity and is not included in the council's Cash Flow Statement.

The difference between the cash collected from NNDR taxpayers and the amount paid into the NNDR national pool is included in cash and cash equivalents as a net increase / decrease in other cash and cash equivalents.

28. Cash and Cash Equivalents

Cash is defined as cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

29. Minimum Revenue Provision

Local authorities are required to set aside from their General Fund Revenue Account a regular provision for repayment of debt, known as Minimum Revenue Provision (MRP). This charge has been previously based upon statutory percentage (4%) of the authority's underlying need to borrow for capital purposes at the start of each year. Recent legislation enables the City Council to have more flexibility in how it calculates the MRP. There is no longer a separate requirement to set aside a minimum revenue provision from the Housing Revenue Account.

Some of the MRP will relate to the more historic debt liability that will continue to be charged at the rate of 4%. Certain expenditure reflected within the debt liability at 31 March 2012 will be subject to MRP under the Asset Life or Depreciation Method which will be charged over a period which is reasonably commensurate with the estimated useful life of the asset (or group of assets) as determined by either the City Council's Estates Management professionals or from information available from the asset register. Where the underlying borrowing is by way of a finance lease or service concession arrangement (PFI scheme), additional revenue provision may be set aside based on the capital repayment plan of the agreement.

The council may, from time to time, have capital receipts and other capital resources available at the end of a financial year, which it is considered will be used in the following or subsequent financial year to offset what would otherwise be an increase in their debt liability. In anticipation of such use, the council may consider capital receipts in assessing debt liability used for MRP purposes.

30. Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their net present value.

31. Heritage Assets

The City Council's heritage assets are at various locations throughout the city but principally at the four main museums.

- Potteries Museum and Art Gallery – containing nationally important ceramics, the Staffordshire Hoard; the largest and most valuable Anglo-Saxon treasure ever found and a WWII Spitfire.
- Gladstone Pottery Museum – the only complete Victorian pottery factory from the days when coal-burning ovens made the world's finest bone china.
- Etruria Industrial Museum – the last steam-powered potters' mill in Britain.
- Ford Green Hall - a 17th century timber-framed farmhouse furnished with an outstanding collection of textiles, ceramics and furniture.

The museums have major collections of heritage assets which are held in support of the primary objective of increasing the knowledge, culture and understanding of the historical world-wide contribution made by the city and local area. Heritage assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below.

The Council's collections of heritage assets are accounted for as follows:

Ceramics and Porcelain
The ceramics and porcelain artefacts include some of the most nationally important collections in the world with over 5,000 pieces on display. These items are reported in the balance sheet at historic value, based on valuations obtained in 1980. Significant pieces will be sampled periodically and reviewed against the relevant antique and ceramic trade press to ensure the adequacy of their value and, where the costs of obtaining professional valuations is not prohibitive, will be revalued to reflect material changes. The ceramics and porcelain artefacts are deemed to have indeterminate useful lives and a high residual value the council therefore does not consider it appropriate to charge depreciation.

Where acquisitions take place they are initially recognised at cost and donations are recognised using a valuation provided by an external valuer in accordance with the council's collection management policy.

Fine Arts Collection
The fine art collection includes paintings (both oil and watercolour), prints and sculptures and sketches and is reported in the balance sheet at historic value, based on valuations obtained in 1980. The assets within the art collection are deemed to have indeterminate useful lives and a high residual value the council therefore does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation; acquisitions are initially recognised at cost and donations are recognised at valuation using external valuers, where economic to do so, with reference to the commercial markets for the paintings using the relevant auction sales data. The majority of the collection held by the Council was acquired by donation over 50 years ago.

Machinery, Equipment and other Artefacts from the Pottery Industry
The council considers that obtaining valuations for the vast majority of machinery, equipment and other artefacts from the pottery industry that are principally exhibited within the industrial museum would, due to the diverse nature of the assets held and the lack of comparable values, involve a disproportionate cost in comparison to the benefits to the users of the authority's financial statements and consequently the council does not recognise this collection of heritage assets on the balance sheet.

The Gladstone Pottery Museum holds a collection of pottery ephemera and equipment which is not recognised on the balance sheet as cost information is not readily available and the council believes that the benefits of obtaining the valuation for these items would not justify the cost.

In addition, there is a collection of recordings of both sound and amateur film of later life in the pottery industry. Due to the lack of any comparable market values it is not possible to provide either cost or valuation information for either the intangible or the tangible element of these assets. Consequently, the council does not recognise the assets on the balance sheet. Where acquisitions take place, these are initially recognised at cost or where bequeathed or donated, at nil consideration.

The council is able to value bequests recognised at provided by external valuers and with reference to appropriate commercial markets.

Archaeology
The authority does not consider that reliable cost or valuation information can be obtained for the items held for the majority of its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the council does not recognise these assets on the balance sheet.

The council has recently purchased a joint share of the Staffordshire Hoard with Birmingham City Council; this has been initially recognised on the balance sheet at cost.

Property
The council considers that the Gladstone Pottery Museum, Etruria Industrial Museum and Ford Green Hall buildings as heritage assets and are held on the balance sheet at fair value.

Heritage Assets – General
The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the authority's general policies on impairment. The curators of the City Council's museums may occasionally dispose of heritage assets which do not form part of the collection policy, have a doubtful provenance or are unsuitable for public display e.g. due to damage. The proceeds of such items are accounted for in accordance with the council's general provisions relating to the disposal of property, plant and equipment.

Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

32. Carbon Reduction Commitments

The council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption.

33. Events after the Balance Sheet Date

Signing & approval of the statement of accounts takes place as follows:

- The responsible financial officer, no later than 30 June, signs and dates the Pre-Audit Statement of Accounts and certifies that it presents a true and fair view of the financial position.
- The responsible officer certifies the audited Statement of Accounts prior to submission to the Audit Committee.
- The Audit Committee meets to consider and approve the audited Statement of Accounts, which is then signed, dated and authorised by the Chair of the Committee, no later than 30 September.

Any events occurring after the balance sheet date are considered for inclusion within this Statement of Accounts up to the authorisation date as shown in a note to the core financial statements.

5. Accounting Standards that have been Issued but not yet Adopted

The authority has not yet adopted amendments to IFRS 7 - Financial Instruments: Disclosures, which was issued by the Accounting Standards Board (ASB) on 7 October 2010. The amendment will allow users of financial statements to improve their understanding of transfers of financial assets transactions. A change of accounting policy will be required from 1 April 2012. It is unlikely that initial application of IFRS 7 is expected to have any material impact on the financial statements of Local Authorities.

6. Critical Judgments in applying Accounting Policies

In applying the accounting policies set out in section 4, the authority has had to make certain judgments about complex transactions or those involving uncertainty about future events. Some of the key critical judgments 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 City Council had £5,000,000 invested with the Icelandic bank Landsbanki at the time of its collapse in 2008. Following legal representations to the Icelandic courts, in conjunction with other affected authorities and the Local Government Association, preferential creditor status has been granted to the authority in respect of its deposits.

  The result of this judgment is that the City Council expects 100% of the principal investments to be returned. An initial payment of £1,468,011 has been received by the Authority which represents the first installment. A further amount of £37,387, being the proportion of the repayment made in Icelandic Krona and held in an interest bearing escrow account on behalf of the City Council, is currently domiciled in Iceland and due to Icelandic currency control restrictions consent from the Icelandic Central Bank will be required in order to pay priority creditors this element of the distribution. Until that consent is received the funds cannot be distributed.

  It is not known when the balance of the outstanding investment will be received but a further payment of around £616,167 was received in May 2012.

- The authority is deemed to control the services provided under the outsourced agreements to rebuild, maintain, upgrade and provide services to its schools; to provide street lighting services; to provide and maintain a multi-service district centre on the Devonshire Square site in Bentilee; and to provide and maintain a waste to energy plant and associated waste disposal site at Hanford. The authority is also deemed to control the residual value of assets used in these arrangements at the end of the agreements, with the exception of the waste scheme mobile plant and equipment, which may be purchased by the authority at the end of the contract period at open market value. The accounting policies for PFI schemes and similar contracts have been applied to these arrangements and the assets (valued at £209,335,000) are recognised as Property, Plant and Equipment on the authority's balance sheet.

- The council's schools are run under a number of arrangements including Foundation schools, Church schools and Local Authority run schools. It is deemed that the council still retains a significant part of the risk and rewards of Local Authority run schools and hence their net assets should remain on the council's balance sheet. With respect to Church and Foundation schools, the council makes a judgment on a case by case basis as to who bears the significant part of the risks and rewards of ownership of the school's net assets, and thus whether part or all of the assets and liabilities are to be consolidated into the City Council's balance sheet or de-recognised from the City Council's Balance Sheet. The total value de-recognised this year is £8,133,000 (see note 13.22a) in respect of two Academy schools and land transfer to three foundation schools. It is also deemed that Academies' current assets and liabilities are not to be consolidated into the City Council's balance sheet.

7 Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus or (deficit) on the provision of services' line shows the true economic cost of providing the authority's services, more details of which are shown in 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.

2011/12	Note	General Fund Balance £000	General Fund Earmarked Reserves £000	Useable Capital Receipts £000	Housing Revenue Account £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2011 brought forward		**5,813**	**60,925**	**5,509**	**7,537**	**2,486**	**50**	**15,475**	**97,795**	**413,261**	**511,056**
Movement in Reserves During 2011/12											
Surplus or (deficit) on provision of services (accounting basis)		66,481	-	-	(70,692)	-	-	-	(4,211)	-	**(4,211)**
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	(58,018)	**(58,018)**
Total Comprehensive Expenditure and Income		**66,481**	**-**	**-**	**(70,692)**	**-**	**-**	**-**	**(4,211)**	**(58,018)**	**(62,229)**
Adjustments between accounting basis & funding basis under regulations	13.01	(43,697)	-	(770)	69,510	-	3,098	827	28,968	(28,968)	-
Net Increase / Decrease before Transfers to Earmarked Reserves		**22,784**	**-**	**(770)**	**(1,182)**	**-**	**3,098**	**827**	**24,757**	**(86,986)**	**(62,229)**
Other adjustments		3	(52)	-	-	-	1	52	4	-	4
Transfers to / from Earmarked Reserves	13.02	(21,144)	21,144	-	664	(664)	-	-	-	-	-
Increase / Decrease in Year		1,643	21,092	(770)	(518)	(664)	3,099	879	24,761	(86,986)	(62,225)
Balance at 31 March 2012		**7,456**	**82,017**	**4,739**	**7,019**	**1,822**	**3,149**	**16,354**	**122,556**	**326,275**	**448,831**
	Note	13.43a	13.02	13.43b	15	13.02	16.03	13.43c	13.43	13.44	

Note 7 cont'd

2010/11	Note	General Fund Balance £000	General Fund Earmarked Reserves	Useable Capital Receipts £000	Housing Revenue Account £000	HRA Earmarked Reserves	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Carried Forward at 31 March 2010		**5,314**	**67,103**	**7,777**	**8,343**	**5,283**	**50**	**1,251**	**95,121**	**420,939**	**516,060**
Prior Period Adjustment /change in accounting policy		-	-	-	-	-	-	-	-	-	**-**
Brought Forward Balance at 31 March 2010		**5,314**	**67,103**	**7,777**	**8,343**	**5,283**	**50**	**1,251**	**95,121**	**420,939**	**516,060**
<u>Movement in Reserves During 2010/11</u>											
Surplus or (deficit) on provision of services (accounting basis)		114,445	-	-	(202,503)	-	-	-	(88,058)	-	**(88,058)**
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	83,101	**83,101**
Total Comprehensive Expenditure and Income		**114,445**	**-**	**-**	**(202,503)**	**-**	**-**	**-**	**(88,058)**	**83,101**	**(4,957)**
Adjustments between accounting basis & funding basis under regulations	13.01	(120,128)	-	(2,268)	198,900	-	-	14,228	**90,732**	(90,732)	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves		**(5,683)**	**-**	**(2,268)**	**(3,603)**	**-**	**-**	**14,228**	**2,674**	**(7,631)**	**(4,957)**
Other Adjustments		-	(4)	-	-	-	-	-	**(4)**	(47)	**(51)**
Transfers to / from Earmarked Reserves	13.02	6,182	(6,174)	-	2,797	(2,797)	-	(4)	**4**	-	**4**
Increase / Decrease in Year		**499**	**(6,178)**	**(2,268)**	**(806)**	**(2,797)**	**-**	**14,224**	**2,674**	**(7,678)**	**(5,004)**
Balance at 31 March 2011 carried forward		**5,813**	**60,925**	**5,509**	**7,537**	**2,486**	**50**	**15,475**	**97,795**	**413,261**	**511,056**
	Note	13.43a	13.02	13.43b	15	13.02	16.03	13.43c	13.43	13.44	

8 Comprehensive Income and Expenditure Statement

This Statement shows the economic cost in the year of providing services rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

2010/11					2011/12		
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Note**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**
£000	**£000**	**£000**			**£000**	**£000**	**£000**
			Service Areas				
31,265	(26,355)	4,910	Central services to the Public		30,785	(26,874)	3,911
34,107	(12,485)	21,622	Cultural and related services		27,767	(13,300)	14,467
44,258	(18,810)	25,448	Environmental and regulatory services		40,368	(18,458)	21,910
29,615	(12,704)	16,911	Planning services		23,837	(10,791)	13,046
324,817	(264,610)	60,207	Education and children's services		276,756	(211,869)	64,887
28,389	(13,461)	14,928	Highways and transport services		28,744	(10,033)	18,711
125,012	(90,216)	34,796	General fund housing services		123,712	(94,123)	29,589
86,606	(57,696)	28,910	Local authority housing	14.00	53,706	(61,103)	(7,397)
173,225	-	173,225	Local authority housing - vacant property revaluation loss on council dwellings		-	-	-
-	-	-	Local authority housing - settlement payment to government for HRA self-financing	13.04	74,441		74,441
(3,659)	-	(3,659)	Local authority housing - change in inflation factor for retirement benefit from RPI to CPI index				
109,019	(39,512)	69,507	Adult social care		106,206	(31,574)	74,632
5,255	(475)	4,780	Corporate and democratic core		4,546	(491)	4,055
5,533	(630)	4,903	Non distributed costs		(1,498)	-	(1,498)
(91,970)	-	(91,970)	Non distributed costs - change in inflation factor for retirement benefit from RPI to CPI index		-	-	-
901,472	**(536,954)**	**364,518**	***Net Cost of Services***		**789,370**	**(478,616)**	**310,754**
		73	Levies and external contributions	13.13			73
		(437)	Loss (Profit) on Disposal of Non current Assets				7,421
			Loss on Derecognition of Non current Assets				8,133
		457	Fair value movements in non-current assets held for sale				-
		1,760	Contribution of Housing capital receipts to Government Pool DCLG				2,186
		1,853	**Other Operating Expenditure**				**17,813**
		23,811	Interest Payable and similar charges	13.33b			22,620
		9,910	Pensions interest cost and expected return on pension assets	13.16c			5,321
		(1,238)	Interest and investment income	13.33b			(1,605)
		1,291	Income and expenditure in relation to investment properties and changes in their fair value	13.30			(1)
		237	Other investment income/expense				232
		34,011	**Financing and Investment Income and Expenditure**				**26,567**
		(81,127)	Council Tax Income				(81,680)
		(111,152)	Non domestic rates				(99,360)
		(48,939)	Non-ringfenced government grants	13.12			(64,363)
		(71,106)	Capital grants and contributions	13.12			(105,520)
		(312,324)	**Taxation & Non-Specific Grant Income**				**(350,923)**
		88,058	**(Surplus)/Deficit on Provision of Services**				**4,211**
		3,507	(Surplus)/Deficit arising on revaluation of Fixed Assets	13.44a			2,971
		-	(Surplus)/Deficit arising on revaluation of loans and receivables				-
		46	(Surplus)/Deficit arising on revaluation of available for sale financial assets	13.44b			-
		(86,654)	Actuarial (gains)/losses on pension fund assets and liabilities and business combination	13.44e			55,047
		-	Other (gains) and losses				-
		-	PFI schools land transfer back to on balance sheet				-
		(83,101)	**Other Comprehensive Income and Expenditure**				**58,018**
		4,957	**Total Comprehensive Income and Expenditure**				**62,229**

9 Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example, the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line "Adjustments between accounting basis and funding basis under regulations".

01 April 2010 £000	31 March 2011 £000		Notes	31 March 2012 £000
1,271,456	1,082,678	Property Plant and Equipment	13.22	1,130,663
22,276	24,765	Heritage Assets	13.26	24,826
17,947	16,905	Investment Property	13.30	10,418
6,271	6,349	Intangible Assets	13.31	5,511
4,123	4,123	Long Term Investments	13.33	2,001
2,574	1,759	Long Term Debtors	13.36	1,922
1,324,647	**1,136,579**	**Long Term Assets**		**1,175,341**
10,719	-	Short Term Investments	13.33	654
5,425	2,131	Assets Held for Sale	13.32	2,856
901	1,038	Inventories	13.37	633
75,051	46,054	Short Term Debtors	13.38	46,135
12,204	48,323	Cash & Cash Equivalents	13.39	47,966
104,300	**97,546**	**Current Assets**		**98,244**
(8,927)	(13,408)	Short Term Borrowing	13.33	(12,695)
(77,825)	(65,425)	Short Term Creditors	13.40	(53,871)
-	(3,457)	Grants Receipts in Advance - Revenue	13.12	(298)
(25,387)	(30,196)	Grants Receipts in Advance - Capital	13.12	(30,282)
(1,547)	(2,230)	Provisions	13.41	(3,463)
(113,686)	**(114,716)**	**Current Liabilities**		**(100,609)**
-	(342)	Long Term Creditors	13.33	(946)
-	(98)	Grants Receipts in Advance - Revenue	13.12	-
-	(1,630)	Grants Receipts in Advance - Capital	13.12	(2,864)
(11,506)	(11,454)	Provisions	13.41	(5,223)
(233,749)	(229,788)	Long Term Borrowing	13.33	(301,270)
(134,200)	(126,607)	Other Long Term Liabilities	13.42	(118,134)
(419,746)	(238,434)	Net Pensions Liabilities	13.16e	(295,708)
(799,201)	**(608,353)**	**Long Term Liabilities**		**(724,145)**
516,060	**511,056**	**Net Assets**		**448,831**
95,121	97,795	**Usable Reserves**	13.43a	122,556
420,939	413,261	**Unusable Reserves**	13.44	326,275
516,060	**511,056**	**Total Reserves**		**448,831**

10 Cash Flow Statement

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

2010/11 £000		Note	2011/12 £000
88,058	**Net (surplus) or deficit on the provision of services**		**4,211**
(188,437)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	13.45a	(69,544)
93,877	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	13.45b	123,772
(6,502)	**Net cash flows from Operating Activities**		**58,439**
(26,450)	Investing Activities	13.45d	7,993
(3,167)	Financing Activities	13.45e	(66,075)
(36,119)	**Net (increase) or decrease in cash and cash equivalents**	13.39	**357**
12,204	**Cash and cash equivalents at the beginning of the reporting period**		48,323
48,323	**Cash and cash equivalents at the end of the reporting period**	13.39	**47,966**

11 Transition to IFRS

11.01 Impact of Prior Period Adjustments

Investment Property

IAS 40 (Investment Property) of the IFRS standards requires reporting bodies to separately identify Investment Property from other non-current assets. This standard has been adopted as part of the Local Authority Accounting Code with some minor but significant adaptations in respect of assets of indeterminate use where the Local Authority Accounting Code suggests that these assets are classified as surplus assets within Property, Plant and Equipment rather than Investment Properties.

The City Council has reviewed the assets classified as Investment Property and determined that assets of indeterminate use should be classified as surplus and has amended the accounts to reflect this. In addition, assets held that the Council considers provide community facilities or are held for current or future economic regeneration as their principal purpose, have been removed from Investment Property and transferred to Other Land and Buildings within Property, Plant and Equipment.

The reclassification results in the following changes being made to the 2010/11 financial statements.

	£000
Balance Sheet at 31st March 2011	42,128
Adjustments:	
Transfer to Other Land and Buildings	(14,732)
Transfer to Surplus Assets	(10,491)
Restated 31st March 2011	**16,905**

Note 13.30 provides details of the movement in valuation and 13.22 provides details of the transfer.

11.02 Impact of the Adoption of International Financial Reporting Standards (IFRS) - change in accounting policy:

Heritage Assets

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Authority.

For 2011/12 the Authority is required to change its accounting policy for Heritage Assets and recognise them on the Balance Sheet at valuation. Previously, Heritage Assets were either recognised as Community Assets (at cost) in the Property, Plant and Equipment classification in the Balance Sheet, or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as Heritage Assets) that were donated to the Authority are held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of Heritage Assets are set out in the Authority's summary of significant accounting policies (see Note 2 on Statement of Accounting Policies for 2011/12).

In applying the new accounting policy, the Authority has identified that the assets that were previously held as Community Assets within Propery, Plant and Equipment at £22.340m should now be recognised as Heritage Assets and measured at £22.340m.

These assets relate to a proportion of the Museum's art collection, ceramics and Staffordshire Hoard, which were previously recognised in the Community Assets classification of Property, Plant and Equipment. The Authority will also recognise an additional £2.425m for heritage buildings that were previously recognised in the Balance Sheet as Other Land and Buildings within Property, Plant and Equipment. Again, this is also measured at £2.425m. The April 2010 and 31st March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1st April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £22.276m. The element that was previously recognised in Property, Plant and Equipment has been reclassified and written down by £22.276m.

The fully restated 1st April 2010 Balance Sheet is provided in Section 9 (Balance Sheet). The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts.

Note 13.26 provides details of the movement in valuation and 13.22 provides details of the transfer.

Effect on Opening Balance Sheet 1st April 2010

		Opening Balance at 1st April 2010 £000	Restatement £000	Restated Opening Balance at 1st April 2010 £000
Property, Plant and Equipment		1,268,509	2,947	1,271,456
Heritage Assets	11.02	-	22,276	22,276
Investment Property	11.01	43,170	(25,223)	17,947
Long Term Assets		**1,324,647**	**-**	**1,324,647**
Total Net Assets		**516,060**	**-**	**516,060**
Total Reserves		**(516,060)**	**-**	**(516,060)**

There is no restatement of the Comprehensive Income and Expenditure Statement or the Movement in Reserves Statement as the valuation recognised in the Heritage Assets category is the same as the amount recognised previously in Property, Plant and Equipment.

The resulting restated Balance Sheet for 31st March 2011 is provided in Section 9 (Balance Sheet). The adjustments that have been made to that Balance Sheet, over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet at 31st March 2011

		Previous Balance at 31st March 2011 £000	Restatement £000	Restated Balance at 31st March 2011 £000
Property, Plant and Equipment		1,082,221	457	1,082,678
Heritage Assets	11.02	-	24,765	24,765
Investment Property	11.01	42,128	(25,223)	16,905
Long Term Assets		**1,136,580**	**-**	**1,136,580**
Total Net Assets		**511,056**	**-**	**511,056**
Total Reserves		**(511,056)**	**-**	**(511,056)**

11.03 Impact of the changes in the Code 2011/12 and Service Reporting Code of Practice 2012 (SERCOP)

Split of Short term and Long Term Creditors

The code required authorities to split out the Short and long Term Creditors between Grant receipts in Advance and Creditors. The impact on Net assets is Nil as this is a presentational change. Note 13.12 provides further details of the split.

Effect on Balance Sheet at 31st March 2011

	Previous Balance at 31st March 2011	Restatement	Restated Balance at 31st March 2011	Previous Balance at 31st March 2010	Restatement	Restated Balance at 31st March 2010
Short Term Creditors	(99,078)	33,653	(65,425)	(103,212)	25,387	(77,825)
Grants Received in Advance-Revenue	-	(3,457)	(3,457)			-
Grants Received in Advance-Capital	-	(30,196)	(30,196)		(25,387)	(25,387)
Current Liabilities	**(99,078)**	**-**	**(99,078)**	**(103,212)**	**-**	**(103,212)**
Long Term Creditor	(2,071)	1,728	(343)	-		-
Grants Received in Advance-Revenue	-	(98)	(98)	-		-
Grants Received in Advance-Capital	-	(1,630)	(1,630)	-		-
Long term Liabilities	**(2,071)**	**-**	**(2,071)**	-	-	-

Split of Cultural, Enviromental, Regulatory and Planning Services

The SERCOP 2012 requires authorities to split out Cultural, Environmetal, Regulatory and Planning Services as follows in the Comprehensive Income and Expenditure Statement.

	Previous Net Expenditure at 31st March 2011	Restatement	Restated Net expenditure at 31st March 2011
Split of Cultural, Enviromental, Regulatory and Planning Services	63,981	(63,981)	-
Cultural and related services	-	21,622	21,622
Environmental and regulatory services	-	25,448	25,448
Planning services	-	16,911	16,911
Net Cost of Services	**63,981**	**-**	**63,981**

12 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant facts.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over their remaining useful economic life. These lives are assessed either by service managers (for items such as Vehicles, Plant and Equipment) or by professional property valuers (for Land and Buildings). Property useful life assessments are made in conjunction with the guidance provided by Royal Institute of Chartered Surveyors (RICS) and will take into account amongst other things the current physical state of the asset. Property values are formally re-assessed every five years with additional valuations taking place in the event of major spend or impairment of the asset. Should the authority discontinue the maintenance of buildings there could be a detrimental effect on their remaining useful life.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that asset values would reduce by £1.460m, should the annual depreciation charge for other land and buildings increase by 10%.
Provisions	The Authority has made a provision of £4.324m representing the estimated self-funding amounts payable by the Authority under its insurance liability policy in respect of known liabilities for the period 1991 to 2012. This figure has been arrived at from the Authority's insurer's current estimate of liabilities arising from claims lodged but not settled. The value of settlements may be higher than currently anticipated.	An increase over the forthcoming year of 50% in the estimated value of settlements would have the effect of adding £2.162m to the claims arising. However, under the Authority's insurance policies, its loss arising from settlements in any one year is currently limited to a maximum of £1.954m.
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 effect of the net pensions liability of changes in individual assumptions can be measured. For instance, all other factors remaining equal, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £92.337m.
Arrears	At 31 March 2012, the Authority had a balance of sundry debtors of £28.731m. A review of significant balances suggested that an impairment of doubtful debts of varied percentage dependent on the age of the debt was appropriate and this amounted to £5.070m. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £5.070m to be set aside as an allowance.
PFI and Similar Contracts	As at 31 March 2012 the Authority had committed to making unitary payments of £538.194m over the remaining lives of the PFI and similar contracts schemes (see note 13.20). The contract payments are subject to inflationary increases, based on factors such as energy prices and various other contract variations that may arise after this date. In the current economic climate particularly with respect to energy prices, the value of future unitary payments may be hugher than currently anticipated.	If energy and other inflationary factors were to change, a 1% increase in costs will require an additional £5.382m to be set aside to meet future commitments.

13 Notes to the Accounts - Index

13.01 Adjustments between Accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement (CIES), recognised by the Authority in the year, in accordance with proper accounting practice to the resources that are specified by statutory provision as being available to the Authority, to meet future capital and revenue expenditure.

2011/12	Notes	Useable Reserves					
		General fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments Primarily Involving:		£000	£000	£000	£000	£000	£000
a) **Capital Adjustment Account**		-	-	-	-	-	-
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement (CIES)		-	-	-	-	-	-
Depreciation of Non-Current Assets	13.21b	(22,974)	(9,391)	-	-	-	32,365
Impairment of Non-Current Assets	13.21b	(10,337)	(145)	-	-	-	10,482
Revaluation losses on Property, Plant and Equipment	13.22a	(16,400)	-	-	-	-	16,400
Revaluation losses on Assets Held for Sale	13.22a	-	-	-	-	-	-
Movement in market value of Investment Properties	13.30	1	-	-	-	-	(1)
Amortisation of Intangible Assets	13.31	(1,733)	-	-	-	-	1,733
Capital grants and contributions applied	13.44c	95,127	162	-	-	-	(95,289)
Revenue Expenditure Funded from Capital Under Statute	13.44c	(6,719)	-	-	-	-	6,719
Revenue Expenditure Funded from Capital Under Statute -Funding	13.44c	2,395	-	-	-	-	(2,395)
Amounts by which the amounts charged for equal pay claims to CIES differ from the cost of settlements chargable in accordance with statutory requirments		3,668	-	-	-	-	(3,668)
Amount of Non-Current Assets written off on disposal to the CIES	13.22	(13,274)	-	-	-	-	13,274
Amount of Non-Current Assets written off on derecognition to the CIES	13.22a	(8,133)	-	-	-	-	8,133
Settlment Payment HRA Funding		-	(74,441)	-	-	-	74,441
Insertion of items not debited or credited to the CIES		-	-	-	-	-	-
MRP for capital financing	13.14	15,369	891	-	-	-	(16,260)
County council loan principal repayment	13.42	1,829	-	-	-	-	(1,829)
Service concession deferred income write back	13.20d	571	-	-	-	-	(571)
Capital expenditure charged against the General Fund and HRA Balances	13.28a	1,087	1,836	-	-	-	(2,923)
b) **Capital Grants Unapplied Account**		-	-	-	-	-	-
Capital Grants unapplied credited to CIES	13.43c	7,836	-	-	-	(7,836)	-
Application of grants transferred to Capital Adjustment Account	13.43c	-	-	-	-	7,009	(7,009)
c) **Financial Instruments Adjustments Account**		-	-	-	-	-	-
Financial instruments adjustment account	13.44d	(4,459)	(33)	-	-	-	4,492
d) **Pensions Reserve**		-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to CIES	13.44e	(22,908)	(735)	-	-	-	23,643
Employer's contributions and direct payments to pensioners payable in the year	13.16d	20,751	665	-	-	-	(21,416)
e) **Collection Fund Adjustment Account**		-	-	-	-	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	13.44g	26	-	-	-	-	(26)
f) **Accumulated Absences Account**		-	-	-	-	-	-
Accumulated absences account	13.44f	(1,694)	21	-	-	-	1,673
g) **Capital Receipts Reserve**		-	-	-	-	-	-
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES	13.43b	5,854	-	(5,854)	-	-	-
Repayment of long term debtor	13.43b	-	-	(113)	-	-	113
Contribution from Capital Receipts Reserve to Government Capital Receipts Pool	13.43b	(2,186)	-	2,186	-	-	-
Use of Capital receipts to finance new capital expenditure	13.43b	-	-	4,510	-	-	(4,510)
Voluntary repayment of debt	13.43b			41			(41)
h) **Major Repairs Reserve**		-	-	-	-	-	-
Major Repairs Allowance credited to HRA	16.03	-	11,660	-	(11,660)	-	-
Use of major repairs allowance to finance new capital expenditure	13.28a	-	-	-	8,562	-	(8,562)
Total Adjustments		**43,697**	**(69,510)**	**770**	**(3,098)**	**(827)**	**28,968**

Note 13.01 cont'd

2010/11		Useable Reserves: General fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustment Primarily Involving:		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
a) **Capital Adjustment Account**		-	-	-	-	-	-
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement (CIES)		-	-	-	-	-	-
Depreciation of Non-Current Assets	13.21b	(21,399)	(9,355)	-	-	-	30,754
Impairment of Non-Current Assets	13.21b	(9,027)	(25)	-	-	-	9,052
Revaluation losses on Property, Plant and Equipment	13.22a	(9,761)	(207,214)	-	-	-	216,975
Revaluation losses on Assets Held for Sale	13.22a	(457)	-	-	-	-	457
Movement in market value of Investment Properties	13.30	(1,291)	-	-	-	-	1,291
Amortisation of Intangible Assets	13.31	(1,358)	-	-	-	-	1,358
Capital grants and contributions applied	13.44c	38,858	149	-	-	-	(39,007)
Revenue Expenditure Funded from Capital Under Statute	13.44c	(18,769)	-	-	-	-	18,769
Revenue Expenditure Funded from Capital Under Statute -Funding	13.44c	17,880	-	-	-	-	(17,880)
Amount of Non-Current Assets written off on disposal to the CIES	13.22	(6,598)	-	(50)	-	-	6,648
Insertion of items not debited or credited to the CIES		-	-	-	-	-	-
Statutory provision for the financing of capital investment		-	-	-	-	-	-
MRP for capital financing	13.14	14,187	903	-	-	-	(15,090)
County council loan principal repayment	13.42	1,829	-	-	-	-	(1,829)
Service concession deferred income write back	13.20d	573	-	-	-	-	(573)
Capital expenditure charged against the General Fund and HRA Balances	13.28a	-	4,409	-	-	-	(4,409)
b) **Capital Grants Unapplied Account**		-	-	-	-	-	-
Capital Grants unapplied credited to CIES	13.43c	14,371	-	-	-	(14,371)	-
Application of grants transferred to CAA	13.43c	(143)	-	-	-	143	-
c) **Financial Instruments Adjustments Account**		-	-	-	-	-	-
Financial instruments adjustment account	13.44d	934	(33)	-	-	-	(901)
d) **Pensions Reserve**		-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to CIES	13.44e	52,781	2,100	-	-	-	(54,881)
Employer's contributions and direct payments to pensioners payable in the year	13.16d	38,690	1,087	-	-	-	(39,777)
e) **Collection Fund Adjustment Account**		-	-	-	-	-	-
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	13.44g	(745)	-	-	-	-	745
f) **Accumulated Absences Account**		-	-	-	-	-	-
Accumulated absences account	13.44f	4,298	34	-	-	-	(4,332)
g) **Capital Receipts Reserve**		-	-	-	-	-	-
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES	13.43b	7,035	-	(7,035)	-	-	-
Contribution from Capital Receipts Reserve to Government Capital Receipts Pool	13.43b	(1,760)	-	1,760	-	-	-
Use of Capital receipts to finance new capital expenditure	13.43b	-	-	7,593	-	-	(7,593)
h) **Major Repairs Reserve**		-	-	-	-	-	-
Major Repairs Allowance credited to HRA	16.03	-	9,045	-	(9,045)	-	-
Use of major repairs allowance to finance new capital expenditure	13.28a	-	-	-	9,045	-	(9,045)
Total Adjustments		**120,128**	**(198,900)**	**2,268**	**-**	**(14,228)**	**90,732**

13.02 Transfers to/from Earmarked Reserves

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

	Balance at 01 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	Transfers Out 2011/12	Transfers In 2011/12	Balance at 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
School-balances	**5,974**	(3,026)	2,422	**5,370**	(2,060)	3,136	**6,446**
Education PFI - to meet future expenditure of the schools' PFI scheme	**31,460**	(16,914)	271	**14,817**	(7,502)	15,973	**23,288**
Street Lighting PFI - to meet future expenditure of the street lighting PFI scheme	**7,325**	-	430	**7,755**	-	72	**7,827**
Insurance - represents the balance of the self funding element under the liability insurance arrangement	**6,713**	(3,202)	2,287	**5,798**	(1,554)	1,939	**6,183**
Finance Systems Reserve - for future replacement of financial systems	**261**	(122)	250	**389**	-	-	**389**
Other Earmarked Reserves - held for future expenditure on various projects	**10,170**	(5,043)	13,530	**18,657**	(4,538)	11,484	**25,603**
Collection Fund - residual Community Charge balance	**15**	-	-	**15**	(15)	-	**-**
Former DLO/DSO Trading Activities (General Fund) - held for future service provision	**96**	(77)	-	**19**	(13)	-	**6**
Grants, Contributions and Donations Received not spent in year but where any conditions applicable have been met.	**5,089**	(2,406)	5,418	**8,101**	(2,402)	6,624	**12,323**
	67,103	**(30,790)**	**24,608**	**60,921**	**(18,084)**	**39,228**	**82,065**
Other transfer between revenue and capital reserve	**-**	**-**	**-**	**-**	**(52)**	**-**	**(52)**
Other transfer between capital and revenue reserve	-	-	4	**4**	-	-	**4**
Total General Fund	**67,103**	**(30,790)**	**24,612**	**60,925**	**(18,136)**	**39,228**	**82,017**
Net Movement of General Fund Earmarked Reserves						**21,092**	
HRA							
Housing Repairs Account	**354**	(350)	-	**4**	(4)	-	**-**
Housing Capital Reserve - to meet items of future capital expenditure	**3,866**	(2,068)	-	**1,798**	(660)	-	**1,138**
HRA Equipment	**864**	(180)	-	**684**	-	-	**684**
Service Charges	**-**	-	-	**-**	-	-	**-**
Transfer from former DSO reserve	**199**	(199)	-	**-**	-	-	**-**
Total HRA	**5,283**	**(2,797)**	**-**	**2,486**	**(664)**	**-**	**1,822**
Net Movement of HRA Earmarked Reserves						**(664)**	
Total Earmarked Reserves	**72,386**	**(33,587)**	**24,612**	**63,411**	**(18,800)**	**39,228**	**83,839**

Housing Revenue Account Earmarked Reserves

The Housing Repairs Account, HRA Equipment Reserve, Service Charges shown within the Housing Revenue Earmarked Reserve Account were previously identified within other earmarked reserves. The former DSO account has been split to show that element relating to the HRA.

Movements in the Education PFI Reserve

13.03 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice (SeRCOP). However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

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

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

a) Income and Expenditure

2011/12	Benefit Payments	Central General Fund	Housing Revenue Account	Children and Young People	City Renewal	Adult and Neighbourhood Services	Business Services	Chief Executive	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-	(7,089)	(61,261)	(31,066)	(37,396)	(44,514)	(2,645)	(1,592)	(185,563)
Government grants	(114,835)	(6,327)	(184)	(189,145)	(6,853)	(13,868)	(2,678)	-	(333,890)
Total Income	**(114,835)**	**(13,416)**	**(61,445)**	**(220,211)**	**(44,249)**	**(58,382)**	**(5,323)**	**(1,592)**	**(519,453)**
Employee expenses	-	2,157	6,694	152,873	25,789	37,362	4,873	3,170	232,918
Other service expenses	114,052	113,719	54,014	103,667	73,106	104,440	1,983	941	565,922
Support service recharges	-	11,585	1,255	5,999	6,118	5,117	2,729	1,400	34,203
Total Expenditure	**114,052**	**127,461**	**61,963**	**262,539**	**105,013**	**146,919**	**9,585**	**5,511**	**833,043**
Net Expenditure	**(783)**	**114,045**	**518**	**42,328**	**60,764**	**88,537**	**4,262**	**3,919**	**313,590**

2010/11	Benefit Payments	Central General Fund	Housing Revenue Account	Children and Young People	City Renewal	Adult and Neighbourhood Services	Business Services	Chief Executive	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-	(48,162)	(58,995)	(24,722)	(32,570)	(48,298)	(159)	(20)	(212,926)
Government grants	(108,439)	(22,130)	(308)	(227,611)	(16,724)	(18,786)	(3,053)	(108)	(397,159)
Total Income	**(108,439)**	**(70,292)**	**(59,303)**	**(252,333)**	**(49,294)**	**(67,084)**	**(3,212)**	**(128)**	**(610,085)**
Employee expenses	-	(38,511)	5,046	159,354	27,092	39,243	203	-	192,427
Other service expenses	108,406	205,352	27,492	97,634	103,920	92,078	(7,758)	(1,092)	626,032
Support service recharges	-	205	1,484	7,373	6,463	7,131	8,850	1,672	33,178
Total Expenditure	**108,406**	**167,046**	**34,022**	**264,361**	**137,475**	**138,452**	**1,295**	**580**	**851,637**
Net Expenditure	**(33)**	**96,754**	**(25,281)**	**12,028**	**88,181**	**71,368**	**(1,917)**	**452**	**241,552**

b) Reconciliation of Directorate Income and Expenditure to Net Cost of Services in the Comprehensive Income and Expenditure Statement

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

2010/11 £000'		2011/12 £000'
241,552	Net expenditure in the Directorate Analysis	313,590
-	Net expenditure of services and support services not included	-
-	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-
122,966	Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(2,836)
364,518	**Cost of Services in Comprehensive Income and Expenditure Statement**	**310,754**

Note 13.03 cont'd

c) Reconciliation to Subjective Analysis

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

2011/12	**Directorate Analysis**	**Services and Support Services not in Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Cost of Services (prior to Allocation of Recharges)**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other	(183,957)	-	-	3,024	(180,933)	(2,989)	**(183,922)**	-	(183,922)
Surplus or deficit on associates and joint	-	-	-	-	-	-	**-**	-	-
Interest and investment	(1,606)	-	-	1,606	-	-	**-**	(1,606)	(1,606)
Income from council tax	-	-	-	-	-	-	**-**	(81,680)	(81,680)
Government grants and	(333,890)	-	-	36,207	(297,683)	(30)	**(297,713)**	(269,243)	(566,956)
Total Income	**(519,453)**	**-**	**-**	**40,837**	**(478,616)**	**(3,019)**	**(481,635)**	**(352,529)**	**(834,164)**
Employee expenses	227,597	-	-	-	227,597	19,054	**246,651**	-	246,651
Pensions interest cost and expected return on	5,321	-	-	(5,321)	-	-	**-**	5,321	5,321
Other service expenses	506,812	-	-	(43,246)	463,566	15,828	**479,394**	8,365	487,759
Support Service recharges	34,203	-	-	-	34,203	(34,203)	**-**	-	-
Depreciation, amortisation and	26,810	-	-	37,194	64,004	2,340	**66,344**	-	66,344
Interest Payments	22,620	-	-	(22,620)	-	-	**-**	22,620	22,620
Precepts & Levies	73	-	-	(73)	-	-	**-**	73	73
Payments to Housing Capital Receipts Pool	2,186	-	-	(2,186)	-	-	**-**	2,186	2,186
Gain or Loss on Disposal of Fixed Assets	7,421	-	-	(7,421)	-	-	**-**	7,421	7,421
Total expenditure	**833,043**	**-**	**-**	**(43,673)**	**789,370**	**3,019**	**792,389**	**45,986**	**838,375**
Surplus or deficit on the provision of services	**313,590**	**-**	**-**	**(2,836)**	**310,754**	**-**	**310,754**	**(306,543)**	**4,211**

2010/11	**Directorate Analysis**	**Services and Support Services not in Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Cost of Services (prior to Allocation of Recharges)**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other	(211,688)	-	-	19,515	(192,173)	(4,668)	**(196,841)**	-	(196,841)
Surplus or deficit on associates and joint	-	-	-	-	-	-	**-**	-	-
Interest and investment	(1,238)	-	-	1,238	-	-	**-**	(1,238)	(1,238)
Income from council tax	-	-	-	-	-	-	**-**	(81,127)	(81,127)
Government grants and	(397,159)	-	-	50,828	(346,331)	-	**(346,331)**	(231,198)	(577,529)
Total Income	**(610,085)**	**-**	**-**	**71,581**	**(538,504)**	**(4,668)**	**(543,172)**	**(313,563)**	**(856,735)**
Employee expenses	182,516	-	-	(4,332)	178,184	18,433	**196,617**	-	196,617
Pensions interest cost and expected return on	9,910	-	-	(9,910)	-	-	**-**	9,910	9,910
Other service expenses	531,758	-	-	(95,474)	436,284	17,157	**453,441**	695	454,136
Support Service recharges	33,178	-	-	-	33,178	(33,178)	**-**	-	-
Depreciation, amortisation and	69,068	-	-	186,308	255,376	2,256	**257,632**	1,291	258,923
Interest Payments	23,811	-	-	(23,811)	-	-	**-**	23,811	23,811
Precepts & Levies	73	-	-	(73)	-	-	**-**	73	73
Payments to Housing Capital Receipts Pool	1,760	-	-	(1,760)	-	-	**-**	1,760	1,760
Gain or Loss on Disposal of Fixed Assets	(437)	-	-	437	-	-	**-**	(437)	(437)
Total expenditure	**851,637**	**-**	**-**	**51,385**	**903,022**	**4,668**	**907,690**	**37,103**	**944,793**
Surplus or deficit on the provision of services	**241,552**	**-**	**-**	**122,966**	**364,518**	**-**	**364,518**	**(276,460)**	**88,058**

13.04 Exceptional items in Net cost of Services

HRA Self-Financing System

From April 2012 the HRA will operate within a new national self-financing system. Under this system the government has allocated an amount of national housing debt to each council with a housing stock and, in turn, has ended the national subsidy system. Under self-financing, Stoke-on-Trent City Council were required to borrow and pay £74.441m to Central Government in March 2012. The settlement payment is reversed out in the Statement of Movement and has no effect on the HRA balances in 2011/12 other than a small borrowing charge.

13.05 Agency Services

Stoke-on-Trent City Council provides payroll services for 5 academies (1 in 2010/11). This involves the payment of £13,592,199 (£2,102,944 in 2010/11) to approximately 681 employees (176 in 2010/11). The sum of £3,194,670 (£520,109 in 2010/11) was paid over to Her Majesty's Revenue and Customs (HMRC) and Pensions administrator. The academies paid a management fee of £35,908 in the year (£7,278 in 2010/11).

Organisation Name	Service Provided	Total Amount paid 2010/11 £000	Total Amount paid 2011/12 £000	Number of Employees 2010/11	Number of Employees 2011/12	Amount paid over to HMRC 2010/11 £000	Amount paid over to HMRC 2011/12 £000	Management Fee Received 2010/11 £000	Management Fee Received 2011/12 £000
Co-operative Academy at Brownhills[1]	Payroll	2,103	3,837	176	151	520	936	7	6
Belgrave St. Bartholemew's Academy [2]	Payroll	-	1,516	-	77	-	304	-	4
Discovery Academy [3]	Payroll	-	3,724	-	213	-	909	-	7
Ormiston Horizon Academy [4]	Payroll	-	1,703	-	92	-	408	-	3
St. Peter's Academy [5]	Payroll	-	2,812	-	148	-	637	-	5
Total		**2,103**	**13,592**	**176**	**681**	**520**	**3,194**	**7**	**25**

[1] From 1st September 2010
[2] From 1st April 2011
[3] From 1st September 2011
[4] From 1st September 2011
[5] From 1st September 2011

13.06 Pooled Budgets

1. Mental Health Section 75 Pooled Budget

Stoke on Trent City Council is a partner in a pooled budget arrangement with North Staffordshire Combined Healthcare Trust for the provision of Mental Health Services for younger adults. This agreement commenced in April 2008, with any revisions in the partners individual contributions being agreed prior to the start of each financial year.

The pooled budget is hosted by North Staffordshire Combined Healthcare Trust on behalf of the two partners to the agreement.

2010/11 £000	2010/11 £000		2011/12 £000	2011/12 £000
		Funding provided to the pooled budget:		
3,898		Stoke on Trent City Council	3,898	
7,754		North Staffordshire Combined Healthcare Trust	4,900	
	11,652			8,798
		Expenditure met from the pooled budget:		
3,898		Stoke on Trent City Council	3,898	
7,653		North Staffordshire Combined Healthcare Trust	4,900	
	11,551			8,798
	(101)	Net (surplus)/deficit arising on the pooled budget during the year		**-**

As part of the agreement at the end of each financial year North Staffordshire Combined Healthcare Trust retains any surplus or funds any deficit.

As at the 31 March 2012 creditors provision of £177,501 has been made in respect of the balance owed by the City Council to the pooled budget. There are no other assets or liabilities associated with the pooled fund.

This partnership arrangement between the Trust and the City Council ensures that both the NHS and the local authority's functions are delivered effectively, addressing issues of:

a) Inconsistency and inequality of access to and outcomes from service; and
b) Inefficient use of resources arising from unnecessary duplication and organisation boundaries.

The intended aims of the Partnership Arrangements are:
a) To improve the adult mental health services that users and carers receive;
b) To ensure that public resources are used as efficiently and effectively as possible;
c) To work within the priorities determined by the National Service Framework in Mental Health process.

Note 13.06 cont'd

2. ICES Section 75 Pooled Budget

Stoke on Trent City Council is a partner in a pooled budget arrangement with Stoke-on-Trent Primary Care Trust (PCT) for the provision the Integrated Community Equipment Service (ICES). The current agreement commenced in April 2010 and ends in March 2013. The level of funding provided by each of the partners has been subject to continuous review.

The pooled budget is hosted by Stoke-on-Trent City Council on behalf of the two partners to the agreement.

2010/11 £000			2011/12 £000	
		Funding provided to the pooled budget:		
520		Stoke-on-Trent City Council	408	
556		Stoke-on-Trent PCT	724	
20		Surplus b/f	98	
	1,096			1,230
	998	Net expenditure met from the pooled budget:		1,260
	(98)	Net (surplus)/deficit arising on the pooled budget during the year		**30**

As part of the agreement at the end of each financial year the ICES Section 75 Board agrees on the use of any surplus or the funding of any deficit.

The Section 75 Board is responsible for monitoring governance, preparing reports and receiving information about the operation of the partnership arrangements. Its role and purpose, as defined by its Terms of Reference, are:

a) To ensure the Partners comply with the terms of the Section 75 Agreement. This will be achieved by:

- Receiving quarterly information from the Service to include both performance and financial information to fulfil the Partners' performance management requirements.
- Making appropriate recommendations to the Chief Officers of the Partners where variations to the Section 75 Agreement have been identified as being necessary to promote the service's performance and delivery.

b) To agree, monitor and oversee further strategic development of the Integrated Community Equipment Service in line with the ICES Programme/Service Development Plan and to promote engagement with all stakeholders, including people who use the service, as an integral part of future service development.

3. CAMHS Pooled Budget

Stoke on Trent City Council has entered into a pooled budget arrangement with Stoke-on-Trent Primary Care Trust (PCT) for the provision of Child and Adolescents Mental Health Services (CAMHS). The Authority and the PCT have an agreement in place for funding these services that will run annually, with the partners contributing funds to the agreed budget equal to 45% and 55% of the budget respectively. The Authority will meet any deficit or share any surplus arising on the pooled budget at the end of each financial year with any surplus arising to either be repaid or, with PCT agreement, to be used to fund services the following year.

The pooled budget is hosted by Stoke-on-Trent City Council on behalf of the two partners to the agreement.

2010/11 £000			2011/12 £000	
		Funding provided to the pooled budget:		
(490)		Stoke-on-Trent City Council	(353)	
(610)		North Staffordshire Combined Healthcare Trust (NSCHT)	(510)	
(97)		Brought Forward (NSCHT)	(71)	
(24)		Other	(23)	
	(1,221)			(957)
		Expenditure met from the pooled budget:		
490		Stoke-on-Trent City Council	353	
636		North Staffordshire Combined Healthcare Trust (NSCHT)	491	
24		Other	23	
	1,150			867
	(71)	Net surplus arising on the pooled budget during the year		(90)
	-	Authority share of 0% of the net surplus arising on the pooled budget		-

Note: At 31 March 2012, funds of £90,000 were carried forward.

Note 13.06 cont'd

4. Youth Offending Services Pooled Budget

Stoke-on-Trent City Council has entered into a pooled budget arrangement with the Youth Justice Board, Police, Probation, and Health (PCT) Services for the provision of Youth Offending Services. The partners have an agreement in place for funding these services that is reviewed annually, with the partners contributing funds to the budget to the values shown in the table below. Any surplus or deficit is to be carried forward and managed within the following years budget, with any additional costs to be shared between the Authority (50%), Police (20%), Probation (20%) and PCT (10%).

The pooled budget is hosted by Stoke-on-Trent City Council on behalf of the two partners to the agreement.

2010/11 £000	2010/11 £000		2011/12 £000	2011/12 £000
		Funding provided to the pooled budget:		
(1,305)		Stoke-on-Trent City Council	(1,061)	
(991)		Youth Justice Board	(812)	
(148)		Police	(147)	
(164)		Probation Service	(112)	
(173)		Stoke-on-Trent PCT	(182)	
(89)		Other	(12)	
-		Brought Forward	(76)	
	(2,870)			(2,402)
		Expenditure met from the pooled budget:		
1,217		Stoke-on-Trent City Council	709	
991		Youth Justice Board	812	
148		Police	147	
164		Probation Service	112	
173		Stoke-on-Trent PCT	182	
89		Other	12	
12		Brought Forward Deficit	-	
	2,794			1,974
	(76)	Net surplus arising on the pooled budget during the year		(428)
	(38)	Authority share of 50% of the net surplus arising on the pooled budget		(214)

13.07 Members' Allowances and Expenses

The Authority paid the following amounts to members of the council during the year.

2010/11 £000		2011/12 £000
911	Allowances	614
35	Expenses	22
946	**Total**	636

13.08 Officers Remuneration

Disclosure of senior employees remuneration

A Senior Employee is defined as an employee whose salary is at least £50,000 per annum and who is:

- The designated head of paid service, The statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989;
- the head of staff for a relevant body which does not have a designated head of paid service; or
- the section 151 officer; or
- any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

There were no bonus payments made to any senior employees in either 2011/12 or 2010/11.

The following table shows the senior employees whose salary is £150,000 or more per year.

Post title and name	Notes		Salary (including fees and allowances) £	Expense allowances £	Compensation for loss of office £	Benefits in kind £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
Chief Executive - J van de Laarschot		2011/12	189,453	1,251	-	1,239	191,943	31,260	223,203
Chief Executive - J van de Laarschot		2010/11	191,032	5,664	-	1,239	197,935	28,640	226,575

The following table shows senior employees whose salary is between £50,000 and £150,000 per year.

Post title	Notes		Salary (including fees and allowances) £	Expense allowances £	Compensation for loss of office £	Benefits in kind £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
Director of Adult & Neighbourhood Services		2011/12	139,106	676	-	1,239	141,021	22,953	163,974
Director of Adult & Neighbourhood Services		2010/11	145,528	1,162	-	1,239	147,929	23,121	171,050
Director of City Renewal		2011/12	128,336	-	-	-	128,336	21,176	149,512
Director of City Renewal		2010/11	128,336	-	-	-	128,336	20,534	148,870
Director of Business Services	1	2011/12	17,522	17	57,865	103	75,507	1,732	77,239
Director of Business Services		2010/11	125,983	262	-	1,239	127,484	20,157	147,641
Director of Children & Young People's Services		2011/12	149,073	1,203	173,750	1,239	325,265	22,953	348,218
Director of Children & Young People's Services	2	2010/11	124,151	1,555	-	1,059	126,765	19,026	145,791
Assistant Director of Legal Services		2011/12	98,211	-	-	1,239	99,450	12,715	112,165
Head of Legal Services		2010/11	98,741	100	-	1,239	100,080	10,061	110,141
Managing Director NSRP & Director of Regeneration	3	2011/12	-	-	-	-	-	-	-
Managing Director NSRP & Director of Regeneration	3	2010/11	74,802	583	72,752	620	148,757	11,968	160,725
Director of Housing Environmental and Neighbourhood Services	4	2011/12	-	-	-	-	-	-	-
Director of Housing Environmental and Neighbourhood Services	4	2010/11	6,299	-	31,496	62	37,857	1,008	38,865
Assistant Director of Financial Services (Section 151 Officer)	5	2011/12	117,857	415	-	1,239	119,511	19,426	138,937
Assistant Director of Financial Services (Section 151 Officer)	5	2010/11	-	-	-	-	-	-	-
Assistant Director of Business Technology	6	2011/12	103,498	309	-	1,239	105,046	16,539	121,585
Assistant Director of Business Technology	6	2010/11	-	-	-	-	-	-	-

1 Left on 30th April 2011. Their annualised salary was £124,000.

2 Appointed 24th May 2010. Left 31st March 2012. Their annualised salary was £132,000.

3 Left on 30th September 2010. Their annualised salary was £149,605. Post deleted as part of Corporate restructure 2010/11.

4 Left on 16th April 2010. Their annualised salary was £125,983. Post delted as part of Corporate restructure 2010/11.

5 Prior to this the Section 151 Officer role was carried out by the Director of Business Services.

6 Acting up to Director of Business Services since the departure of the previous incumbent.

Numbers of employees including senior employees receiving total remuneration above £50,000 including expense allowances chargeable to income tax and an estimated value of other benefits but excluding employer's pension:

2010/11 Number of Teaching staff	2010/11 Number of Employees(non teaching) Restated	2010/11 Total Number of Employees Restated	2010/11 Number of Employees Left in Year Restated	Range	2011/12 Number of Teaching staff [1]	2011/12 Number of Employees(non teaching)	2011/12 Total Number of Employees	2011/12 Number of Employees Left in Year
55	62	117	29	£ 50,000 - £ 54,999	46	51	97	16
35	33	68	17	£ 55,000 - £ 59,999	49	16	65	14
18	28	46	20	£ 60,000 - £ 64,999	20	14	34	7
16	13	29	9	£ 65,000 - £ 69,999	16	-	16	4
7	13	20	10	£ 70,000 - £ 74,999	8	-	8	2
5	10	15	7	£ 75,000 - £ 79,999	6	6	12	4
2	12	14	7	£ 80,000 - £ 84,999	3	6	9	4
3	7	10	3	£ 85,000 - £ 89,999	2	8	10	5
4	5	9	6	£ 90,000 - £ 94,999	1	4	5	1
1	5	6	6	£ 95,000 - £ 99,999	1	2	3	-
1	4	5	2	£ 100,000 - £104,999	-	3	3	2
1	1	2	2	£ 105,000 - £109,999	-	1	1	-
-	1	1	-	£ 110,000 - £114,999	-	-	-	-
-	1	1	1	£ 115,000 - £119,999	-	1	1	-
-	-	-	-	£ 120,000 - £124,999	-	-	-	-
-	4	4	1	£ 125,000 - £129,999	-	1	1	-
-	-	-	-	£ 130,000 - £134,999	-	-	-	-
-	-	-	-	£ 135,000 - £139,999	-	-	-	-
-	-	-	-	£ 140,000 - £144,999	-	1	1	-
-	3	3	2	£ 145,000 - £149,999	2	-	2	2
1	-	1	1	£ 150,000 - £154,999	-	-	-	-
-	1	1	1	£ 155,000 - £159,999	-	-	-	-
-	-	-	-	£ 160,000 - £164,999	-	-	-	-
-	-	-	-	£ 165,000 - £169,999	-	-	-	-
-	-	-	-	£ 170,000 - £174,999	-	-	-	-
-	-	-	-	£ 175,000 - £179,999	-	-	-	-
-	-	-	-	£ 180,000 - £184,999	-	1	1	1
-	-	-	-	£ 185,000 - £189,999	-	-	-	-
-	-	-	-	£ 190,000 - £194,999	-	1	1	-
-	1	1	-	£ 195,000 - £199,999	-	-	-	-
-	1	1	1	£ 200,000 - £204,999	-	-	-	-
-	-	-	-	£ 205,000 - £209,999	-	-	-	-
-	-	-	-	£ 210,000 - £214,999	-	-	-	-
-	-	-	-	£ 215,000 - £219,999	-	-	-	-
-	1	1	1	£ 220,000 - £224,999	-	-	-	-
-	-	-	-	£ 320,000 - £324,999	-	1	1	1
149	**206**	**355**	**126**		**154**	**117**	**271**	**63**

1 Includes 62 employees in receipt of compensatory payments for redundancy which has moved their remuneration into the >£50k banding

13.09 Termination Benefits & Exit Packages

The Authority terminated the contracts of over 500 employees in 2011/12 mainly as a consequence of the ongoing corporate restructuring programme. A total of over £6.9m in compensatory payments was incurred (including redundancy costs and pay in lieu of notice) plus an additional £1.6m will be paid to the pension fund in respect of actuarial strain costs (including £41k paid to the teacher's pension scheme for 4 people). A further 65 people have been identified as likely to leave in 2012/13 and an amount of £720k for compensatory payments and £153k for actuarial strain has been included as a reserve on the balance sheet. The amount paid to Senior Officers is also detailed in note 13.08 'Officers Remuneration'.

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Number of Compulsory Redundancies 2010/11	Number of Other Departures Agreed 2010/11	Total Number of exit packages by cost band 2010/11	Total cost of exit packages in each band £'000 2010/11	Exit package cost band (including special payments)	Number of Compulsory Redundancies 2011/12	Number of Other Departures Agreed 2011/12	Total Number of exit packages by cost band 2011/12	Total cost of exit packages in each band £'000 2011/12
62	468	530	3,939	£0 - £20,000	67	312	379	2,696
2	190	192	5,363	£20,001 - £40,000	4	98	102	2,816
-	50	50	2,430	£40,001 - £60,000	1	29	30	1,442
-	21	21	1,449	£60,001 - £80,000	-	9	9	636
-	6	6	539	£80,001 - £100,000	-	6	6	545
-	5	5	538	£100,001 - £150,000	-	3	3	352
-	-	-	-	£150,001 - £180,000	-	1	1	173
64	**740**	**804**	**14,258**		**72**	**458**	**530**	**8,660**

13.10 External Audit Costs

The Authority 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 Authority's external auditors

2010/11 £000		2011/12 £000
435	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	380
68	Fees payable to external auditors for the certification of grant claims and returns for the year	75
18	Fees payable in respect of other services provided by external auditors during the year	-
521	**Total**	**455**

13.11 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 ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined by in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2011-12 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2011/12	29,238	127,877	157,115
Plus Brought forward from 2010/11 (Restated)	2,848	-	2,848
Less Carry forward to 2012/13 agreed in advance	-	-	-
Agreed initial budgeted distribution in 2011/12	32,086	127,877	**159,963**
In year adjustments to distribution	-	-	**-**
Final budget distribution for 2011/12	**32,086**	**127,877**	**159,963**
Less Actual central expenditure	(26,532)	-	(26,532)
Less Actual ISB deployed to schools	-	(127,611)	(127,611)
Plus Local authority contribution for 2011/12	-	-	-
Carry forward to 2012/13	**5,554**	**266**	**5,820**

13.12 Grant Income

a) The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

Credited to Taxation and Non Specific Grant Income

Capital 2010/11 £000	Revenue 2010/11 £000		Capital 2011/12 £000	Revenue 2011/12 £000
-	48,939	Communities & Local Government		35,472
34,216	-	Pathfinder/Regional	6,080	-
18,800	-	Department for Education (DfE)	81,506	14,574
4,698	-	Private Sector Contributions	1,053	-
3,615	-	Department for Transport (DfT)	3,965	-
2,720	-	Other Government Grants	8,627	-
2,403	-	Homes and Communities Agency (HCA)	333	-
1,826	-	Lottery	1,118	-
1,147	-	Other Contributions	351	-
928	-	Other Grants	244	14,317
535	-	Advantage West Midlands (AWM)	326	-
218	-	European Regional Development Fund (ERDF)	1,917	-
71,106	**48,939**	**Total**	**105,520**	**64,363**

Note 13.12 cont'd

Credited to Net Cost of Service:	Type of Funding/Grant	2010/11 £000	2011/12 £000
Central Services to the Public	Council Tax Benefits	23,564	23,999
	Other Grants	71	15
Cultural and Related	Private Finance Initiative (PFI) - Bentilee	1,131	1,131
	Other Grants	1,624	175
Environmental and Regulatory	Other Grants	1,189	988
Planning and Development	Other Grants	4,707	1,495
Childrens and Education	Dedicated Schools Grant	144,616	157,115
	Private Finance Initiative (PFI) - Schools	8,294	8,294
	Private Finance Initiative (PFI) - Bentilee	215	215
	Other Grants (Including Standards Fund)	69,540	10,933
Highways and Transport	Private Finance Initiative (PFI) - Street Lighting	1,351	1,351
	Other Grants	-	559
Housing	Rent Allowances	48,433	52,293
	Rent Rebates	36,373	38,438
	Other Grants	3,224	135
Housing Revenue Account	Other Grants	160	22
Adult Social Care	Other Grants	1,839	525
	Total	**346,331**	**297,683**

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

31 March 2010 £000 Short Term	31 March 2010 £000 Long Term	31 March 2011 £000 Short Term	31 March 2011 £000 Long Term	Capital Grants Receipts in Advance	31 March 2012 £000 Short Term	31 March 2012 £000 Long Term
12,070	-	24,225	-	Department for Education (DfE)	27,518	-
1,712	-	280	1,630	Private Sector Contributions	14	-
11,605	-	5,691	-	Other Government Grants	2,750	2,864
25,387	**-**	**30,196**	**1,630**	**Total**	**30,282**	**2,864**

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

31 March 2011 £000 Short Term	31 March 2011 £000 Long Term	Revenue Grants Receipts in Advance	31 March 2012 £000 Short Term	31 March 2012 £000 Long Term
1,506	-	Department for Education (DfE)	-	-
458	-	Department for Transport (DfT)	-	-
6	-	Department of Health (DoH)	-	-
1,080	-	Department for Work and Pensions (DWP)	-	-
4	-	High Peak Borough Council	-	-
14	-	Department for Environment, Food and Rural Affairs (DEFRA)	-	-
328	-	Young People's Learning Agency (YPLA)	93	-
61	89	Private Sector Contributions	71	-
-	-	Department of Business Innovation and Skills (BIS)	134	-
-	9	Arts Funding Council	-	-
				-
3,457	**98**	**Total**	**298**	**-**

13.13 Levies and External Contributions

The levies and

2010/11 £000	Organisation	Basis of Apportionment	2011/12 £000
73	Environment Agency	Taxbase	73
73	**Total levies and external contributions**		**73**

13.14 Minimum Revenue Provision

There is a statutory requirement for the Local Authority to set aside sums from its General Fund Account in the form of a minimum revenue provision. The requirement to set aside in respect of the Housing Revenue Account was abolished with effect from 1 April 2004. The sum is based on a combination of either a percentage (4%) of the Authority's capital financing requirement at the end of the previous financial year or a proportion of an assets value based on asset life.

For loans held under finance leases, an additional amount is set aside, based on the capital repayment value of the lease and is charged over the life of the primary lease agreement. This is considered to be a more realistic basis of the asset consumption than the minimum 4%. MRP is also charged against Private Finance Initiatives (and has been since 2009/10). The charges for this are reflected in the table below.

The minimum

2010/11 £000	Minimum Revenue Provision	2011/12 £000
9,897	Other services	10,354
4,290	Private Finance Initiative	
	• Schools	1,766
	• Street lighting	1,355
	• Bentilee District	96
	• Hanford Waste	1,798
903	HRA voluntary repayment of debt	891
-	General Fund voluntary repayment of debt	41
-	Add amortisation of Local Government re-organisation SCAs	-
15,090		**16,301**

13.15 Leases

a) Authority as Lessee

Finance Leases
The City Council has 38 current finance leases with primary lease periods ranging from 1 to 6 years. The equipment on these finance leases include vehicles, wheeled bins, IT equipment and Central Heating Units.

Depreciation charges on the assets held under finance leases for 2011/12 is £1,219,383.01 (2010/11 £1,349,360).

The interest charged on finance leases during 2011/12 is £491,300 (2010/11 £600,742). During 2011/12 the City Council did not enter into any new finance leases.

Note 13.15 cont'd

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

31 March 2011 £000		31 March 2012 £000
6,409	Vehicles, Plant, Furniture and Equipment	4,989
6,409		**4,989**

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

31 March 2011 £000		31 March 2012 £000
	Finance lease liabilities (net present value of minimum lease payments):	
1,219	• current	1,092
5,288	• non current	4,057
-	Finance costs payable in future years	-
6,507	**Minimum lease payments**	**5,149**

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

Minimum Lease Payments 31 March 2011 £000	Finance Lease Liabilities 31 March 2011 £000		Minimum Lease Payments 31 March 2012 £000	Finance Lease Liabilities 31 March 2012 £000
1,712	1,219	Not later than one year	1,488	1,092
5,218	4,195	Later than one year and not later than five years	4,354	3,680
1,141	1,093	Later than five years	377	377
8,071	**6,507**		**6,219**	**5,149**

Operating Leases
In recent years, the City Council has financed many of its acquisitions of assets through operating leases as shown below.

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

31 March 2011 £000		31 March 2012 £000
569	Not later than one year	551
714	Later than one year and not later than five years	889
-	Later than five years	-
1,283		**1,440**

The Authority leases several offices and market facilities on short term lease. The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

31 March 2011 £000		31 March 2012 £000
471	Minimum lease payments	332
-	Contingent rents	-
471		**332**

b) Authority as Lessor

Operating Leases
The City Council has granted a number of short and long term operating leases on various properties including Investment Properties. The rents received in respect of both investment and other properties for 2011/12 are detailed below:

31 March 2011 £000		31 March 2012 £000
753	Rental income from Investment Properties	679
2,902	Rental income from other properties	2,647
3,655		**3,326**

31 March 2011 £000		31 March 2012 £000
2,980	Not later than one year	2,647
602	Later than one year and not later than five years	649
73	Later than five years	30
3,655		**3,326**

13.16 Pensions

The City Council offers certain retirement benefits to its employees as part of their terms and conditions of employment and participates in the following two schemes: -

a) Teachers

Teachers employed by the City Council are members of the Teachers' Pension Scheme administered by the Teachers Pensions Agency (TPA). The scheme provides teachers with defined benefits on retirement, and the City Council pays towards the cost by making contributions. Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employers' contribution rate paid by local education authorities. However, it is not possible for the Council to identify a share of the underlying liabilities in the scheme attributable to its own employees.

For the purposes of these accounts, it is therefore accounted for as a defined contribution plan. The City Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These benefits are accrued within the pension liability. In 2011/12 the City Council paid employer's contributions to the scheme of £8,271,200 (2010/11 £9,670,455), the employer contribution rate was 14.1% (2010/11 14.1%) of teachers pensionable pay. Total pensionable pay for the year was £58,622,515 (2010/11 £68,368,899) Added years' lump sum payments awarded by the authority in respect of the Teachers' Pension Scheme amounted to £127,783 for 11 teachers (2010/11 £125,650 - 15 teachers).

b) Other City Council Employees

The Local Government Pension Scheme is a defined benefit scheme called the Staffordshire County Council Pension Fund, which is funded. Subject to certain conditions, employees of Stoke-on-Trent City Council may choose to participate in the Scheme, which is part of the Local Government Pension Scheme. The City Council pays contributions to the Pension Fund, which provides its members with defined benefits relating to pay and service. The contributions are based on rates that are determined by Hymans Robertson, the Pension Fund's professionally qualified actuaries, and are based on triennial valuations of the fund. The most recent triennial valuation date was at 31 March 2010. The next review is due is as at 31 March 2013 & will impact on calculations commencing 2014/15. Financial experience since the last valuation has been worse than assumed. Assets have underperformed against the assumptions set whilst liabilities have risen mainly due to inflation.

Hymans Robertson has also undertaken separate pension expense calculations as at 31 March 2010 solely for the purposes of International Accounting Standard (IAS) 19 and the overall assets and liabilities for pensions that have been reflected in the Balance Sheet.

Included in Other Comprehensive Income and Expenditure is an analysis of the actuarial gains and losses identified as movements on the Pensions Reserve.

In 2011/12 the City Council paid an employer's contribution based on 16.5% (2010/11 – 16%) of employees' pensionable pay. Total pensionable pay for the year was £115,896,769 (2010/11 £128,762,855).

The Actuary estimates the Employer's contributions for the year to 31 March 2012 will be approximately £18.8m.

Effects of early retirements and unfunded benefits are considered in the Actuarial Assumptions and calculations.

Any benefits promised under the formal terms of the scheme and any constructive obligations for further benefits, where a public statement or past practice has created a valid expectation in the employees that such benefits will be granted, have been included in the pension scheme liabilities.

The interest cost has been based on the discount rate and the present value of the scheme liabilities at the beginning of the period, and reflects changes in the scheme liabilities during the period. The current redemption yield at the beginning of the period has been applied to the market value of bonds held by the scheme at the beginning of the period. The expected return on assets reflects changes in the scheme during the period as a result of contributions paid into and benefits paid out of the scheme.

The assets of the scheme have been measured at their fair value, which complies with the Code regulations for IAS 19. Scheme liabilities have been deducted.

Actuarial gains and losses are recognised immediately in the period in which they occur.

During the year ended 31 March 2012, the City Council agreed to allow 159 employees (299 in 2010/11) over the age of 55 to retire prematurely on redundancy grounds. Added years' lump sum payments awarded by the authority in respect of these leavers was £735,670 (2010/11 £1,575,959).

The City Council recognises the cost of retirement benefits in the net cost of services when they are earned. However the charge made against council tax is based on the cash payable in the year, so the real cost of retirement benefit is reversed out in the Movement in Reserves Statement.

Note 13.16 cont'd

	Local Government Pension Scheme		Teachers' Pension Scheme		Total	
	2010/11 £000	**2011/12 £000**	**2010/11 £000**	**2011/12 £000**	**2010/11 £000**	**2011/12 £000**
c) Comprehensive Income and Expenditure Statement						
Cost of Services:						
- current service cost	26,274	20,573	-	-	26,274	20,573
- past service costs	(94,202)	12	(1,427)	-	(95,629)	12
- settlements and curtailments	3,772	(3,970)	792	1,707	4,564	(2,263)
	(64,156)	**16,615**	**(635)**	**1,707**	**(64,791)**	**18,322**
Financing and Investment Income and Expenditure						
- interest cost	47,171	43,060	1,671	1,480	48,842	44,540
- expected return on scheme assets	(38,932)	(39,219)	-	-	(38,932)	(39,219)
	8,239	**3,841**	**1,671**	**1,480**	**9,910**	**5,321**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(55,917)**	**20,456**	**1,036**	**3,187**	**(54,881)**	**23,643**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
- actuarial gains and losses	(82,921)	52,095	(3,733)	2,850	(86,654)	54,945
- business combination *	-	102	-	-	-	102
	(82,921)	**52,197**	**(3,733)**	**2,850**	**(86,654)**	**55,047**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(138,838)**	**72,653**	**(2,697)**	**6,037**	**(141,535)**	**78,690**
d) 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	55,917	(20,456)	(1,036)	(3,187)	54,881	(23,643)
Actual amount charged against the General Fund Balance for pensions in the year:						
- employers' contributions payable to scheme	37,925	19,359	-	-	37,925	19,359
- retirement benefits payable to pensioners	-	-	1,852	2,057	1,852	2,057
	37,925	19,359	1,852	2,057	39,777	21,416
Transfer (to) / from Pension Reserve	**176,763**	**(53,294)**	**4,549**	**(3,980)**	**181,312**	**(57,274)**

* On 31st March 2011 Connexions ceased as a participating employer in the Fund, with its assets and liabilities being assigned to Staffordshire County Council and Stoke on Trent City Council (in an agreed proportion 71.54%/28.46% respectively). The relevant proportions of this former employer's assets and liabilities have been included in the Council's results with effect from 1st April 2011 as a "Business Combination" totalling £102,000

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011/12 is a loss of £237,966,000

e) Assets and Liabilities in Relation to Post-employment Benefits

	Funded liabilities: Local Government Pension		Unfunded Liabilities: Teachers' Pension Scheme		Total	
	2010/11 £000	**2011/12 £000**	**2010/11 £000**	**2011/12 £000**	**2010/11 £000**	**2011/12 £000**
Reconciliation of present value of the scheme liabilities (defined benefit obligation):						
Opening balance at 1 April	923,534	780,475	31,623	27,074	955,157	807,549
Current service cost	26,274	20,573	-	-	26,274	20,573
Interest cost	47,171	43,060	1,671	1,480	48,842	44,540
Contributions by scheme participants	8,513	7,345	-	-	8,513	7,345
Actuarial gains and losses	(111,259)	37,743	(3,733)	2,850	(114,992)	40,593
Benefits paid	(23,328)	(25,641)	(1,852)	(2,057)	(25,180)	(27,698)
Past service costs	(94,202)	12	(1,427)	-	(95,629)	12
Entity combinations	-	7,504	-	-	-	7,504
Curtailments	3,772	2,665	792	1,707	4,564	4,372
Settlements	-	(10,423)	-	-	-	(10,423)
Closing balance at 31 March	**780,475**	**863,313**	**27,074**	**31,054**	**807,549**	**894,367**

Note 13.16 cont'd

	Funded liabilities: Local Government Pension		Unfunded Liabilities: Teachers Pension Scheme		Total	
	2010/11 £000	**2011/12 £000**	**2010/11 £000**	**2011/12 £000**	**2010/11 £000**	**2011/12 £000**
Reconciliation of fair value of the scheme (plan) assets:						
Opening balance at 1 April	535,411	569,115	-	-	535,411	569,115
Expected rate of return	38,932	39,219	-	-	38,932	39,219
Actuarial gains and losses	(28,338)	(14,352)	-	-	(28,338)	(14,352)
Employer contributions	39,777	21,416	-	-	39,777	21,416
Contributions by scheme participants	8,513	7,345	-	-	8,513	7,345
Benefits paid	(25,180)	(27,698)	-	-	(25,180)	(27,698)
Entity combinations	-	7,402	-	-	-	7,402
Settlements	-	(3,788)	-	-	-	(3,788)
Closing balance at 31 March	569,115	598,659	-	-	569,115	598,659
Net Pension (Asset)/Liability	**211,360**	**264,654**	**27,074**	**31,054**	**238,434**	**295,708**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The return on the Fund in market value terms for the year to 31 March 2012, estimated based on actual Fund returns as provided by the Actuary and index returns where necessary, is :

- Actual Return for the period from 01 April 2011 to 31st December 2011	(1.2)	(7.0 previous period)
- Estimated return for the period from 01 April 201 to 31 March 2012	4.5	(8.5 previous period)

f) Scheme History	**2006/07 £000**	**2007/08 £000**	**2008/09 £000**	**2009/10 £000**	**2010/11 £000**	**2011/12 £000**
Present value of liabilities:						
Local Government Pension Scheme	(636,576)	(528,538)	(518,972)	(901,729)	(761,588)	(842,685)
Discretionary Benefits	(44,737)	(43,480)	(43,512)	(53,428)	(45,961)	(51,682)
	(681,313)	**(572,018)**	**(562,484)**	**(955,157)**	**(807,549)**	**(894,367)**
Fair value of assets in the Local Government Pension Scheme	529,171	462,976	364,982	535,411	569,115	598,659
Surplus/(deficit) in the scheme:	**(152,142)**	**(109,042)**	**(197,502)**	**(419,746)**	**(238,434)**	**(295,708)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £894,367,000 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £295,708,000. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:
- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

g) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method (an accrued benefit method in which the scheme liabilities make allowance for projected earnings). An estimate of the pensions that will be payable in future years is dependent on assumptions about mortality rates, salary levels etc. The Pension schemes have been assessed by Hymans Robertson.

Under the projected unit method, the current service costs will increase as members of the scheme approach retirement (for schemes in which the age profile of the active membership is rising significantly).

Note 13.16 cont'd

The principal assumptions used by the actuary have been:

	2010/11	2011/12
Long-term expected rate of return on assets in the scheme:		
Equities	7.5	6.2
Bonds	4.9	3.3
Property	5.5	4.4
Cash	4.6	3.5
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.2 years	21.2 years
- Women	23.4 years	23.4 years
Longevity at 65 for future pensioners:		
- Men	23.3 years	23.3 years
- Women	25.6 years	25.6 years
Rate of inflation	2.8	2.5
Rate of increase in salaries	5.1	4.8
Rate of increase in pensions	2.8	2.5
Rate for discounting scheme liabilities	5.5	4.8
Real discount rate for discounting scheme liabilities	2.7	2.2
Proportion of employees taking up commutation option		
- pre-April 2008 service	50	50
- post-April 2008 service	75	75
Expected Rate of Return	6.9	5.7

The Schemes assets consist of the following categories, by proportion and value of the total assets held:

	31 March 2011 %	31 March 2012 %	31 March 2011 £000	31 March 2012 £000
Equities	78	78	443,909	466,954
Bonds	11	12	62,603	71,839
Property	7	9	39,838	53,879
Cash	4	1	22,765	5,987
	100	**100**	**569,115**	**598,659**

h) History of Experience Gains and Losses

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

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %	2011/12 %
Actuarial gains(losses)	34,231	41,628	(85,203)	(216,514)	86,654	(54,945)
Present Value of liabilities	(681,313)	(572,018)	(562,484)	(955,157)	(807,549)	(894,367)
Experience gains and losses on liabilities	**5.02%**	**7.28%**	**(15.1%)**	**(22.7%)**	**10.73%**	**(6.14%)**
Fair Value of Employer Assets	529,171	462,976	364,982	535,411	569,115	598,659
Experience Gains / (Losses) on Assets	(3,475)	(113,725)	(140,082)	133,264	(28,338)	(14,352)
Differences between the expected and actual return on assets	**(0.7%)**	**(24.6%)**	**(38.4%)**	**24.89%**	**(5.0%)**	**(2.4%)**

The Sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at year ended 31 Mar 2012	Approximate % increase to Employer Liability	Approximate monetary amount
	%	£000
0.5 % decrease in Real Discount Rate	10%	92,337
1 year increase in member life expectancy	3%	26,831
0.5% increase in the Salary Increase Rate	3%	29,102
0.5% increase in the Pension Increase Rate	7%	62,331

13.17 Related Party Transactions

The Authority is required to disclose material transactions with related parties, in words, bodies or individuals that have the potential to control or influence the City Council or to be controlled or influenced by the City 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 Authority.

Central Government
Central government has effective control over the general operations of the Authority, as it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (such as those relating to council tax bills and housing benefits). Grants received from government departments are set out in the subjective analysis in Note 13.03 on Reporting for Resource Allocation Decisions. A breakdown of grants received by funder in 2011/12 is shown in Note 13.12.

Members

Members of the City Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 13.07. During 2011/12, two members declared an interest in Tunstall Community Centre, which at 31st March 2012 had an outstanding loan with the Authority to the value of £6,000, although it should be noted that this loan was paid in full in April 2012. This loan was entered into with full compliance with the City Council's financial and operating policies. In all instances, the loan was made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the loan. Details of all members' interests are available within the Members' Registers of Interest on the City Council website, Stoke-on-Line.

Officers
During 2011/12, no council officers declared interests in related parties.

Other Public Bodies

Stoke-on-Trent City Council has a pooled budget arrangement with North Staffordshire Combined Healthcare Trust for the provision of mental health services. Other pooled budget arrangements are in place with Stoke-on-Trent Primary Care Trust for the provision of Integrated Community Equipment Services (ICES) and Child & Adolescent Mental Health Services (CAHMS). The Authority has a further pooled budget arrangement for the provision of Youth Offending Services. The other bodies involved in this include the Youth Justice Board, the Probation Service, Stoke-on-Trent Primary Care Trust and North Staffordshire Police Authority. Transactions and outstanding balances for all of these arrangements are detailed in Note 13.06.

Entities Controlled or Significantly Influenced by the Authority
The City Council has interests in a number of companies. During 2011/12, the following members were on the board of these companies, and various related party transactions were made to the companies:

Stoke-on-Trent Regeneration Limited - Cllr. Pervez was appointed as director on 07/07/2011, Cllr. Meredith and Cllr. Shotton were both appointed as observers at the same date. The Authority received no dividend payment in 2011/12.

West Midlands Transport Information Services Limited - Contributions of £16,654 were made in respect of the travel information service provided by the company.

Kier Stoke Limited - Cllr. Hassall was appointed as an Executive member of the board on 07/07/2011. Various transactions took place in 2011/12 and these are detailed in note 13.18 below. The City Council has also entered into a sub-lease with Kier Stoke Limited. The assets are under an operating lease, under various Head Lessors. The lease rental receivable for the year is £2,181 (in 2010/11 £6,924). The amounts payable are included in the operating lease commitments.

Centre of Refurbishment Excellence (CoRE) - CoRE is a project delivering two key aspects of the Authority's Mandate for Change, namely making Stoke-on-Trent the place to bring business and supporting and developing existing businesses. The project, based in Longton will showcase the latest products aimed at energy efficiency and provide an education, training and skills facility for the up-skilling of individuals at the local, regional and national level.

The establishment of CoRE involves a partnership between the City Council, Stoke-on-Trent College and the Building Research Establishment (BRE). Jane Forshaw, Assistant Director Green Enterprises and Councillor Ruth Rosenau have been appointed as Directors of CoRE.

In 2011/12 the City Council incurred £4.5m of capital costs in developing the Centre. It also provided a cash flow loan of £25,000, and incurred revenue expenditure of £72,408 on behalf of CoRE, which will be repaid by CoRE.

13.18 Joint Venture Company

Background
Kier Stoke Limited was established as a Joint Venture Company between the City Council and Kier Group to deliver the housing and public building maintenance and housing programmed works for the City Council. The City Council maintains a 19.9% holding in Kier Stoke Limited as a long term investment.

Service Contract and Agreements
Kier Stoke Limited was incorporated on 5 October 2007, and commenced a ten year contract on 4 February 2008.

Kier Stoke Limited has admitted body status into the Staffordshire County Local Government Pension Scheme and has satisfied all contribution demands during the year.

Transactions and Balances
Between 1 April 2011 and 31 March 2012, Kier Stoke Limited charged the City Council for £36.7m (2010/11 £33.4m) net of Value Added Tax for completed works and services, and advised that the value of uncompleted works as at 31st March 2012 was £4.8m (2010/11 £3.0m) for all work streams. Total balance outstanding at 31 March 2012 was £0.3m (2010/11 £0.2m).

The City Council raised a total value of invoices against Kier Stoke Limited during 2011/12 of £348k for various services and £159k was outstanding at 31 March 2012.

During 2011/12, the City Council dividend was £122,000 from Kier Stoke Limited.

13.19 Trust Funds

The Lord Mayor's Charity was established in 1964, charitable donations are given each year to various organisations within Stoke-on-Trent. The trust fund is solely administered by the City Council. The trust fund does not hold any property and the funds of the trust do not represent the assets of the Authority, therefore are not included in the Balance Sheet of the City Council.

Lord Mayor’s Charity

2010/11 Restated £		2011/12 £
41	**Value of Fund Brought Forward 1st June**	**(60)**
19,406	Income	5,252
(19,507)	Expenditure	(246)
(101)	Net Income	**5,006**
13,570	Assets	4,946
(13,630)	Liabilities	-
(60)	**Balance Carried forward at 31st May**	**4,946**

13.20 PFI and Similar Contracts

PFI and similar contracts are agreements to receive services where responsibility for making available the Property, Plant and Equipment required passes to the PFI contractor. As the City Council is deemed to control the services provided under such schemes and ownership of the related Property, Plant and Equipment will pass to the City Council at the end of the contract, the Council carries the asset on its Balance Sheet.

The Authority makes an agreed payment each year, which is adjusted year by year by inflation, variations to the contract and any compensation for failure to meet agreed performance targets. Payments made to the contractor are described as Unitary Payments, they have been calculated to compensate the contractor for the following:

- Fair value of service provided to the authority
- Capital expenditure incurred
- Interest payable on capital expenditure yet to be reimbursed
- Contingent rentals
- Payments estimated to fund capital lifecycle replacements (to ensure asset continues to meet standard required over life of contract)

The value of unreimbursed capital expenditure incurred is included on the Balance Sheet in Other Long Term Liabilities note (see note 13.42). All other elements of the Unitary Payments are included in income and expenditure as detailed below.

Total payments remaining to be paid under each PFI or service concession contract at 31st March 2012 (including estimated inflation, contract variations and estimated future capital replacement costs are analysed below in 5 year bandings).

The amount included on the Balance Sheet as other long term liabilities do not include any future capital replacement costs as such liabilities are only recognised as the capital replacement expenditure is incurred.

In accordance with the accounting requirements, all PFI assets are shown on the Council’s Balance Sheet.

13.20a Schools Estate PFI Scheme

On 26 October 2000 the City Council entered into a contract with Transform Schools (Stoke) Limited for rebuilding, maintaining, upgrading and providing services to its schools. Services provided under the contract include utilities (such as electricity, gas and water, sewerage and drainage) window cleaning, legislative safety testing, buildings maintenance and pest control. The scheme is provided under the Private Finance Initiative (PFI) and will benefit from government grants of around £97m over its lifetime. The actual level of payments to Transform Schools (Stoke) Limited will depend on the company's performance in providing the services under the contract, with changes to electricity and other utilities and maintenance costs following on from alterations to schools' accommodation made to take advantage of new technologies.

Legal ownership of the assets involved in the scheme is retained by the City Council throughout the contract period and these assets will be returned to the City Council at nil cost at the end of the contract period. The City Council may terminate the contract at any time, with 20 business days notice to Transform Schools (Stoke) Limited, subject to payment of compensation.

Transactions under the scheme during 2011/12 were:

2010/11 £000		2011/12 £000
10,528	Fair Value of Services	9,970
5,428	Finance Cost	5,304
1,072	Contingent Rent	510
17,028	**Revenue Unitary Payments**	**15,784**
55	Other Revenue Expenditure	52
3,830	Depreciation	5,039
20,913	Total Expenditure	**20,875**
(8,294)	PFI Special Grant	(8,294)
(7,451)	Other Contributions	(7,555)
5,168	(Surplus)/Deficit Amount in Income & Expenditure Account	**5,026**
	Movement in Reserves Statement	
(3,830)	Amounts Required by Statute to be Excluded – Depreciation	(5,039)
1,243	Amounts Required by Statute to be Included – MRP	1,766
(2,581)	Transfer to/(from) Earmarked Reserves	(1,753)
-	**Net Charge to the General Fund**	-
(211)	Interest Earned on Balance	(73)
-	Interest Accrued from Previous Years	-

Note 13.20a cont'd

Future Unitary Payments	**Repayment of Liability £000**	**Interest £000**	**Service Charge £000**	**Total £000**
Within 1 year	2,156	5,781	10,049	17,986
2 – 5 years	11,427	18,868	50,193	80,488
6 – 10 years	19,991	15,476	82,226	117,693
11 – 15 years	19,682	(675)	65,194	84,201
	53,256	**39,450**	**207,662**	**300,368**

An affordability review of the Schools PFI contract was undertaken in 2011 and highlighted the need for additional contributions to maintain the affordability of the contract. A provision has been made in the Dedicated Schools Grant of the City Council to fund the additional contributions. The predicted future PFI payments include indexation on energy costs of 10% per annum. The effects of this assumption will be monitored closely over the remaining life of the contract and mitigated through reduced energy consumption, contract negotiations and/or increased revenue contributions.

A number of schools have converted to Academy status and entered into a contractual arrangement with the Council in respect of properties under the PFI scheme. The Council recharges the Unitary Charges on such properties to the schools. Total Unitary Charges payable by Academy schools in 2011/12 amounted to £713,938.

Two of the schools which have converted to academy status, entered into a long term lease arrangement with the Council on the properties occupied. It is deemed that such schools bear a significant part of the risks and rewards of ownership of the schools assets and therefore such assets have been derecognised from the Council's Balance Sheet. Total value derecognised this year is £6,107,000 (see note 13.22a). The current unitary charges payable by the schools amount to £197,708 per annum.

The Net Book Value of Assets Held under the Schools Estate PFI Scheme at 31st March 2012 was £149,043,000.

13.20b Street Lighting PFI Scheme

On 1 August 2003 the City Council entered into a 25 year PFI contract with Tay Valley Lighting (Stoke-on-Trent) Limited (TVL) for the provision of street lighting services. Service provision commenced on 1 September 2003 and provides for the prioritised replacement, operation and maintenance of all of the City's street lights, illuminated signs and bollards, giving illumination of designated public areas to contractually specified performance standards. Changes in energy supply costs passed on to the City Council via the contract are subject to separate provisions for market testing. The contract will terminate on 31 August 2028. TVL is a consortium comprising Scottish and Southern Energy plc its subsidiary Southern Electrical Contracting Limited and Royal Bank Leasing. Throughout the contract, TVL will maintain and operate all apparatus under licence.

While assets with a book value of £12m were transferred into the management of TVL at the commencement of the contract, legal ownership of all assets involved in the scheme is retained by the City Council throughout the contract period and these assets will be returned to the City Council at nil cost at the end of the contract period. Unless itself in contractual default, the City Council may terminate the contract at any time, with not less than six and not more than twelve months notice to TVL, subject to payment of compensation.

Transactions under the scheme during 2011/12 were:

2010/11 £000		2011/12 £000
1,969	Fair Value of Services	2,191
960	Finance Cost	926
84	Contingent Rent	119
3,013	**Revenue Unitary Payments**	**3,236**
95	Other Revenue Expenditure	29
788	Depreciation	802
3,896	Total Expenditure	**4,067**
(1,351)	PFI Special Grant	(1,351)
(46)	Other Contributions	12
2,499	(Surplus)/Deficit Amount in Income & Expenditure Account	**2,728**
	Movement in Reserves Statement	
(788)	Amounts Required by Statute to be Excluded – Depreciation	(802)
1,272	Amounts Required by Statute to be Included – MRP	1,355
375	Transfer to/(from) Earmarked Reserves	34
3,358	**Net Charge to the General Fund**	**3,315**
(55)	Interest Earned on Balance	(24)

Future Unitary Payments	**Repayment of Liability £000**	**Interest £000**	**Service Charge £000**	**Total £000**
Within 1 year	1,406	1,029	2,443	4,878
2 – 5 years	6,246	3,763	11,703	21,712
6 – 10 years	8,777	4,400	20,389	33,566
11 – 15 years	10,759	3,096	30,134	43,989
16 – 18 years	2,936	1,007	11,195	15,138
	30,124	**13,295**	**75,864**	**119,283**

Unitary payments remaining to be made under the PFI contract include an estimation in respect of inflation.

The Net Book Value of Assets Held under the Street Lighting PFI Scheme at 31st March 2012 was £26,828,000.

13.20c Bentilee District Centre PFI Scheme

On 24 February 2005 the City Council entered into a PFI contract with Bentilee HUB (Project Company) Limited Consortium (BHUB) for the provision and maintenance of a multi-service district centre on the Devonshire Square site in Bentilee. Service commencement date was 1 February 2007, from which BHUB will be required to maintain and service the building for a period of 25 years, ending 31 January 2032.

BHUB is a consortium comprising Regenter, Pinnacle Housing Limited, Pinnacle, Regeneration Group plc, Nationwide Building Society, J&S Seddon (Building) Limited and Seddon (Stoke) Ltd.

The final contract price which forms the basis for the anticipated future payments under the contract is £50.5m (£17m NPV). The Scheme will be financed by:-

	£000
PFI Grant	33,600
City Council	6,800
NHS Stoke on Trent (formerly North Stoke PCT)	9,300
SRB Grant	800
	50,500

Clinical and community services accessed by the public at the district centre include GP, library, youth and advice services, as well as retail units. Payments made by the City Council to BHUB are subject to change through five yearly benchmarking and market testing of cleaning, grounds maintenance and security services. While land to the value of £720,000 was deemed to have been transferred to BHUB for the period of the contract, legal ownership is retained by the City Council throughout the contract period and all scheme assets will be passed to the City Council at nil cost at the end of the contract period. The City Council may terminate the contract following the provision of six months notice to BHUB, subject to payment of compensation.

Transactions under the scheme during 2011/12 were as follows:

2010/11 £000		**2011/12 £000**
696	Fair Value of Services	705
1,282	Finance Cost	1,267
11	Contingent Rent	22
1,989	**Revenue Unitary Payments**	**1,994**
69	Depreciation	69
2,058	Total Expenditure	**2,063**
(1,346)	PFI Special Grant	(1,346)
(727)	Other Contributions	(733)
(15)	(Surplus)/Deficit Amount in Income & Expenditure Account	**(16)**
	Movement in Reserves Statement	
(69)	Amounts Required by Statute to be Excluded – Depreciation	(69)
81	Amounts Required by Statute to be Included – MRP	96
3	Transfer to/(from) Earmarked Reserves	(11)
-	**Net Charge to the General Fund**	**-**

Future Unitary Payments	**Repayment of Liability £000**	**Interest £000**	**Service Charge £000**	**Total £000**
Within 1 year	114	1,305	721	2,140
2 – 5 years	466	5,345	3,297	9,108
6 – 10 years	1,087	6,839	4,800	12,726
11 – 15 years	1,486	6,343	6,570	14,399
16 – 20 years	3,871	5,787	6,063	15,721
	7,024	**25,619**	**21,451**	**54,094**

The Net Book Value of Assets Held under the Bentilee District Centre PFI Scheme at 31st March 2012 was £4,511,000.

13.20d Hanford Waste Scheme

On 5 March 1995 Staffordshire County Council entered into an agreement with Hanford Waste Services Limited for the provision and maintenance of a waste to energy plant, and associated waste disposal site at Hanford. Service commencement date was 20 March 1995 for a period of 25 years, ending 19 March 2020. Following local government reorganisation the benefits and obligations of the agreement were transferred to the City Council on 26 March 1997 and hence the agreement is reflected in the City Council's accounts.

Hanford Waste Services Limited is contracted to manage the waste disposal site, which is used for disposal of waste and its conversion into electricity on behalf of the City Council. Hanford Waste Services accepts delivery from Staffordshire districts and Stoke, disposing of waste in the incinerator and transporting non-incinerated waste to a suitable place of disposal. Payment for these services is based on the quantity of waste delivered to the site, within the standard contractual ranges of 170,000 to 185,000 tonnes, beyond which additional payment is due from the City Council.

Legal ownership of the site is held by the City Council and at the end of the contract period the waste to energy plant will transfer to the City Council at nil cost, with an option to purchase mobile plant and equipment at open market value. Termination in advance of the contract expiry date is available to the City Council, in agreement with Staffordshire County Council, at a refund sum equivalent to the written down value of the waste to energy plant, which is based on a build cost of £38m written down over the 25 years of the contract on a straight line basis. Hanford Waste Services are obliged to ensure that the plant is capable of operating at maximum contractual capacity while meeting all applicable legal standards up to the date of contract termination.

Transactions under the scheme during 2011/12 together with anticipated future payments are shown below:

2010/11 £000		2011/12 £000
4,062	Fair Value of Services	4,552
1,016	Finance Cost	933
890	Contingent Rent	1,033
5,968	**Revenue Unitary Payments**	**6,518**
-	Other Revenue Expenditure	1,130
1,996	Depreciation	2,028
7,964	**Total Expenditure**	**9,676**
(573)	Deferred Credits	(571)
(5,820)	Other Contributions (Income from Staffordshire County Council)	(6,323)
1,571	**(Surplus)/Deficit Amount in Income & Expenditure Account**	**2,782**
	Movement in Reserves Statement	
(1,996)	Amounts Required by Statute to be Excluded – Depreciation	(2,028)
1,694	Amounts Required by Statute to be Included – MRP	1,798
-	Transfer to/(from) Earmarked Reserves	-
1,269	**Net Charge to the General Fund**	**2,552**

Future Unitary Payments	**Repayment of Liability £000**	**Interest £000**	**Service Charge £000**	**Total £000**
Within 1 year	1,894	1,964	3,521	7,379
2 – 5 years	8,664	7,754	14,981	31,399
6 – 8 years	7,576	5,377	12,718	25,671
	18,134	**15,095**	**31,220**	**64,449**

Unitary payments remaining to be made under the PFI contract include an estimation in respect of inflation.

The Net Book Value of Assets Held under the Hanford Waste Scheme at 31st March 2012 was £20,494,000.

13.21 Impairment and Depreciation

13.21a Impairment Losses

a. During the reporting period, the Authority recognised impairment losses totalling £5.6m of which £1.5m was charged to the Revaluation Reserve and £4.1m was charged to the General Fund Net Cost of Service. These impairment losses related to domestic and commercial properties acquired through regeneration programmes, where the properties suffer disconnection of services and removal of fixtures, and subsequent demolition of the building. These properties are classified in Property, Plant and Equipment as Surplus Assets.

b. Two former operational assets are now the sites of new Assets Under Construction and these sites were subject to formal revaluations which resulted in recognition of impairment losses totalling £11.4m, of which £7.4m was charged to the Revaluation Reserve and £4m charged to the General Fund Net Cost of Service. These impairment losses related to the physical change in the sites which included demolition of buildings.

c. An impairment review of capital expenditure was undertaken in 2011/12. This review concentrated on expenditure which was unlikely to have added significant value to the fixed assets involved. This resulted in an impairment charge of £1.7m classified against Property, Plant & Equipment, of which £1.6m was charged to the Net Cost of Service and £0.1m to the Revaluation Reserve. The levels of de-minimum were set at £15,000 for Land & Buildings and £5,000 for vehicles, plant and equipment.

d. Other former operational assets were measured for impairment through formal revaluations. Recognised losses totalling £0.6m were charged to the Net Cost of Service.

13.21b Depreciation and Impairment of Non-Current Assets

The amounts below represent the impairments and depreciation charges to services in the net cost of services.

		Depreciation £000	Impairment £000
Property, Plant and Equipment	13.22a	32,241	10,367
Heritage Assets	13.26	124	25
Investment Properties	13.30	-	2
Intangible Assets	13.31	-	88
Total Depreciation and Impairment charged to Services		**32,365**	**10,482**

13.22 Property, Plant and Equipment

13.22a Movements on Balances

Movements in 2011/12:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant , furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant and Equipment [1] £000
Cost or Valuation									
Restated Opening Balance at 1st April 2011	**396,287**	**456,794**	**48,867**	**176,598**	**31,655**	**128,049**	**18,797**	**1,257,047**	**230,762**
Additions	9,010	12,089	3,773	7,965	3,260	7,704	81,807	**125,608**	9,785
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	(3,032)	-	-	-	(39)	(211)	**(3,282)**	(4,385)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-	(10,358)	-	-	-	(8,301)	(372)	**(19,031)**	(5,578)
Derecognition Non-schools	(34)	(1,447)	(2,237)	(2,692)	-	(5,666)	-	**(12,076)**	-
Derecognition - School transfers	-	(8,678)	-	-	-	-	-	**(8,678)**	(8,678)
Reclassifications - other	1,324	(280)	414	551	164	9,310	(5,874)	**5,609**	4,327
Assets reclassified (to) / from Held for Sale	(1,553)	(4,654)	-	-	-	(2,486)	-	**(8,693)**	-
W/O Accumulated Impairment on Revaluation	-	(6,052)	-	-	-	(21,956)	(6,621)	**(34,629)**	-
At 31 March 2012	**405,034**	**434,382**	**50,817**	**182,422**	**35,079**	**106,615**	**87,526**	**1,301,875**	**226,233**
Accumulated Depreciation and Impairment									
Restated Opening Balance as at 1st April 2011	**(19,705)**	**(35,102)**	**(19,369)**	**(29,719)**	**(672)**	**(66,470)**	**(3,332)**	**(174,369)**	**(21,427)**
Depreciation Charge	(7,961)	(14,613)	(4,284)	(5,215)	-	(167)	-	**(32,240)**	(7,937)
Depreciation written out to the Revaluation Reserve	-	6,421	-	-	-	2,898	-	**9,319**	3,330
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	770	-	-	-	1,860	-	**2,630**	573
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(2,649)	-	-	-	(1,494)	(4,863)	**(9,006)**	(19)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(47)	(3,083)	-	(946)	(340)	(4,192)	(1,758)	**(10,366)**	(422)
Derecognition - Other	2	61	2,033	1,007	-	1,669	-	**4,772**	-
Derecognition - School transfers	-	545	-	-	-	-	-	**545**	545
Reclassifications - other	-	145	(1)	1	-	(596)	1,329	**878**	-
Assets reclassified (to) / from Held for Sale	109	787	-	-	-	1,100	-	**1,996**	-
W/O Accumulated Impairment on Revaluation	-	6,052	-	-	-	21,956	6,621	**34,629**	-
At 31 March 2012	**(27,602)**	**(40,666)**	**(21,621)**	**(34,872)**	**(1,012)**	**(43,436)**	**(2,003)**	**(171,212)**	**(25,357)**
Net Book Value									
At 31 March 2012	**377,432**	**393,716**	**29,196**	**147,550**	**34,067**	**63,179**	**85,523**	**1,130,663**	**200,876**
At 31 March 2011	**376,582**	**421,692**	**29,498**	**146,879**	**30,983**	**61,579**	**15,465**	**1,082,678**	**209,335**

[1]The memorandum column in respect of the non-current asset value that relates to PFI schools includes all additions incurred for that school. In previous years expenditure incurred by the school through, for example, use of devolved formula capital grant has not been included in the memorandum column.

Note 13.22a cont'd

Comparative Movements in 2010/11:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant , furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets included in Property, Plant and Equipment £000
Cost or Valuation									
At 31st March 2010	591,584	434,204	44,196	166,670	44,275	104,991	15,618	**1,401,538**	221,159
Restatement of Assets to Heritage Category	-	(1,507)	-	-	(20,748)	-	(103)	**(22,358)**	-
Assets reclassified from Investment Property	-	16,253	-	-	-	12,602	-	**28,855**	2,930
Restated Opening Balance as at 1st April 2010	**591,584**	**448,950**	**44,196**	**166,670**	**23,527**	**117,593**	**15,515**	**1,408,035**	**224,089**
Additions	15,570	10,025	6,050	9,933	718	10,338	22,885	**75,519**	6,704
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(2,135)	(24)	(110)	-	-	(1,697)	-	**(3,966)**	356
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(207,214)	(4,641)	-	-	-	(6,008)	-	**(217,863)**	(306)
Derecognition - Disposals	(209)	(260)	(1,602)	-	(264)	(1,279)	-	**(3,614)**	(186)
Reclassifications - other	472	2,706	333	(5)	7,674	8,122	(19,603)	**(301)**	105
Assets reclassified (to) / from Held for Sale	(1,781)	38	-	-	-	980	-	**(763)**	-
W/O Accumulated Impairment on Revaluation	-	-	-	-	-	-	-	**-**	-
At 31 March 2011	**396,287**	**456,794**	**48,867**	**176,598**	**31,655**	**128,049**	**18,797**	**1,257,047**	**230,762**
Accumulated Depreciation and Impairment									
At 1 April 2010	(11,468)	(20,595)	(16,898)	(24,895)	(1,455)	(54,557)	(3,161)	**(133,029)**	(12,461)
Restatement of Assets to Heritage Category	-	82	-	-	-	-	-	**82**	-
Assets reclassified from Investment Property	-	(1,522)	-	-	-	(2,111)	-	**(3,633)**	(1,410)
Restated Opening Balance as at 1st April 2010	**(11,468)**	**(22,035)**	**(16,898)**	**(24,895)**	**(1,455)**	**(56,668)**	**(3,161)**	**(136,580)**	**(13,871)**
Depreciation Charge	(8,322)	(13,641)	(3,844)	(4,824)	-	(46)	-	**(30,677)**	(7,667)
Depreciation written out to the Revaluation Reserve	-	327	23	-	-	11	-	**361**	-
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	106	-	-	-	-	-	**106**	102
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	**-**	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(25)	747	-	-	-	(9,774)	-	**(9,052)**	(1)
Derecognition - Disposals	6	48	1,350	-	-	338	-	**1,742**	10
Reclassifications - other	9	(653)	-	-	783	(84)	(171)	**(116)**	-
Assets reclassified (to) / from Held for Sale	95	-	-	-	-	(247)	-	**(152)**	-
W/O Accumulated Impairment on Revaluation	-	(1)	-	-	-	-	-	**(1)**	-
At 31 March 2011	**(19,705)**	**(35,102)**	**(19,369)**	**(29,719)**	**(672)**	**(66,470)**	**(3,332)**	**(174,369)**	**(21,427)**
Net Book Value	**376,582**	**421,692**	**29,498**	**146,879**	**30,983**	**61,579**	**15,465**	**1,082,678**	**209,335**

13.22b Surplus Assets

Surplus Assets are properties that do not directly support the provisions of services nor fully meet the IFRS criteria for Investments of Held for Sale assets. Surplus Assets are carried at a fair value representative of their previous operational use or a Market Value (MV) where previous use cannot be measured. Within this category are a mixture of assets that are earmarked for strategic regeneration or are held for indeterminate use.

Analysis of Surplus Assets by type

2010/11 £000		2011/12 £000
46,169	Strategic regeneration sites	43,789
8,940	Cleared land not currently qualifying as held for sale	11,542
2,774	Vacant premises	6,234
3,696	Other surplus assets	1,614
61,579	**Balance at year end**	**63,179**

13.23 Revaluation of Property, Plant & Equipment

The Authority carries out a rolling programme that ensures all items of Property, Plant and Equipment are revalued a least every 5 years. Where any assets incur a significant level of capital enhancement or where the construction of an asset is completed within the reporting period, these assets are revalued. The effective revaluation date is 31st March.

All valuations for the reporting period to 31 March 2012 were completed by external valuers in accordance with the professional standards of the Royal Institute of Chartered Surveyors (RICS) with due regard to IFRS requirements for asset classification and measurement bases.

Operational housing property subject to secure tenancy should be valued on the basis of Existing Use Value for Social Housing (EUV-SH) as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

To date EUV-SH has been based on the vacant possession value of the properties, adjusted to reflect the continuing occupation by a secure tenant **(Vacant Possession adjustment factor**) (The Beacon approach). EUV-SH thus reflects a valuation for a property if it were sold with sitting tenants paying rents at less than market value and tenants' rights including RTB. For 2011/12 there has been no change to this factor.

Buildings and Land used in the delivery of services are carried at a fair value in relation to their Existing Use Value (EUV) based on the services provided to the Council. Properties for which there is no market-based evidence of fair value because of the specialist nature of the asset and the asset is rarely sold, have had their fair value estimated on a Depreciated Replacement Cost (DRC) basis.

For individual buildings that are revalued to a fair value that is greater than £1m, the building valuation is analysed into significant components and each component's Remaining Useful Life (RUL) is measured to ensure that the carrying value of the asset reflects the economic consumption of the asset's use.

Surplus Assets are properties that are surplus to service needs but do not fully meet the IFRS criteria for Investments or Held for Sale assets. Surplus Assets are carried at a fair value representative of their previous operational use or a Market Value (MV) where previous use cannot be measured. Properties acquired under regeneration programmes (Renew) are carried at an impaired cost of acquiring the property until they are demolished, at which point they are revalued to a fair value (MV) of the land pertaining to the appropriate regeneration area.

Items of Vehicles, Plant, Furniture & Equipment are carried at the historic cost of acquiring the asset less accumulated depreciation based on the original estimated useful life of the asset. Where items of equipment represent significant proportions of an operational asset, this equipment is revalued to a Fair Value (DRC) at the point the main asset is revalued.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	-	-	28,537	3,935	**32,472**
Valued at Fair Value as at:					
31/03/2012	-	5,327	-	11,928	**17,255**
31/03/2011	377,432	7,101	203	8,330	**393,066**
31/03/2010	-	85,379	-	1,459	**86,838**
31/03/2009	-	295,909	-	37,527	**333,436**
31/03/2008	-	-	457	-	**457**
	377,432	**393,716**	**29,197**	**63,179**	**863,524**

13.24 Capital Commitments

At 31 March 2012, the Authority has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £277.1m. Similar commitments at 31 March 2011 were £229.1m. The major commitments are:

Capital Scheme	£m
Housing Stock Maintenance	135.0
BSF Design & Build Contracts	106.9
Hanley Bus Station	11.0
CoRE Enson Works	4.7
Ingestre Square	2.4
BSF ICT Infrastructure	17.1
Total Commitments	**277.1**

13.25 Effects of Changes in Estimates of Carrying Value of Property, Plant and Equipment

As from 1 April 2010, the Authority adopted a policy to separately identify and revalue, on a rolling programme basis, buildings whose individual value was greater than £1m. The building value was to be sub-divided into significant components, where a component was deemed to have a different Remaining Useful Life (RUL). During the reporting period, 2 properties were identified as requiring componentisation as at 31 March 2012. The effect of this componentisation will be realised in the carrying value of those assets as from 1 April 2012 and for the estimated RUL of each component.

13.26 Heritage Assets

13.26a Heritage Assets Carrying Value

Reconciliation of the Carrying Value of Heritage Assets held by the Authority.
Movements in 2011/12:

	Buildings	Collections	Statuary and Horological	Sptifire Aircraft	Total Assets
	£000	£000	£000	£000	£000
At 1 April 2011	2,426	21,423	416	500	**24,765**
Additions	210	-	-	-	**210**
Donations	-	-	-	-	**-**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	-	-	-	**-**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	**-**
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(25)	-	-	-	**(25)**
Derecognition - Disposals	-	-	-	-	**-**
Other movements in Cost or Valuation	-	-	-	-	**-**
Depreciation Charge	(124)	-	-	-	**(124)**
At 31 March 2012	**2,487**	**21,423**	**416**	**500**	**24,826**

Comparative Movements in 2010/11:

	Buildings	Collections	Statuary and Horological	Sptifire Aircraft	Total Assets
	£000	£000	£000	£000	£000
At 1 April 2010	1,579	19,781	416	500	**22,276**
Additions	7	1,642	-	-	**1,649**
Donations	-	-	-	-	**-**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	98	-	-	-	**98**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	783	-	-	-	**783**
Derecognition - Disposals	-	-	-	-	**-**
Other movements in Cost or Valuation	-	-	-	-	**-**
Depreciation Charge	(41)	-	-	-	**(41)**
At 31 March 2011	**2,426**	**21,423**	**416**	**500**	**24,765**

The City Council's Heritage Assets are at various locations throughout the City but principally at the four main museums.

The Museums have collections of heritage assets which support the primary objective of increasing the knowledge, culture and understanding of the historical world-wide contribution made by the City and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, land and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. The accounting policies in relation to heritage assets that are deemed to include elements of intangible heritage assets are also presented below.

The Council's collections of heritage assets are accounted for as follows.

Ceramics and Porcelain and fine arts
These are reported in the Balance Sheet at historic value. Significant pieces will be sampled periodically and reviewed against the relevant antique and ceramic trade press to ensure the adequacy of that valuation. The ceramics and porcelain artefacts are deemed to have indeterminate useful lives and a high residual value the council therefore does not consider it appropriate to charge depreciation.

Where acquisitions take place they are initially recognised at cost. Donations are recognised using a valuation provided by an external valuer in accordance with the Council's collection management policy.

The Staffordshire Hoard
The Staffordshire Hoard is owned and cared for jointly by Stoke-on-Trent City Council and Birmingham City Council on behalf of the nation. The Hoard was acquired by both Councils for the value of £3,285,000, 50% of the value is included in the collection balance of Heritage Assets on the balance sheet of the City Council at a value of £1,642,500.

Machinery, Equipment and other Artefacts from the Pottery Industry
The Council considers that obtaining valuations for the vast majority of machinery, equipment and other artefacts from the pottery industry that are principally exhibited within the industrial museum would, due to the diverse nature of the assets held and the lack of comparable values, involve a disproportionate cost in comparison to the benefits to the users of the Authority's financial statements. Consequently the Council recognises this collection of heritage assets on the Balance Sheet at a nominal value only.

The Gladstone Museum holds a collection of pottery ephemera and equipment which is also recognised on the Balance Sheet at an aggregated value as individual cost information is not readily available and the Council believes that the benefits of obtaining a formal valuation for these items would not justify the cost.

In addition, there is a collection of recordings of both sound and amateur film of later life in the pottery industry. Again, the trustees consider that the due to the lack of any comparable market values it is not possible to provide either cost or valuation information for either the intangible or the tangible element of these assets. Consequently, the Council does not recognise the assets on the Balance Sheet. Where acquisitions take place these are initially recognised at cost or, where bequeathed or donated, at nil consideration.

Archaeology
The Authority does not consider that reliable cost or valuation information can be obtained for the items held for the majority of its archaeological collection. This is because of the diverse nature of the assets held and lack of comparable market values. Consequently, the Council does not recognise these assets on the Balance Sheet.

Buildings
The Council considers that the Gladstone Potteries Museum, Etruria Industrial Museum and Ford Green Hall buildings are heritage assets. The land and buildings relating to these assets are held on the Balance Sheet at fair value.

Heritage Assets – General
The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. The trustees of the Council's museums may occasionally dispose of heritage assets which do not form part of the collection policy, have a doubtful provenance or are unsuitable for public display e.g. due to damage. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

13.26b Shared Assets

The Staffordshire Hoard
The Staffordshire Hoard is owned and cared for jointly by Stoke-on-Trent City Council and Birmingham City Council on behalf of the nation. The Hoard was acquired by both Councils for the value of £3,285,000, 50% of the value is now included in Heritage Assets on the balance sheet of the City Council at a value of £1,642,500.

13.27 Housing Market Renewal

The RENEW North Staffordshire Pathfinder was established to deliver the Housing Market Renewal Programme within the North Staffordshire sub region. Its primary function was to address the failures in the housing market such as low house prices and excess supply of housing stock, it also had a focus on helping to achieve sustainable communities by retaining and attracting population to the sub region and promoting social cohesion and mobility.

Over a 15 year period this programme was planned to clear 12,900 properties, refurbish 62,800 homes and build 15,000 new houses in North Staffordshire, involving investment of around £3bn funded by a combination of Housing Market Renewal Fund and aligning other public and private sector resources.

Following the change in government in 2010, future funding for the Housing Market Renewal Programme was withdrawn, making 2010/11 the final year of operation for the pathfinder. The funding for 2010/11 was "unringfenced" which meant that the grant did not have to be spent on delivering the RENEW programme and any unspent grant could be carried forward into future financial years. At the end of 2010/11 £7.488m of the capital allocation was carried forward and £929,000 of the revenue allocation

In 2011/12 the City Council was successful in securing HMR transitional funding of £3.788m (capital allocation of £3.578m and a revenue allocation of £210,000). The City Council also set aside £3.931m of its own funding, via the approved Capital Programme, to fund the compulsory purchase order (CPO) committments from legacy HMR schemes. The total funding available of £21.374m is being used to fund HMR legacy schemes over the period 2012/13 to 2014/15 and is included in the Capital Programme approved in February 2011 (£9.429m was allocated in 2011/12, of which £7.391m has been spent).

Under IFRS rules, HMR asset purchases are now classified as Property, Plant and Equipment - Surplus Assets (PPE - Surplus). They are valued initially at purchase cost as a proxy for fair value. They are subsequently impaired to reflect their current status. As PPE - Surplus assets they will be subject to formal revaluations as part of the 5 year rolling programme, but will continue to be annually reviewed for impairment purposes.

Individual acquisition and removal of obsolete and unfit housing dwellings is a major strand of the City Council's strategy to correct failing local housing markets. There is another transaction known as revenue expenditure funded from capital under statute, where the City Council has made a capital payment in respect of third party properties (for example, to registered social landlords (RSL)). Such transactions are not treated as fixed assets as the immediate risks and rewards rest with the RSL.

13.28 Capital Expenditure and Capital Financing

13.28a

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), 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 Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

2010/11 £000		2011/12 £000
431,392	Opening Capital Financing Requirement	437,452
770	IFRS Restatement (operating Leases reclassified as Finance Leases)	-
432,162	Restated Opening Capital Financing Requirement	**437,452**
	Capital investment	
77,168	Property, Plant and Equipment	125,608
-	Heritage Assets	210
927	Investment Properties	1
1,439	Intangible Assets	983
10	Assets Held for Sale	-
18,769	Revenue Expenditure Funded from Capital under Statute	6,719
-	Settlement payment to government for HRA self-financing	74,441
-	Kickstart Loans	6,659
	Sources of finance	
(7,593)	Capital receipts applied to finance capital expenditure	(4,510)
(56,887)	Government grants and other contributions	(104,693)
(9,044)	Sums set aside from revenue	(8,562)
(4,409)	Direct revenue contributions	(2,923)
(15,090)	Minimum Revenue Provision	(16,260)
	Amount voluntary set aside to pay off debt	(41)
437,452	**Closing Capital Financing Requirement**	**515,084**
6,692	Increase in underlying need to borrowing (supported by government financial assistance)	-
12,607	Increase in underlying need to borrowing (unsupported by government financial assistance)	93,192
(15,090)	Decrease in underlying need to borrow (MRP and Voluntary Debt Repayment)	(16,301)
32	Assets acquired under finance leases	-
1,049	Assets acquired under PFI/PPP contracts	741
5,290	**Increase/(decrease) in Capital Financing Requirement**	**77,632**

13.28b Capitalisation of Borrowing Costs

The City Council did not capitalise any of its financing costs during the financial years of 2011/12 and 2010/11.

13.29 Construction Contracts

The City Council currently has no construction contracts in progress involving the provision of services to third parties.

13.30 Investment Properties

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

2010/11 Restated £000		2011/12 £000
753	Rental income from investment property	679
753	**Total Income for Investment Property**	**679**

Note 13.30 cont'd

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

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

2010/11 Restated £000		2011/12 £000
43,170	Balance at start of the year	**16,905**
(25,223)	Assets reclassified from Investment Property	-
17,947	Restated Balance at start of year	**16,905**
	Additions:	
-	Purchases	-
-	Construction	-
927	Subsequent expenditure	1
(110)	Disposals	-
(1,291)	Net gains/losses from fair value adjustments	1
	Transfers:	
-	To/from Inventories	-
(567)	To/from Property, Plant and Equipment	(6,487)
(1)	Other changes impairment	(2)
16,905	**Balance at end of the year**	**10,418**

13.31 Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets represent purchased licenses and externally purchased software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

	Min Life Years	Max Life Years
Intangible Assets - Purchased		
Software	1	7

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.733m charged to revenue in 2011/12 was charged directly to the service departments and to various holding accounts which were then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

Note 13.31 cont'd

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

2010/11 Internally Generated Assets £000	2010/11 Other Assets £000	2010/11 Total £000		2011/12 Internally Generated Assets £000	2011/12 Other Assets £000	2011/12 Total £000
			Balance at start of year:			
-	7,452	7,452	▪ Gross carrying amounts	-	8,888	8,888
-	(1,181)	(1,181)	▪ Accumulated amortisation	-	(2,539)	(2,539)
-	6,271	6,271	Net carrying amount at start of year	-	6,349	6,349
			Additions:			
-	-	-	▪ Internal development	-	-	-
-	1,439	1,439	▪ Purchases	-	983	983
-	-	-	▪ Acquired through business combinations	-	-	-
						-
-	-	-	Assets reclassified as held for sale	-	-	-
-	(2)	(2)	Other reclassifications	-	-	-
-	-	-	Other disposals	-	-	-
-	-	-	Revaluations increases or decreases	-	-	-
						-
-	-	-	Impairment losses recognised or reversed directly in the Revaluation Reserve	-		-
-	-	-	Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	(88)	(88)
-	-	-	Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	-	-	-
-	(1,358)	(1,358)	Amortisation for the period	-	(1,733)	(1,733)
	(1)	(1)	Other changes	-	-	-
						-
-	**6,349**	**6,349**	**Net carrying amount at end of year**	**-**	**5,511**	**5,511**
			Comprising:			
-	8,888	8,888	▪ Gross carrying amounts	-	9,783	9,783
-	(2,539)	(2,539)	▪ Accumulated amortisation	-	(4,272)	(4,272)
-	6,349	6,349		-	5,511	5,511

Using a materiality level of £2m there are no items of capitalised software that are material to the financial statements.

13.32 Assets Held for Sale

Current 2010/11 Restated £000	Non-Current 2010/11 Restated £000		Current 2011/12 £000	Non-Current 2011/12 £000
5,425	**-**	**Balance outstanding at start of year**	2,131	**-**
		Assets newly classified as held for sale:		
1,686	-	▪ Property, Plant and Equipment	6,942	-
-	-	▪ Intangible Assets	-	-
-	-	▪ Other assets/liabilities in disposal	-	-
10	-	Additions	-	-
(501)	-	Revaluation losses	-	-
-	-	Revaluation gains	-	-
-	-	Impairment losses	-	-
		Assets declassified as held for sale:		
(770)	-	▪ Property, Plant and Equipment	(247)	-
-	-	▪ Intangible Assets	-	-
-	-	▪ Other assets/liabilities in disposal	-	-
(4,668)	-	Assets sold	(5,970)	-
-	-	Transfers from non current to current	-	-
949	-	Other movements	-	-
2,131	**-**	**Balance outstanding at year-end**	2,856	**-**

13.33 Financial Instruments

a) Financial Instruments

Accounting regulations require 'financial instruments' such as investments, lending and borrowing of the City Council, as shown on the Balance Sheet, to be further analysed into various defined categories. These changes occurred from 1st April 2007.

Long-term 2010/11 £000	Current 2010/11 £000		Long-term 2011/12 £000	Current 2011/12 £000	
		Investments			
4,104	-	Loans and receivables³	1,982	654	
-	-	Available-for-sale financial assets	-	-	
19	-	Unquoted equity investment at cost²	19	-	
-	-	Financial assets at fair value through profit and loss	-	-	
4,123	**-**	**Total investments**	**2,001**	**654**	
		Debtors			
1,759	-	Loans and receivables[4]	1,922	-	
-	46,054	Financial assets carried at contract amounts[5]	-	33,463	*
1,759	**46,054**	**Total Debtors**	**1,922**	**33,463**	
		Borrowings			
229,788	13,408	Financial liabilities at amortised cost¹	301,270	12,695	
-	-	Financial liabilities at fair value through profit and loss	-	-	
229,788	**13,408**	**Total borrowings**	**301,270**	**12,695**	
		Other Long Term Liabilities			
28,257	-	Liability with Staffordshire County Council	26,429	-	
98,229	-	PFI and finance lease liabilities	91,614	-	
238,434	-	Net Pensions Liabilities	295,708	-	
11,575	-	Other long term liabilities	5,313	-	
376,495	**-**	**Total other long term liabilities**	**419,064**	**-**	
		Creditors			
342	-	Financial liabilities at amortised cost	946	-	
1,728	-	Financial liabilities at amortised cost - Grants received in advance	2,864		
-	101,308	Financial liabilities carried at contract amount	-	50,516	*
2,070	**101,308**	**Total creditors**	**3,810**	**50,516**	

¹Market loans (LOBOs) of £20m and £74m HRA Self Financing Loans have been included in long term borrowing.

²Investment in Unquoted Equity Shares total approximately £19,000 and there is no active market meaning its fair value cannot be measured reliably. They are, therefore, valued at Amortised Historic Costs.

³Details of the nature of investment are included in the Long and Short Term Investment tables and in view of the immateriality of amounts involved, no further disclosures are required. Further information is given in note 13.35.

[4]Within long term debtors there is a soft loan relating to Kickstart. Further information is given in the Soft Loans table and note 13.36.

[5]There are a small number of immaterial soft loans included within the short term debtors on the Balance Sheet and no further disclosures are required.

* These amounts exclude amount payable/receivable from Statutory debtors (creditors), Central Government.

b) Gains and Losses on Financial Instruments

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

	2011/12				2010/11			
	Liabilities measured at amortised cost £000	Loans and Receivables £000	Available for Sale Financial Instruments £000	TOTAL £000	Liabilities measured at amortised cost £000	Loans and Receivables £000	Available for Sale Financial Instruments £000	TOTAL £000
Impairment Losses	-	(2,729)	-	(2,729)	-	(1,687)	-	**(1,687)**
Interest Expense	(22,620)	-	-	(22,620)	(23,811)	-	-	**(23,811)**
Total Expense in Surplus or Deficit on the Provision of Service	(22,620)	(2,729)	-	(25,349)	(23,811)	(1,687)	-	**(25,498)**
Interest Income	-	1,605	-	1,605	-	1,178	60	**1,238**
Total Income in Surplus or Deficit on the Provision of Service	-	1,605	-	1,605	-	1,178	60	**1,238**
Net gain/(loss) for the year	**(22,620)**	**(1,124)**	**-**	**(23,744)**	**(23,811)**	**(509)**	**60**	**(24,260)**

The City Council has no 'fair value through profit and loss' assets.

c) Fair Value of Assets and Liabilities carried at amortised cost

The fair value of each class of financial assets and liabilities which are carried in the Balance Sheet at amortised cost is disclosed below.

Methods and Assumptions in valuation technique

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

The discount rate used in NPV calculation is the rate applicable in the market on the date of valuation for an instrument with the same structure, terms and remaining duration. For debt, this will be the new borrowing rate since premature repayment rates, include a margin which represents the lender's profit as a result of rescheduling the loan; this is not included in the fair value calculation since any motivation other than securing a fair price should be ignored. The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31 March, using bid prices where applicable.

The fair values are calculated as follows:

Fair Value of liabilities carried at amortised cost

Carrying amount as at 31 March 2011 £000	Fair Value as at 31 March 2011 £000		Carrying amount as at 31 March £000	Fair Value as at 31 March 2012 £000
213,749	206,791	PWLB - Maturity[1]	284,229	295,604
20,000	20,383	LOBOs[2]	20,000	20,385
15,318	15,318	Finance leases	13,925	13,925
4,560	4,560	Other borrowing	4,468	4,468
253,627	**247,052**	**Financial Liabilities**	**322,622**	**334,382**
2,071	**2,071**	**Long-term Creditors**	**3,810**	**3,810**

[1]The fair value amount shown in the table represents PWLB loan amount assessed on the basis of present value for future cash flows, as recommended by the City Council's independent advisors. This has been based on comparable new borrowing rates for the same financial instrument from a comparable lender as disclosed in the accounting policies. The PWLB have provided a figure of £350,848,657 (£240,322,187 (2010/11)) as a fair value which reflects the premature redemption amount. These figures also include the £74,441,000 HRA loans taken out 28/03/12.

Fair value is higher than the carrying amount because the City Council's portfolio of loans has increased by £74m and the rates on these new loans were lower than the market rate and therefore a premium would be charged if early loan repayments were made.

[2]A fair value for the LOBO loans has been provided by the City Council's treasury advisers on the same basis as the PWLB, this amount is £18.184m.

Fair Value of assets carried at amortised cost

Carrying amount as at 31 March 2011 £000	Fair Value as at 31 March 2011 £000		Carrying amount as at 31 March 2012 £000	Fair Value as at 31 March 2012 £000
1,759	**1,759**	**Long-term Debtors**	**1,922**	**1,922**

d) Long Term Investments consist of:

Net Carrying Value March 2011 £000		Net Carrying Value March 2012 £000
19	External organisations	19
4,104	Landsbanki Investment	1,982
4,123		**2,001**

The Landsbanki investment relates to the frozen funds which the City Council placed with the Icelandic bank. Further information relating to Landsbanki is given in note 13.35

e) Other Long Term Investments

Associates	Stoke-on-Trent Regeneration Limited[1]	West Midlands Transport Information Services Limited[1]	Centre of Refurbishment Excellence
Number of Shares Held	19,000	10	0
Percentage Holding	19.0%	1.0%	40.0%
Value of Shares Held	£19,000	£0	£0
Entity year end	Nov-11	Jul-11	Unknown
Profit/(loss) before tax 2011/12	1,449	(93)	(80)
Profit/(loss) before tax 2010/11	768	(33)	-
Profit/(loss) after tax 2011/12	1,031	(93)	(80)
Profit/(loss) after tax 2010/11	566	(33)	-
Net Assets 2011/12	22,518	328	-
Net Assets 2010/11	21,613	81	-
Dividend received by Authority 2011/12	-	-	-
Amounts due to/(from) Authority 2011/12	-	-	-

[1] 2010/11 figures changed in final audited version of company accounts

Note 13.33 cont'd

Joint Venture Company

Name of Company	Kier Stoke Limited
Number of Shares Held	199
Percentage Held	19.9%
Value of Shares Held	£199
Nature of Business	Housing & Public Maintenance Services
Entity Year End	Jun-11

March 2011 Restated £000		March 2012 £000
39,050	Gross Turnover	38,894
1,034	Operating (Loss) /Profit	1,595
1,063	(Loss)/Profit Before Tax	1,606
8,526	Gross Assets	8,781
7,090	Gross Liabilities	5,827
309	Share of Fixed Assets	272
1,388	Share of Current Assets	1,475
286	Share of Liabilities due within one year	315
-	Share of Liabilities due after one year	-
44	Dividend Received	123

f) Short Term Investments consist of:

Net Carrying Value March 2011 £000		Net Carrying Value March 2012 £000
-	Deposits - Landsbanki Escrow	38
-	Deposits - Landsbanki	616
-		**654**

g) Long Term Borrowing consists of:

Net Carrying Value March 2011 £000		Net Carrying Value March 2012 £000
209,788	PWLB	206,829
-	PWLB - HRA Self Financing	74,441
20,000	LOBOs	20,000
229,788		**301,270**

h) Soft Loans consist of:

March 2011 £000		March 2012 £000
-	**Opening Carrying Amount at 1st April**	**-**
-	Nominal Value of New Loans in year	-
-	Recognition of soft loans	6,659
-	Fair Value Adjustment on Initial Recognition	(5,297)
-	Soft Loans repaid in year	-
-	Recognised Impairment Losses	-
-	Write back amount of Loan Initially Written down to Fair Value	362
-	Increase in Discounted Amount	-
-	Other Changes in Value	-
-	**Nominal Value of Loans at 31st March**	**1,724**

The Authority has, through Birmingham City Council, made a number of improvement loans to householders under the Kickstart programme at nil interest and have been treated as a soft loan.

13.34 Nature and Extent of Risks Arising from Financial Instruments

The Authority'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 Authority
- Liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved by City Council in the annual Treasury Management Strategy Statement. The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Note 13.34 cont'd

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by credit ratings services. Deposit risk is also managed by limiting the level of investments placed with counterparties, currently set at £4m, but subject to regular review.

The Council has made significant efforts to further protect the capital of the Authority and mitigate against this risk in line with its Treasury Management Strategy Statement, including:

(a) the setting up of a Treasury Management Board (consisting of both Senior Members and Officers) that meets regularly to scrutinise treasury decisions;

(b) using the Debt Management Office (DMO), the Government's investment vehicle (and the most secure place to invest currently in what are particularly volatile economic times);

(c) restricting investments to UK institutions and giving due attention to 'group risk' (i.e. limiting investments to £8m where financial institutions are part of the same group of companies);

(d) investments are limited to £4m for the highest rated or government owned institution except in the case of the DMO (where the limit changes according to the amount of cash available to invest and the Treasury Management Board's view on the economic climate at a given point in time);

(e) regular reporting to the Audit Committee on the Treasury position, decisions by the Treasury Management Board and training to Members;

(f) utilising professional advice from external treasury advisers on the credit worthiness of counterparties;

(g) utilising all market and other 'soft' information which officers research through the financial press and independent advice;

(h) investing funds only in the UK for durations below 12 months until it is safe to do otherwise (in accordance with the Council's Treasury Management Strategy) and currently investing no more than up to a maximum of 6 months.

The Authority's maximum exposure to credit risk in relation to its investments in banks at the Balance Sheet date is £37,621,110. As the deposits rest with several banks the risk of any institution failing to make interest payments or repay the principle sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

The City Council operates a Corporate Debt Management Strategy which endeavours to keep outstanding debt at the lowest possible level which aims to minimise the risk of bad debts by preventing the accumulation of debt over a period of time. The strategy sets the framework for a consistent and sensitive approach to collecting debt whilst at the same time ensuring the Council continues to maximise collection performance. Wherever possible the Council will try to distinguish between those who cannot pay with those who will not pay.

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

	Amount as at 31 March 2012	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2012	Estimated maximum exposure to default and uncollectability at 31 March 2012	Estimated maximum exposure as at 31 March 2011
	£000	%	%	**£000**	**£000**
	A	B	C	(A X C)	
Customers	64,457	30.58	30.58	19,711	18,138
				19,711	**18,138**

The City Council currently has £20.870m in it's Balance Sheet to cover bad debt, which is more than adequate.

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Note 13.34 cont'd

The Authority does not generally allow credit for customers, such that £44,746 of the £64,457 balance is past its due date for payment. The past due but impairment (excluding long term debtors - see note 13.36) amount can be analysed by age as follows:

31-Mar-11		31-Mar-12
£000		**£000**
41,921	Less than 1 year	40,033
4,581	More than 1 year	4,713
46,502		**44,746**

Liquidity Risk

The Authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. Should unexpected movements happen, the Authority has ready access to short term funding. There is no significant risk that it will not be able to raise finance to meet its commitments under financial instruments. The City Council has safeguards in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future, to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The City Council limits how much it will borrow through it's Treasury Management Strategy and Prudential Indicators and places specific limits for the percentage of total loans which can mature in a given period. This will take account of whether it is prudent to take new loans out and, where it is economic to do so, make early repayments.

Note 13.34 cont'd

The City Council has the following debt liabilities (excluding sundry debtors) on its balance sheet:

1. Outstanding Loans

Source of Loan	Interest Rates Payable (Average) %	Total Outstanding at 31 March 2012 £000	Total Outstanding at 31 March 2011 £000
Public Works Loan Board	4.72	209,788	213,749
Public Works Loan Board - HRA	3.50	74,441	-
Market Loans	3.84	20,000	20,000
		304,229	**233,749**

Analysis of Maturity Less Premiums	Total Outstanding at 31 March £000	Total Outstanding at 31 March £000
Less than one year	2,959	3,961
Between one and two years	2,956	2,959
Between two and five years	7,855	2,862
Between five and ten years	8,701	7,717
More than ten years	281,758	216,250
	304,229	**233,749**

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

The City Council has had to take on an additional £74.441m of debt, shown in the PWLB line in the table above, as a result of the Housing Reform Act which has affected all authorities with housing stock. Taking on such a large amount of debt has inherent risk which the Authority has taken every necessary precaution to manage. A full business plan was drafted to ensure the City Council could afford to finance the debt and in a reasonable time frame. The cheapest lender and the most advantageous loan periods were identified after a process of rigerous investigation. Processes are in place to monitor the progress of the HRA business plan and outstanding loans both of which will be reported to Members on a regular basis. The City Council has also allocated a total of £89m of existing debt to HRA from its existing debt portfolio which was taken into account when the business plan was prepared.

2. Finance Leases

Finance leases	Effective Interest Rate based on Opening Loan Balance %	Total Outstanding at 31 March 2012 £000	Total Outstanding at 31 March 2011 £000
38 Lease agreements from various lenders	8.4	5,149	6,507

	Outstanding at 31 March 2012 £000	Outstanding at 31 March 2011 £000
Amounts payable within 12 months included in current liabilities	1,092	1,219
Amount payable 2-5 years	3,680	4,195
Amount after 5 years	377	1,093
Total long term liability	4,057	5,288
Total Finance Lease liability	**5,149**	**6,507**

3. PFI Schemes and Service Concessions

	Effective Interest Rate based on Opening Loan Balance	Total Outstanding at 31 March 2012 £000	Total Outstanding at 31 March 2011 £000
4 schemes with differing operators:	9.22%		
Opening liability		91,466	94,707
New loans raised		741	1,049
Repayment of liability		(5,017)	(4,091)
Delayed lifecycle asset acquisition		-	(199)
Closing liability		**87,190**	**91,466**

	Outstanding at 31 March 2012 £000	Outstanding at 31 March 2011 £000
Amounts payable within 12 months included in current liabilities	4,205	3,667
Amount payable 2-5 years included in deferred liabilities	20,175	18,996
Amount after 5 years included in deferred liabilities	62,810	68,803
Total long term liability included in deferred liabilities	82,985	87,799
Total PFI Schemes and Service Concessions liability	**87,190**	**91,466**

Total amount payable by PFI Schemes

	Outstanding at 31 March 2012 £000	Outstanding at 31 March 2011 £000
Schools Estate PFI Scheme	53,256	55,023
Bentilee District Centre PFI	7,024	7,120
Hanford Waste Scheme	13,524	14,807
Street Lighting PFI Scheme	13,386	14,516
Total	**87,190**	**91,466**

The Council has four current PFI and service concession schemes, details of which are disclosed on a scheme by scheme basis in note 13.20.

The interest charged on the schemes during 2011/12 is £8.4m (2010/11 £8.7m). Interest is calculated and charged so as to produce a constant interest rate over the life of the scheme in accordance with IFRIC12.

In addition to the interest charged above the Council also charged contingent rentals during 2011/12 of £1.7m (2010/11 £2.0m). These are also shown within Interest Payable and Similar Charges in the Income and Expenditure Account.

The major part of the payments associated with the schemes are met either by PFI Special Grants or contributions from local government and NHS bodies and therefore there is considered to be no significant liquidity risk for the Council in relation to the schemes.

Over the life of the PFI contracts the Council transfers sufficient funds to earmarked reserves to ensure that adequate funds are available to meet future liability of the PFI schemes (see note 13.02) and therefore there is considered to be no significant liquidity risk for the Council in relation to the schemes.

Interest payments under the schemes are fixed under the contractual arrangements with the operators and therefore the Council bears no interest rate risk.

Market Risk

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

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of the assets will fall.

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

The Authority has a number of strategies for managing interest rate risk. Current policy is not to place borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. However, no such opportunities arose in 2011/12.

The treasury management team has an active strategy for assessing interest rate exposure which is monitored during the year that feeds into the annual budget setting process. The analysis will also advise on the most appropriate type and proportion of new borrowing to be taken out e.g. fixed or variable. According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

The City Council has no variable rate borrowing or investments and does not receive grant for financing costs. All investments are classified as Cash or Cash Equivalents at the time of account preparation.

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

Price Risk

The City Council does not generally invest in equity shares but does have shareholdings in a joint venture totalling £19,000. The shareholdings are not traded on the open market, and therefore, the City Council is not exposed to losses arising from movements in share prices. Details of the joint venture are provided in note 13.18.

Foreign Exchange Risk

The City Council currently has no financial assets, or liabilities, denominated in foreign currencies. There is, however, some risk in relation to Landsbanki. Deposits with the Icelandic domiciled banks were converted to Icelandic Krona (ISK) on 22 April 2009. Repayments by the banks will be based on the value of the deposit in the ISK and repaid in Euros, US Dollars, Pounds Sterling and ISK. The Sterling value of repayments will depend on prevailing exchange rates for each of the separate currencies at the time of payment. Details of the Landsbank investment are provided in note 13.35.

Exchange rate risks are normally taken into account when estimating future cash flows. However, currency restrictions mean that there is no future market for ISK and it is therefore impossible to price the ISK exchange rate risk. As such, the Landsbanki calculations ignore exchange rate risk in estimating future cash flows.

13.35 Icelandic Investment

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer & Friedlander went into administration. The Council had £5m deposited with Landsbanki only, with varying maturity dates and interest rates.

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early 2008, its domestic assets and liabilities were transferred to a new bank (New Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee, and its affairs are being administered under Icelandic law.

Preferential creditor status has been granted to the City Council in respect of its deposits which is a very positive outcome meaning that the Council could have 100% of its capital investment returned. This was achieved through legal representations to the Icelandic courts in conjunction with other affected authorities and the LGA.

Amounts included in the long term investments figure on the Balance Sheet include the following investments that have been impaired because of the financial difficulties being experienced by Icelandic Banks. The carrying amounts of the investments included in the Balance Sheet have been calculated using the present value of the expected repayments, discounted using the investments' original interest rate.

Note 13.35 cont'd

	Landsbanki Investment 1	Landsbanki Investment 2	Landsbanki Investment Total
	£	£	£
Carrying Amount as at 31/03/11	**1,623,118**	**2,480,326**	**4,103,444**
2011/12			
Interest Credited to Income and Expenditure	95,440	136,502	231,942
Impairment	(95,440)	(136,502)	(231,942)
Transfer to Escrow Account	(15,070)	(22,317)	(37,387)
Transfer to Short Term Investment	(372,781)	(243,386)	(616,167)
Repayment	(580,672)	(887,339)	(1,468,011)
Carrying Amount as at 31/03/12	**654,595**	**1,327,284**	**1,981,879**

As can be seen the City Council received a payment of £1,468,010 in respect of the first instalment of its outstanding investment and an additional payment of £616,167 is expected in May 2012/13, this amount has been moved into short term investments as shown below. Although the Authority is expecting to receive 100% of its principal investment to be returned a formal timetable of when this will take place has yet to be released.

Short Term Investment

	Landsbanki Investment 1	Landsbanki Investment 2	Landsbanki Investment Total
	£	£	£
2011/12			
Transfer from Long Term Investment	372,781	243,386	616,167
Carrying Amount as at 31/03/12	**372,781**	**243,386**	**616,167**

Escrow Account

A further amount of £37,387, being the proportion of the repayment made in Icelandic Krona and held in an interest bearing escrow account on behalf of the City Council, is currently domiciled in Iceland and due to Icelandic currency control restrictions. Consent from the Icelandic Central Bank will be required in order to pay priority creditors this element of the distribution. Until that consent is received the funds cannot be distributed. The Account now reflected in the City Council's Balance Sheet is shown below.

	Landsbanki Investment 1	Landsbanki Investment 2	Landsbanki Investment Total
	£	£	£
2011/12			
Transfer from Long Term Investment	15,070	22,317	37,387
Carrying Amount as at 31/03/12	**15,070**	**22,317**	**37,387**

Note 13.49 on Events after the Balance Sheet Date will give further information regarding the Icelandic Investments.

13.36 Long Term Debtors

	Balance at 01/04/11	Reclassification from Short Term to Long Term Debtor	Reclassification from Long Term to Short Term Debtor	Impairment Provision	Recognition of Soft Loan	Advances	Repayments	Fair Value Adjustment	Balance at 31/03/12
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Mortgages	120	-	-	-	-	-	(31)	-	**89**
House Purchase & Improvement Advances	18	-	-	-	-	-	-	-	**18**
New Victoria Theatre [1]	51	-	-	-	-	-	(11)	-	**40**
Cobridge Community Centre [1]	11	-	-	-	-	-	-	-	**11**
Stoke-on-Trent Rep. Theatre [1]	48	-	-	-	-	-	(8)	-	**40**
Kickstart [4]	-	-			6,659	-	-	(4,935)	**1,724**
Port Vale (Valiant 2001) FC Ltd[2]	1,496	-	(700)	(1,159)	-	-	(113)	476	**-**
Tunstall Community Centre 3	15	-	(6)	-	-	-	(9)	-	**-**
Total	**1,759**	**-**	**(706)**	**(1,159)**	**6,659**	**-**	**(172)**	**(4,459)**	**1,922**

[1] Loans provided at nil interest but not treated as soft loans due to materiality.

[2] Due to the football club going into administration, it has been agreed to write down the loan to the amount recoverable and reclassified to short term debtor

[3] The balance of £6,000 has been reclassified as Short Term and has been repaid in April 2012.

[4] The Authority has, through Birmingham City Council, made a number of improvement loans to householders under the Kickstart programme at nil interest and have been treated as a Soft Loan. See below for further information.

Note 13.36 cont'd

Private Housing Improvement Loans (Kickstart)
The City Council has received a transfer of private housing improvement loans (Kickstart) from Birmingham City Council, who formally acted as the agent on behalf of the City Council in administering the scheme. The balance of outstanding loans shown on the Balance Sheet have been discounted using the prevailing market repayment mortgage rate, including a risk factor to reflect the possibility of any repayment default. The period of the loan repayments varies with the agreement reached with the homeowner, but a prudent assumption of 30 years has been applied to the discount rate. The loans are classified as soft loans being provided at below market rates, in this case zero rate.

Port Vale (Valiant 2001) FC Ltd[2]

In 2006 the City Council entered into a loan agreement with Port Vale Football Club. In March 2012, the Club went into administration. The loan has a legal charge on the Club grounds and the Administrator is in the process of disposing of the Club and its assets to interested parties. The City Council reclassified £700k as a short term debtor, however, the City Council judges it prudent to make an impairment provision against the whole amount of the loan.

13.37 Inventories

	Consumable Stores		Maintenance Materials		Client Services Work in Progress		Goods Acquired for Resale		Total	
	2011/12	2010/11 Restated	2011/12	2010/11 Restated	2011/12	2010/11	2011/12	2010/11 Restated	2011/12	2010/11 Restated
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance outstanding at start of year	297	228	14	11	-	-	727	662	1,038	901
Purchases	3,810	3,982	434	384	-	-	699	909	4,943	5,275
Recognised as an expense in the year	(3,718)	(3,941)	(436)	(381)	-	-	(1,194)	(844)	(5,348)	(5,166)
Written off balances	-	-	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	28	-	-	-	-	-	-	-	28
Balance outstanding at year end	**389**	**297**	**12**	**14**	**-**	**-**	**232**	**727**	**633**	**1,038**

13.38 Short –Term Debtors

31 March 2010 £000	31 March 2011 £000		31 March 2012 £000
38,406	18,897	Central government bodies	18,315
-	-	Academies	2,219
6,846	4,033	Other local authorities	4,008
50	121	NHS bodies	2,282
1	1	Public corporations and trading funds	1
29,748	23,002	Other entities and individuals[1]	19,310
75,051	**46,054**	**Total**	**46,135**

[1] Other entities and individuals includes £2.5m re: charges on property.

[2]PCTs which are classified as Central Government bodies in the Whole of Government Accounts are reclassified as NHS bodies in the statement of accounts.

13.39 Cash and Cash Equivalents

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

31 March 2011 £000		31 March 2012 £000
172	Cash held by the Authority	172
40,346	Bank current accounts	19,611
7,805	Short-term deposits	28,183
48,323	**Total Cash and Cash Equivalents**	**47,966**

The Authority held more short term deposits and less cash levels than the previous year. This was in part due to a large grant in respect of Building Schools for the Future (BSF) and slippage in the capital program.

13.40 Short-Term Creditors

31 March 2010 Restated £000	31 March 2011 Restated £000		31 March 2012 £000
13,308	8,540	Central government bodies	6,085
7,677	16,034	Other local authorities	4,839
924	270	NHS bodies	198
193	249	Public corporations and trading funds	192
55,723	40,332	Other entities and individuals	42,557
77,825	**65,425**	**Total**	**53,871**

13.41 Provisions

	Liability Insurance Claims £000	Equal Pay £000	Other Provisions £000	Total £000
Balance at 1 April 2011	4,118	6,514	3,052	**13,684**
Additional provisions made in 2011/12	1,420	-	3,069	**4,489**
Amounts used in 2011/12	(1,214)	-	(1,420)	**(2,634)**
Unused amounts reversed in 2011/12	-	(6,514)	(339)	**(6,853)**
Balance at 31 March 2012	**4,324**	**-**	**4,362**	**8,686**
This balance is split as follows:				
Short Term Liability	-	-	3,463	**3,463**
Long Term Liability	4,324	-	899	**5,223**
	4,324	-	4,362	**8,686**

Liability Insurance Claims

These refer mainly to claims for compensation for personal injury or damage to property due to alleged negligence or breach of statutory duty but also include other claims for financial compensation due to alleged negligence. All claims are dealt with on a legal liability basis and the provisions for each claim are assessed by the Council's insurers or legal advisers based on the information available and experience of the type of claims involved and adjusted individually as further information becomes available until either a settlement is made and the claim is closed or the claim is successfully defended. Provisions include associated legal costs. The Council currently self-funds a £100,000 excess for each and every claim with a "stop loss" amount for each insurance year and the provisions are net of amounts payable by insurers. The gross amounts for individual claims vary between small and significant.

Equal Pay

The City Council has resolved its outstanding equal pay issues and released the provisions held accordingly.

Other provisions

All other provisions are individually insignificant and include the following:

<u>Carbon Reduction Commitment</u>

The Council is required to particpate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used) a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption. Total value included in provisions in respect of carbon reduction liability is £443k.

<u>Indication of Uncertainties</u>

Any indication of uncertainties about the amount or timing of these outflows are shown in Contingent Liabilities, note 13.48.

13.42 Other Long Term Borrowings (PFI & Finance Leases)

The other long term borrowings as at 31 March 2012 are as follows:-

31 March 2011 £000		31 March 2012 £000
28,229	County Council debt	26,400
5,288	Finance Leases	4,057
87,799	Private Finance Initiative – Finance Lease	82,985
5,142	Private Finance Initiative – Deferred Service	4,571
149	Other	121
126,607		**118,134**

The balance in respect of County Council Debt represents the City Council's liability for a proportion of debt following local government re-organisation in 1997. In 2011/12 the total payment to the County Council was £2,999,751 (£3,164,880 in 2010/11), of which £1,170,867 (£1,335,996 in 2010/11) related to interest and expenses and £1,828,884 to repayment of principal, as in previous years. The total amount paid to the County Council is contained within the Movement in Reserves Statement.

13.43 Movements in Usable Reserves

13.43a

Movements in the year are detailed in the Authority's Movement in Reserves Statement.

A summary of the purpose and balance of usable reserves is shown below:

Reserve	Purpose of Reserve	Further Details of Movement
Usable Capital Receipts Reserve	Proceeds of fixed assets sales available to meet future capital investment.	Additional information is provided in note 13.43b below
General Fund Others	Resources available to meet running costs of non-housing and non-schools services	MIRS Statement shows Movement in General Fund.
Housing Revenue Account Balance	Resources available to meet future running costs of council housing	Additional information is provided in the HRA Movement in Reserves Statement
Major Repairs Reserve	Resources available to meet capital investment in council housing	Additional information is provided in the HRA note 16.03
Earmarked Reserves	Resources available to meet future costs on specific projects, thuis include resources available to meet running costs of schools	These reserves are included in note 13.02 earmarked reserves
Capital Grants Unapplied	Resources available to meet future costs of non-housing capital projects	Additional information is provided in note 13.43c below

Reserve	Balance at 1 April 2010 £000	Transfer Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000	Transfers Out 2011/12 £000	Transfers In 2011/12 £000	Balance at 31 March 2012 £000
Usable Capital Receipts Reserve	**7,777**	(9,353)	7,085	**5,509**	(6,737)	5,967	**4,739**
General Fund Others	**5,314**	-	499	**5,813**	-	1,643	**7,456**
Housing Revenue Account Balance	**8,343**	(806)	-	**7,537**	(518)	-	**7,019**
Major Repairs Reserve	**50**	(9,355)	9,355	**50**	(9,991)	13,090	**3,149**
Restated Earmarked Reserves - General Fund	**67,103**	(30,790)	24,612	**60,925**	(18,136)	39,228	**82,017**
Restated Earmarked Reserves - HRA	**5,283**	(2,797)	-	**2,486**	(664)	-	**1,822**
Restated Capital Grants Unapplied	**1,251**	(147)	14,371	**15,475**	(7,009)	7,888	**16,354**
Total Movement in Usable Reserves	**95,121**	**(53,248)**	**55,922**	**97,795**	**(43,055)**	**67,816**	**122,556**

13.43b Usable Capital Receipts Reserve

31 March 2011 £000		31 March 2012 £000
7,085	Amounts receivable in year	5,854
	Amount receivable from long term debtors	113
(1,760)	Capital receipts pooling payment to DCLG	(2,186)
-	Amount voluntary set aside to pay off debt	(41)
(7,593)	Amounts applied to finance new capital investment in	(4,510)
(2,268)	**Total increase/(decrease) in realised capital resources in year**	**(770)**
7,777	Balance brought forward at 1 April	5,509
5,509	**Balance carried forward at 31 March**	**4,739**

13.43c Capital Grants Unapplied Reserve

31 March 2011 £000		31 March 2012 £000
14,371	Capital grants received which have not been applied during the year	7,836
(143)	Applied during the year trf to capital adjustment	(7,009)
(4)	Transfer between capital and revenue reserve	52
14,224	**Total increase/(decrease) in reserve during year**	**879**
1,251	Balance brought forward at 1 April	15,475
15,475	**Balance carried forward at 31 March**	**16,354**

13.44 Unusable Reserves

31 March 2011 £000		31 March 2012 £000
106,430	Revaluation Reserve	95,230
-	Available for Sale Financial Instruments Reserve	-
552,783	Capital Adjustment Account	540,410
(350)	Financial Instruments Adjustment Account	(4,842)
(238,434)	Pensions Reserve	(295,708)
(7,508)	Accumulated Absences Account	(9,181)
340	Collection Fund Adjustment Account	366
413,261	**Total Unusable Reserves**	**326,275**

13.44a Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority 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, or
- disposed of and the gains are realised.

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

2010/11 £000		2011/12 £000	2011/12 £000
106,100	**Balance at 1 April**		**106,430**
(47)	Opening balance adjustment		-
1,594	Upward revaluation of assets	12,500	
(5,101)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(15,470)	
(3,507)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(2,970)
(2,216)	Difference between fair value depreciation and historical cost depreciation	(1,943)	
(23)	Accumulated gains on assets sold or scrapped	(6,287)	
6,123	Other amounts written off to Capital Adjustment Account	-	
3,884	Amount written off to the Capital Adjustment Account		(8,230)
106,430	**Balance at 31 March**		**95,230**

13.44b Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

The balance on the reserve cleared in 2010/11 as the final Eurobond held by the Authority matured 23rd September 2010 as it was held to maturity.

2010/11		2011/12	
£000		£000	£000
46	**Balance at 1 April**		**-**
(46)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	-	
-			-
-	**Balance at 31 March**		**-**

13.44c 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 amortisation are charged to the comprehensive income and expenditure statement .The account also contains accumulated gains and losses on investment properties and revaluation gains accumulated on property, plant and equipment before 1st April 2007, after that date all such gains are held in the Revaluation Reserve Account.

2010/11		2011/12	
£000		£000	£000
746,545	**Balance at 1st April**		**552,783**
-	Reversal of items relating to capital expenditure debited or credited to comprehensive income and expenditure statement (CIES)	-	
(39,806)	Charges for depreciation and impairment of non current assets	(42,847)	
(217,432)	Revaluation losses on Property, plant and equipment & non current assets held for sale	(16,400)	
(1,358)	Amortisation of intangible assets	(1,733)	
(889)	Revenue expenditure funded from capital under statute	(4,324)	
(6,648)	Amounts of non-current assets written off on disposal or sale as part of gain /loss on disposal	(13,274)	
	Amounts of non-current assets written off on derecognition as part of gain /loss on derecognition	(8,133)	
(266,133)			**(86,711)**
(3,884)	Adjusting Amounts written out of Revaluation Reserve		8,230
(270,017)	**Net Written out amount of the cost of non-current assets consumed in the year**		**(78,481)**

Note 13.44c cont'd

2010/11		2011/12	
£000		£000	£000
	Capital Financing applied in the year:		
7,593	Use of Capital Receipt reserve to finance new capital expenditure		4,510
9,045	Use of major repairs reserve to finance new capital expenditure		8,562
	Repayment of Long term debt		(113)
	Voluntary repayment of debt		41
39,007	Capital grants and contributions credited to the CIES applied to capital financing		95,289
-	Applications of grants to capital financing from capital grants unapplied account		7,009
16,919	Statutory provision for the financing of capital investment charged against general fund and HRA balances		18,089
	Amount by which amounts charged for eqaul pay claims are different from the cost of settlement in accordance with statutory requirements		3,668
573	Service concession deferred income write back		571
4,409	Capital expenditure charged against the General fund and HRA balances		2,923
-	Self Funding HRA		(74,441)
77,546			**66,108**
(1,291)	**Movement in the market value of investment properties debited /credited to CIES**		-
552,783	**Balance at 31 March**		**540,410**

13.44d Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The difference between effective interest credited or charged to the Comprehensive Income and Expenditure Statement per accounting requirements and the actual interest received or paid per statutory requirements is managed as a transfer to/from the FIAA.

The Authority uses the Account to manage discount received on the early redemption of a number loans. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Housing Revenue Account to the Account in the Movement in Reserves Statement. Over time, the income (£33,291 in 2011/12) is posted back to the Housing Revenue Account in accordance with statutory arrangements. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be paid to the Housing Revenue Account until 2016/17.

The Authority also has an adjustment for the effective interest rates relating to the Port Vale and Kickstart loans. This is purely an accounting entry to write back the full amount of the loans to the Balance Sheet when they mature. The adjustment for Port Vale in 2011/12 was a charge of £46,358. However, as the Football Club went into administration it has been agreed to write down the loan and create a new short term debtor, therefore, the balance of £430,034 has been written back to the FIAA. The adjustment amounts for Kickstart included an initial recognition for the loan of £5,297,393 to reflect the carrying value at the date of the Balance Sheet. £362,076 represents value of interest forfeited on the Kickstart soft loan.

2010/11		2011/12	
£000		£000	£000
(1,250)	**Balance at 1 April**		**(350)**
37	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-	
(33)	Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(33)	
896	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	476	
	Interest adjustment Kick start loan	362	805
	Fair value adjustment on recognition of Kick start loan previously administered by Birmingham Council		(5,297)
(350)	**Balance at 31 March**		**(4,842)**

13.44e Pensions Reserve

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

2010/11 £000		2011/12 £000
(419,746)	**Balance at 1 April**	**(238,434)**
86,654	Actuarial gains or losses on pensions assets and liabilities	(54,945)
-	Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	(102)
54,881	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	(23,643)
39,777	Employer's pensions contributions and direct payments to pensioners payable in the year	21,416
(238,434)	**Balance at 31 March**	**(295,708)**

13.44f Accumulated Absences Account

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

2010/11		2011/12	
£000		**£000**	**£000**
(11,841)	**Balance at 1 April**		**(7,508)**
11,841	Settlement or cancellation of accrual made at the end of the preceding year	7,508	
(7,508)	Amounts accrued at the end of the current year	(9,181)	
4,333	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		(1,673)
(7,508)	**Balance at 31 March**		**(9,181)**

13.44g Collection Fund Adjustment Account

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

2010/11 £000		2011/12 £000
1,085	**Balance at 1 April**	340
(745)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	26
340	**Balance at 31 March**	**366**

13.45 Notes to Cash Flow Statement

13.45a Amounts included in Adjustments to net Surplus/Deficit on provision of services that are for non-cash movements

2010/11 £000		2011/12 £000
(30,755)	Depreciation	(32,365)
(226,027)	Impairments & Downward valuations	(26,882)
(1,358)	Amortisations	(1,733)
-	Increase in impairment for provision for bad debts	-
3,903	Decrease in creditors	6,678
(19,738)	Increase/(decrease) in debtors	2,536
137	Increase/decrease in stock	(405)
94,658	Movement in Pension Liability	(2,227)
(6,598)	Carrying amount of non-current assets sold	(21,407)
(1,368)	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	6,260
(1,291)	Change in FV of investment properties	1
(188,437)		**(69,544)**

13.45b Amounts included in Adjustments to net Surplus/Deficit on provision of services that are investing and financing activities

2010/11 £000		2011/12 £000
-	Proceeds from short-term and long-term investments	-
86,842	Other receipts from investing activities	117,918
7,035	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,854
93,877		**123,772**

13.45c Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £000		2011/12 £000
(1,518)	Interest received	(401)
23,772	Interest paid	22,585
(193)	Dividends received	(43)

13.45d Cash Flow Statement – Investing Activities

2010/11 £000		2011/12 £000
83,955	Purchase of property, plant and equipment, investment property and intangible assets	133,011
-	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	-
(6,906)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(5,632)
(10,391)	Proceeds from shot-term and long-term investments	(1,468)
(93,108)	Other receipts from investing activities	(117,918)
(26,450)	**Net cash flows from investing activities**	**7,993**

13.45e Cash Flow Statement – Financing Activities

2010/11 £000		2011/12 £000
-	Cash receipts of short- and long-term borrowing	-
-	Other receipts from financing activities	(113)
	HRA Self Financing Settlement Loan	(74,441)
4,511	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	5,412
1,829	Repayments of short- and long-term borrowing	5,829
(9,507)	Other payments for financing activities	(2,762)
(3,167)	**Net cash flows from financing activities**	**(66,075)**

13.46 Trading Activities

The City Council does not operate any trading activities.

13.47 Contingent Assets

A contingent asset is a possible asset arising from past events, whose existence will only be confirmed by uncertain future events not wholly within the City Council's control. These assets are not recognised in the accounting statements as the timing and value is uncertain.

a. There are two types of assets which are owned by third parties but in which the City Council (through RENEW) has a retained interest in. These are:

   1. In respect of acquisitions by Registered Social Landlords (and other third parties) in advance of clearance, the City Council's interest is protected by an option exercisable by the City Council. This specifies that, within 21 years of the acquisition date, the City Council can determine if the asset is required for clearance or redevelopment.

   2. Where the City Council has advanced money to Registered Social Landlords and/or other third parties to acquire or refurbish property for rent and/or equity sales, the City Council's interest is in the disposal proceeds. In these circumstances, grant agreements are in place to enable the City Council to claw back the whole or a proportion of the grant provided.

b. The Council submitted a claim for "overpaid" VAT dating back to the early 1970's based on the outcome of well known VAT litigation "the Fleming case" which meant that certain items previously deemed to be Standard rated were considered to be Zero rated. Due to the age of these purchases, the Council has lodged significant claims of potential VAT refunds and compound interest with HMRC. Some VAT claims have been settled and amounts received are reflected in the Statement of Accounts. The outcome of the compound interest claim is dependent on the pending appeal.

c. The City Council has also submitted VAT repayment claims in respect of car parking charges based on further well known, ongoing VAT litigation "the Isle of Wight case". Pending the outcome of this case, the Council cannot determine with certainty the amount that HMRC is likely to refund. Hence, to be prudent, this has been treated as a contingent asset and no credits have been recognised in the Statement of Accounts.

13.48 Contingent Liabilities

a. In 1992, Municipal Mutual Insurance (MMI) ceased to trade and now exists solely to discharge its responsibilities under policies that it had previously issued. These responsibilities relate mainly to legal liability claims, which will take many years to materialise and finalise. In the event of MMI's insolvency during this period, local authority policyholders have agreed to enter into a 'scheme of arrangement' under which there are claw-back provisions on claims payments made by MMI after the implementation of the scheme. The potential maximum liability if the scheme is triggered is £938,293 although MMI may also cease to deal fully with any new liability claims. Currently, it is not considered necessary to provide an amount for the City Council's financial exposure arising from risks formerly insured with MMI, as a solvent wind-up of the business is forecast by the directors of the company.

   Even though it is over 20 years since MMI ceased to trade, their liabilities continue to increase and their report and accounts for the year ending 30 June 2011 shows an accumulated deficit of £71.9m. A recent Supreme Court ruling in what has come to be refered to as the "Trigger" litigation, went against MMI and is bringing to close a long running dispute in which MMI had intended to reduce their claims exposure. The City Council is uncertain as to the effect this ruling may have on a possibility of a solvent run off and full payment of agreed claims, hence the matter is considered to be contingent.

b. The City Council is currently and has previously been involved in a number of schemes where grants are received from external funding agencies – primarily, but not exclusively, the European Commission, Single Regeneration Budget, Housing Market Renewal and the National Lottery Fund. There are specific terms and conditions applied to the value of grant offered from these funding organisations. A proportion of these monies could be subject to claw-back if it is deemed that the City Council has not fully complied with all the conditions of each grant award. There is some specific concern regarding a European Regional Development Funded scheme that is subject to an ongoing external review and investigation.

There is also some concern regarding a judicial reveiew lodged by "Save Britain's Heritage" against Central Government with respect to whether the government was lawful in providing funds for the demolition costs on the RENEW programme. This claim is being disputed but it is uncertain if the outcome of this review will result in any claw-back of grants from the City Council.

c. The City Council has a small number of employment tribunal cases outstanding but is unable, at this stage, to measure the degree of likelihood of any liabilities or the amount of any potential obligations with sufficient reliability. Hence, no amounts have been recognised within the accounts.

d. Potential liabilities exist regarding liability claims that pre date Local Government Reorganisation in 1974 when a number of services transferred to Staffordshire County Council including Education and Social Services. Potential liabilities also exist for other periods where the City Council does not hold verifiable evidence of insurance cover. Any proven claims arising from these periods would have a financial consequence for the City Council that could exceed any insurance provisions that are currently held. The City Council is unable to estimate the value or timing of any obligations, hence, no amounts are recognised in the accounts in respect of this.

e. The City Council would be responsible for any pollution arising from closed landfill sites in any restored areas where it holds the relevant licence. Whether any pollution will arise is unknown as is the cost that would arise from such an incident. Hence, no monies have been set aside for such events as the risk is considered to be contingent at this time.

f. Claims under Part 1 of the Land Compensation Act 1973 may be made in respect of any public works undertaken by the City Council, between 1 year after opening of the works and 6 years after opening. Claims are for any depreciation in the value of an interest in land or property which is attributable to the use of public works. It is not possible in advance of the opening of a highway scheme to value the likely scale or number of such claims.

g. A contingent liability exists regarding the funding of pension fund deficits arising from a contract entered into with Serco Limited in 2007 for the provision of education services. The West Midlands Councils pensions (WMLGA) has now been wound up and the City Council is responsible for increases in the pensions liability over the next 25 years. It is uncertain what the Council's potential liability is likely to be in respect of this pension fund.

h. The corporate restructuring exercise is continuing and there are a few areas where the restructure is awaited and are subject to a separate consultation process. The number of redundancies and subsequent costs can not be estimated until the new structures have been finalised.

i. The Council is in dispute over a number of contractual arrangements with some of its major suppliers. The City Council is unable at this stage to measure the likely outcome of these disputes or the amount of any potential obligations with sufficient reliability, hence no amounts have been recognised within the accounts.

j. From time to time the City Council is involved in a number of investigations and enquiries on data protection and taxation from Government bodies, such as Information Commissions Offices (ICO) and Her Majesty's Revenue and Customs (HMRC). Where the outcome of such investigations are known, adequate provisions have been made in the accounts as at 31st March 2012. There are however, a number of pending enquiries from HMRC and ICO, the outcome of which is uncertain and is unlikely to materially affect the amounts reported in the statement of accounts.

k. The Balance Sheet include Private Housing Improvement Loans (Kickstart) with a fair value of £1.7m as at 31st March 2012. The repayment of some of these loans are dependant on certain events, such as sale of property or death of borrower. It is uncertain when these events will arise and when the loans will be repaid.

13.49 Events after the Balance Sheet Date

Icelandic Investments
The latest information received from the City Council's legal representatives is that a further partial payment of £616,167 is due at the end of May from the Landsbanki winding up board. This amount will be paid in pounds sterling and as such will not have any foreign exchange risk.

Central Business District
On 30th May 2012, Council approved a recommendation to invest in the construction of office accommodation to enable relocation of City Council staff to the Central Business District.

School Conversions to Academies
On 1st August 2012, the following four schools converted to academies: Haywood Engineering College, Crescent Primary, Eaton Park Primary and Sutherland Primary.

13.50 Authorisation of Accounts for Issue

This Statement of Accounts was approved and signed by the Section 151 Officer and the Chair of the Audit Committee on 27 September 2012. In line with statutory requirements the accounts and supporting documentation were made available for a period of 20 working days commencing 16th July 2012.

Events after the Balance Sheet date have been considered up to 27 September 2012, in preparing the accounts.

14 Housing Revenue Account Income & Expenditure Account

The Housing Revenue Account (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 legislative framework; 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.

2010/11 £000			2011/12 £000	
	Expenditure			
(17,121)	Repairs and maintenance		(20,258)	
(14,793)	Supervision and management		(13,545)	
(160)	Rents, rates, taxes and other charges		(227)	
(10,713)	Negative HRA Subsidy payable		(9,665)	
(9,379)	Depreciation and impairment of non-current assets		(9,535)	
(33,989)	Loss on property revaluation		-	
(53)	Debt management costs		(77)	
(398)	Increase in bad debt provision		(399)	
(86,606)	**Total Expenditure**			**(53,706)**
	Income			
56,155	Dwelling rents		59,247	
556	Non-dwelling rents		558	
985	Charges for services and facilities		959	
-	Contributions towards expenditure		339	
57,696	**Total Income**			**61,103**
(28,910)	**Net Cost of HRA Services per Comprehensive Income and Expenditure Statement**			**7,397**
-	Exceptional item - Settlement payment to government for HRA self-financing	13.04		**(74,441)**
3,659	Exceptional item - Impact of change from RPI to CPI index			**-**
(173,225)	Exceptional item - Vacant property revaluation			**-**
(198,476)	**Net Cost of HRA Services after Exceptional item**			**(67,044)**
(409)	HRA services' share of Corporate and Democratic Core			**(344)**
(198,885)	**Net Cost for HRA Services**			**(67,388)**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement			
-	Gain or (loss) on sale of HRA non-current assets			-
(3,512)	Interest payable and similar charges			(3,481)
124	HRA Interest and investment income			180
(379)	Pensions interest cost and expected return on pensions costs			(165)
149	Capital grants and contributions receivable			162
(202,503)	**Surplus or (deficit) for the year on HRA**			**(70,692)**

15 Movement on HRA Statement

2010/11 £000		Notes	2011/12 £000	
8,343	Balance on the HRA at the end of the previous year			7,537
(202,503)	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement		(70,692)	
198,900	Adjustments between accounting basis and funding basis under statute	13.01	69,510	(1,182)
(3,603)	**Net increase or (decrease) before transfers to or from reserves**			**(1,182)**
2,797	Transfers (to) or from reserves			664
(806)	Increase or (decrease) in year on the HRA			(518)
7,537	**Balance on the HRA at the end of the current year**			**7,019**

16 Notes to the Housing Revenue Account Financial Statements

16.01 Housing Stock

2010/11		2011/12
19,297	Number of dwellings at the beginning of the year	19,190
-	Dwellings brought back into stock	-
(1)	Dwellings merged	(2)
(63)	Dwellings sold under Right to Buy	(80)
(18)	Other sales	(2)
(16)	Dwellings awaiting demolition	(3)
(9)	Dwellings demolished	-
-	New dwellings	17
19,190	Number of dwellings at the end of the year	19,120
	Consisting of :	
16,022	Houses / Bungalows	15,960
3,168	Flats	3,160

16.02 Valuation of Housing Assets

16.02a Housing Fixed Assets

The City Council has carried out a desktop impairment review at 31 March 2012. During the year the general property prices within the region remained static.

Movements in 2011/12 :

	Council Dwellings	Other Land and Buildings	Vehicles, Plant , furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Restated Opening Balance at 1st April 2011	396,287	11,580	12,746	4,130	118	2,533	3,445	**430,839**
Additions	9,010	14	850	1,043	-	-	1,721	**12,638**
Donations	-	-	-	-	-	-	-	**-**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	**-**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-		-	-	-	-	-	**-**
Derecognition - Disposals	(34)	(508)	(659)	-	-	(48)	-	**(1,249)**
Reclassification - other	1,324	58	71	624	-	69	(1,973)	**173**
Assets reclassified (to) / from Held for Sale	(1,553)	-	-	-	-	(2)	-	**(1,555)**
Other movements in Cost or Valuation	-	-	-	-	-	-	-	**-**
At 31 March 2012	**405,034**	**11,144**	**13,008**	**5,797**	**118**	**2,552**	**3,193**	**440,846**
Accumulated Depreciation and Impairment								
Restated Opening Balance at 1 April 2011	**(19,705)**	**(331)**	**(5,627)**	**(339)**	**-**	**(84)**	**(1,472)**	**(27,558)**
Depreciation Charge	(7,961)	(423)	(783)	(213)	-	(10)	-	**(9,390)**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	**-**
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	**-**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(47)	(56)	-	-	-	(42)	-	**(145)**
Derecognition - Disposals	2	8	532	-	-	-	-	**542**
Reclassification - other	-	-	-	-	-	-	-	**-**
Assets reclassified (to) / from Held for Sale	109	-	-	-	-	-	-	**109**
Other movements in Depreciation and Impairment		-	-	-	-	-	-	**-**
At 31 March 2012	**(27,602)**	**(802)**	**(5,878)**	**(552)**	**-**	**(136)**	**(1,472)**	**(36,442)**
Net Book Value								
At 31 March 2012	**377,432**	**10,342**	**7,130**	**5,245**	**118**	**2,416**	**1,721**	**404,404**
At 31 March 2011	376,582	11,249	7,119	3,791	118	2,449	1,973	403,281

Note 16.02a cont'd

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2011 was £1,165,222,375. The balance sheet value of dwellings within the Housing Revenue Account shows the economic cost to Government of providing council housing at less than open market rents.

Comparative Movements in 2010/11: Restated

	Council Dwellings	Other Land and Buildings	Vehicles, Plant , furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
At 31st March 2010	591,584	4,225	12,855	3,536	315	865	2,398	**615,778**
Assets Restated from Investment Property Category	-	6,944	-	-	-	1,059	-	**8,003**
Restated Opening Balance at 1st April 2010	**591,584**	**11,169**	**12,855**	**3,536**	**315**	**1,924**	**2,398**	**623,781**
Additions	15,570	3	619	594	-	-	1,973	**18,759**
Donations	-	-	-	-	-	-	-	**-**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(2,135)	365	-	-	-	35	-	**(1,735)**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(207,214)	-	-	-	-	-	-	**(207,214)**
Derecognition - Disposals	(209)	-	(728)	-	-	-	-	**(937)**
Reclassification - other	472	43	-	-	(197)	574	(926)	**(34)**
Assets reclassified (to) / from Held for Sale	(1,781)	-	-	-	-	-	-	**(1,781)**
Other movements in Cost or Valuation	-	-	-	-	-	-	-	**-**
At 31 March 2011	**396,287**	**11,580**	**12,746**	**4,130**	**118**	**2,533**	**3,445**	**430,839**
Accumulated Depreciation								
At 31st March 2010	(11,468)	(207)	(5,428)	(218)	-	(51)	(1,472)	**(18,844)**
Assets Restated from Investment Property Category	-	(10)	-	-	-	(21)	-	**(31)**
Restated Opening Balance at 1st April 2010	**(11,468)**	**(217)**	**(5,428)**	**(218)**	**-**	**(72)**	**(1,472)**	**(18,875)**
Depreciation Charge	(8,322)	(114)	(795)	(121)	-	(3)	-	**(9,355)**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	**-**
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	**-**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(25)	-	-	-	-	-	-	**(25)**
Derecognition - Disposals	6	-	596	-	-	-	-	**602**
Reclassification - other	9	-	-	-	-	(9)	-	**-**
Assets reclassified (to) / from Held for Sale	95	-	-	-	-	-	-	**95**
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	**-**
At 31 March 2011	**(19,705)**	**(331)**	**(5,627)**	**(339)**	**-**	**(84)**	**(1,472)**	**(27,558)**
Net Book Value								
At 31 March 2011	**376,582**	**11,249**	**7,119**	**3,791**	**118**	**2,449**	**1,973**	**403,281**
At 31 March 2010	**580,116**	**4,018**	**7,427**	**3,318**	**315**	**814**	**926**	**596,934**

16.02b Investment Properties

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

2010/11 Restated £000		2011/12 £000
9,411	Balance at start of the year	1,472
(7,974)	Assets reclassified from Investment Property	-
1,437	Restated Balance at start of year	1,472
	Additions:	
-	Purchases	-
-	Construction	-
-	Subsequent expenditure	1
-	Disposals	-
-	Net gains/losses from fair value adjustments	-
	Transfers:	
-	To/from Inventories	-
35	To/from Property, Plant and Equipment	(122)
-	Other changes impairment	-
1,472	**Balance at end of the year**	**1,351**

16.02c Assets Held for Sale

Current 2010/11 Restated £000	Non-Current 2010/11 Restated £000		Current 2011/12 £000	Non-Current 2011/12 £000
373	**-**	**Balance outstanding at start of year**	**721**	**-**
		Assets newly classified as held for sale:		
1,686	-	▪ Property, Plant and Equipment	1,615	-
-	-	▪ Intangible Assets	-	-
-	-	▪ Other assets/liabilities in disposal groups	-	-
-	-	Additions	-	-
(15)	-	Revaluation losses	-	-
-	-	Revaluation gains	-	-
-	-	Impairment losses	-	-
		Assets declassified as held for sale:		
-	-	▪ Property, Plant and Equipment	(169)	-
-	-	▪ Intangible Assets	-	-
-	-	▪ Other assets/liabilities in disposal groups	-	-
(1,323)	-	Assets sold	(1,703)	-
-	-	Transfers from non current to current	-	-
-	-	Other movements	-	-
721	**-**	**Balance outstanding at year-end**	**464**	**-**

16.03 Major Repairs Reserve

As part of the introduction of resource accounting to the Housing Revenue Account the Government introduced a new funding mechanism called the Major Repairs Allowance. The resource can only be used to fund capital expenditure on Housing Revenue Account assets. Local authorities have the flexibility to spend the resource outside the financial year in which they are allocated, enabling more efficient planning of works.

2010/11 £000		2011/12 £000
(50)	Balance at beginning of the year	(50)
(9,355)	Depreciation on HRA Assets	(9,391)
(722)	MRA in excess of depreciation on dwellings	(3,699)
-	Interest on balances	-
(10,127)		(13,140)
1,033	Depreciation on non dwellings	1,429
9,044	Capital expenditure on houses within the HRA	8,562
(50)	Balance at end of year	**(3,149)**

16.04 Housing Repairs Account

The Housing Repairs Account is funded by annual contributions from the Housing Revenue Account. This separate fund exists as the demands on resources for housing repairs fluctuate within any given financial year. The fund operates within the same 'ring-fence' which applies to the Housing Revenue Account preventing General Fund financing of housing repairs.

2010/11 £000		2011/12 £000
	Expenditure	
17,120	Repairs and maintenance	20,258
17,120		20,258
	Income	
(16,770)	Contribution from Housing Revenue Account	(20,254)
-	Surplus / (deficit) for the year	-
(354)	Balance at beginning of year	(4)
(4)	Balance at end of year	**-**

16.05 Summary of Capital Expenditure

2010/11 Restated £000		2011/12 £000
	Expenditure	
17,543	Dwellings	9,009
597	Other Land & Buildings	2,779
605	Other property	850
18,745		**12,638**
	Financing	
4,120	Borrowing	-
4,409	Revenue contributions	1,836
9,044	Major repairs reserve	8,562
1,023	Usable capital receipts	2,078
149	Grants	162
18,745		**12,638**

16.06 Summary of Capital Receipts

2010/11 £000		2011/12 £000
5,081	Balance brought forward	4,836
	Value of receipts	
-	Land	275
2,425	Houses	3,078
28	Mortgage repayments	20
80	Repayment of discount	39
131	Sale of vehicles, plant & equipment	128
7,745		**8,376**
1,763	Capital receipts pooling payment to DCLG	2,186
1,146	Usable receipts applied to capital expenditure – public sector	2,078
4,836	Balance carried forward	4,112
7,745		**8,376**

16.07 Explanation of HRA Share of Contributions to/from Pension Reserve

Included within the HRA balance is £0.7m relating to the current service cost of HRA funded employees who participate in the Local Government Pension Scheme. The current service cost represents the value of pension benefits earned during the year by the relevant employees and is charged to the HRA Income and Expenditure account in place of the value of cash payments made by the Council to the pension fund. This accords with IAS19 (Retirement Benefits) and ensures that the HRA Income and Expenditure account meets the requirement that benefit retirements should be accounted for when earned even if the actual giving of pension benefits may be in the future.

In addition, a proportionate share of the net pension interest cost and expected return on pension assets is credited to the overall surplus or deficit on HRA services.

Information regarding the City Council's pension position as a contributing employer, for Balance Sheet and disclosure purposes, is supplied on an annual basis by Hymans Robertson the pension fund actuary. More detailed information regarding the overall position of the fund can be found within the notes to the core financial statements.

16.08 Depreciation

2010/11 £000		2011/12 £000
8,322	Dwellings	7,961
1,033	Other operational assets	1,429
9,355		**9,390**

16.09 Impairment Charges

In accordance with Central Government Policy the housing properties were valued on a 'Beacon Property' basis. This is where sample properties of differing size and from different locations are valued and these values are then applied to the remaining housing stock. Built into the beacon valuation is an element for impairment in recognition that at any one time the total of the housing stock cannot be maintained to the highest state of repair. However, that element of impairment is not separately recorded as it is felt not to be of a significant nature.

2010/11 £000		2011/12 £000
24	Dwellings	47
-	Other operational assets	98
24		**145**

16.10 HRA Subsidy Calculation

2010/11 £000		2011/12 £000
12,447	Management allowance	13,043
19,397	Maintenance allowance	19,739
9,044	Major repairs allowance	11,660
-	Rental constraint allowance	-
3,835	Capital financing charges	3,871
(33)	Amortised premiums and discounts	(33)
(54,558)	Rents	(58,082)
(7)	Interest on receipts	(3)
(9,875)		(9,805)
(838)	Adjustments from previous years	140
(10,713)		**(9,665)**

16.11 Rent Arrears

2010/11 £000'		2011/12 £000
2,976	Arrears at year end	3,288
1,360	Provision in respect of uncollectable debts	1,461

16.12 Capital Asset Charges and Adjustments

Capital asset charges are made to the HRA, by way of Item 8 Credit and Debit charges as specified by central government, to reflect the cost of managing the HRA's share of the Authority's debt portfolio,

In addition to the Depreciation, Impairment and MRA charges that are detailed above, the following charges are made:

2010/11 £000		2011/12 £000
	Item 8 Credit	
(80)	Interest Receivable	(57)
(33)	Discounts Received	(33)
(113)	**Total Item 8 Credit**	**(90)**
	Item 8 Debit	
53	Debt Management Charges and Repayment	77
3,512	Capital Asset Charges Adjustment	3,480
3,565	**Total Item 8 Debit**	**3,557**

17 Collection Fund Statement

The Local Government Finance Act 1988 required the establishment of a Collection Fund from 1st April 1990. The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. Monies paid into this fund include Council Tax and National Non-Domestic Rates (NNDR). Payments from the Fund include the General Fund demands of the City Council, demands from precepting authorities and the transfer of the locally collected business rates to Central Government.

2010/11 £000			**2011/12 £000**	
		Income		
	75,898	Business Ratepayers		78,746
		Council Tax		
100,311		Council Tax	100,512	
(23,476)		*Less* Council Tax Benefit	(23,799)	
-		*Less* Transitional Relief	-	
-	76,835	*Less* Discounts for Prompt Payment	-	76,713
	23,476	Council Tax Benefit		23,799
	-	Community Charge		-
	7	Council Tax refunds written back		-
	176,216			**179,258**
		Expenditure		
12,625		Staffordshire Police Authority Precept	12,664	
4,808		Stoke-on-Trent & Staffordshire Fire and Rescue Authority	4,823	
81,288		Stoke-on-Trent City Council Demand	81,541	
	98,721			99,028
		Business Ratepayers		
73,771		Payment to NNDR Pool	76,751	
366		Costs of Collection	366	
1,761		Provision for Uncollectable Amounts	1,629	
	75,898			78,746
		Write Offs		
	(2)	Council Tax		1,127
		Provision for Losses		
	1,794	Council Tax		190
		Transfers from Surplus		
	91	to Staffordshire Police Authority		18
	35	to Stoke-on-Trent & Staffordshire Fire Authority		7
	583	to General Fund		128
	177,120			**179,244**
	(904)	Surplus/(Deficit) for the Year		14
	1,332	Balance at beginning of year		428
	428	Balance at end of year		**442**

18 Notes to the Collection Fund

18.01 Business Rates

The City Council collects business rates in its area on behalf of the Government based on non-domestic rateable values multiplied by a uniform rate. From 1 April 2005 the Government introduced the small business rate relief scheme, those eligible pay a lesser rate. The total amount collected, less certain reliefs and deductions, is paid into the NNDR pool. The City then receives a share of the pool based on the size of the local resident population.

2010/11		**2011/12**
41.4p	Business Rate Multiplier	43.3p
40.7p	Small Business Rate Relief Multiplier	42.6p
£215,188,159	Non-domestic rateable value at year-end	£213,843,034

18.02 Council Tax

Council Tax income is derived from charges raised according to the value of the residential properties that have been classified into eight valuation bands for this purpose.

The amounts credited to the collection fund are calculated as follows:

2010/11 £000'		**2011/12 £000'**
116,445	Council tax gross charge	116,748
(5,697)	*Less* Exemptions	(6,006)
(10,330)	Discounts	(10,128)
(107)	Disabled allowances	(104)
100,311		**100,510**
(2)	*Less* Amounts written off	(1,127)
100,309		**99,383**
(23,476)	*Less* Council Tax Benefits scheme	(23,799)
76,833		**75,584**

The Council Tax Base is calculated by considering the number of dwellings in each band (after allowing for discounts) and expressing these in terms of Band D property equivalents. The bands are based on the open market capital values at 1 April 1991.

Valuation Band	Value Range	Number of Dwellings	Dwellings after discounts & exemptions	Ratio to Band D	Band D Equivalents
	A (entitled to Disabled Reduction)	-	160.75	5/9	89.3
A	Up to £40,000	69,075	57,576.45	6/9	38,384.3
B	£40,000 - £52,000	22,638	20,332.45	7/9	15,814.1
C	£52,001 - £68,000	14,354	13,065.45	8/9	11,613.7
D	£68,001 - £88,000	4,460	4,196.95	1	4,197.0
E	£88,001 - £120,000	1,657	1,548.10	11/9	1,892.1
F	£120,001 - £160,000	454	426.95	13/9	616.7
G	£160,001 - £320,000	104	78.25	15/9	130.4
H	Over £320,000	43	11.25	18/9	22.5
					72,760.1
Less Adjustments for collection rates					(1,455.2)
Council Tax base for 2011/12					**71,305**

The overall Council Tax requirement of £81.541m then translates into individual Council Tax bills as shown below. The City Council also collects Council Tax on behalf of the Staffordshire Police Authority and the Stoke-on-Trent and Staffordshire Fire Authority.

Derivation of the Band D Council Tax	**2011/12**	**2010/11**
Council Tax Requirement	£81.541m	£81.288m
Taxbase	71,305	71,084
City Council Band D	£1,143.55	£1,143.55
Staffordshire Police Authority	£177.61	£177.61
Stoke-on-Trent & Staffordshire Fire Authority	£67.64	£67.64
Combined Band D Council Tax	£1,388.80	£1,388.80

Note 18.02 cont'd

The level at which Council Tax was set in 2011/12 was:

Valuation Band	Stoke-on-Trent City Council	Staffordshire Police Authority	Stoke-on-Trent & Staffordshire Fire Authority	Total 2011/12	Total 2010/11
	£	£	£	**£**	£
A	762.37	118.41	45.09	**925.87**	925.87
B	889.43	138.14	52.61	**1,080.18**	1,080.18
C	1016.49	157.88	60.12	**1,234.49**	1,234.49
D	1,143.55	177.61	67.64	**1,388.80**	1,388.80
E	1,397.67	217.08	82.67	**1,697.42**	1,697.42
F	1,651.79	256.55	97.70	**2,006.04**	2,006.04
G	1,905.92	296.02	112.73	**2,314.67**	2,314.67
H	2,287.10	355.22	135.28	**2,777.60**	2,777.60

18.03 Precepting Authorities

The following authorities made a demand or precept on the Collection Fund:

2010/11 £000		2011/12 £000
81,287,607	Stoke-on-Trent City Council	81,540,718
12,625,158	Staffordshire Police Authority	12,664,463
4,807,821	Stoke-on-Trent & Staffordshire Fire and Rescue Authority	4,822,793
98,720,586		**99,027,974**

18.04 Continuing Impact of Community Charge

Although the Council Tax replaced the Community Charge on 1 April 1993, the City Council continues to account for the residual adjustments in relation to Community Charges raised in earlier years, in the Collection Fund. In 2011-12, the residual balance of receipts will be transferred to the General Fund, with corresponding refunds in future being paid from this source.

19 Glossary of Financial Terms

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

Accounting Concepts
The fundamental accounting principles that are applied to ensure that the Statement of Accounts presents a 'true and fair' view of the financial performance and position of the Local Authority.

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

Accounting Period
Also referred to as the 'financial year', this is the period for which the books are balanced and the financial statements are prepared. It consists of 12 months commencing 1 April & ending 31 March of the subsequent year.

Accruals
The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Under this concept therefore inclusion or exclusion of an item of income or expenditure will depend on the period to which it relates, not the period in which it was received or performed.

Acquired Operations
Operations comprise the services and divisions of services that are defined in CIPFA's Standard classification of Income and Expenditure. Acquired operations are those operations of the Local Authority that are acquired in the period concerned.

Actuarial Gains and Losses
For a defined benefit pension scheme the changes in actuarial deficits or surpluses that arise because:

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

Amortised Cost
Some assets and liabilities will be carried at 'amortised cost', where part of their carrying amount in the Balance Sheet will either be written down or written up via the Income and Expenditure Account over the term of the instrument.

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

Balances
Reserves held in City Council funds at the end of the financial year.

Capital Expenditure
Expenditure on the acquisition of non-current assets or expenditure which adds to and does not merely maintain existing assets and that we will use or benefit from for more than a year (for example Land and Property).

Capital Expenditure Charged to Revenue Account (CERA)
Method of financing capital expenditure directly from revenue.

Capital Adjustment Account
The balance on this account principally represents amounts set aside from revenue accounts, capital receipts used to finance capital expenditure and the excess of depreciation over the Minimum Revenue Provision.

Capital Financing Requirement
A measure of an authority's underlying need to borrow or finance for a capital purpose. This is derived from the Balance Sheet.

Capital Receipts
Income received from the sale of capital assets.

Capitalisation Direction
The use of statutory powers by central government, to allow councils to capitalise expenditure that would normally be charged to a revenue account, in accordance with proper accounting practice.

Charge on Property
A Charge on Property is a legal charge placed on the sale of the property to secure the Council's debt in relation to a deferred payment agreement. The creditor agrees to have a legal charge put on their property that says their care will be paid for out of the sale of the property.

CIPFA
The Chartered Institute of Public Finance and Accountancy (CIPFA). This is the professional organisation for accountants working in the public services.

Cleared Land
Land not currently marketed as available for sale or land of indeterminate use.

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

Community Assets
Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal.

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

Constructive Obligation
An obligation that derives from an authority's actions where:

a. by an established pattern of past practice, public policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and
b. as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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 Local Authority's control.

Contingent Liability
Possible future liabilities that will only become certain on the occurrence of some future event. Contingent liabilities are not shown in the Balance Sheet, but disclosed in the notes to the accounts.

Corporate and Democratic Core
The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would have been incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

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

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

a. termination of employees' services earlier than expected, for example, as a result of closing a factory or discontinuing a segment of a business; and
b. termination of, or amendment to, the terms of a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

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

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

Dedicated Schools Grant
Grant monies provided by central government which must, by law, be ringfenced to meet schools' budget expenditure.

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

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

Depreciation
The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset. Depreciation is a so-called 'non-cash' charge in so far as it merely reflects the accounting assessments of the loss in value.

Derecognition
Derecognition of a component of property, plant and equipment takes place when no future economic benefits are expected from its use (i.e. its service potential is used up) and it is removed from the Balance Sheet.

The gain or loss arising from the derecognition of an asset is the difference between the net disposal proceeds (if any) and the carrying amount of the asset; this gain or loss shall be recognised in the Comprehensive Income and Expenditure Statement when the asset is derecognised.

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

a. the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
b. the activities related to the operation have ceased permanently;
c. the termination of the operation has a material effect on the nature and focus of the Local Authority's operations and represents a material reduction in its provision of local services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Local Authority's continuing operations;
d. the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying these conditions are classified as continuing.

Discretionary Benefits
Retirement benefits which the employer has no legal, contractual or constructive obligation to award and are awarded under the Authority's discretionary powers, such as the Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) Regulations (Northern Ireland) 2001.

Equal Pay
Refers to an individual's rights under equal pay legislation to claim equal pay when in the same employment as a member of the opposite sex.

Escrow Account
An Escrow Account is an arrangement made between transacting parties, where an independent third party receives and disburses money and/or documents for the transacting parties. The timing of such disbursement by the third party dependent on the fulfillment of conditions of the agreement.

Estimation Techniques
The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured; where there is uncertainty over the monetary amount corresponding to that basis the amount will be arrived at using an estimation technique.

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

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

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

Fair Value
The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Fees and Charges
Income arising from the provision of services.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Year
Also referred to as the 'accounting period', this is the period for which the books are balanced and the financial statements are prepared. It consists of 12 months commencing 1 April & ending 31 March of the subsequent year.

Formula Spending Share
Replaced the Standard Spending Assessment (SSA) methodology for allocating resources to local authorities according to their relative circumstances.

General Fund Revenue Account
Account providing details of all City Council services except those shown in the Housing Revenue Account and the Collection Fund.

Going Concern
The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

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

Group Accounts
Accounts prepared on a group basis where local authorities have interests in certain other bodies which are material in aggregate.

Heritage Assets
Assets that are held by the Authority principally for their contribution to knowledge or culture whether the collections of assets and artefacts are exhibited to the general public or held in storage.

Heritage assets may include :

- ceramics, porcelain work and figurines
- art collections
- pottery machinery and ephemera
- archaeological collections

Housing Revenue Account (HRA)
Account showing the income and expenditure relating to the provision of council housing and related services.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

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

Intangible Asset
This is an asset that does not exist in a physical sense but nevertheless has value to the Council and is used on a continuing basis, an example would be software licenses.

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

International Financial Reporting Interpretations Committee (IFRIC)
The IFRIC reviews, on a timely basis within the context of current International Financial Reporting Standards (IFRSs) and the IASB Framework, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards are a set of 'principles-based' standards and interpretations which establish broad rules as well as dictating specific treatments, rather than following a prescriptive accounting code.

Inventory
Previously called stocks, the amount of unused or unconsumed inventory held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises. Inventory comprises of the following categories:

a. Consumable Stores;
b. Maintenance Materials
c. Client Services Work in Progress
d. Goods Acquired for resale

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

Investment Properties
Property (land or a building, or part of a building, or both) held solely to earn rentals or for capital appreciation or both.

Leasing
Method of financing the provision of various capital assets, where we pay a rental charge for a certain period of time. There are two main types of leasing arrangement:

> Finance Lease - a lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee, from the lessor. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.
>
> Operational Leases - a lease other than a finance lease. The leasing company owns the asset and the yearly rental is charged directly to the Comprehensive Income and Expenditure account

Lifecycle Cost
Regular planned replacement of individual components, to ensure the condition of the whole asset remains up to standard.

Liquid Resources
Current investments that are readily disposable by the Authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount or traded in an active market.

LOBOs (Lender option/Borrower option)
Lender Option Borrower Options (LOBOs) are loans which have a fixed primary period at a relatively beneficial interest rate followed by a higher rate for the remaining period which can be changed by the lender at agreed intervals. The City Council, as a borrower, would be able to opt to repay the loan at the end of the primary period and every six months thereafter, but only if the lender chooses to change the quoted rates.

Long Term contracts
A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts if they are sufficiently material to the activity of the period.

Minimum Revenue Provision (MRP)
The minimum amount which must be charged to an authority's General Fund Revenue Account each year and set aside as a provision to meet the repayment of debt.

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

Net Book Value
Amount at which non current assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

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

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

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

Non Current Assets
Tangible assets that yield benefits to the Local Authority and the services it provides for a period of more than one year. The classes of non current assets required to be included in the accounting statements are:-

- Property, Plant and Equipment
- Investment Property
- Intangible Assets
- Assets held for Sale

Non Current Assets Held for Sale
The following conditions must be met for an asset to be classified as held for sale :

- management is committed to a plan to sell
- the asset is available for immediate sale
- an active programme to locate a buyer is initiated
- the sale is highly probable, within 12 months of classification as held for sale
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

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

Other Surplus Sites
Small areas of land not providing operational services but not yet marked for disposal/redevelopment.

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

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

Precept
Demands made upon the Collection Fund by other authorities (Staffordshire Police Authority and the Stoke-on-Trent and Staffordshire Fire and Rescue Authority) for the services that they provide.

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

Projected Unit Method
An accrued benefits valuation method in which the pension scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

a. the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are
b. the accrued benefits for members in service on the valuation date.

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute of Actuaries.

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

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

Prudential Framework
The Prudential Framework replaced the credit approval mechanism previously used by central government to control borrowing for capital expenditure. Local authorities are now allowed to determine their own capital programmes according to prudent assessments of affordability. Authorities must set their spending plans in accordance with the CIPFA Prudential Code.

Public Works Loan Board (PWLB)
Central Government Agency which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

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

Reserves
'Earmarked reserves' are amounts set aside for a specific purpose in one financial year and carried forward to meet spending in future years. 'General reserves' are balances generally available to support revenue or capital spending.

Residual Value
The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits
All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either:
a. an employer's decision to terminate an employee's employment before the normal retirement date; or
b. an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revaluation Reserve
The reserve containing all revaluations on fixed assets from 1st April 2007.

Revenue Contributions to Capital Outlay (RCCO)
Method of financing capital expenditure directly from revenue rather than by borrowing. Now usually referred to as Capital Expenditure Charged to Revenue Account (CERA).

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

Revenue Expenditure Funded from Capital under Statute
Expenditure which may properly be capitalised but which does not result in the creation of a non-current asset.

Revenue Support Grant (RSG)
Grant paid to local authorities by Central Government to help finance its general expenditure. It is determined under the Formula Spending Share (FSS) system.

SCE(C)
Supported capital expenditure (Capital). Indicates the amount of capital grant support to a local authority for capital investment purposes.

SCE(R)
Supported capital expenditure (Revenue). Indicates the amount of revenue support given by central government to a local authority to meet financing costs as a result of borrowing for capital investment purposes.

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

Senior Employee
These are typically an authority's Chief Executive (or equivalent), their direct reports (other than administration staff) and statutory chief officers. Potentially any employee having responsibility of, and power to, direct or control the major activities of the body, in particular activities involving the expenditure of money.

Settlement
An irrevocable action that relieves the employer (or the defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:-
a. a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
b. the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
c. the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

Soft Loan
Where a Local authority makes loans for policy reasons rather than as financial instruments which may be interest-free or at rates below prevailing market rates. The fair value of these loans should be estimated as the present value of all future cash receipts discounted using the prevailing market rate of interest for a similar instrument and for an organisation with a similar credit rating.

Strategic Regeneration Sites
Assets acquired or earmarked to provide strategic development opportunities.

Tangible Asset
This is an asset that has physical substance and is held for use on a continuing basis.

Total Cost
The total cost of a service or activity includes all costs which relate to the provision of the service (directly or brought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads which need to be apportioned in accordance with CIPFA's Best Value Accounting Code of Practice.

Useful Life
Period over which the Local Authority will derive benefits from the use of a fixed asset.

Vacant Premises
Property assets not providing operational services but not yet marked for disposal/redevelopment.

Vested Rights
In relation to a defined benefit pension scheme, these are:

a. for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
b. for deferred pensioners, their preserved benefits;
c. for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

Whole of Government Accounts
Whole of Government Accounts (WGA) are full accounts covering the whole public sector and audited by the National Audit Office. WGA is a consolidation of the accounts of about 1,500 bodies from central government, devolved administrations, the health service, local government and public corporations.

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These accounts and other sources of financial information are available on the City Council's website at stoke.gov.uk/finance. Comments on these accounts are welcomed and can be made via the website or the contact options shown above. The Statement of Accounts is also available in alternative formats, such as large print, Braille or alternative languages upon request.