Statement of Accounts 2010/11

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city of stoke on trent

INDEX

1. Explanatory Foreword

Welcome to the 2010/11 Statement of Accounts

Introduction

The 2010/11 financial year was an unprecedented one for the country, local government and the City Council. The City Council's Cabinet began its preparations for a significant reduction in future years' funding streams early in the year, whilst at the same time retaining its focus to deliver the priorities for 2010/11. The outcome of the May General Election was quickly followed by the new coalition government's emergency budget to try to begin to address the national debt issue and the magnitude of the challenge facing public service organisations began to become clear. Whilst officers and Elected Members worked diligently to prepare the Authority for the future, the eventual cuts to funding for Stoke-on-Trent were far deeper and more front loaded than the Government had initially indicated.

Stoke-on-Trent City Council is a complex and varied organisation providing a range of services to its communities. Whilst much of the year focussed on planning for the future, this explanatory foreword seeks to summarise the key events during 2010/11 and assess their financial impact to help to make the Statement of Accounts as easy as possible to understand. By its very nature, this Statement is a complex and significant document that presents a considerable challenge to the average reader and this foreword aims to present an overview of the main financial issues arising to help in this regard. A Glossary of Financial Terms is included at the end of this document to assist the reader. The Council also produces and publicises summary, non statutory financial management information based on its audited accounts each year, to support its transparency agenda.

From an accounting perspective, 2010/11 represented the first full year in which the Council has had to fully adopt International Financial Reporting Standards (IFRS). This represents a huge shift in the way that we report our financial information publically and aims to support the move towards a more transparent, commercially based form of local government accountability.

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 Council's assets at the end of the financial year?
- What is the net worth of the 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. The notes also address changes to the accounts in 2010/11 as a result of the application of IFRS.

Explanation of the Format of the Statements within these Accounts

For the City Council, compliance with the new IFRS reporting format has resulted in some significant changes to presentation and terms used. As part of the preparation for IFRS, accounting policies have been reviewed, revised and presented to the City Council's Audit Committee for approval at an earlier date.

Previously the City Council has largely followed rules set out in UK Generally Accepted Accounting Practice (GAAP) when preparing its accounts. However, in the 2007 budget report, it was announced that all public bodies following Her Majesty's Treasury's Financial Reporting Manual would apply IFRS and as a result local authority accounts for 2010/11 are in the new IFRS format. This effectively meant a transition date of 1 April 2009, as 2010/11 IFRS based accounts have to include comparative figures for the previous year which required a restatement of the City Council's balance sheet as at 1 April 2009 using the new IFRS rules.

The revised Statement of Accounts comprises:

- This Explanatory Foreword
- A Statement of Responsibilities for the Statement of Accounts
- An Annual Governance Statement
- A Statement of Accounting Policies adopted for preparation of the accounts
- A Statement of Accounting Standards issued but not yet adopted in preparation of accounts
- A critical judgement on application of the accounting policies
- The Core Financial Statements
- The Notes to the Core Financial Statements
- The Supplementary Financial Statements
- A Glossary of Terms

The Core Financial Statements comprise:

- **Movement in Reserves Statement -** a summary of the increase or decrease in the net worth of the council. It analyses changes that have taken place in the reserves over the financial year.

- **Comprehensive Income and Expenditure Statement -** this consolidates all the gains and losses experienced by the Council during the financial year. It comprises two sections – Surplus or Deficit on provision of Services and Other Comprehensive Income and Expenditure items not related to provision of services.

- **Balance Sheet -** This summarises the Council's financial position and net worth as at 31 March each year. It contains the assets and liabilities in the top half and in the bottom half the reserves, split between useable and unusable.

- **Cash Flow Statement -** Summarises the flows of cash that have taken place in and out of the Council's bank accounts over the financial year. It separates flows arising from service provision, investing activities and financing decisions.

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.

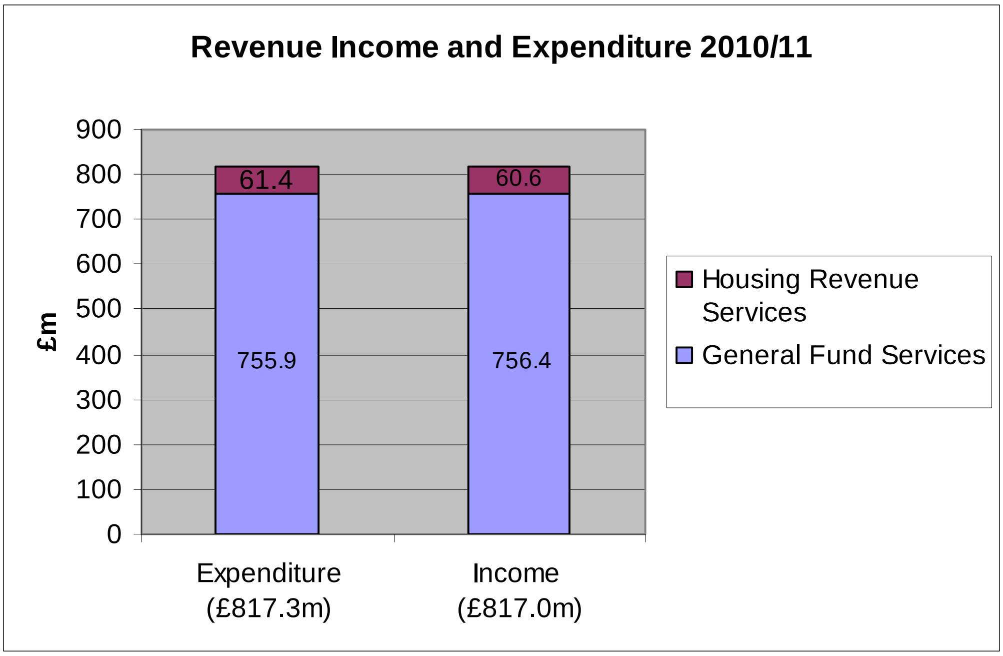
- **Movement on the HRA Statement** – summarising the increase or decrease in the Housing Revenue Account reserve

- **Collection Fund Statement** – Receipts and payments relating to council tax and business rates.

Revenue Expenditure

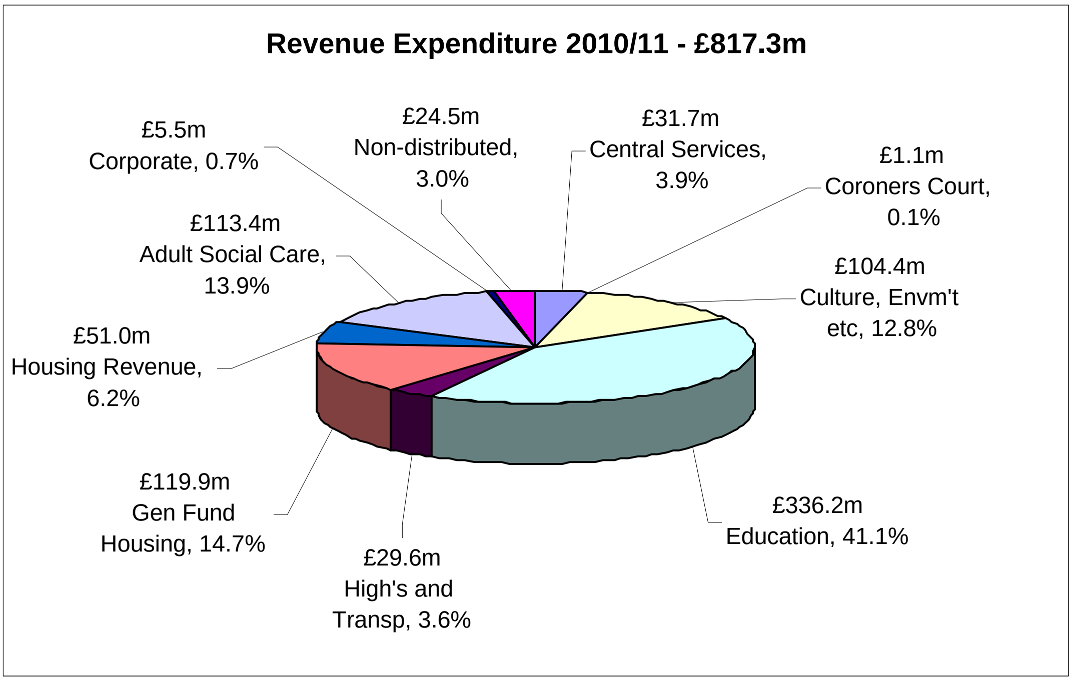
Each year, the City Council aims to deliver its approved Medium Term Financial Strategy and it spends money on key services to reflect local priorities and those that have to be provided by law.

The charts overleaf show spend on Housing Revenue and General Fund Revenue activities, followed by a detailed breakdown of income and expenditure relating to specific services.

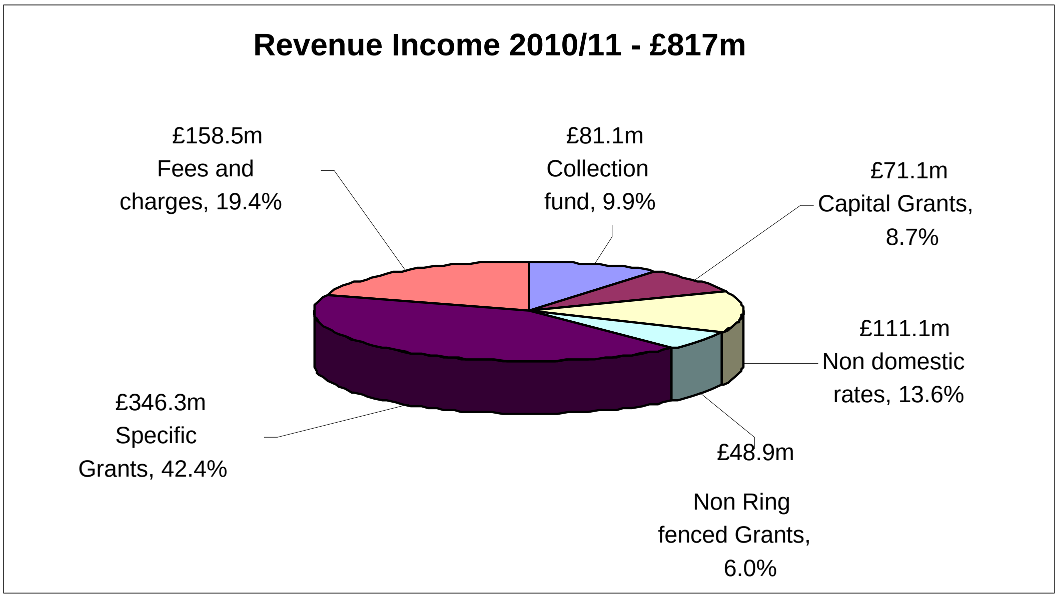


During the year total expenditure exceeded income by £0.307m. This was funded from non-earmarked reserves, made up of a £0.499m contribution to General Fund and £0.806m contribution from the Housing Revenue account.

The gross expenditure for the year was £817.3m. The graph below shows how we spent the money on behalf of the City in 2010/11.



The City Council's revenue expenditure for 2010/11 was funded from a number of different sources as shown in the table overleaf.



Budget versus Outturn 2010/11

Detail	2010/11 Budget	Projected Outturn	Variance (under)/ overspend
	£000	£000	£000
Non-Schools Children & Young People's Services	54,891	54,870	(21)
Adult & Neighbourhood Services	75,970	75,703	(267)
City Renewal Services	49,319	48,645	(674)
Business Services	6,355	5,914	(441)
Chief Executive's	4,546	4,235	(311)
Benefits Payments	-	(33)	(33)
Civic & Corporate Expenses	7,621	7,663	42
Non-departmental costs/transfers to & from reserves	6,154	6,580	426
Redundancy Strategy Funding	3,809	5,088	1,279
Budgeted Contribution to General Reserve	500	-	(500)
Total General Fund	**209,165**	**208,665**	**(500)**
Total Housing Revenue Account	**(42)**	**806**	**848**
Total General Fund and Housing Revenue Account	**209,123**	**209,471**	**348**

General Fund Services
The City Council receives and spends money from various sources, but the focus of this section is to look at how it spends its General Fund 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 (collection fund).

In June 2010, the new Government announced in year cuts to public spending of £6.2bn. For Stoke-on-Trent City Council this meant a further in year cut to revenue grant streams of £3.5m.

The impact of the in year cut and other pressures identified by service directorates contributed to a predicted overspend from quarter one onwards. This potential overspend was managed down in order to minimise the impact on future years. Throughout the year the directorates working with their finance colleagues, continued to improve the direction of travel and implemented a series of actions to reduce costs and where possible, increase income. This proactive strategic financial management and controlling the level of expenditure commitment was achieved by a combination of delay, deferment and avoidance of non-essential spend. Strict vacancy management throughout the year also contributed to a reduced spend on salaries.

Savings identified during the budget development for 2011/12 have been implemented early where possible, proactively reducing the revenue base and banking savings prior to the challenges of the new financial year. This included £1.0m of early savings due to the implementation of the senior management restructuring.

The year end position reflects an underspend of £1.3m of which £0.499m has been used to bolster the General Fund non-earmarked reserve. The remaining £0.801m underspend has been transferred to earmarked reserves. A number of new earmarked reserves have been set up for known risks and commitments that will be faced in the future.

The strategy to fund the 2010/11 transformation and redundancy programme was approved by Cabinet before the end of the financial year and included a mandate to borrow earmarked reserves on a temporary basis of up to £25m, with an initial estimate of £17m being required. The £1.3m underspend and additional release of further earmarked reserves that are no longer required, has enabled a reduction to the amount of temporary borrowing required from reserves to meet the costs of redundancy of £14.3m. This is currently planned to be repaid over a five year period but will remain under constant review as part of the overall financial management strategy of the Authority.

The contribution to the General Fund balance of £0.499m is reflected in accordance with current accounting standards in the Comprehensive Income and Expenditure account and Movement in Reserves Statement and summarised in the table below.

General Fund Reserve Movement 2010/11	**Expenditure**	**Income**	**Net**
	£000	£000	£000
Net cost of services as per comprehensive Income and Expenditure Statement	**645,300**	**(479,258)**	**166,042**
Less HRA services share of Corporate & Democratic Core	(409)	-	(409)
Other Operating Expenditure	8,888	(7,035)	1,853
Net operating expenditure	**653,779**	**(486,293)**	**167,486**
Financing and Investment Income & Expenditure	31,358	(1,114)	30,244
Other Revenue income	-	(312,175)	(312,175)
Deficit/surplus for the year	**685,137**	**(799,582)**	**(114,445)**
Adjustments to Comprehensive Income and expenditure under statute (Note 14.01)	49,171	70,957	120,128
Transfers to/from other reserves (excluding Schools)	21,582	(27,764)	(6,182)
Total income/expenditure	**755,890**	**(756,389)**	**(499)**

Council Housing Services

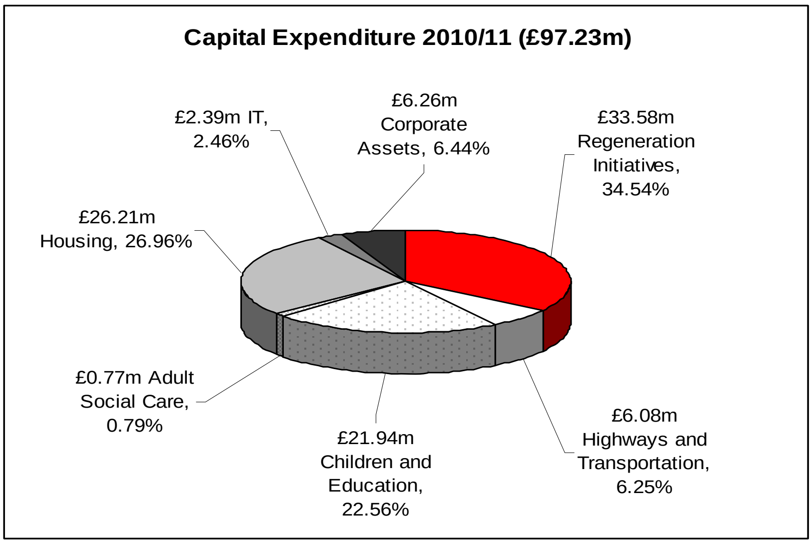
Day to day expenditure on the City Council's housing stock, such as general property maintenance, is funded by tenants' rents and monies received from central government in the form of housing subsidy. By law, these monies can only be spent on council house related matters and not on any other services 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 2010/11 realised a deficit of £0.806m as compared to a budgeted surplus of £0.042m.

Housing Revenue Fund Movement 2010/11	Expenditure	Income	Net
	£000	£000	£000
Net cost of services as per comprehensive Income and Expenditure Statement	**256,172**	**(57,696)**	**198,476**
Add HRA services share of Corporate & Democratic Core	409	-	409
Net operating expenditure	**256,581**	**(57,696)**	**198,885**
Financing and Investment Income & Expenditure	3,891	(124)	3,767
Other Revenue income	-	(149)	(149)
Deficit/surplus for the year	**260,472**	**(57,969)**	**202,503**
Adjustments to Comprehensive Income and expenditure under statute (Note 14.01)	(199,049)	149	(198,900)
Transfers to/from other reserves	-	(2,797)	(2,797)
Total income/expenditure	**61,423**	**(60,617)**	**806**

Capital Expenditure

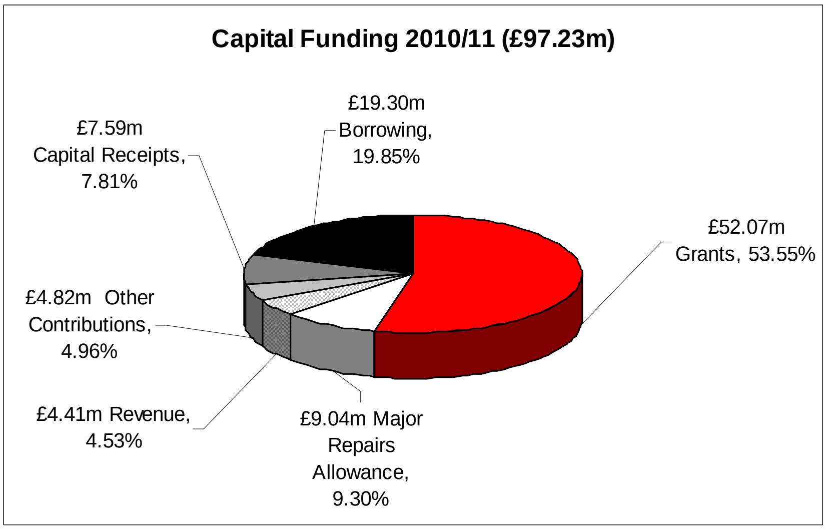
As well as delivering day to day services, the City Council also spends money on capital works which create assets for the Authority such as buildings, vehicles and equipment. These assets provide value and support service provision for the City over a period of time. The Authority has a very ambitious agenda over the medium term to regenerate the City through capital investment in education, infrastructure, housing and private sector led projects. In 2010/11 the City Council spent £97.23m on capital expenditure, which is analysed in the table below.



Note: the figures in the above table represent capital expenditure under the capital investment programme, which excludes capital expenditure funded by finance leases or PFI agreements.

The programmes with the most significant spend in the year include regeneration initiatives for the City Centre (£4.9m); the ongoing development of a country heritage park at Chatterley Whitfield funded by the Homes and Communities Agency (£2.1m); continuing investment through the Renew Housing Pathfinder programme (£19.8m); investment from the Department of Transport into the Cycle City and Local Transport Plan Projects (£6.9m); the Housing Capital Programme (£27.9m); and Education Service development programmes (£17.8m).

The capital programme is funded through a variety of sources as shown in the table below.



Changes in Accounting Policies

The Transition to IFRS for the first time in 2010/11 resulted in significant changes to the Council's accounting policies. This has required the restatement of the opening balance sheet as at 1 April 2009. The impact of these changes is detailed in Section 12 of the Statement of Accounts. Details of the accounting policies adopted are in section 5 of the financial statements.

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 Non-Earmarked Reserve

The City Council's financial strategy includes a determination that the prudent level of General Fund reserve lies between £4.5m and £12.0m, having due regard for the inherent levels of future financial risk. The balance at the start of the financial year of £5.314m was at the low end of the parameters. Despite the significant financial challenges that the Authority faced in year, it has been possible to contribute £0.499m by the end of the year which was in line with original intentions.

General Fund Reserve (Exc. Balances held by Schools)	**Amount £000**
Opening Balance (1 April 2010)	5,314
Contribution 2010/11	499
Closing Balance (31 March 2011)	**5,813**

Despite the financial pressures that if faces, the City Council plans to make a small contribution to this balance in 2011/12 to maintain this general reserve at a level that is considered reasonable and fit for purpose.

Earmarked Reserves

The City Council 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 and detailed in note 14.02.

General Fund Earmarked Reserves	**Amount £000**
Opening Balance (1 April 2010)	72,386
Withdrawal 2010/11	(8,975)
Closing Balance (31 March 2011)	**63,411**

The City Council has adopted an innovative, risk based approach to using a relatively small proportion of these reserves in a planned and managed way in 2010/11 to support its transformation programme. All earmarked reserves are systematically scrutinised to ensure that balances held are relevant and fit for purpose.

Housing Revenue Account Non Earmarked Reserve

The Council planned to make a small contribution to this reserve but in year, financial pressures led to £0.806m of the balance being used to support service provision.

Housing Revenue Account Reserve	**Amount £000**
Opening Balance (1 April 2010)	8,343
Withdrawal 2010/11	(806)
Closing Balance (31 March 2011)	**7,537**

The balance as at 31 March 2011 is held as a general contingency to cater for unseen future items of spend.

The local authority housing finance system will be reformed from 01 April 2012. This will transfer the risks associated with social housing finance from central to local government. Historically the existing the subsidy system has sheltered the Housing Revenue Account from these risks. In addition the reform will create potential opportunities around future proactive asset management and opportunities for development, redevelopment, asset acquisitions and disposals.

To manage the change programme and identify potential risks, opportunities and mitigating action, the Council has established a project team to complete a number of key actions including:

- updating financial modelling,
- consulting tenants, officer and Members, and
- developing the business plan and asset management strategy for the new era.

Net Worth

The net worth of the Council decreased by 5% from £516m to £511m due to the following reasons:

Long term Assets

Councils are required to discount the value of council premises by a 'Vacant Possession' factor set by the Royal Institute of Chartered Surveyors (RICS). In order to bring the discount factor in line with current house prices, the rate set in 2005 to determine the existing use values for social housing was revised in January 2011 and changed from 49% to 34% for the region, thus reducing local council house values by £173m for reporting purposes.

Net Pensions Liabilities

The Council makes contributions on behalf of its employees to the Staffordshire County Council Local Government Superannuation 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 decreased by £181.3m (increase of £222.2m in 2009/10) to £238.4m. As per the Actuary's report, this is principally due to the fact that the financial assumptions at 31 March 2011 are more favourable than they were at 31 March 2010, and pension increases are being linked to the lower Consumer Prices Index (CPI) rather than the Retail Price Index (RPI) from June 2010.

The investment return for Local Government Pension Schemes during 2010/11 was typically in the region of 5-10% (30-40% in 2009/10) as actual returns were greater than the interest on the liabilities. Furthermore, as a result of changes in actuarial assumptions, an £86m actuarial gain (£216m actuarial loss in 2009/10) is reported in the Comprehensive Income & Expenditure Account.

Cash and Cash Equivalents

Cash and cash equivalents increased from £12.2m to £48.3m. In September 2010 the City Council received an early £30m advance in respect of Housing Market Renewal of which £8.4m was retained at the year end. In addition the Council carried forward £13.9m unspent grant for Building Schools for the Future as part of the national funding arrangements for the programme.

Borrowing

The Council has a capital financing requirement of £436.681m 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, is £367.9m. Against this limit, the Council has long term external borrowings of £229.8m at the year end which reflects the current strategy of using cash balances to fund capital expenditure as part of an 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 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. No PWLB loans were entered into during 2010-11 and no PWLB debt was repaid during the normal course of business or as part of any debt rescheduling exercises.

Major Service Developments

Despite the challenges posed by the economic downturn and the impact that this has had on public funding availability, the City Council is continuing to support its ambitious regeneration aspirations for the City. The two largest programmes which support this agenda are Building Schools for the Future and City Renewal.

Future Challenges

In addition to the financial and service challenges already highlighted in this foreword, the Council faces a number of other challenges relating to the way that it reports its financial performance and pension liabilities.

The financial challenges in the public sector have resulted in a review of all public sector pension schemes, specifically their affordability and sustainability and the potential long term implications for taxpayers. Whilst the Local Government Pension Scheme (LGPS) is unique amongst the major public sector schemes in that it is a funded scheme, it is almost inevitable that further reform to close the national funding gap will be implemented.

As a housing authority, the Council is already preparing for the planned reform of the housing subsidy system which will see significant changes to the way that housing services are financed. The new coalition government has also published a raft of proposals and initiatives which will have an impact on Local Government, for example, the Localism Bill and its aims to empower local communities, the review of the regulatory framework and increased transparency requirements. The advent of the Local Enterprise Partnership and in addition the City Council is seeking Enterprise Zone status will mean new ways of working.

Increased demand for services is expected to continue as the country emerges slowly from the recession, however, the need to meet the budget deficit and cuts in public sector funding will have an adverse effect on both our revenue and capital budgets over the next few years. In response, a range of strategic and operational initiatives have already been successfully implemented. The 2011/12 budget round was one of the most challenging on record but one which the City Council tackled openly and with clear priorties. The General Fund budget for the planned period 2011/12 was agreed by Council on 24 February 2011. Budgeted expenditure for the year is £211.741m and budgeted expenditure for the capital programme is £173.193m. The final budget for the Housing Revenue Account for the planned period 2011/12 was agreed by full Council on the 27 January 2011.

The City Council recognises that there is much work to do and is committed to an agenda of modernisation and transformation to continue to improve value in providing services to the people of Stoke-on-Trent. The increasing pressures on public funding will make this challenge more difficult.

Given the national agenda to reduce the budget deficit, the City Council is anticipating further reductions to its available resources and rising expectations from the public regarding the quantity and quality of public services. The City Council has a significant challenge to transform the way it delivers its services to the people of Stoke on Trent. This transformational challenge is one which both Members and officers of the City Council are determined to meet.

As always this Statement of Accounts has been prepared under considerable time constraint with significantly enhanced accounting and reporting requirements. I would like to place on record my appreciation for the hard work and professionalism of everyone involved in its production.

Peter Bates	**Councillor Neil Day**
Assistant Director, Financial Services	**Audit Committee Chair**
(Section 151 Officer)	
Date:	**Date:**

Further information about the accounts is available from:

Stoke-on-Trent City Council
Business Services Directorate
Financial Services Division
Civic Centre, Glebe Street,
Stoke-on-Trent,
ST4 1HH
Telephone (01785) 232615
E-mail: finance @stoke.gov.uk

These accounts 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 accounting statements

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

This report is made solely to the members of 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 Assistant Director, Financial Services (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 Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing 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 accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

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

Opinion on other matters

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

Matters on which I report by exception

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

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

Authority’s responsibilities

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

Auditor’s responsibilities

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

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

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

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

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

In considering the Council’s arrangements for challenging how it secures economy, efficiency and effectiveness I reviewed the arrangements for tendering and procuring supplies and services. There have been a number of positive developments but

- Internal Audit continue to report concerns, the 2010/11 "tender process review” gave an "unsound" conclusion and a follow-up of the May 2010 Contract Governance review (which gave limited assurance) provides a mixed picture of progress;
- the Council has not been able to appoint a new Head of Procurement; and
- there is no single (or small number of) document(s) that outlines where procurement is heading, what success will look like and how it will be measured.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Stoke on Trent City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011 except that it did not put in place adequate arrangements to procure supplies and services.

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

First Floor
No. 1 Friarsgate
1011 Stratford Road
Solihull
West Midlands B90 4EB

30 September 2011

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 29th September 2011.

Councillor Neil Day
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 2011, financial performance and cash flow of the City Council for the year ended 31 March 2011.

Peter Bates
Assistant Director, Financial Services
Section 151 Officer
Date

4. Annual Governance Statement

1. Introduction

1.1 Each year the City Council is required to produce a statement that explains how it makes decisions and manages its resources. This statement complies with regulation 4(2) of the Accounts and Audit Regulations 2011. Stoke-on-Trent City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded, correctly accounted for, used economically, efficiently and effectively.

1.2 The Council is committed to embedding and achieving a robust corporate governance framework. The Council is run within a tight framework set around the Council Constitution, which clearly sets out how the Council operates, how decisions are made and what procedures need to be followed to ensure the Council is efficient, transparent and accountable to its residents.

1.3 The Annual Governance Statement explains what makes up the governance framework and how Stoke-on-Trent City Council intends to monitor, develop and improve its governance arrangements.

1.4 The footnotes provided below and on the following pages are internet links which will take you to the specific documents and web pages.

2. Scope of Responsibility

2.1 The governance framework comprises the systems and processes, culture and values by which Stoke-on-Trent City Council is directed and controlled. This, together with its activities and leadership role, enables it to monitor and manage its performance for delivering cost effective services.

2.2 Effective performance and risk management allows the Council to have increased confidence in achieving its objectives and also allows the people of Stoke-on-Trent to have increased assurance in the Council's governance arrangements and its ability to deliver.

2.3 The Council has established an Audit Committee[1] which has, as part of its function, the responsibility to review and advise the Council as to its corporate governance policies, financial and contract procedure rules, Codes of practice, protocols and statements and any related documents and procedures. In discharging this function, the Audit Committee will ensure compliance with such Codes, protocols, statements and policies as are necessary to meet its responsibilities, which include arrangements for the management of risk.

3. The Purpose of the Governance Framework

3.1 The CIPFA/SOLACE framework (Delivering Good Governance in Local Government), presents the Council with the opportunity to review and test its governance and structures against best practice.

[1] http://www.moderngov.stoke.gov.uk/mgCommitteeDetails.aspx?ID=406

3.2 The CIPFA/SOLACE framework identifies the six core principles of good governance as:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve common aims with clearly defined functions and roles.
3. Promoting the values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of Members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

4. The Governance Framework

4.1 The key elements of the systems and processes that comprise Stoke-on-Trent City Council's governance arrangements are summarised under the following headings:-

4.2 Vision and Values

2010/11 was a year of unprecedented change with a new Chief Executive and new Council Leader embarking on a fundamental Council wide transformation programme and corporate restructure. Specifically for 2010/11, 64 key deliverables for the City Council were agreed and published.

In line with the transformation programme, the existing Council Vision of "excellent services, valued by customers" was reviewed and work commenced on developing a vision and underpinning aims that reflect the needs and ambitions of the city.

This work is progressing and the Councils new vision "Make Stoke-on-Trent a Great Working City" and supporting aims are near completion for adoption by the new Cabinet and Council in 2011/12.

4.3 Corporate Plan 2009/12

As a result of the transformation programme and changing agenda, the 2009/12 corporate plan was reviewed and the 64 key deliverables were agreed by Cabinet. Progress against the delivery of these key deliverables was reviewed quarterly by Cabinet. By the end of the financial year 2010/11, 58 had been delivered to deadline. Full details of these will be published in the near future.

4.4 The Community Strategy

The Community Strategy 2004-2014[2] sets out an ambitious vision and clear aspirations for the City. This document was updated in 2008. The Community Strategy Delivery Plan Update 2008[3] reflects the work done at that stage around priorities in the Local Area Agreement (LAA). The Local Area Agreement, and the delivery plans in place around each of the agreed targets, is owned by the Local Strategic Partnership (LSP). The Council is the accountable body and the lead partner in the LSP and for the LAA. The priorities in the Community Strategy Delivery Plan Update 2008 are:-

1. Worklessness
2. Vulnerable Children and Families
3. Vulnerable Young People
4. Vulnerable Adults
5. Vulnerable Older People
6. Regeneration

4.5 Partnerships

The new Coalition Government quickly made clear that a new set of arrangements based on its Localism agenda would be required. During the summer of 2010, the Council, with its partners, undertook a complete review of the existing Local Strategic Partnership (LSP) structures, with a particular focus on purpose, governance, simplification of process and the reductions of the numbers of meetings and groups.

4.6 This process was reported to the LSP Board which agreed with the outline recommendations put before it in December 2010. Further work to develop the proposed arrangements was undertaken, extra attention was given to incorporate the two newly emerging groups, the Local Enterprise Partnership[4] and the proposed Health and Wellbeing Board and also to mirror our arrangements with the proposed structure across Staffordshire

4.7 The framework describing these new arrangements is being considered by the Cabinet of our new administration at the end of June 2011.

4.8 Codes of Conduct

The Council has a Code of Conduct[5] governing relations between Members and Council employees, and a Code of Conduct for Members, which sets out rules governing behaviour. All elected, co-opted and independent Members are covered by the Code. Stoke-on-Trent City Council adopted a Code of Conduct, incorporating the mandatory provisions of the Model Code of Conduct prescribed by the Secretary of State for Communities and Local Government, with effect from 30th September 2007. This was updated in 2008 and is incorporated into the Constitution. Training is provided to all Members through a structured programme of learning and development.

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[2] http://www.stoke.gov.uk/ccm/cms-service/stream/asset/?asset_id=94494
[3] http://www.stoke.gov.uk/ccm/cms-service/stream/asset/?asset_id=94495
[4] http://www.stokestaffslep.org.uk/
[5] http://www.moderngov.stoke.gov.uk/mgConvert2PDF.aspx?ID=27333

4.9 The Council also has a Code of Conduct for officers, which includes the requirement to make declarations of interest and to declare gifts and hospitality. The Code and the Council's policies and procedures are communicated via corporate induction sessions and are available on the Council's intranet site. Regular bulletins are issued to staff reminding them of their responsibilities.

4.10 Stoke-on-Trent City Council's Standards Committee[6] is responsible for helping Members to adhere to the Members' Code of Conduct (follow the link to the Members' Code of Conduct in Part 5 of the Council's Constitution[7]).The Code of Conduct covers areas of Members' individual behaviour such as:

- Disclosure of personal or prejudicial interests in the business of the authority
- Improperly gaining an advantage through their position as an Elected Member
- Treating others with respect
- Disclosure of confidential information

4.11 The Code of Conduct clearly sets out the standards expected for Elected Members to ensure they operate in a clear, transparent manner and treat each other, and members of the public, with respect and courtesy. From 8th May 2008, the Standards Committee has had the responsibility for considering complaints that an Elected Member may have breached the Code of Conduct.

4.12 **Performance Management**

Stoke-on-Trent City Council ensures continuous improvement in the way in which its services are provided, and follows a robust performance management framework. Directorate Performance Boards are held monthly and a comprehensive review of performance and finance information is undertaken by Cabinet on a quarterly basis via the Quarterly Business Review. The Quarterly Business Review process rigorously prioritises resources by questioning and challenging the need for services, the method of provision, value for money, management of risk and their partnership impact.

4.13 Performance management arrangements in the City Council and the reporting of performance management continue to strengthen. The changing national agenda has enabled a shift away from central government data requirements to allow a greater emphasis on developing the local information needed to improve and re-shape our services. A comprehensive process of service re-design has been undertaken with a number of key front line services using a systems thinking approach. This has enabled the development of an improved set of measures, to ensure service managers have the key performance information they need to improve and develop their service on a daily basis, with the customer at the heart of the service. The governance framework ensures that officers and Members are fully involved via Cabinet, Corporate Directors' Board, and Overview and Scrutiny Committees. As the City Council moves towards the second year of lean systems interventions, a new Transformation team is being established and work towards a wider Transformation Governance Structure is underway. The Council's Performance Management Framework identifies clear timescales for reporting and

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[6] http://www.moderngov.stoke.gov.uk/mgCommitteeDetails.aspx?ID=116
[7] http://www.moderngov.stoke.gov.uk/mgConvert2PDF.aspx?ID=27333

recording of performance information and sets out how we effectively manage performance focussing on ownership, accountability, managing risk and data quality. A separate Data Quality Framework links closely to the Performance Management Framework and provides detailed guidance and information for staff on maintaining and developing effective data quality.

4.14 CIVICA Financials provides a fully integrated suite of systems, and was introduced to yield significant improvements in the effectiveness of the Council's financial management processes. A rigorous system of monthly financial monitoring ensures that any significant budget variances are identified in a timely way, and corrective action is initiated. Regular reports are provided to Cabinet, Corporate Directors' Board, directorate management teams and included in budget and service review meetings. Updates are also presented to Overview and Scrutiny committees on a quarterly basis.

During 2010/11, the Civica Authority Web was made available to budget holders across the City Council. This module enables real time budget and expenditure information to be viewed by all across the intranet on their desk tops. Along with the training programme, this has put in place the relevant tools needed to strengthen the accountability and responsibility of budget holders.

4.15 **Statement of Accounts**

The revised Accounts and Audit Regulations, which came into force on 15th March 2011 specify that a local authority must produce a Statement of Accounts that is signed and dated by the responsible S151 officer certifying that it presents a true and fair view. This should be done no later than 30th June immediately following the year end; and will be approved by a resolution of an appropriate committee no later than 30th September immediately following the year end. In the City Council's case this responsibility falls within the remit of the Authority's Audit Committee. The purpose of the Council's Statement of Accounts is to summarise the financial performance for the year and the overall financial position of the City Council at the financial year end. The accounts are subject to independent audit within defined standards and are subsequently published and made available via the City Council's website. This is an essential feature of public accountability and stewardship as it provides an annual report on how the Council has used the public funds for which it is responsible.

4.16 Information is also provided in the Council's publication, Our City, giving a financial summary of the Council's accounts for the financial year, summarising the cost of providing services during the year, where the money came from, and what assets and liabilities the Council has.

4.17 **Constitution**

The Council's Constitution[8] sets out the responsibilities of both Members and senior managers. The Constitution is kept under review by the Assistant Director, Legal Services [the Council's Monitoring Officer] and the Assistant Director, Member Services, and is available on the intranet and external web pages. Under the current constitutional arrangements, the Executive is made up of the Leader and Cabinet. Each Cabinet Member has an individual area of responsibility, also known as his/her portfolio.

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[8] http://www.moderngov.stoke.gov.uk/mgConvert2PDF.aspx?ID=27323

4.18 All the terms of reference of the various committees are set out within the Constitution. From 2011/12 there will be four Overview and Scrutiny Committees, covering all portfolios. A Constitutional Review Group is responsible for reviewing the constitutional arrangements and reports to Council.

4.19 The Council has identified the three statutory posts with responsibility for governance as follows:-

Statutory Post	**Post within current structure**
Head of Paid Service	Chief Executive
Chief Financial Officer and s151 Officer	Corporate Director of Business Services
Monitoring Officer	Assistant Director Legal Services

4.20 **Scheme of Delegation, Financial Regulations and Contract Procedure Rules**

A Scheme of Delegation sets out the powers of Directors, whilst the Financial Regulations and Contract Procedure Rules form part of the Constitution. These documents are comprehensively reviewed on a regular basis by a joint Member/officer working group.

4.21 **Compliance with laws, regulations and internal policies**

The Council's Constitution sets out the framework for decision making and the formal reporting of those decisions. Decision-making is underpinned by a framework of policies, plans and strategies. These are referred to as the Budget and Policy Framework and are identified in the Constitution.

4.22 The Standards Committee[9] comprises of three councillors, each from a different political group, and six independent Members who are not councillors or officers of the Council. The Committee will, in conjunction with the Monitoring Officer, either undertake investigations into alleged breaches of the Code or deal with referrals from Standards for England. The Committee is chaired by one of the independent Members. The Committee also issues local Codes of guidance from time to time, such as a Code on Criminal Records Bureau checks and guidance on dealing with planning and licensing determinations.

4.23 **Audit Committee**[10]

An Audit Committee provides an independent assessment of the Council's risk management arrangements and systems of internal control, and the effectiveness of these arrangements.

4.24 **Internal Audit and Risk Management**

The City Council has a strong Internal Audit function and well-established protocols for working with External Audit. The Audit Commission also reviews compliance with policies, procedures, laws and regulations within their remit.

[9] http://www.moderngov.stoke.gov.uk/mgCommitteeDetails.aspx?ID=116
[10] http://www.moderngov.stoke.gov.uk/mgCommitteeDetails.aspx?ID=406

4.25 The arrangements for the provision of Internal Audit are contained within the Council's Financial Regulations which are included within the Constitution. As at the 31 March 2011, the Assistant Director, Financial Services, as interim Section 151 Officer is responsible for ensuring that there is an adequate and effective system of Internal Audit of the Council's accounting and other systems of internal control, as required by the Accounts and Audit Regulations 2011. Internal Audit operates in accordance with the CIPFA Code of Practice for Internal Audit in Local Government 2006.

4.26 The Internal Audit Plan is prioritised by a combination of key internal controls, assessment and review on the basis of risk and the Council's corporate governance arrangements, including risk management. The work is further supplemented by reviews around the main financial systems, scheduled visits to Council establishments and the ongoing development of proactive fraud work. The resulting work plan is discussed and agreed with Directors, the Audit Committee and shared with the Council's external auditor. Regular meetings between internal and external audit ensure that duplication of effort is avoided. All audit reports include an assessment of the adequacy of internal control and a prioritised action plan to address any areas needing improvement where for example, controls need to be improved or the overall control environment strengthened. These are submitted to Members, Directors, and other officers as appropriate.

4.27 The City Council has had a risk management strategy since 2004 and this is regularly updated. The Medium Term Financial Strategy[11] identifies risks associated within the budgetary process and the approach to financing those risks. Leadership is provided to the risk management process by the Assistant Director, Financial Services and the Chair of the Audit Committee, (the Lead Supporting Member for the management of risk). The City Council has approached the embedding of risk management in accordance with best practice guidance as a "top down" process, with a Strategic Risk Register supported by operational programme and project risk registers.

4.28 **The System of Internal Control**

The system of internal control is an important element of the governance framework and is designed to manage risk to a reasonable level. It cannot, however, eliminate all risk of failure to achieve policies, aims and objectives, and can therefore only provide reasonable and not absolute assurance. The system of internal control is designed to:

- Identify and prioritise the risks to the achievement of the Council's policies, aims and objectives,
- To evaluate the likelihood of those risks being realised and the impact should they be realised, and
- To manage them efficiently, effectively and economically.

4.29 The system of internal control is subject to continuous review. The City Council continues to enhance and strengthen its internal control environment through regular management reviews, independent assessments by internal and external

[11] http://www.stoke.gov.uk/ccm/cms-service/stream/asset/?asset_id=81416

audit, and by the refreshing of policies and procedures. The City Council has completed the transfer of the Information Security and Records Management services from the former Information Governance team into Business Technology to provide an integrated governance function. This team can now focus specifically on information management issues whilst still retaining a governance role around information in all formats.

4.30 **Confidential Reporting and Fraud Initiatives**

The Council has a corporate fraud function and a corporate strategy for the prevention and detection of fraud and corruption. The main areas of work are Benefit fraud, Council Tax Single Person Discount Fraud and Living Together Fraud. A new area of work being developed in 2011//2012 is Housing Tenancy Fraud. Results of fraud investigations are publicised on the internet and in the local media to promote the Council's approach. The Council participates in the National Fraud Initiative (NFI), the latest one being NFI 2010. This is a data matching exercise led by the Audit Commission and designed to detect fraud perpetrated against public bodies. Regular updates on the results of these exercises are provided to the Audit Committee. A key part of the Council's counter fraud arrangements is the confidential reporting procedure (also known as the whistle blowing procedure) which provides staff with a way to report their concerns.

4.31 **Corporate Compliments, Comments, and Complaints**

The Council has an established corporate compliments, comments and complaints process[12]. This provides a mechanism for members of the public to register their view on the quality of the customer service they receive. There are three stages to the complaints procedure. The process provides for the complaint to be escalated if the person making the complaint is unhappy with the outcome. The Adult and Children Social Care services both have their own statutory complaints procedures. In 2010/11 the City Council received the following corporate and statutory compliments, comments and complaints:

Description	Number
Comments	398
Compliments	1,585
Stage 1 complaints	2,750
Stage 2 complaints	175
Stage 3 – Review Panels	1

4.32 Ultimately the matter can be reported to the Local Government Ombudsman for a final decision. The Council receives an annual report from the Ombudsman[13] setting out the number and nature of complaints received about Stoke-on-Trent City Council and the Ombudsman's decisions regarding these complaints.

4.33 From April 2010 a new two stage procedure was introduced for Corporate Compliments, Comments and Complaints. All compliments, comments and complaints are acknowledged by the Customer Feedback Team within two working

[12] http://www.stoke.gov.uk/ccm/navigation/council-and-democracy/have-your-say/customer-feedback/;jsessionid=aMDhCWAiWDjb
[13] http://www.lgo.org.uk/documents/annualreview/2010/stoke-on-trent.pdf

days. Stage 1 has a response timescale of 10 working days; the investigation is carried out by the manager of the relevant service. Stage 2 has a response timescale of 20 working days; the investigation is carried out jointly between the Assistant Director and a Complaints Investigation officer from the Customer Feedback Team. The next stage for the customer is the Local Government Ombudsman. The Statutory Adult Social Care and Children's Social Care Compliments, Comments and Complaints procedures remain unchanged. If the Ombudsman carries out an investigation into a complaint, they issue a report. The Ombudsman's Annual Report for 2010/11 will be published on the Council's website.

4.34 **Training and Development**

The Council recognises that its staff are central to its success. In order to ensure successful service delivery, in 2008 it launched the People Management Strategy. A new People Management Strategy was then developed to cover a 4-year period 2009/13.

4.35 For our Elected Members, the Council produces an annual Learning and Development Plan. A calendar of training events and workshops supports this. This has strengthened working relationships between Members, the Corporate Directors Board and staff through away day events and monthly councillor forums and continues to enhance the Council's decision-making capacity and capability.

4.36 **Communication and Community Engagement**

The Council recognises that community engagement is essential to secure sustainable improvements in public services. The Stoke-on-Trent Community Engagement Framework ensures that everyone has the opportunity to be involved in the decision making process. The overarching vision for community engagement in Stoke-on-Trent is: "people must be put first; they must be listened to; learned from; and changes made as a result, to deliver excellent services". We have already achieved a number of targets, including:

- Gaining agreement with partners (in the Local Strategic Partnership) that engagement will be handled between partners in a structured, systematic and co-coordinated manner
- Setting up a partner steering group
- Developing discussions with the VCS (Voluntary or Community Sector) and produced a new plan for working more effectively together.
- Highlighting where there are gaps in engagement
- Completing a detailed audit of 200 engagement groups and for operating across the city.
- Helping, (by March 2010), 65 of these to complete a self-assessment of their effectiveness.
- Using these items to understand which engagement activities are effective and appropriate.
- Started to redesign how partners, particularly the Council, might engage with its customers more effectively.

4.37 **On-going Changes**

A review carried out by the Governance Commission in 2007 looked at the way in which the City would be politically governed in the future. The Commission's report[14] (published in May 2008) contained 14 recommendations. The changes implemented through the recent local elections saw the achievement of the final recommendations as set out by the Governance Commission.

4.38 As part of on-going self-assessment and review the Council is continually monitoring and measuring its performance. For 2010 it identified a number of areas against which progress is shown below.

Areas identified for improvement	Progress
Implementation of a Transformational Change Programme to improve customer outcomes and release major efficiencies and savings	The transformational change programme was implemented in 2010/11 with nine System Thinking interventions started, four are now fully implemented and the remainder are at different stages of their development. The interventions have delivered improved services to customers and reduced costs. The intervention programme will be continuing in 2011/12 as part of the City Councils wider transformation plan to deliver its mandate for change.
A fundamental review of its corporate priorities	A fundamental review of corporate priorities was undertaken in 2010/11, the resulting 'Mandate for Change' shows a significant shift from the previous priorities. The mandate for change will be launched to all stakeholders in July 2011 by the leader of the Council.
The continued review of the Council's Constitution through a Member/Officer Review Group	Constitution reviewed on on-going basis by Constitutional Review Group comprising senior officers and Member representation from all Political Groups.
Ongoing training for Members and regular review of the 'Member and Officer Relations Code'	Full induction program for new Members delivered including Code of Conduct training. Over 60 Learning and Development sessions delivered covering finance, register of interests, decision making and chairmanship skills, for example.
Intensive service review programme to monitor and examine the Council's financial position. Early review of the Medium Term Financial Strategy in order to consider the effects of the current financial climate, including implementing measures to support the local economy in dealing with the impact of the economic downturn	Strategy to fund the 2010/11 transformation programme approved by Cabinet before the year end. All services vigorously examined to lay down foundations for change including restructure of the senior management team which realised £1m of early savings.

[14] http://www2002.stoke.gov.uk/transition_board/Governance%20Commission%20Report.pdf

Areas identified for improvement	Progress
Ongoing integration between performance, finance and risk. Responsibility for these functions was consolidated under the Director of Business Services in 2009 and the way in which reports are provided is being reviewed	Quarterly Business Review conducted providing a regular update of progress against the delivery of key priorities, bringing together performance, finance and risk. Presented quarterly to Cabinet, Corporate Directors' Board and Overview and Scrutiny Committees. Information also made publicly available via the internet.
Introduction of a Procurement Governance Framework	A number of measures have been taken to improve governance including: Strengthening the central Corporate Procurement Team by putting in place a new structure of professionally qualified procurement officers. This is intended to create a focal point for procurement across the City Council to lead the development and spread of good practice in this discipline. An increasing amount of the Council's contracted spend is being dealt with by the central team. The introduction of a category management approach in the central procurement team to allow a more in-depth review of spend areas including existing contractual arrangements thereby making improvements and savings for the Council. The introduction of a Corporate Contracts Register to give visibility of all contracts negotiated thus promoting transparency. An on-going intervention is taking place into procurement across the City Council using a systems thinking approach. This includes the review of tender processes with a view to improving procurement governance.
Improvements to the compliments, comments and complaints procedure	From April 2010 a new two stage procedure was introduced to manage compliments, comments and complaints received by the City Council. This has reduced the timescales for dealing with complaints and improved accessibility.
The introduction of Accountability Agreements for Directors and Heads of Service in respect of Finance and Performance	Accountability Agreements were successfully introduced for the first time in 2010/11. This involved the clear definition of roles and responsibilities for Directors and Heads of Service, including the delivery of both revenue/ capital budgets and savings plans in conjunction with their respective finance leads.

Areas identified for improvement	Progress
Development of a Finance and Performance Toolkit and the publication of a Budget Book for 2010/11. Quarterly Business Review presented by Assistant Directors to Cabinet and CDB in terms of governance and monitoring performance	The 2010/11 Budget Book was published on line and made available to the public. Quarterly Business reviews were implemented as planned and are presented quarterly to Cabinet, Corporate Directors' Board and Overview and Scrutiny Committees.

4.39 **Improvements for the Future**

Moving towards the future, we have to be mindful of the raft of proposals and initiatives which will have an impact on Local Government. For example, the Localism Bill and its various aims to empower local communities and the review of the regulation framework, as well as increased transparency requirements, will mean our arrangements will need to be revised. There is also the transfer of public health and this will bring new rules and responsibilities. The advent of the Local Enterprise Partnership and possible Enterprise Zone will mean new ways of working, but there will need to safeguard the public purse as well as ensuring a proper democratic oversight. Finally we anticipate that the coalition government will review the need for a community strategy, Local Strategic Partnership and national indicators leaving more responsibility with local authorities.

4.40 Performance management arrangements in the City Council will continue the move towards greater emphasis on developing local information to improve and re-shape services. As the City Council moves towards the second year of lean systems interventions, a new Transformation team has been established and work towards a wider Transformation Governance Structure is also underway.

4.41 Following completion of the corporate restructure the management of information security practices is being reviewed. In particular the way security policy is developed and risks assessed is being overhauled. To this end a small security forum is being created which will report in to the now established ICT Governance Board, therefore streamlining the route by which senior management provide a steer on information security.

5. Review of Effectiveness

5.1 Review of the Governance Framework

A working group, (originally set up in December 2007) continues to review the governance framework.

5.2 The Audit Committee has responsibility for conducting an annual review of the effectiveness of the governance framework, including the system of internal control. The review of effectiveness will be informed by:

- Council officers, responsible for the development and maintenance of the governance environment
- The Audit Services Manager's annual report
- Comments and observations made by external auditors and external review agencies and inspectors

5.3 The initial review was conducted in accordance with the following plan:

- A corporate officer group was appointed to review the governance arrangements and test the systems, processes and strategies in the light of the six core principles of good governance
- A work plan identifying specific tasks, timescales and responsibilities was produced and a communications strategy is being developed to steer the process of embedding new arrangements
- Responsible officers from across the Authority were requested to provide the evidence required to ensure compliance with the necessary Codes, protocols, statements and policies
- The Members of the Audit Committee receive annual training to enable them to undertake their required responsibilities
- Elected Members review the draft Annual Governance Statement
- The Audit Committee receive the Annual Governance Statement, noting the significant governance issues requiring attention and agreeing a plan to address areas needing further work to ensure that continuous improvement of corporate governance is in place

5.4 The City Council's review of the effectiveness of the system of internal control is informed by:

- Directorate assurance based on management information, performance information, officer assurance statements and Scrutiny reports
- The work undertaken by Internal Audit during the year
- The work undertaken by the External Auditor reported in their annual audit and inspection letter
- Other work undertaken by independent inspection bodies

5.5 The annual report of the Audit Services Manager summarises the audit work undertaken during 2010/11. Of the 10 areas originally assigned a limited level of assurance during the year, three systems [Tender Processes, Creditor Payments and Records Management] were considered to have significant weaknesses which impact on the control environment. The recommendations made in these audits are being addressed by appropriate officers and action plans have been prepared setting out all actions to be completed. From the work undertaken in 2010/11 by Internal Audit, the Audit Services Manager was able to give the following assurance:

"I am able to provide an opinion regarding the Council's control environment that the level of assurance on the adequacy and effectiveness of the City Council's control environment is Marginal for the 2010/11 financial year.

6. Significant Governance Issues

6.1 During 2010/11 the Council initiated a thorough investigation into issues regarding procurement practices relating primarily to demolition contracts and estate management works. In addition to this, work has also been underway to review the corporate procurement strategy; where appropriate, the review of policies and procedures will reflect the findings of the investigation and if appropriate will be incorporated into the renewed strategy. Once complete the results will be reported to the appropriate arena.

7. Signature

7.1 We have been advised on the results of the review of the effectiveness of the governance framework by the Audit Committee. A plan to address areas needing further work to ensure continuous improvement of the arrangements is in place and will continue to be addressed.

7.2 Over the coming year, we will address the identified weaknesses within the Council's governance arrangements and will monitor the implementation of recommendations to improve and enhance the arrangements as part of our next annual review.

Signed:-

Leader ……………………. ……………………………. Date:

Chief Executive ………………… … … … … … … … … Date

Section 151 Officer…………………………. … … … … Date

Monitoring Officer……………………………. … … … … Date

5. Statement of Accounts Policies – for 2010/11 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 2010/11, 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 under the historical cost convention, modified to account for the revaluation of certain classes of property, plant and equipment, intangible assets where there is an active market, inventories and certain financial assets and financial liabilities.

2. **Changes in Accounting Policies**
   The City Council's accounts have, for the first time, been prepared based upon International Financial Reporting Standards (IFRS) as modified and required by the Code. As a result, a number of Accounting Policies have changed and those with a significant impact on the Council's financial statements are identified below. These changes have been applied retrospectively (and thus the accounts restated as if the new policies had always applied) except where exemption from retrospective application is required by the Code. These exemptions together with other exemptions from the requirements of IFRS 1 are, where significant, listed below.

   Significant Exemptions

   - IFRS 1 requires reconciliations of net worth and income and expenditure reported under the previous accounting policies to that as restated under IFRS for the prior year(s). Only material differences are required to be disclosed under the Code.

   - The depreciated historical cost of an asset at 1 April 2009 is deemed to be that as reported at 31 March 2009 under the 2009 SORP.

   - In adopting IFRIC 4 *Determining Whether an Arrangement Contains a Lease* arrangement existing at 1 April 2009 were assessed based upon the facts and circumstances at that date. Where a lease was found to exist it was accounted for retrospectively from its commencement.

   - The requirements of the Code in relation to accounting for components of assets separately have been applied prospectively to enhancements, acquisitions and revaluations from 1 April 2010.

   - Transitional arrangements within IFRS 1 in relation to financial instruments have not been applied as these have already been applied when the equivalent standards under the SORP were adopted.

   Significant Policy Changes

   - Presentation of Accounts: the format of the primary financial statements has changed and there is additional disclosure of operating segments.

- Property Plant and Equipment: the classification of assets within categories has changed and all impairment losses are now initially taken to the revaluation reserve where one exists.

- Investment Property: investment property is now valued at fair value, with gains and losses recognised in Surplus or Deficit rather than through the revaluation reserve.

- Non-current Assets Held for Sale: a new category of asset has been established valued at the lower of previous carrying value and fair value less costs to sell.

- Government Grants: grants and contributions for capital purposes are now recognised as income immediately rather than being deferred and released to revenue to match depreciation.

- Lease and lease type arrangements: the criteria for classification of leases and other arrangements as a finance lease have changed and property leases are classified and accounted for as separate leases of land and buildings.

- Short term employee benefits are now recognised in the period in which the service is received from the employee thus requiring the accrual of leave earned but not taken at the end of the period.

The pension increase assumption this year is in line with the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI). This is as a result of the Emergency Budget announcement in June 2010. The CPI assumption is calculated as RPI less 0.8% p.a. In previous years the pension increase assumption was in line with the assumption for RPI. This change in pension increase assumption is regarded as a change in benefit and is therefore treated as a past service credit. The current service cost and the interest cost have been split to allow for this benefit change from 22 June 2010. This approach is in line with CIPFA/Audit Commission recommendations.

The impact of the changes on last year's financial statements and on the opening Balance Sheet is, where material, disclosed in Note 1 to the Statement of Accounts. The new Accounting Policies are, where significant, disclosed below.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the City Council's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. 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 judgements, 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.

PFI schemes

The assessment of PFI schemes and other arrangements; whether they fall within the scope of IFRIC 12 and if so the determination of control over the related assets to establish whether they are included or excluded from the Council's balance sheet.

Provisions

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.

Leases
The assessment of the risks and rewards of ownership and control of assets in lease and similar arrangements under IAS 17 and IFRIC 4 to determine whether arrangements should be treated as finance or operating leases.

Schools
The Council's schools are run under a number of arrangements including as Foundation 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 Council's balance sheet.

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 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.

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.

4. 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.

Intangible assets, which are currently represented by software licenses, are amortised on a straight line basis over the life of the licenses ranging over a number of years dependent on the license agreement. 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.

5. <u>Property Plant and Equipment</u>

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 on schemes that span years or are part of a programme that relates to a number of assets that in totality are above the de minimis levels qualifies as capital spend.

If expenditure is determined not to add value to an asset and the asset is held at current value the expenditure is 'impaired' and taken to the Comprehensive Income and Expenditure Statement

Assets not previously identified on the Council's Balance Sheet have been recognised with a full revaluation.

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.

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.

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 is disposed of or decommissioned the gain or loss on disposal, being the difference between the net disposal proceeds, if any, and the 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 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 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 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.

6. Investment Property
Investment property is generally property held solely to earn rentals and/or for capital appreciation but also includes land held for a currently undermined future use, and some operational properties that are mainly held for the purpose of generating rentals. The property is accounted for in accordance with accounting policy set out for property, plant and equipment.

7. 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, which is 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 profit or loss arising 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

8. 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.

9. 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).

10. Government Grants and Contributions
Whether paid on account, by installments 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 a Receipt in Advance.

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) are credited to the foot of the Comprehensive Income and Expenditure Statement after Net Operating Expenditure.

11. 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. 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 bad and doubtful debts in the General Fund and Housing Revenue Accounts.

12. 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.

13. Reserves

The City Council sets aside specific amounts as reserves for future policy purposes or to cover unexpected events/contingencies. This is carried out by transferring amounts from the Council's revenue accounts to a reserve account. 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
- General Reserve, which is set aside for future general use

Certain reserves are kept to manage the accounting processes for non-current assets and retirement benefits. These do not represent usable resources for the City Council.

14. 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.

15. Support Services

The management and administration costs of the City Council are allocated to revenue and capital accounts on an appropriate basis to accord with CIPFA's Best Value Accounting Code of Practice, 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.

16. 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 expenditures expected to be required to settle the obligation.

17. 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 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.

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 recognised as an expense 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. Finance lease income is allocated to accounting periods so as 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.

18. 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 when the City Council is committed to paying them, even if the actual payment may be made many years in the future. The fund assets and liabilities attributable to City Council Members of the scheme 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 as an item of other comprehensive income. 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 this year is in line with the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI).

19. <u>Financial Instruments</u>

Financial Instruments are defined as any contract that gives rise to a financial asset of one body and a financial liability of another. Assets and liabilities are potentially financial instruments even if 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 recognized;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

A. Financial Assets

The City Council has a number of investments that are financial assets. Financial assets are classified in the accounts into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments or to the fair value through profit or loss category.

i. Loans and Receivables

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 derecognition 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.

ii. Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the City Council.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the through the Movement in Reserves Statement. The exception is where impairment losses have been incurred – these are debited to the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Reserve.

B. 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. We have based our fair value 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 repurchase or early settlement of borrowing are credited/debited to Net Operating Expenditure in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase 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 Statement of Movement on Reserves.

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.

20. Interests in Companies

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

21. 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 – 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 Unitary Charges) 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.

22. Foundation Status Schools & Academy

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. 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. 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.

23. Collection Fund

The collection of Council Tax is, as identified in the Code, in substance, an agency arrangement for both billing authorities and major preceptors. The 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 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.

24. Housing Market Renewal

Stoke-on-Trent City Council is the accountable body of the RENEW North Staffordshire Pathfinder project. Through partnering arrangements, RENEW aims to promote and create housing renewal which is linked closely to complementary strategies for transport, economic development and planning.

There are two types of asset RENEW has an interest in: assets which the City Council has a 100% interest in, and those where its interest is less than 100%. In the case of the latter, various Registered Social Landlords (RSLs) (and other third parties), have been advanced money, hence the City Council retains an interest in the property and it will either return to the City Council at a later date, or be disposed of. Where the 100% interest applies, such assets are treated as property, plant and equipment, otherwise the advanced money is treated as revenue expenditure funded from capital under statute – capital expenditure on an asset the City Council does not own.

As the accountable body, the City Council accounts for all assets, liabilities, income and expenditure in its results and balances within the Statement of Accounts.

25. Equal Pay

Where the City Council's liability in respect of equal pay legislation has been agreed and paid before 31 March 2011 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.

For other potential material liabilities where the timing or amount to be paid is uncertain, a provision has been established in line with proper accounting practice. This provision is based on the best estimate of the gross payments to individuals that may be required to settle the present obligation at the Balance Sheet date. The total liability includes an estimate for employer's superannuation and national insurance costs.

Proper accounting practice requires that a provision must be established and reviewed annually for any material liabilities where the timing of the transfer of economic benefit or the amount to be transferred is uncertain. At the Balance Sheet date, the City Council held certain outstanding equal pay claims, the majority of which are likely to take several years to settle. Where it is not possible to quantify amounts that may or may not be payable, such claims are disclosed as a contingent liability. Where a settlement amount can be reliably estimated a provision has been made, even though the City Council may be defending the associated claim.

26. National Non-Domestic Rates (NNDR)

Income and Expenditure Treatment

The Council is the billing authority for National Non-Domestic Rates (NNDR). NNDR income is not the income of the 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 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 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.

27. Cash and Cash Equivalents

Cash is 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 Statement of Cash Flows, 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.

28. Minimum Revenue Provision

Local authorities are required to set aside from their General Fund revenue account a regular provision for repayment of debt, know 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 2011 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 s106 monies 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.

29. 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 present value.

30. 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 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 & approve the audited statement of accounts, which is then signed & dated by the Chair of the meeting, no later than 30th September.

Post Balance Sheet Events

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.

6. Accounting Standards that Have Been Issued but Not Yet Adopted

The Authority has not yet adopted FRS 30 *Heritage Assets*, which was issued by the Accounting Standards Board (ASB) in June 2009. Heritage assets are to be recognised as a separate class of assets for the first time in the 2011/12 financial statements, in accordance with FRS 30.

Assets expected to be reclassified as heritage assets were carried in the Authority's financial statements for 2010/11 at £20.7m, being identified as Community Assets within the Property, Plant and Equipment classification. Revaluation gains and losses to be recognised on reclassification of these assets, the resultant revaluation gain or loss and changes to depreciation and impairment expected to be recognised in 2010/11 are not yet known or reasonably estimable, given the nature of the assets in question.

The Authority has not elected to measure community assets at valuation.

7. Critical Judgments in applying Accounting Policies

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

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

- The 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 now been granted to the Authority in respect of its deposits.

  This positive outcome means that up to 94.86% of the Authority's investment and interest is expected to be repaid, and this is the level at which the investment is held in the Authority's books. The preferential status, however, may be subject to further appeal from other creditors with deposits in the bank. Should the value of the bond which is in place to cover the bank's liabilities remain at its current level, the total assets of Landsbanki would only cover around one third of the bank's liabilities. Consequently, should further legal challenges be successful, creditors such as the City Council may only get 34p for each pound invested.

- 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 £161,300,000) are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.

8 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.

2010/11	**Note**	**General Fund Balance £000**	**Useable Capital Receipts £000**	**Housing Revenue Account £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied £000**	**Other Earmarked Reserves(incl schools) £000**	**Total Useable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Balance at 31 March 2010 brought forward		**5,314**	**7,777**	**8,343**	**50**	**1,251**	**72,386**	**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	14.01	(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	14.02	6,182	-	2,797	-	(4)	(8,971)	4	-	4
Increase / Decrease in Year		499	(2,268)	(806)	-	14,224	(8,975)	2,674	(7,678)	(5,004)
Balance at 31 March 2011		**5,813**	**5,509**	**7,537**	**50**	**15,475**	**63,411**	**97,795**	**413,261**	**511,056**

Note 8 cont'd

2009/10	Note	General Fund Balance £000	Useable Capital Receipts £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Other Earmarked Reserves(incl schools) £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Carried Forward at 31 March 2009		**4,706**	**9,808**	**5,324**	**50**	**1,600**	**74,580**	**96,068**	**724,626**	**820,694**
Prior Period Adjustment /change in accounting policy		(1)	-	-	-	-	14	13	(98,025)	**(98,012)**
Brought Forward Balance at 31 March 2009		**4,705**	**9,808**	**5,324**	**50**	**1,600**	**74,594**	**96,081**	**626,601**	**722,682**
<u>Movement in Reserves During 2009/10</u> Surplus or (deficit) on provision of services (accounting basis)		619	-	(2,056)	-	-	-	(1,437)	-	**(1,437)** -
Total Comprehensive Expenditure and Income		**619**	**-**	**(2,056)**	**-**	**-**	**-**	**(1,437)**	**-**	**(1,437)**
Adjustments between accounting basis & funding basis under regulations	14.01	(1,469)	(2,025)	4,323	-	(349)	-	**480**	(480)	**-**
Net Increase / Decrease before Transfers to Earmarked Reserves		**(850)**	**(2,025)**	**2,267**	**-**	**(349)**	**-**	**(957)**	**(480)**	**(1,437)**
Other Adjustments		1	(6)	2	-	-	-	**(3)**	(205,182)	**(205,185)**
Transfers to / from Earmarked Reserves		1,458	-	750	-	-	(2,208)	**-**	-	**-**
Increase / Decrease in Year		**609**	**(2,031)**	**3,019**	**-**	**(349)**	**(2,208)**	**(960)**	**(205,662)**	**(206,622)**
Balance at 31 March 2010 carried forward		**5,314**	**7,777**	**8,343**	**50**	**1,251**	**72,386**	**95,121**	**420,939**	**516,060**

9 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.

2009/10 Gross Expenditure	2009/10 Gross Income	2009/10 Net Expenditure		Note	2010/11 Gross Expenditure	2010/11 Gross Income	2010/11 Net Expenditure
£000	£000	£000			£000	£000	£000
			Service Areas				
30,573	(26,949)	3,624	Central services		31,265	(26,355)	4,910
98,222	(37,193)	61,029	Cultural, environmental, regulatory & planning services		107,980	(43,999)	63,981
324,344	(258,577)	65,767	Education and children's services		324,817	(264,610)	60,207
28,523	(13,172)	15,351	Highways and transport services		28,389	(13,461)	14,928
132,467	(92,632)	39,835	General fund housing services		125,012	(90,216)	34,796
53,463	(55,825)	(2,362)	Housing revenue services	14.04	86,606	(57,696)	28,910
-	-	-	Exceptional item - Vacant property revaluation		173,225	-	173,225
101,937	(33,911)	68,026	Adult social care		109,019	(39,512)	69,507
6,016	(679)	5,337	Corporate and democratic core		5,255	(475)	4,780
4,087	(1,587)	2,500	Non distributed cost		5,533	(630)	4,903
-	-	-	Exceptional item - Impact of change from RPI to CPI index	14.04	(95,629)	-	(95,629)
779,632	**(520,525)**	**259,107**	***Net Cost of Services***		**901,472**	**(536,954)**	**364,518**
		75	Levies and external contributions	14.13			73
		1,664	Loss (Profit) on Disposal of Non current Assets				(437)
		999	Fair value movements in non-current assets held for sale				457
		1,442	Contribution of Housing capital receipts to Government Pool DCLG				1,760
		4,180	**Other Operating Expenditure**				**1,853**
		24,011	Interest Payable and similar charges				23,811
		14,805	Pensions interest cost and expected return on pension assets	14.16c			9,910
		(4,245)	Interest and investment income				(1,238)
		1,116	Income and expenditure in relation to investment properties and changes in their fair value	14.30			1,291
		389	Other investment income/expense				237
		36,076	**Financing and Investment Income and Expenditure**				**34,011**
		(79,280)	Council Tax Income				(81,127)
		(99,985)	Non domestic rates				(111,152)
		(49,973)	Non-ringfenced government grants	14.12			(48,939)
		(68,688)	Capital grants and contributions	14.12			(71,106)
		(297,926)	**Taxation & Non-Specific Grant Income**				**(312,324)**
		1,437	**(Surplus)/Deficit on Provision of Services**				**88,058**
		(2,059)	(Surplus)/Deficit arising on revaluation of Fixed Assets	14.44a			3,507
		73	(Surplus)/Deficit arising on revaluation of loans and receivables				-
		68	(Surplus)/Deficit arising on revaluation of available for sale financial assets	14.44b			46
		216,514	Actuarial (gains)/losses on pension fund assets and liabilities	14.44e			(86,654)
		22	Other (gains) and losses				
		(9,433)	PFI schools land transfer back to on balance sheet				-
		205,185	**Other Comprehensive Income and Expenditure**				**(83,101)**
		206,622	**Total Comprehensive Income and Expenditure**				**4,957**

10 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 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
1,246,083	1,268,509	Property Plant and Equipment	14.22	1,082,221
41,323	43,170	Investment Property	14.30	42,128
4,168	6,271	Intangible Assets	14.31	6,349
-	-	Assets Held for Sale	14.32	-
9,835	4,123	Long Term Investments	14.33	4,123
1,862	2,574	Long Term Debtors	14.36	1,759
1,303,271	**1,324,647**	**Long Term Assets**		**1,136,580**
6,346	10,719	Short Term Investments	14.33	-
1,036	5,425	Assets Held for Sale	14.32	2,131
1,073	901	Inventories	14.37	1,038
65,518	75,051	Short Term Debtors	14.38	46,054
35,701	12,204	Cash & Cash Equivalents	14.39	48,323
109,674	**104,300**	**Current Assets**		**97,546**
-	-	Bank Overdraft	14.39	-
(13,448)	(8,927)	Short Term Borrowing	14.33	(13,408)
(91,677)	(103,212)	Short Term Creditors	14.40	(99,078)
-	-	Liabilities in Disposal Groups		-
(2,580)	(1,547)	Provisions	14.41	(2,230)
(107,705)	**(113,686)**	**Current Liabilities**		**(114,716)**
-	-	Long Term Creditors	14.33	(2,071)
(9,978)	(11,506)	Provisions	14.41	(11,454)
(233,712)	(233,749)	Long Term Borrowing	14.33	(229,788)
(141,366)	(134,200)	Other Long Term Liabilities	14.42	(126,607)
(197,502)	(419,746)	Net Pensions Liabilities	14.16e	(238,434)
(582,558)	**(799,201)**	**Long Term Liabilities**		**(608,354)**
722,682	**516,060**	**Net Assets**		**511,056**
96,081	95,121	**Usable Reserves**	14.43a	97,795
626,601	420,939	**Unusable Reserves**	14.44	413,261
722,682	**516,060**	**Total Reserves**		**511,056**

11 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.

2009/10 £000		Note	2010/11 £000
1,437	**Net (surplus) or deficit on the provision of services**		**88,058**
(8,497)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	14.45a	(188,437)
4,014	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	14.45b	93,877
(3,046)	**Net cash flows from Operating Activities**		**(6,502)**
9,121	Investing Activities	14.45d	(26,450)
17,422	Financing Activities	14.45e	(3,167)
23,497	**Net (increase) or decrease in cash and cash equivalents**		**(36,119)**
35,701	**Cash and cash equivalents at the beginning of the reporting period**		12,204
12,204	**Cash and cash equivalents at the end of the reporting period**	14.39	**48,323**

12 Transition to IFRS

12.01 Prior Period Adjustments

The City Council discovered a misstatement in the classification and disclosure of the PFI restatement under IFRS in the Statement of Accounts for the preceding financial years 2009/10 and 2008/09.

The misstatement means that within the Unusable Reserves the Revaluation Reserve balance was understated and the Capital Adjustment Account balance overstated.

There is no impact on the net worth on the Balance Sheet or on any of the CORE statements.

Misstatement on Unusable Reserves

PFI adjustment entries made at the time did not take into account all the intermediate transactions that had been actioned relating to these balances (i.e interim revaluations and depreciation adjustments). Upon review when all adjustments are tracked to the assets concerned it has resulted in Debit balances within the Revaluation Reserve.

In order to correct this misstatement the council has restated the Capital Adjustment Account and the Revaluation Reserve Account by £8,653,113.

There is no effect on the Comprehensive Income and Expenditure Account, Movement in Reserves Statement, Balance Sheet, or Cash Flow Statement.

The IFRS restatement reconciliation (12.03) and notes to the accounts for Unusable reserves note 14.44 have been updated for revised comparatives as follows:

	UK GAAP 01 April 2009 £000	Adjustment £000	Restated UK GAAP 01 April 2009 £000
Revaluation Reserve	121,285	8,653	129,938
Capital Adjustment Account	611,572	(8,653)	602,919
Net Impact on Unusable		-	

	UK GAAP 01 April 2010 £000	Adjustment £000	Restated UK GAAP 01 April 2010 £000
Revaluation Reserve	118,793	8,653	127,446
Capital Adjustment Account	588,201	(8,653)	579,548
Net Impact on Unusable		-	

12.02 Impact of the Adoption of International Financial Reporting Standards (IFRS)

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables and notes explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

The reconciliations further analyse the impact of the changes to the Balance Sheet for year ended March 2009, March 2010 and the Comprehensive Income and Expenditure for financial year 2009/10.

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

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

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

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Creditors and Accruals	(50,031)	(10,119)
Accumulated Absences Account	-	10,119

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Creditors and Accruals	(53,469)	(1,723)
Accumulated Absences Account	-	1,723

2009/10 Comprehensive Income and Expenditure Statement
Cost of Services (Net)

	2009/10 Statements £000	Adjustments Made £000
Central services to the public	3,108	(6)
Coroners court service	521	1
Cultural, environmental & planning services	58,708	126
Education and children's services	60,167	1,512
Highways, roads and transport services	14,480	22
General fund housing services	21,445	1
Housing revenue services	(2,298)	22
Adult social care	67,806	45
Corporate and democratic core	5,337	-
Non distributed cost	5,350	-

b) Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to service accounts (where the council is the lessee) will be unchanged. Where the council is the lessor, the regulations allow the council to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The council has one property lease where the accounting treatment has changed following the introduction of the Code. The lease was previously classified as an operating lease, but under the Code, the equipment element of the lease has been classified as a finance lease.

As a consequence of classifying the buildings element of the lease as a finance lease, the financial statements have been amended as follows:

The council has recognised an asset and a finance lease liability.

The operating lease charge within General fund housing.

A depreciation charge has been included within General fund housing.

The depreciation charge has been transferred from the General Fund to the Capital Adjustment Account, and the General Fund has been charged with the Minimum Revenue Provision (with the credit being made to the Capital Adjustment Account). These transfers are reflected in the balance sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

The interest element of the lease payment in respect of the buildings element is charged to the Financing and Investment income and expenditure line in Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Property, plant & equipment (leased assets)	-	1,180
Finance Lease liability	-	(970)
Capital Adjustment Account	611,572	(210)

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Property, plant & equipment (leased assets)	-	(220)
Finance Lease liability	-	200
Capital Adjustment Account	588,201	20

2009/10 Comprehensive Income and Expenditure Statement
Cost of Services (Net)

	2009/10 Statements £000	Adjustments Made £000
General fund housing	21,445	(43)
Financing and investment income & expenditure	23,948	63

c) Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

A grant was received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1 April 2009 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Government Grants Deferred Account	(103,289)	103,289
Capital Adjustment Account	611,572	(103,289)
Capital grants unapplied	-	1,600
Earmarked Reserves	64,001	3,502
Short Term Creditors	(50,031)	5,102

31 March 2010 Balance Sheet

	2009/10 Statements £000	Adjustments Made £000
Government Grants Deferred Account	(146,583)	146,583
Capital Adjustment Account	588,201	43,294
Capital Grants Unapplied Account (reserves)	-	1,251
Short term Creditors	(97,710)	1,238
Earmarked Reserves	61,323	5,089

2009/10 Comprehensive Income and Expenditure Statement

Cost of Services (Net)

	2009/10 Statements £000	Adjustments Made £000
Central services to the public	3,108	-
Coroners court service	521	-
Cultural, environmental & planning services	58,708	1,069
Education and Children's Services	60,167	3,555
Highways, roads and transport services	14,480	506
General fund housing services	21,445	-
Housing revenue services	(2,298)	-
Adult Social care	67,806	21
Corporate and democratic core	5,337	-
Non distributed cost	5,350	(1,587)

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

d) Other

There are other minor adjustments that are included to provide a complete analysis of the transition including balance sheet reclassification such as reclassification of investment properties of £30m, reclassification of bank overdraft to cash and cash equivalent, reclassification of short term investments of £25m .deferred liabilities to long term liabilities, reclassification of grants from net cost of services to capital grants and contributions.

a) Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Reported under IFRS at the Date of Transition to IFRS (1 April 2009)

	Previous GAAP Restated	Effect of transition to IFRS				IFRS
		Absences	Leases	Grants	Other	
		1	*2*	*3*	*4*	
	£000	£000	£000	£000	£000	£000
Property, Plant & Equipment	1,216,334	-	1,180	-	28,569	1,246,083
Investment Property	72,252	-	-	-	(30,929)	41,323
Intangible Assets	4,168	-	-	-	-	4,168
Assets Held for Sale	-	-	-	-	-	-
Long Term Investments	9,835	-	-	-	-	9,835
Long Term Debtors	1,862	-	-	-	-	1,862
Long Term Assets	**1,304,451**	**-**	**1,180**	**-**	**(2,360)**	**1,303,271**

	Previous GAAP	Effect of transition to IFRS				IFRS
		Absences	Leases	Grants	Other	
		1	*2*	*3*	*4*	
	£000	£000	£000	£000	£000	£000
Short Term Investments	31,346	-	-	-	(25,000)	6,346
Assets Held for Sale	-	-	-	-	1,036	1,036
Inventories	1,073	-	-	-	-	1,073
Short Term Debtors	60,152	-	-	-	5,366	65,518
Payment in Advance	5,366	-	-	-	(5,366)	-
Cash and Cash Equivalents	14,917	-	-	-	20,784	35,701
Current Assets	112,854	-	-	-	(3,180)	109,674
Bank Overdraft	(4,216)	-	-	-	4,216	-
Short Term Borrowing	(13,248)	-	(200)	-	-	(13,448)
Receipts in advance	(36,629)	-	-	-	36,629	-
Other Short term creditors	(50,031)	(10,119)	-	5,102	(36,629)	(91,677)
Total Short Term Creditors	(86,660)	(10,119)	-	5,102	-	(91,677)
Provisions (due in less than 1 year)	-	-	-	-	(2,580)	(2,580)
Liabilities in disposal groups	-	-	-	-	-	-
Current Liabilities	(104,124)	(10,119)	(200)	5,102	1,636	(107,705)
Long Term Creditors	-	-	-	-	-	-
Government grants Deferred	(103,289)	-	-	103,289	-	-
Provisions	(12,558)	-	-	-	2,580	(9,978)
Long Term Borrowing	(233,712)	-	-	-	-	(233,712)
Capital grants and contributions unapplied	-	-	-	-	-	-
Other Long Term Liabilities	(140,596)	-	(770)	-	-	(141,366)
Net Pensions liabilities	(197,502)	-	-	-	-	(197,502)
Donated Inventories Account	-	-	-	-	-	-
Capital Grants Receipts in Advance	-	-	-	-	-	-
Long Term Liabilities	(687,657)	-	(770)	103,289	2,580	(582,558)
Net Assets	**625,524**	**(10,119)**	**210**	**108,391**	**(1,324)**	**722,682**

Represented by:

General Fund	11,796	-	-	-	-	11,796
Earmarked reserves	64,001	-	-	3,502	-	67,503
Housing Revenue Account	5,324	-	-	-	-	5,324
Major Repairs Reserve	50	-	-	-	-	50
Capital Receipts Reserve	9,808	-	-	-	-	9,808
Capital Grants Unapplied	-	-	-	1,600	-	1,600
Community Infrastructure levy	-	-	-	-	-	-
Repairs and Renewals Fund	-	-	-	-	-	-
Insurance Fund	-	-	-	-	-	-
Usable reserves	**90,979**	**-**	**-**	**5,102**	**-**	**96,081**
Revaluation Reserve [1]	129,938	-	-	-	(16,888)	113,050
Pensions Reserve	(197,502)	-	-	-	-	(197,502)
Capital Adjustment Account [1]	602,919	-	210	103,289	15,564	721,982
Deferred Capital Receipts		-	-	-	-	-
Financial Instruments Adjustment Account	(1,066)	-	-	-	-	(1,066)
Available-for-Sale Financial Instruments Reserve	114	-	-	-	-	114
Collection Fund Adjustment Account	142	-	-	-	-	142
Unequal Pay Back Pay Account		-	-	-	-	-
Accumulated Absences Account	-	(10,119)	-	-	-	(10,119)
Unusable Reserves	**534,545**	**(10,119)**	**210**	**103,289**	**(1,324)**	**626,601**
Total Reserves	**625,524**	**(10,119)**	**210**	**108,391**	**(1,324)**	**722,682**

1 Includes prior year adjustment of £8.653m (see 12.01).

b) Reconciliation of Net Worth Reported Under Previous GAAP to Net Worth Under IFRS at the end of the Latest Period Presented in the Most Recent Financial Statements Under Previous GAAP (31 March 2010)

	Previous GAAP Restated	**Effect of transition to IFRS**				**IFRS**
		Absences *1*	**Leases** *2*	**Grants** *3*	**Other** *4*	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, Plant & Equipment	1,235,416	-	(220)	-	33,313	1,268,509
Investment Property	81,849	-	-	-	(38,679)	43,170
Intangible Assets	6,271	-	-	-	-	6,271
Assets held for sale	-	-	-	-	-	-
Long Term Investments	4,123	-	-	-	-	4,123
Long Term Debtors	2,574	-	-	-	-	2,574
Long Term Assets	**1,330,233**	**-**	**(220)**	**-**	**(5,366)**	**1,324,647**
Short Term Investments	10,719	-	-	-		10,719
Assets held for sale	-	-	-	-	5,425	5,425
Inventories	901	-	-	-	-	901
Short Term Debtors	68,674	-	-	-	6,377	75,051
Payments in Advance	6,377	-	-	-	(6,377)	-
Cash and Cash Equivalents	15,694	-	-	-	(3,490)	12,204
Current Assets	102,365	-	-	-	1,935	104,300
Bank Overdraft	(3,490)	-	-	-	3,490	-
Short Term Borrowing	(8,714)	-	(213)	-	-	(8,927)
Receipts in Advance	(44,241)	-	-	-	44,241	-
Other Short term creditors	(53,469)	(1,723)	-	1,238	(49,258)	(103,212)
Total Short Term Creditors	(97,710)	(1,723)	-	1,238	(5,017)	(103,212)
Provisions (due in less than 1 year)	-	-	-	-	(1,547)	(1,547)
Liabilities in disposal groups	-	-	-	-	-	-
Current Liabilities	(109,914)	(1,723)	(213)	1,238	(3,074)	(113,686)
Long Term Creditors	-	-	-	-	-	-
Government grants Deferred	(146,583)	-	-	43,294	103,289	-
Provisions	(13,053)	-	-	-	1,547	(11,506)
Long Term Borrowing	(233,749)	-	-	-	-	(233,749)
Capital grants and contributions unapplied	-	-	-	-	-	-
Other Long Term Liabilities	(133,643)	-	213	-	(770)	(134,200)
Net Pensions liabilities	(419,746)	-	-	-	-	(419,746)
Donated Inventories Account	-	-	-	-	-	-
Capital Grants Receipts in Advance	-	-	-	-	-	-
Long Term Liabilities	(946,774)	-	213	43,294	104,066	(799,201)
Net Assets	**375,910**	**(1,723)**	**(220)**	**44,532**	**97,561**	**516,060**

Note 12.03 cont'd

Represented by:						
General Fund	11,288	-	-	-	-	11,288
Earmarked reserves	61,323	-	-	5,089	-	66,412
Housing Revenue Account	8,343	-	-	-	-	8,343
Major Repairs Reserve	50	-	-	-	-	50
Capital Receipts Reserve	7,777	-	-	-	-	7,777
Capital Grants Unapplied	-	-	-	1,251	-	1,251
Community Infrastructure levy	-	-	-	-	-	-
Repairs and Renewals Fund	-	-	-	-	-	-
Insurance Fund	-	-	-	-	-	-
Usable reserves	**88,781**	**-**	**-**	**6,340**	**-**	**95,121**
Revaluation Reserve [1]	127,446	-	-	-	(21,345)	106,101
Pensions Reserve	(419,746)	-	-	-	-	(419,746)
Capital Adjustment Account [1]	579,548	-	190	146,583	20,224	746,545
Deferred Capital Receipts	-	-	-	-	-	-
Financial Instruments Adjustment Account	(1,250)	-	-	-	-	(1,250)
Available-for-Sale Financial Instruments Reserve	46	-	-	-	-	46
Collection Fund Adjustment Account (England only)	1,085	-	-	-	-	1,085
Unequal Pay Back Pay Account	-	-	-	-	-	-
Accumulated Absences Account	-	(11,842)	-	-	-	(11,842)
	-	-	-	-	-	-
Reserves (group entities)	-	-	-	-	-	-
Unusable Reserves	**287,129**	**(11,842)**	**190**	**146,583**	**(1,121)**	**420,939**
Total Reserves	**375,910**	**(11,842)**	**190**	**152,923**	**(1,121)**	**516,060**

c) Reconciliation to Total Comprehensive Income & Expenditure Account Under IFRS for the Latest Period in the Most Recent Annual Financial Statements (Year Ended 31 March 2010)

	Previous GAAP	Net Expenditure Effect of transition to IFRS Absences	Leases	Grants	Other	IFRS
		1	*2*	*3*	*4*	
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Gross expenditure, gross income and net expenditure of continuing operations						
Central services to the public	3,108	(6)	-	-	-	3,102
Coroners court service	521	1	-	-	-	522
Cultural, environmental & planning services	58,708	126	-	1,069	1,126	61,029
Education and Children's Services	60,167	1,512	-	3,555	533	65,767
Highways, roads and transport services	14,480	22	-	506	343	15,351
General fund housing services	21,445	1	(43)	-	18,432	39,835
Housing revenue services	(2,298)	22	-	-	(86)	(2,362)
Adult Social care	67,806	45	-	21	154	68,026
Corporate and democratic core	5,337	-	-	-	-	5,337
Non distributed cost	5,350	-	-	(1,587)	(1,263)	2,500
Cost Of Services	**234,624**	**1,723**	**(43)**	**3,564**	**19,239**	**259,107**
Other Operating Expenditure	4,501	-	-	-	(321)	4,180
Financing and Investment Income and Expenditure	34,897	-	63	-	1,116	36,076
Surplus or deficit of Discontinued	-	-	-			-
Taxation and Non-Specific Grant Income	(229,238)	-	-	(48,100)	(20,588)	(297,926)
(Surplus) or Deficit on Provision of Services	**44,784**	**1,723**	**20**	**(44,536)**	**(554)**	**1,437**
Surplus or deficit on revaluation of non current assets	(2,414)	-	-	-	355	(2,059)
Surplus or deficit on revaluation of loans and fixed assets	73	-	-	-	-	73
Surplus or deficit on revaluation of available for sale financial assets	68	-	-	-	-	68
Actuarial gains / losses on pension assets / liabilities	216,514	-	-	-	-	216,514
Other	(9,411)	-	-	-	-	(9,411)
Other Comprehensive Income and Expenditure	**204,830**	**-**	**-**	**-**	**355**	**205,185**
Total Comprehensive Income and Expenditure	**249,614**	**1,723**	**20**	**(44,536)**	**(199)**	**206,622**

13 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 2011 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 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 £1,368,000, should the annual depreciation charge for other land and buildings increase by 10%.
Provisions	The Authority has made a provision of £4,118,000 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 2011. 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 £2,059,000 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 £1,913,445.
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 £77,366,000. However, assumptions interact in complex ways. The pension increase assumption for 2010/11 is in line with the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI). This is as a result of the Emergency Budget announcement in June 2010. The CPI assumption is calculated as RPI less 0.8% p.a. In previous years the pension increase assumption was in line with the assumption for RPI. The Authority's actuaries have advised that the net pensions liability has decreased by £95,662,000 as a result of this change in assumption.
Arrears	At 31 March 2011, the Authority had a balance of sundry debtors of £27,761,000. 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 £5,012,000. 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 £5,012,000 to be set aside as an allowance.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

14 Notes to the Accounts - Index

14.01 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.

		Useable Reserves					
2010/11	Notes	**General fund**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**
Adjustment Primarily involving the Capital Adjustment Account		-	-	-	-	-	-
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement (CIES)		-	-	-	-	-	-
Depreciation of Non-Current Assets	14.22	(21,399)	(9,355)	-	-	-	30,754
Impairment of Non-Current Assets	14.22	(9,027)	(25)	-	-	-	9,052
Revaluation losses on Property, Plant and Equipment	14.22	(9,761)	(207,214)	-	-	-	216,975
Revaluation losses on Assets Held for Sale		(457)	-	-	-	-	457
Movement in market value of Investment Properties		(1,291)	-	-	-	-	1,291
Amortisation of Intangible Assets		(1,358)	-	-	-	-	1,358
Capital grants and contributions applied		38,858	149	-	-	-	(39,007)
Revenue Expenditure Funded from Capital Under Statute		(18,769)	-	-	-	-	18,769
Revenue Expenditure Funded from Capital Under Statute -Funding		17,880	-	-	-	-	(17,880)
Amount of Non-Current Assets written off on disposal to the CIES	14.22	(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	14.14	14,187	903	-	-	-	(15,090)
County council loan principal repayment		1,829	-	-	-	-	(1,829)
Service concession deferred income write back		573	-	-	-	-	(573)
Capital expenditure charged against the General Fund and HRA Balances		-	4,409	-	-	-	(4,409)
Adjustments primarily involving the Capital Grants Unapplied Account		-	-	-	-	-	-
Capital Grants unapplied credited to CIES	14.43c	14,371	-	-	-	(14,371)	-
Application of grants transferred to Capital Adjustment Account	14.43c	(143)	-	-	-	143	-
Adjustments primarily involving the Financial Instruments Adjustments Account		-	-	-	-	-	-
Financial instruments adjustment account	14.44d	934	(33)	-	-	-	(901)
Adjustments primarily involving the Pensions		-	-	-	-	-	-
Reversal of items relating to retirement benefits debited or credited to CIES	14.44e	52,781	2,100	-	-	-	(54,881)
Employer's contributions and direct payments to pensioners payable in the year	14.16d	38,690	1,087	-	-	-	(39,777)
Adjustments primarily involving the Collection Fund Adjustment Account		-	-	-	-	-	-
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	14.44g	(745)	-	-	-	-	745
Adjustments primarily involving the Accumulated Absences Account		-	-	-	-	-	-
Accumulated absences account	14.44f	4,298	34	-	-	-	(4,332)
Adjustments primarily involving the Capital receipts reserve		-	-	-	-	-	-
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES		7,035	-	(7,035)	-	-	-
Contribution from Capital Receipts Reserve to Government Capital Receipts Pool	14.43b	(1,760)	-	1,760	-	-	-
Use of Capital receipts to finance new capital expenditure		-	-	7,593	-	-	(7,593)
Contribution to Administration cost of non current asset disposal		-	-	-	-	-	-
Adjustments Primarily involving the Major Repairs Reserve		-	-	-	-	-	-
Major Repairs Allowance credited to HRA	17.03	-	9,045	-	(9,045)	-	-
Use of major repairs allowance to finance new capital expenditure		-	-	-	9,045	-	(9,045)
Total Adjustments		**120,128**	**(198,900)**	**2,268**	**-**	**(14,228)**	**90,732**

Note 14.01 cont'd

2009/10	Useable Reserves: General fund £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustment Primarily involving the Capital Adjustment Account	-	-	-	-	-	-
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement (CIES)	-	-	-	-	-	-
Depreciation of Non-Current Assets	(11,267)	(8,425)	-	-	-	19,692
Impairment of Non-Current Assets	(38,744)	-	-	-	-	38,744
Revaluation losses on Property, Plant and Equipment	-	-	-	-	-	-
Revaluation losses on Assets Held for Sale	(999)	-	-	-	-	999
Movement in market value of Investment Properties	(1,116)	-	-	-	-	1,116
Amortisation of Intangible Assets	(781)	-	-	-	-	781
Capital grants and contributions applied	47,817	-	-	-	-	(47,817)
Revenue Expenditure Funded from Capital Under Statute	(23,205)	-	-	-	-	23,205
Revenue Expenditure Funded from Capital Under Statute -Funding	20,588	-	-	-	-	(20,588)
Amount of Non-Current Assets written off on disposal to the CIES	-	-	-	-	-	-
Insertion of items not debited or credited to the CIES	-	-	-	-	-	-
Statutory provision for the financing of capital investment	-	-	-	-	-	-
MRP for capital financing	15,322	976	-	-	-	(16,298)
County council loan principal repayment	1,829	-	-	-	-	(1,829)
Service concession deferred income write back	572	-	-	-	-	(572)
Capital expenditure charged against the General Fund and HRA Balances	-	2,183	-	-	-	(2,183)
Adjustments primarily involving the Capital Grants Unapplied Account	-	-	-	-	-	-
Capital Grants unapplied credited to CIES	103	-	-	-	(103)	-
Application of grants transferred to CAA	180	-	-	-	452	(632)
Adjustments primarily involving the Financial Instruments Adjustments Account	-	-	-	-	-	-
Financial instruments adjustment account	(111)	-	-	-	-	111
Adjustments primarily involving the Pensions						-
Reversal of items relating to retirement benefits debited or credited to CIES	26,014	817	-	-	-	(26,831)
Employer's contributions and direct payments to pensioners payable in the year	(31,570)	(991)	-	-	-	32,561
Adjustments primarily involving the 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	944	-	-	-	-	(944)
Adjustments primarily involving the Accumulated Absences Account						-
Accumulated absences account	(1,701)	(22)	-	-	-	1,723
Adjustments primarily involving the Capital receipts reserve	-	-	-	-	-	-
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES	(964)	(35)	(4,384)	-	-	5,383
Contribution from Capital Receipts Reserve to Government Capital Receipts Pool	(1,442)	-	1,442	-	-	-
Use of Capital receipts to finance new capital expenditure	-	-	4,967	-	-	(4,967)
Contribution to Administration cost of non current asset disposal	-	-	-	-	-	-
Adjustments Primarily involving the Major Repairs Reserve	-	-	-	-	-	-
Major Repairs Allowance credited to HRA	-	1,174	-	(1,174)	-	-
Use of major repairs allowance to finance new capital expenditure	-	-	-	1,174	-	(1,174)
Total Adjustments	**1,469**	**(4,323)**	**2,025**	**-**	**349**	**480**

14.02 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 2010/11.

	Balance at 01 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
General Fund:							
School-balances	**7,090**	(4,322)	3,206	**5,974**	(3,026)	2,422	**5,370**
Education PFI - to meet future expenditure of the schools' PFI scheme	**30,619**	(763)	1,604	**31,460**	(16,914)	271	**14,817**
Street Lighting PFI - to meet future expenditure of the street lighting PFI scheme	**7,947**	(760)	138	**7,325**	-	430	**7,755**
Insurance - represents the balance of the self funding element under the liability insurance arrangement	**7,576**	(1,801)	938	**6,713**	(3,202)	2,287	**5,798**
Finance Systems Reserve - for future replacement of financial systems	**568**	(307)	-	**261**	(122)	250	**389**
Other Earmarked Reserves - held for future expenditure on various projects	**10,942**	(6,419)	5,647	**10,170**	(5,043)	13,530	**18,657**
Collection Fund - residual Community Charge balance	**14**	-	1	**15**	-	-	**15**
Former DLO/DSO Trading Activities (General Fund) - held for future service provision	**302**	(206)	-	**96**	(77)	-	**19**
Grants, Contributions and Donations Received not spent in year but where any conditions applicable have been met.	**3,502**	-	1,587	**5,089**	(2,406)	5,418	**8,101**
Total General Fund	**68,560**	**(14,578)**	**13,121**	**67,103**	**(30,790)**	**24,608**	**60,921**
HRA							
Housing Repairs Account	**354**	-	-	**354**	(350)	-	**4**
Housing Capital Reserve - to meet items of future capital expenditure	**3,866**	-	-	**3,866**	(2,068)	-	**1,798**
HRA Equipment	**864**	-	-	**864**	(180)	-	**684**
Service Charges	**508**	(508)	-	**-**	-	-	**-**
Transfer from former DSO reserve	**441**	(253)	11	**199**	(199)	-	**-**
Total HRA	**6,033**	**(761)**	**11**	**5,283**	**(2,797)**	**-**	**2,486**
Other transfer between capital and revenue reserve	-	-	-	-	-	4	**4**
Total Earmarked Reserves	**74,593**	**(15,339)**	**13,132**	**72,386**	**(33,587)**	**24,612**	**63,411**
Net Movement of Earmarked Reserves						**(8,975)**	

Restated Earmarked Reserves

In line with the introduction of International Financial Reporting Standards, Grants, Contributions and Donations previously shown within Receipts in Advance have been recognised in the Comprehensive Income and Expenditure Statement (CIES) where the conditions applicable have been fulfilled. An earmarked reserve is created to allow future service provision to be funded from those amounts which have not all been spent in the year of recognition in the CIES.

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 shown that element relating to the HRA.

14.03 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 Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across 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

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**

2009/10	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	-	(24,145)	(16,292)	(68,546)	(19,290)	(88,443)	-	(415)	(217,131)
Government grants	-	(40,896)	(90,867)	(229,973)	1,660	(2,821)	-	-	(362,897)
Total Income	**-**	**(65,041)**	**(107,159)**	**(298,519)**	**(17,630)**	**(91,264)**	**-**	**(415)**	**(580,028)**
Employee expenses	-	35,187	4,306	143,995	23,465	38,139	2,197	62	247,351
Other service expenses	46	90,172	86,870	203,235	63,333	100,993	(3,615)	(228)	540,806
Support service recharges	-	13,891	1,673	5,562	9,211	4,968	3,968	621	39,894
Total Expenditure	**46**	**139,250**	**92,849**	**352,792**	**96,009**	**144,100**	**2,550**	**455**	**828,051**
Net Expenditure	**46**	**74,209**	**(14,310)**	**54,273**	**78,379**	**52,836**	**2,550**	**40**	**248,023**

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

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.

2009/10 £000'		2010/11 £000'
248,023	Net expenditure in the Directorate Analysis	241,552
-	Net expenditure of services and support services not included	-
-	Amounts in the Comprehensive Income and Expenditure	-
	Statement not reported to management in the Analysis	-
11,084	Amounts included in the Analysis not included in the	122,966
	Comprehensive Income and Expenditure Statement	-
259,107	**Cost of Services in Comprehensive Income and Expenditure Statement**	**364,518**

Note 14.03 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.

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**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(211,688)	-	-	19,515	(4,668)	(196,841)	-	(196,841)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	(1,238)	-	-	1,238	-	-	(1,238)	(1,238)
Income from council tax	-	-	-	-	-	-	(81,127)	(81,127)
Government grants and contributions	(397,159)	-	-	50,828	-	(346,331)	(231,198)	(577,529)
Total Income	**(610,085)**	**-**	**-**	**71,581**	**(4,668)**	**(543,172)**	**(313,563)**	**(856,735)**
Employee expenses	182,516	-	-	(4,332)	18,433	196,617	-	196,617
Pensions interest cost and expected	9,910	-	-	(9,910)	-	-	9,910	9,910
Other service expenses	531,758	-	-	(95,474)	17,157	453,441	695	454,136
Support Service recharges	33,178	-	-	0	(33,178)	-	-	-
Depreciation, amortisation and impairment	69,068	-	-	186,308	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**	**4,668**	**907,690**	**37,103**	**944,793**
Surplus or deficit on the provision of services	**241,552**	**-**	**-**	**122,966**	**-**	**364,518**	**(276,460)**	**88,058**

2009/10	**Directorate Analysis**	**Services and Support Services not in Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service income	(212,886)	-	-	22,262	(2,374)	(192,998)	-	(192,998)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	(4,245)	-	-	4,245	-	-	(4,245)	(4,245)
Income from council tax	-	-	-	-	-	-	(79,280)	(79,280)
Government grants and contributions	(362,897)	-	-	46,159	-	(316,738)	(218,646)	(535,384)
Total Income	**(580,028)**	**-**	**-**	**72,666**	**(2,374)**	**(509,736)**	**(302,171)**	**(811,907)**
Employee expenses	232,546	-	-	-	21,769	254,315	-	254,315
Pensions interest cost and expected	14,805	-	-	(14,805)	-	-	14,805	14,805
Other service expenses	436,849	-	-	(11,563)	18,641	443,927	1,388	445,315
Support Service recharges	39,894	-	-	-	(39,894)	-	-	-
Depreciation, amortisation and impairment	78,207	-	-	(9,464)	1,858	70,601	1,116	71,717
Interest Payments	24,011	-	-	(24,011)	-	-	24,011	24,011
Precepts & Levies	75	-	-	(75)	-	-	75	75
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	1,442	1,442
Gain or Loss on Disposal of Fixed Assets	1,664	-	-	(1,664)	-	-	1,664	1,664
Total expenditure	**828,051**	**-**	**-**	**(61,582)**	**2,374**	**768,843**	**44,501**	**813,344**
Surplus or deficit on the provision of services	**248,023**	**-**	**-**	**11,084**	**-**	**259,107**	**(257,670)**	**1,437**

14.04 Exceptional items in Net cost of Services

Impact of Change from RPI to CPI index

In the UK budget statement on 22 June 2010 the chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Price Index as the inflation measure for determining pension's increases. In general CPI increases have been lower than annual RPI increases therefore the change has the effect of reducing the City Councils pension's liabilities by £95,629million. Since the change is considered to be a change in benefit entitlement, the reduction has been recognised as a negative- past service costs in the Comprehensive Income and Expenditure Statement, in accordance with guidance set down in the Urgent Issue Task Force (UITF) Abstract 48. This amount is included in the Non Distributed Costs under Net Cost of Services is reversed out under statute through the Movement in Reserves Statement. Hence there is no impact upon the General fund or Housing Revenue Account

Impact of change in the Vacant Property (VP) discount factor on valuation of council dwellings
Under the (Communities and Local Government)CLG guidance on Stock valuation for resource accounting , the city council is required to discount the value of its council dwelling by a Vacant Possession (VP) factor set by the Royal Institute of Chartered Surveyors (RICS)

In January 2011 the VP factor was reduced from 49% to 34% ,this resulted in an additional 15% reduction in the value of council dwellings. The sum of £173,225 million was charged to the Housing Revenue services under Net Cost of Services and is reversed out under statute through the Movement in Reserves Statement, hence there is no impact on the Housing Revenue Account.

14.05 Agency Services

Stoke-on-Trent City Council provides payroll services for The Co-operative Academy at Brownhills (with effect from 1st September 2010). This involves the payment of around £2,102,944 to approximately 176 employees, Her Majesty's Revenue and Customs (HMRC) and Pensions administrator. The sum of £520,109 was paid over to HMRC. The Academy pays a management fee of £7,278 per annum.

14.06 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 . 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.

2009/10 £000			2010/11 £000	
		Funding provided to the pooled budget:		
3,860		Stoke on Trent City Council	3,898	
8,078		North Staffordshire Combined Healthcare Trust	7,754	
	11,938			11,652
		Expenditure met from the pooled budget:		
3,860		Stoke on Trent City Council	3,898	
8,078		North Staffordshire Combined Healthcare Trust	7,653	
	11,938			11,551
	-	Net (surplus)/deficit arising on the pooled budget during the year		**(101)**

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 2011 creditors provision of £5,406 has been made in respect of the balanced owed by the City Council to the pooled budget. There are no other assets or liabilities associated with the pooled fund.

It is agreed that the partnership arrangements will enable the Trust and the City Council to improve the ways in which both the NHS and the City Council's functions respectively are exercised by more 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.

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). This 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.

2009/10 £000			2010/11 £000	
		Funding provided to the pooled budget:		
515		Stoke-on-Trent City Council	520	
481		Stoke-on-Trent PCT	556	
30		Surplus b/f	20	
	1,026			1,096
	1,006	Net expenditure met from the pooled budget:		998
	(20)	Net (surplus)/deficit arising on the pooled budget during the year		**(98)**

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.

As a result as at 31 March 2011 funds of £98k have been carried forward.

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, in a form to be agreed, 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.

2009/10 £000			2010/11 £000	
		Funding provided to the pooled budget:		
(546)		Stoke-on-Trent City Council	(490)	
(509)		North Staffordshire Combined Healthcare Trust (NSCHT)	(610)	
		Brought Forward (NSCHT)	(97)	
(47)		Other	(24)	
	(1,102)			(1,221)
		Expenditure met from the pooled budget:		
546		Stoke-on-Trent City Council	490	
412		North Staffordshire Combined Healthcare Trust (NSCHT)	636	
47		Other	24	
	1,005			1,150
	(97)	Net surplus arising on the pooled budget during the year		(71)
	-	Authority share of 0% of the net surplus arising on the pooled budget		-

Note: At 31 March 2011, funds of £70,961 were carried forward.

Note 14.06 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 in proportions detailed 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.

2009/10 £000			**2010/11 £000**	
		Funding provided to the pooled budget:		
(1,152)		Stoke-on-Trent City Council	(1,305)	
(961)		Youth Justice Board	(991)	
(147)		Police	(148)	
(393)		Probation Service	(164)	
(117)		Stoke-on-Trent PCT	(173)	
(260)		Other	(89)	
(197)		Brought Forward	-	
	(3,227)			(2,870)
		Expenditure met from the pooled budget:		
1,361		Stoke-on-Trent City Council (47%)	1,217	
961		Youth Justice Board (36%)	991	
147		Police (5%)	148	
393		Probation Service (6%)	164	
117		Stoke-on-Trent PCT (6%)	173	
260		Other	89	
-		Brought Forward Deficit	12	
	3,239			2,794
	12	Net surplus arising on the pooled budget during the year		(76)
	6	Authority share of 50% of the net surplus arising on the pooled budget		(38)

14.07 Members' Allowances and Expenses

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

2009/10 £000		**2010/11 £000**
-	Salaries	-
807	Allowances	911
28	Expenses	35
835	**Total**	**946**

14.08 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
- 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.

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

2010/11

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		191,032	5,664	-	1,239	197,935	28,640	226,575

2009/10

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
		£	£	£	£	£	£	£
Interim Chief Executive & Council Manager – C Harman	1	96,250	4,334	65,616	-	166,200	14,919	181,119
Chief Executive – J van de Laarschot	2	48,760	2,265	-	283	51,308	7,417	58,725
Managing Director NSRP and Director of Regeneration – T McCartney		153,355	253	-	1,170	154,778	23,189	177,967

1Mr. C Harman, Interim Chief Executive and Council Manager, left on 31st October 2009; his annualised salary was £165,000 (£165,000 for 2008/2009).

2Mr J van de Laarschot was appointed on 4 January 2010 at an annualised salary of £179,000.

Note 14.08 cont'd

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

2010/11

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		145,528	1,162	-	1,239	147,929	23,121	171,050
Director of City Renewal		128,336	-	-	-	128,336	20,534	148,870
Director of Business Services		125,983	262	-	1,239	127,484	20,157	147,641
Director of Children & Young People's Services	1	124,151	1,555	-	1,059	126,765	19,026	145,791
Head of Legal Services		98,741	100	-	1,239	100,080	10,061	110,141
Managing Director NSRP & Director of Regeneration	2	74,802	583	72,752	620	148,757	11,968	160,725
Director of Housing Environmental and Neighbourhood Services	3	6,299	-	31,496	62	37,857	1,008	38,865

1 Appointed 24 May 2010. Their annualised salary was £132,000

2 left on 30 September 2010. Their annualised salary was £149,605

3 left on 16 April 2010. Their annualised salary was £125,983

2009/10

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 Social Care Health & Communities		142,172	570	-	1,170	143,912	21,503	165,415
Director of RENEW North Staffordshire		128,337	-	-	-	128,337	19,892	148,229
Director of Central Services		122,702	379	-	1,170	124,251	19,019	143,270
Director of Housing Environmental and Neighbourhood Services	1	102,798	704	-	975	104,477	15,934	120,411
Head of Legal Services		87,484	1,446	-	2,340	91,270	11,944	103,214

1 Appointed 1 June 2009. Their annualised salary was £123,358.

Note 14.08 cont'd

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:

2009/10			2010/11	
Number of Employees	**Number of Employees Left during year**	**Range**	**Number of Employees** [1]	**Number of Employees Left during year** [2]
95	9	£ 50,000 - £ 54,999	117	29
60	9	£ 55,000 - £ 59,999	68	17
39	2	£ 60,000 - £ 64,999	46	20
21	4	£ 65,000 - £ 69,999	29	9
9	5	£ 70,000 - £ 74,999	20	10
9	1	£ 75,000 - £ 79,999	15	7
10	2	£ 80,000 - £ 84,999	14	7
7	2	£ 85,000 - £ 89,999	10	3
6	2	£ 90,000 - £ 94,999	9	6
-	-	£ 95,000 - £ 99,999	6	6
4	1	£ 100,000 - £104,999	5	2
3	1	£ 105,000 - £109,999	2	2
-	-	£ 110,000 - £114,999	1	-
-	-	£ 115,000 - £119,999	1	1
1	-	£ 120,000 - £124,999	-	-
1	-	£ 125,000 - £129,999	4	1
1	1	£ 130,000 - £134,999	-	-
-	-	£ 135,000 - £139,999	-	-
1	-	£ 140,000 - £144,999	-	-
-	-	£ 145,000 - £149,999	3	2
1	-	£ 150,000 - £154,999	1	1
1	1	£ 155,000 - £159,999	1	1
-	-	£ 160,000 - £164,999	-	-
-	-	£ 165,000 - £169,999	3	2

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

2 Increase in leavers due to redundancy programme during 2010/11

14.09 Termination Benefits

The Authority terminated the contracts of over 800 employees in 2010/2011 mainly as a consequence of the ongoing corporate restructuring programme. A total of over £11m in compensatory payments was incurred (including redundancy costs and pay in lieu of notice). A further 79 people have been identified as likely to leave in 2011/2012 and an amount of £878k for compensatory payments has been included as a reserve on the balance sheet. The amount paid to Senior Officers is also detailed in note 14.08 'Officers Remuneration'. The council also made actuarial strain payments of £3.4m to the pension fund in respect 2010/11 terminations

14.10 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

2009/10 £000		2010/11 £000
432	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	435
17	Fees payable to external auditors in respect of statutory inspections	-
84	Fees payable to external auditors for the certification of grant claims and returns for the year	68
-	Fees payable in respect of other services provided by external auditors during the year	18
533	**Total**	**521**

14.11 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 2008. 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 2010-11 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2010/11	23,689	120,927	144,616
Plus Brought forward from 2009/10	433	-	433
Less Carry forward to 2010/11 agreed in advance	-	-	-
Agreed budgeted distribution in 2010/11	24,122	120,927	**145,049**
Less Actual central expenditure	(21,389)	-	(21,389)
Less Actual ISB deployed to schools	-	(120,812)	(120,812)
Plus Local authority contribution for 2010/11	-	-	-
Carry forward to 2011/12	**2,733**	**115**	**2,848**

14.12 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

Credited to Taxation and Non Specific Grant Income

2009/10 £000		2010/11 £000
49,973	Communities & Local Government	48,939
37,146	Pathfinder/Regional	34,216
12,566	DCSF	18,800
2,987	Private Sector Contributions	4,698
5,527	DfT	3,615
2,742	Other Govt Grants	2,720
4,986	HCA	2,403
959	Lottery	1,826
601	Other Contributions	1,147
145	Other Grants	928
1,032	Advantage West Midlands	535
(3)	ERDF	218
118,661	**Total**	**120,045**

Note 14.12 cont'd

Credited to Services

2009/10 £000		2010/11 £000
	DWP Grants	
35,584	Rent Rebates	36,373
43,479	Housing Benefits	48,433
22,360	Council Tax Benefits	23,564
142,287	Dedicated Schools Grant	144,616
10,991	Private Finance Initiative	10,991
3,123	Adult Social Care	1,839
55,357	Children's Services	46,039
3,556	Other	34,476
316,737	**Total**	**346,331**

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 2010 £000		31 March 2011 £000
	Capital Grants Receipts in Advance	
12,070	DCSF	24,225
1,712	Private Sector Contributions	1,910
11,605	Other Govt Grants	5,691
25,387	**Total**	**31,826**

14.13 Levies and External Contributions

The levies and external contributions represent the City Council's payment towards the costs of certain statutory external bodies.

2009/10 £000	Organisation	Basis of Apportionment	2010/11 £000
75	Environment Agency	Taxbase	73
75	**Total levies and external contributions**		**73**

14.14 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 revenue provision and voluntary repayment of debt provision for 2010/11 is:

2009/10 £000	Minimum Revenue Provision	2010/11 £000
976	HRA voluntary repayment of debt	903
8,515	Other services	9,897
6,666	Private Finance Initiative	4,290
141	Add amortisation of Local Government re-organisation SCAs	-
16,298		**15,090**

14.15 Leases

a) Authority as Lessee

Finance Leases
The City Council has 47 current finance leases with primary lease periods ranging from 1 to 6 years. The equipment on these finance lease includes vehicles, wheeled bins, IT equipment and Central Heating Units.

Depreciation charges on the assets held under finance leases for 2010/2011 is £1,349,359.73 (2009/10 £1,347,672).

The interest charged on finance leases during 2010/11 is £600,742 (2009/10 £709,232). During 2010/11 the City Council entered into 1 new finance lease.

Note 14.15 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 2010 £000		31 March 2011 £000
7,908	Vehicles, Plant, Furniture and Equipment	6,409
7,908		**6,409**

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 2010 £000		31 March 2011 £000
	Finance lease liabilities (net present value of minimum lease payments):	
1,325	▪ current	1,219
6,603	▪ non current	5,288
-	Finance costs payable in future years	-
7,928	**Minimum lease payments**	**6,507**

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

Minimum Lease Payments 31 March 2010 £000	Finance Lease Liabilities 31 March 2010 £000		Minimum Lease Payments 31 March 2011 £000	Finance Lease Liabilities 31 March 2011 £000
1,871	1,325	Not later than one year	1,712	1,219
5,969	5,388	Later than one year and not later than five years	5,218	4,195
1,386	1,215	Later than five years	1,141	1,093
9,226	**7,928**		**8,071**	**6,507**

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 2010 £000		31 March 2011 £000
181	Not later than one year	569
1,438	Later than one year and not later than five years	714
-	Later than five years	-
1,619		**1,283**

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 2010 £000		31 March 2011 £000
501	Minimum lease payments	471
-	Contingent rents	-
501		**471**

b) Authority as Lessor

Operating Leases
The City Council has granted operating leases on various properties held for investment properties. The gross book value of assets held for use in operating leases is £11.425m (in 2009/10 £9.981m). The depreciation charge for the year is £179,847 (2009/10 £62,800) and the total accumulated depreciation at the year end is £527,612 (2009/10 £341,279). The lease rentals receivable for the year are detailed below.

In addition to the rents receivable under the lease agreements below, the Council also received rental income for the year amounting to £2,871,272 (2009/10 £2,686,322) from short term rentals.

31 March 2010 £000		31 March 2011 £000
132	Not later than one year	109
466	Later than one year and not later than five years	602
73	Later than five years	73
671		**784**

14.16 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 2010/11 the City Council paid employer's contributions to the scheme of £9,670,455 (2009/10 £9,824,220), the employer contribution rate was 14.1% (2009/10 14.1%) of teachers pensionable pay. Total pensionable pay for the year was £68,368,899 (2009/10 £69,657,053) Added years' lump sum payments awarded by the authority in respect of the Teachers' Pension Scheme amounted to £125,650 for 15 teachers (2009/10 £137,480 - 13 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 2010/11 the City Council paid an employer's contribution based on 16% (2009/10 – 15.5%) of employees' pensionable pay. Total pensionable pay for the year was £128,762,855 (2009/10 £130,754,417).

The Actuary estimates the Employer's contributions for the year to 31 March 2012 will be approximately £23.3m.

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 2011, the City Council agreed to allow 299 employees (138 in 2009/10) 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 £1,575,959 (2009/10 £950,510)

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 14.16 cont'd

	Local Government Pension Scheme		Teachers Pension Scheme		Total	
	2009/10 £000	**2010/11 £000**	**2009/10 £000**	**2010/11 £000**	**2009/10 £000**	**2010/11 £000**
c) Comprehensive Income and Expenditure Statement						
Cost of Services:						
- current service cost	13,393	26,274	-	-	13,393	26,274
- past service costs	23	(94,202)	-	(1,427)	23	(95,629)
- settlements and curtailments	2,996	3,772	1,344	792	4,340	4,564
	16,412	**(64,156)**	**1,344**	**(635)**	**17,756**	**(64,791)**
Financing and Investment Income and Expenditure						
- interest cost	38,945	47,171	-	1,671	38,945	48,842
- expected return on scheme assets	(24,140)	(38,932)	-	-	(24,140)	(38,932)
	14,805	**8,239**	**0**	**1,671**	**14,805**	**9,910**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**31,217**	**(55,917)**	**1,344**	**1,036**	**32,561**	**(54,881)**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement						
- actuarial gains and losses	210,150	(82,921)	6,364	(3,733)	216,514	(86,654)
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**241,367**	**(138,838)**	**7,708**	**(2,697)**	**249,075**	**(141,535)**
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	(31,217)	55,917	(1,344)	(1,036)	(32,561)	54,881
Actual amount charged against the General Fund Balance for pensions in the year:						
- employers' contributions payable to scheme	24,986	37,925	-	-	24,986	37,925
- retirement benefits payable to pensioners	-	-	1,845	1,852	1,845	1,852
	24,986	37,925	1,845	1,852	26,831	39,777
Transfer (to) / from Pension Reserve	**(216,381)**	**176,763**	**(5,863)**	**4,549**	**(222,244)**	**181,312**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2010/11 is a loss of £183,021,000.

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

	Funded liabilities: Local Government Pension		Unfunded Liabilities: Teachers Pension		Total	
	2009/10 £000	**2010/11 £000**	**2009/10 £000**	**2010/11 £000**	**2009/10 £000**	**2010/11 £000**
Reconciliation of present value of the scheme liabilities (defined benefit obligation):						
Opening balance at 1 April	536,724	923,534	25,760	31,623	562,484	955,157
Current service cost	13,393	26,274	-	-	13,393	26,274
Interest cost	38,945	47,171	-	1,671	38,945	48,842
Contributions by scheme participants	10,301	8,513	(1,845)	-	8,456	8,513
Actuarial gains and losses	343,414	(111,259)	6,364	(3,733)	349,778	(114,992)
Benefits paid	(22,262)	(23,328)	-	(1,852)	(22,262)	(25,180)
Past service costs	23	(94,202)	-	(1,427)	23	(95,629)
Entity combinations	-	-	-	-	-	-
Curtailments	2,996	3,772	1,344	792	4,340	4,564
Settlements	-	-	-	-	-	-
Closing balance at 31 March	**923,534**	**780,475**	**31,623**	**27,074**	**955,157**	**807,549**

	Funded liabilities: Local Government Pension		Unfunded Liabilities: Teachers Pension		Total	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
Reconciliation of fair value of the scheme (plan) assets:						
Opening balance at 1 April	364,982	535,411	-	-	364,982	535,411
Expected rate of return	24,140	38,932	-	-	24,140	38,932
Actuarial gains and losses	133,264	(28,338)	-	-	133,264	(28,338)
Employer contributions	26,831	39,777	-	-	26,831	39,777
Contributions by scheme participants	8,456	8,513	-	-	8,456	8,513
Benefits paid	(22,262)	(25,180)	-	-	(22,262)	(25,180)
Entity combinations	-	-	-	-	-	-
Settlements	-	-	-	-	-	-
Closing balance at 31 March	535,411	569,115	-	-	535,411	569,115
Net Pension Asset/(Liability)	**388,123**	**211,360**	**31,623**	**27,074**	**419,746**	**238,434**

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 2011, 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 2009 to 31st December 2010	7.0	(32.7 previous period)
- Estimated return for the period from 01 April 2009 to 31 March 2011	8.5	(42.4 previous period)

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

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £807,549,000 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £238,434,000. 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).

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI). This has the effect of reducing the authority’s liabilities in 2010/11 Pension Fund by £95,662,000 and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

Note 14.16 cont'd

The principal assumptions used by the actuary have been:

	2009/10	2010/11
Long-term expected rate of return on assets in the scheme:		
Equities	7.8	7.5
Bonds	5.0	4.9
Property	5.8	5.5
Cash	4.8	4.6
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	20.8 years	21.2 years
- Women	24.1 years	23.4 years
Longevity at 65 for future pensioners:		
- Men	22.3 years	23.3 years
- Women	25.7 years	25.6 years
Rate of inflation	3.8	2.8
Rate of increase in salaries	5.3	5.1
Rate of increase in pensions	3.8	2.8
Rate for discounting scheme liabilities	5.5	5.5
Real discount rate for discounting scheme liabilities	1.6	2.7
Proportion of employees taking up commutation option		
- pre-April 2008 service	50	50
- post-April 2008 service	75	75
Expected Rate of Return	7.2	6.9

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

	31 March 2010 %	31 March 2011 %
Equities	79	78
Bonds	11	11
Property	6	7
Cash	4	4
	100	**100**

h) History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

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

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

Change in assumptions at year ended 31 Mar 2011	Approximate % increase to Employer Liability	Approximate monetary amount
	%	£000
0.5 % decrease in Real Discount Rate	10%	77,366
1 year increase in member life expectancy	3%	23,414
0.5% increase in the Salary Increase Rate	3%	20,057
0.5% increase in the Pension Increase Rate	7%	57,166

14.17 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 14.03 on Reporting for Resource Allocation Decisions. Grants received in 2010/11 are shown in Note 14.12.

Members

Members of the City Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 14.07. During 2010/11, three members declared interests in organisations which had outstanding loans with the Authority to the value of £1,561,452. These loans were entered into with full compliance with the City Council's financial and operating policies. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all members' interests are available within the Members' Registers of Interest on the City Council website, Stoke-on-Line.

Officers

During 2010/11, 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 14.06.

Entities Controlled or Significantly Influenced by the Authority

The City Council has interests in a number of companies. During 2010/11, 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, Cllr. Lyth and Cllr. Ward were both observers. The Authority received a dividend payment of £43,025.

West Midlands Transport Information Services Limited - Contributions of £57,596 was made in respect of the travel information service provided by the company.

Kier Stoke Limited - Cllr. Lyth was a member of the board. Various transactions took place in 2010/11 and these are detailed in note 14.18 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 £6,924 (in 2009/10 £63,483). The amounts payable are included in the operating lease commitments.

14.18 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.
(Further information in note 14.33e)

Transactions and Balances

Between 1 April 2010 and 31 March 2011, Kier Stoke Limited charged the City Council for £33.4m (2009/10 £33.5m) net of Value Added Tax for completed works and services, and advised that the value of uncompleted works as at 31st March 2011 was £3.0m (2009/10 £1.5m) for all work streams. Total balance outstanding at 31 March 2011 was £0.2m (2009/10 £0.8m).

The City Council raised a total value of invoices against Kier Stoke Limited during 2010/11 of £541,463 for various services and £6,023 was outstanding at 31 March 2011.

The City Council has made cash flow payments of £5.6m which are netted off charges due of £8.0m, leaving a balance of £2.4m.

During 2010/11, the City Council received a dividend of £43,780 from Kier Stoke Limited.

14.19 Trust Funds

The following trust fund is administered by the City Council but does not form any part of the Balance Sheet.

Lord Mayor's Charity

2009/10 £		2010/11 £
10,616	Balance brought forward at 1st June	41
28,622	Expenditure & Transfers	19,507
18,047	Income & Contributions	19,387
41	**Balance Carried forward at 31st May**	**(79)**

14.20 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.

In accordance with the new requirements, all PFI assets have been brought back onto the Council's balance sheet.

14.20a 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 2010/11 were:

2009/10 £000		2010/11 £000
6,064	Fair Value of Services	10,528
5,330	Finance Cost	5,428
1,003	Contingent Rent	1,072
12,397	**Revenue Unitary Payments**	**17,028**
23	Other Revenue Expenditure	55
4,134	Depreciation	3,830
16,554	Total Expenditure	**20,913**
(8,294)	PFI Special Grant	(8,294)
(7,107)	Other Contributions	(7,451)
1,153	(Surplus)/Deficit Amount in Income & Expenditure Account	**5,168**
	Movement in Reserves Statement	
(4,134)	Amounts Required by Statute to be Excluded – Depreciation	(3,830)
3,744	Amounts Required by Statute to be Included – MRP	1,243
(763)	Transfer to/(from) Earmarked Reserves	(2,581)
-	**Net Charge to the General Fund**	-
(406)	Interest Earned on Balance	(211)
-	Interest Accrued from Previous Years	-

Note 14.20a cont'd

Future Unitary Payments	**Repayment of Liability £000**	**Interest £000**	**Service Charge £000**	**Total £000**
Within 1 year	1,766	5,242	9,117	16,125
2 – 5 years	10,752	21,068	43,281	75,101
6 – 10 years	18,625	20,602	68,681	107,908
11 – 15 years	23,879	8,621	61,640	94,140
	55,022	**55,533**	**182,719**	**293,274**

14.20b 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 2010/11 were:

2009/10 £000		**2010/11 £000**
2,380	Fair Value of Services	1,969
992	Finance Cost	960
47	Contingent Rent	84
3,419	**Revenue Unitary Payments**	**3,013**
84	Other Revenue Expenditure	95
774	Depreciation	788
4,277	Total Expenditure	**3,896**
(1,351)	PFI Special Grant	(1,351)
(64)	Other Contributions	(46)
2,862	(Surplus)/Deficit Amount in Income & Expenditure Account	**2,499**
	Movement in Reserves Statement	
(774)	Amounts Required by Statute to be Excluded – Depreciation	(788)
1,203	Amounts Required by Statute to be Included – MRP	1,272
45	Transfer to/(from) Earmarked Reserves	375
3,336	**Net Charge to the General Fund**	**3,358**
(93)	Interest Earned on Balance	(55)

Future Unitary Payments	**Repayment of Liability £000**	**Interest £000**	**Service Charge £000**	**Total £000**
Within 1 year	1,324	1,021	2,023	4,368
2 – 5 years	5,918	3,758	8,674	18,350
6 – 10 years	8,286	4,439	12,319	25,044
11 – 15 years	10,362	3,129	14,124	27,615
16 – 18 years	4,951	1,603	10,855	17,409
	30,841	**13,950**	**47,995**	**92,786**

The final contract price will be £115.4m (including contributions of £3.7m to an earmarked insurance reserve), (£40.3m NPV). The scheme receives £16m of PFI credits from the Department of Transport, which will convert to £34.3m of Revenue Support Grant over the term of the contract.

14.20c 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 2010/11 were as follows:

2009/10 £000		2010/11 £000
650	Fair Value of Services	696
1,299	Finance Cost	1,282
21	Contingent Rent	11
1,970	**Revenue Unitary Payments**	**1,989**
105	Depreciation	69
2,075	Total Expenditure	**2,058**
(1,346)	PFI Special Grant	(1,346)
(740)	Other Contributions	(727)
(11)	(Surplus)/Deficit Amount in Income & Expenditure Account	**(15)**
	Movement in Reserves Statement	
(105)	Amounts Required by Statute to be Excluded – Depreciation	(69)
99	Amounts Required by Statute to be Included – MRP	81
17	Transfer to/(from) Earmarked Reserves	3
-	**Net Charge to the General Fund**	**-**

Future Unitary Payments	**Repayment of Liability £000**	**Interest £000**	**Service Charge £000**	**Total £000**
Within 1 year	96	1,312	715	2,123
2 – 5 years	454	5,388	3,196	9,038
6 – 10 years	1,034	7,006	4,589	12,629
11 – 15 years	1,482	6,669	6,136	14,287
16 – 20 years	3,065	6,228	6,872	16,165
21 years	989	886	1,024	2,899
	7,120	**27,489**	**22,532**	**57,141**

14.20d 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 Stafford 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 2010/11 together with anticipated future payments are shown below:

2009/10 £000		2010/11 £000
5,085	Fair Value of Services	4,062
1,086	Finance Cost	1,016
883	Contingent Rent	890
7,054	**Revenue Unitary Payments**	**5,968**
-	Other Revenue Expenditure	-
1,380	Depreciation	1,996
8,434	**Total Expenditure**	**7,964**
(572)	Deferred Credits	(573)
(5,279)	Other Contributions (Income from Staffordshire County Council)	(5,820)
2,583	**(Surplus)/Deficit Amount in Income & Expenditure Account**	**1,571**
	Movement in Reserves Statement	
(1,380)	Amounts Required by Statute to be Excluded – Depreciation	(1,996)
1,620	Amounts Required by Statute to be Included – MRP	1,694
-	Transfer to/(from) Earmarked Reserves	-
2,823	**Net Charge to the General Fund**	**1,269**

Future Unitary Payments	**Repayment of Liability £000**	**Interest £000**	**Service Charge £000**	**Total £000**
Within 1 year	1,785	1,905	5,362	9,052
2 – 5 years	8,168	7,537	22,822	38,527
6 – 9 years	9,875	7,001	25,191	42,067
	19,828	**16,443**	**53,375**	**89,646**

14.21 Impairment Losses

a. During the reporting period, the Authority recognised impairment losses totalling £9.8m as a charge 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. There was a £0.75m reversal of previous impairment charges relating to the revaluation of the Gladstone Pottery Museum. In 2008 this asset was reclassified as a Community Asset when the carrying value was impaired by £0.75m. The asset was revalued at 31 March 2011 to a Fair Value of £1.3m measured on a DRC basis. The subsequent upward revaluation movement resulted in a reversal of the previous impairment loss (£0.75m) and a £0.16m addition to Revaluation Reserves. Gladstone Pottery Museum is now classified as Operational Land and Buildings within Property, Plant and Equipment.

c. The Council Dwellings impairment balance brought forward from 2009/10 of £8.2m was reversed during the financial year following the review of housing stock values as at 31 March 2011. The review identified a downward revaluation of the Dwelling stock of 9%, and accordingly previous impairment was written back upon revaluation.

14.22 Property, Plant and Equipment

14.22a Movements on Balances

Movements in 2010/11:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant , furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2010	591,584	434,204	44,196	166,670	44,275	104,991	15,618	**1,401,538**	179,118
Additions	15,570	10,032	6,050	9,933	2,360	10,338	22,885	**77,168**	1,875
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(2,135)	74	(110)	-	-	(1,697)	-	**(3,868)**	51
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(207,214)	(3,858)	-	-	-	(6,008)	-	**(217,080)**	(67)
Derecognition - Disposals	(209)	(260)	(1,602)	-	(264)	(1,279)	-	**(3,614)**	-
Reclassifications - other	472	2,860	333	(5)	7,623	8,122	(19,706)	**(301)**	-
Assets reclassified (to) / from Held for Sale	(1,781)	38	-	-	-	980	-	**(763)**	-
Other movements in Cost or Valuation	-	-	-	-	-	-	-	**-**	-
At 31 March 2011	**396,287**	**443,090**	**48,867**	**176,598**	**53,994**	**115,447**	**18,797**	**1,253,080**	**180,977**
Accumulated Depreciation and Impairment									
At 1 April 2010	(11,468)	(20,595)	(16,898)	(24,895)	(1,455)	(54,557)	(3,161)	**(133,029)**	(13,026)
Depreciation Charge	(8,322)	(13,682)	(3,844)	(4,824)	-	(46)	-	**(30,718)**	(6,682)
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**	31
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)**	-
Derecognition - Disposals	6	48	1,350	-	-	338	-	**1,742**	-
Reclassifications - other	9	(653)	-	-	783	(84)	(171)	**(116)**	-
Assets reclassified (to) / from Held for Sale	95	-	-	-	-	(247)	-	**(152)**	-
Other movements in Depreciation and Impairment	-	(1)	-	-	-	-	-	**(1)**	-
At 31 March 2011	**(19,705)**	**(33,703)**	**(19,369)**	**(29,719)**	**(672)**	**(64,359)**	**(3,332)**	**(170,859)**	**(19,677)**
Net Book Value									
At 31 March 2011	**376,582**	**409,387**	**29,498**	**146,879**	**53,322**	**51,088**	**15,465**	**1,082,221**	**161,300**
At 31 March 2010	**580,116**	**413,609**	**27,298**	**141,775**	**42,820**	**50,434**	**12,457**	**1,268,509**	**166,092**

Note 14.22 cont'd

Comparative Movements in 2009/10:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant , furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
At 1 April 2009	582,653	424,246	36,900	151,688	42,083	85,814	12,449	**1,335,833**	155,625
Additions	17,972	20,694	9,253	14,972	1,018	19,677	11,680	**95,266**	8,087
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,281	(1,781)	-	-	28	(61)	-	**(533)**	8,499
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(8,209)	(11,035)	-	-	-	(1,275)	-	**(20,519)**	(2,344)
Derecognition - Disposals	-	(1,086)	(1,957)	-	-	(10)	-	**(3,053)**	-
Reclassifications - other	(355)	(6,238)	-	10	1,146	7,964	(8,511)	**(5,984)**	-
Assets reclassified (to) / from Held for Sale	(1,758)	-	-	-	-	(7,118)	-	**(8,876)**	-
Other movements in Cost or Valuation	-	9,404	-	-	-	-	-	**9,404**	9,251
At 31 March 2010	**591,584**	**434,204**	**44,196**	**166,670**	**44,275**	**104,991**	**15,618**	**1,401,538**	**179,118**
Accumulated Depreciation and Impairment									
At 1 April 2009	(13)	(11,772)	(15,314)	(20,671)	-	(38,815)	(3,161)	**(89,746)**	(6,649)
Depreciation Charge	(11,484)	(13,204)	(3,226)	(4,224)	-	(42)	-	**(32,180)**	(6,377)
Depreciation written out to the Revaluation Reserve	-	1,462	-	-	-	-	-	**1,462**	-
Depreciation written out o the Surplus / Deficit on the Provision of Services	-	1,888	1,638	-	-	-	-	**3,526**	-
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	**-**	-
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	4	-	-	(17,308)	-	**(17,304)**	-
Derecognition - Disposals	-	137	-	-	-	-	-	**137**	-
Reclassifications - other	-	894	-	-	(1,455)	541	-	**(20)**	-
Assets reclassified (to) / from Held for Sale	29	-	-	-	-	1,067	-	**1,096**	-
Other movements in Depreciation and Impairment	-	-	-	-	-	-	-	**-**	-
At 31 March 2010	(11,468)	(20,595)	(16,898)	(24,895)	(1,455)	(54,557)	(3,161)	(133,029)	(13,026)
Net Book Value	**580,116**	**413,609**	**27,298**	**141,775**	**42,820**	**50,434**	**12,457**	**1,268,509**	**166,092**

14.22b Shared Assets

The Staffordshire Hoard

The Staffordshire Hoard is owned and cared for jointly by Stoke 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 Property, Plant and Equipment on the balance sheet of the City Council at a value of £1,642,500

14.23 Revaluation of Property, Plant & Equipment

The Authority carries out a rolling programme that ensures all items of Property, Plant and Equipment required to be measured at Fair Value, are revalued at least every 5 years. The effective revaluation date is 1st April; but 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 to a fair value as at 31 March.

All valuations for the reporting period to 31 March 2011 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 **(VP adjustment factor**) (The Beacon approach). EUV-SH thus reflects a valuation for a property if it were sold with sitting tenants enjoying rents at less than market value and tenants' rights including RTB.

In January 2011 the VP Adjustment factor for the West Midlands Area was reduced from 49% to 34% taking effect from 1st April 2010 , this resulted in an additional 15% £173.225m written off the value of housing stock as at 1st April 2010. This is to reflect the fall in property values since 2005.

Buildings and Land used in the delivery of services are carried at a fair value in relation to their Existing Use (EUV). 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	-	7,879	28,770	28	36,677
Valued at Fair Value as at:					
31/03/2011	376,582	7,440	225	42,450	426,697
31/03/2010	-	105,650	-	4,224	109,874
31/03/2009	-	288,158	-	4,323	292,481
31/03/2008	-	-	503	-	503
31/03/2007	-	260	-	63	323
	376,582	**409,387**	**29,498**	**51,088**	**866,555**

14.24 Capital Commitments

At 31 March 2011, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £229.1m. Similar commitments at 31 March 2010 were £188.9m. The major commitments are:

Capital Scheme	**£m**
BRE Core - Education Building	2.4
Chatterley Whitfield Phase 1b	6.9
Burslem Park	1.4
REACH Short Stay School	4.5
Brownhills Co-op Academy	20.0
Haywood Engineering College	7.2
Oakhill Primary	1.2
St Mary's CE	3.0
Housing & Public Buildings Maintenance	178.0
Ingestre Square	1.5
Warren Road New Build	1.6
Hanley Bus Station	1.4
Total Commitments	**229.1**

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

a. As from 1 April 2010, the Authority adopted a policy to separately identify and revalue, any buildings whose individual value was greater than £1m. The building value was to be sub-divided into significant components, where each component was deemed to have a different Remaining Useful Life (RUL). During the reporting period, 3 properties incurred enhancement expenditure that was significant to their overall value and resulted in a revaluation of buildings into component values as at 31 March 2011. The effect of this componentisation will be realised in the carrying value of those assets as from 1 April 2011 and for the estimated RUL of each component.

b. A number of assets which were previously valued on a Market Value (MV) basis were the subject of formal revaluation as at 31 March 2011, to confirm their compliance with the IFRS criteria for asset categorisation and measurement bases. Nine assets with an aggregate MV of £3m were re-measured to a Fair Value - Existing Use (FV-EUV) value resulting in a downward revaluation movement of £1m. The downward movement in valuation was partially absorbed into Revaluation Reserve balances (£0.5m) with the remaining amount a £0.5m charge to CIES.

14.26 Heritage Assets

Definition

Heritage Assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. These assets include historical buildings, archaeological sites, civic regalia, museum and gallery collections and works of art.

In advance of the 2011/12 adoption of FRS30 *Heritage Assets,* the council is required to disclose the following information for the 2010/11 financial statements:

a) In accordance with FRS30 the 2011/12 financial statements will have a separate and definable class of assets known as Heritage Assets. Stoke on Trent as an authority has 4 museums containing Heritage Assets, the main building being the Potteries Museum & Art Gallery, which contains pottery and art exhibits, part of the Staffordshire Hoard of Saxon gold and one of only a few remaining Spitfire aeroplanes. Gladstone Pottery Museum is a working pottery museum and Etruria Industrial Museum has examples of local industry including a water powered bone mill. We also have various examples of ceremonial and civic regalia.

b) the carrying amount of assets expected to be reclassified as heritage assets is £22.3m, and their classification in the 2010/11 financial statements is as Community Assets within the Property, Plant & Equipment classification.

c) There is no expected revaluation gains/losses to be recognised on reclassification

d) There is no depreciation charged on the heritage assets that are currently classified as Community Assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the authority's heritage assets.

14.27 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.

In 2010/11 the funding allocation was £30.207m of which £27.197m was the capital allocation and £3,010m was the revenue allocation. £21.790m was invested. Of this amount, £2.085m financed revenue activities and this is reflected in the General Fund Housing Services Line within the Income and Expenditure Account. The majority of the remaining £19.705m has financed physical interventions. Unspent grant of £8.417m has been carried forward to fund investment in future years.

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.

14.28 Capital Expenditure and Capital Financing

14.28a

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.

2009/10 £000		2010/11 £000
415,397	Opening Capital Financing Requirement	431,392
	IFRS Restatement (operating Leases reclassified as Finance Leases)	770
	Restated Opening Capital Financing Requirement	**432,162**
	Capital investment	
95,374	Property, Plant and Equipment	77,168
232	Investment Properties	927
2,885	Intangible Assets	1,439
-	Assets Held for Sale	10
22,194	Revenue Expenditure Funded from Capital under Statute	18,769
1,011	Voluntary Redundancy Capitalisation	-
250	Wade Loan	-
	Sources of finance	
(4,967)	Capital receipts	(7,593)
(69,037)	Government grants and other contributions	(56,887)
(15,861)	Sums set aside from revenue	(9,044)
-	Direct revenue contributions	(4,409)
(16,086)	MRP/loans fund principal	(15,090)
431,392	**Closing Capital Financing Requirement**	**437,452**
7,169	Increase in underlying need to borrowing (supported by government financial assistance)	6,692
22,075	Increase in underlying need to borrowing (unsupported by government financial assistance)	12,607
(16,086)	Decrease in underlying need to borrow (monies set aside)	(15,090)
-	Assets acquired under finance leases	32
2,837	Assets acquired under PFI/PPP contracts	1,049
15,995	**Increase/(decrease) in Capital Financing Requirement**	**5,290**

14.28b Capitalisation of Borrowing Costs

The City Council did not capitalise any of its financing costs during the financial years of 2010/11 and 2009/10.

14.29 Construction Contracts

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

14.30 Investment Properties

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

2009/10 £000		2010/11 £000
659	Rental income from investment property	678
-	Direct operating expenses arising from investment property	-
659	**Net gain/(loss)**	**678**

Note 14.30 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:

2009/10 £000		2010/2011 £000
41,323	Balance at start of the year	**43,170**
	Additions:	
-	Purchases	-
-	Construction	-
232	Subsequent expenditure	927
(1,728)	Disposals	(110)
(1,116)	Net gains/losses from fair value adjustments	(1,291)
	Transfers:	
-	To/from Inventories	-
4,407	To/from Property, Plant and Equipment	(567)
52	Other changes	(1)
43,170	**Balance at end of the year**	**42,128**

14.31 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 represents 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 £1.358m charged to revenue in 2010/11 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 14.31 cont'd

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

2009/10 Internally Generated Assets £000	2009/10 Other Assets £000	2009/10 Total £000		2010/11 Internally Generated Assets £000	2010/11 Other Assets £000	2010/11 Total £000
			Balance at start of year:			
-	4,568	4,568	▪ Gross carrying amounts	-	7,452	7,452
-	(400)	(400)	▪ Accumulated amortisation	-	(1,181)	(1,181)
-	4,168	4,168	Net carrying amount at start of year	-	6,271	6,271
			Additions:			
-	-	-	▪ Internal development	-	-	-
-	2,885	2,885	▪ Purchases	-	1,439	1,439
-	-	-	▪ Acquired through business combinations	-	-	-
-	-	-	Assets reclassified as held for sale	-	-	-
-	-	-	Other reclassifications	-	(2)	(2)
-	-	-	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	-	-	-
-	-	-	Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services	-	-	-
-	(782)	(782)	Amortisation for the period	-	(1,358)	(1,358)
			Other changes		(1)	(1)
-	**6,271**	**6,271**	**Net carrying amount at end of year**	**-**	**6,349**	**6,349**
			Comprising:			
-	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		-	6,349	6,349

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

14.32 Assets Held for Sale

Current 2009/10 £000	Non-Current 2009/10 £000		Current 2010/11 £000	Non-Current 2010/11 £000
-	**1,036**	**Balance outstanding at start of year**	-	**5,425**
		Assets newly classified as held for sale:		
-	7,779	▪ Property, Plant and Equipment	-	1,686
-	-	▪ Intangible Assets	-	-
-	-	▪ Other assets/liabilities in disposal	-	-
-	-	Additions	-	10
-	(883)	Revaluation losses	-	(501)
-	-	Revaluation gains	-	-
-	(116)	Impairment losses	-	-
		Assets declassified as held for sale:		
-	-	▪ Property, Plant and Equipment	-	(770)
-	-	▪ Intangible Assets	-	-
-	-	▪ Other assets/liabilities in disposal	-	-
-	(2,391)	Assets sold	-	(4,668)
-	-	Transfers from non current to current	-	-
-	-	Other movements	-	949
-	**5,425**	**Balance outstanding at year-end**	**-**	**2,131**

14.33 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 2009/10 £000	Current 2009/10 £000		Long-term 2010/11 £000	Current 2010/11 £000
		Investments		
4,104	8,328	Loans and receivables[3]	4,104	-
-	2,391	Available-for-sale financial assets	-	-
19	-	Unquoted equity investment at cost[2]	19	-
-	-	Financial assets at fair value through profit and loss	-	-
4,123	**10,719**	**Total investments**	**4,123**	**-**
		Debtors		
2,574	-	Loans and receivables	1,759	-
-	75,051	Financial assets carried at contract amounts	-	46,054
2,574	**75,051**	**Total Debtors**	**1,759**	**46,054**
		Borrowings		
233,749	8,927	Financial liabilities at amortised cost[1]	229,788	13,408
-	-	Financial liabilities at fair value through profit and loss	-	-
233,749	**8,927**	**Total borrowings**	**229,788**	**13,408**
		Other Long Term Liabilities		
30,087		Liability with Staffordshire County Council	28,257	
103,948		PFI and finance lease liabilities	98,229	
431,417		Other long term liabilities	250,009	
565,452		**Total other long term liabilities**	**376,495**	
		Creditors		
-	-	Financial liabilities at amortised cost[4]	2,071	-
-	104,759	Financial liabilities carried at contract amount	-	101,308
-	**104,759**	**Total creditors**	**2,071**	**101,308**

[1]Market loans (LOBOs) of £20m have been included in long term borrowing

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

[3]Details of the nature of investment is included Long Term Investments table and in view of the immateriality of amounts involved, no further disclosures are required. Current loans and receivables have been reclassified as Cash and Cash Equivalents (see 14.39).

[4]Due to changes in accounting for grants under IFRS the Council is required to split out grants where conditions will not be met within 12 months. There were none in 2009/10.

b) Gains and Losses on Financial Instruments

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

	2010/11				2009/10			
	Liabilities measured at amortised cost	Loans and Receivables	Available for Sale Financial Instruments	TOTAL	Liabilities measured at amortised cost	Loans and Receivables	Available for Sale Financial Instruments	TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
Interest Expense	(23,811)	-	-	(23,811)	(24,011)	-	-	**(24,011)**
Total Expense in Surplus or Deficit on the Provision of Service	(23,811)	-	-	(23,811)	(24,011)	-	-	**(24,011)**
Interest Income		1,178	60	1,238	-	3,957	288	**4,245**
Total Income in Surplus or Deficit on the Provision of Service	-	1,178	60	1,238	-	3,957	288	**4,245**
Net gain/(loss) for the year	**(23,811)**	**1,178**	**60**	**(22,573)**	**(24,011)**	**3,957**	**288**	**(19,766)**

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

Note 14.33 cont'd

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 2010 £000	Fair Value as at 31 March 2010 £000		Carrying amount as at 31 March 2011 £000	Fair Value as at 31 March 2011 £000
213,749	222,750	PWLB - Maturity[1]	213,749	206,791
20,000	20,385	LOBOs	20,000	20,383
16,719	16,719	Finance leases	15,318	15,318
4,526	4,526	Other borrowing	4,560	4,560
254,994	**264,380**	**Financial Liabilities**	**253,627**	**247,052**
-	-	**Long-term Creditors[2]**	**2,071**	**2,071**

[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 Councils 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 £240,322,187 (£233,572,144 (2009/10)) as a fair value which reflects the premature redemption amount.

Fair value is lower than the carrying amount because the City Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. The commitment to pay interest below current market rates means that the City Council would have to pay less in interest if the lender requested or agreed to early repayment of the loans.

[2]Due to changes in accounting for grants under IFRS the Council is required to split out grants where conditions will not be met within 12 months. There were none in 2009/10.

Fair Value of assets carried at amortised cost

Carrying amount as at 31 March 2010 £000	Fair Value as at 31 March 2010 £000		Carrying amount as at 31st March 2011 £000	Fair Value as at 31st March 2011 £000
8,328	8,464	Deposits with banks and building societies	-	-
2,391	2,391	Eurosterling Bonds	-	-
10,719	**10,855**	**Financial Assets**	**-**	**-**
2,574	**2,574**	**Long-term Debtors**	**1,759**	**1,759**

Fair value is higher than the carrying amount because the City Council's portfolio of investments includes a number of fixed rate investments where the interest rate receivable is higher than the rates available for similar investments at the Balance Sheet date. This guarantee to receive interest above current market rates increases the amount that the authority would receive if it agreed to early repayment of the investments.

The final Euro Sterling Bond matured during the year.

d) Long Term Investments consist of:

Net Carrying Value March 2010 £000		Net Carrying Value March 2011 £000
19	External organisations	19
4,104	Landsbanki Investment	4,104
4,123		**4,123**

The Landsbanki investment relates to the frozen funds which the City Council placed with the Icelandic bank. Further information is given in note 14.35

Note 14.33 cont'd

e) Other Long Term Investments

Associates	Stoke-on-Trent Regeneration Limited [1]	West Midlands Transport Information Services Limited [2]
Number of Shares Held	19,000	10
Percentage Holding	19.0%	1.0%
Value of Shares Held	£19,000	£0
Entity year end	Nov-10	Jul-10
Profit before tax 2010/11	768	(33)
Profit before tax 2009/10	2,633	77
Profit after tax 2010/11	491	(33)
Profit after tax 2009/10	1,961	76
Net Assets 2010/11	21,538	81
Net Assets 2009/10	21,566	99
Dividend received by Authority 2010/11	43,025	-
Amounts due to/(from) Authority 2010/11	-	-

[1] Accounts have been filed
[2] Accounts for Year ended July 09 have been restated post audit

Joint Venture Company

Name of Company	Kier Stoke Limited
Number of Shares Held	199
Percentage Held	19.9%
Nature of Business	Housing & Public Maintenance Services
Entity Year End	Jun-10

March 2010 £000		**March 2011 £000**
36,300	Gross Turnover	39,050
590	Operating (Loss) /Profit	1,034
600	(Loss)/Profit Before Tax	600
6,992	Gross Assets	8,526
6,353	Gross Liabilities	7,090
355	Share of Fixed Assets	309
1,036	Share of Current Assets	1,388
1,264	Share of Liabilities due within one year	286
-	Share of Liabilities due after one year	-
43	Dividend Received	44

f) Short Term Investments consist of:

Net Carrying Value March 2010 £000		**Net Carrying Value March 2011 £000**
8,328	Deposits with banks and building societies	-
2,391	Eurosterling Bonds	-
10,719		-

These have been reclassified as Cash and Cash Equivalents (see 14.39)

g) Long Term Borrowing consists of:

Net Carrying Value March 2010 £000		**Net Carrying Value March 2011 £000**
213,749	PWLB	209,788
20,000	LOBOs	20,000
233,749		**229,788**

14.34 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 full Council in the annual treasury management strategy. 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.

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. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

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 at least monthly 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 £30m where financial institutions are part of the same group of companies);

(d) Investments are limited to £15m 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 advice from external treasury advisers on the credit worthiness of counterparties;

(g) No longer being able to invest longer than 1 year (in accordance with the Council's Treasury Management Strategy) and currently investing no more than up to a maximum of 6 months; and

(a) Utilising all market and other 'soft' information which officers research through the financial press and independent advice.

The Authority's maximum exposure to credit risk in relation to its investments in banks of £45,070,732 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2011 that this was likely to crystallise.

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 2011	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2011	Estimated maximum exposure to default and uncollectability at 31 March 2011	Estimated maximum exposure as at 31 March 2010
	£000	%	%	**£000**	**£000**
	A	B	C	(A X C)	
Customers	64,641	28.06	28.06	18,138	16,264
				18,138	**16,264**

The City Council has no bonds as at the end of March 2011 as they matured in the financial year 2010/11.

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 14.34 cont'd

The Authority does not generally allow credit for customers, such that £46,503 of the £64,641 balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

31-Mar-10		31-Mar-11
£000		**£000**
54,416	Less than 1 year	41,921
16,833	More than 1 year	4,581
71,249		**46,502**

Liquidity Risk

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. 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 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 14.34 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 2011 £000	Total Outstanding at 31 March 2010 £000
Public Works Loan Board	4.774	213,749	213,712
Market Loans	3.84	20,000	20,000
		233,749	233,712

Analysis of Maturity Less Premiums	Total Outstanding at 31 March 2011 £000	Total Outstanding at 31 March 2010 £000
Less than one year	3,961	(37)
Between one and two years	2,959	3,961
Between two and five years	2,862	5,869
Between five and ten years	7,717	7,731
More than ten years	216,250	216,188
	233,749	**233,712**

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

2. Finance Leases

Finance leases	Effective Interest Rate based on Opening Loan Balance %	Total Outstanding at 31 March 2011 £000	Total Outstanding at 31 March 2010 £000
47 Lease agreements from various lenders	**8.4**	6,507	7,928

	Total Outstanding at 31 March 2011 £000	Total Outstanding at 31 March 2010 £000
Amounts payable within 12 months included in current liabilities	1,219	1,325
Amount payable 2-5 years	4,195	4,678
Amount after 5 years	1,093	1,925
Total long term liability	5,288	6,603
Total Finance Lease liability	**6,507**	**7,928**

3. PFI Schemes and Service Concessions

	Effective Interest Rate based on Opening Loan Balance	Total Outstanding at 31 March 2011 £000	Total Outstanding at 31 March 2010 £000
4 schemes with differing operators:	9.17%		
Opening liability		94,707	98,536
New loans raised		1,049	2,838
Repayment of liability		(4,091)	(6,464)
Delayed lifecycle asset acquisition		(199)	(203)
Closing liability		**91,466**	94,707

	Total Outstanding at 31 March 2011 £000	Total Outstanding at 31 March 2010 £000
Amounts payable within 12 months included in current liabilities	3,667	3,076
Amount payable 2-5 years included in deferred liabilities	18,996	17,119
Amount after 5 years included in deferred liabilities	68,803	74,512
Total long term liability included in deferred liabilities	87,799	91,631
Total PFI Schemes and Service Concessions liability	**91,466**	94,707

Note 14.34 cont'd

The Council has four current PFI and service concession schemes, details of which are disclosed on a scheme by scheme basis in note 14.20

The interest charged on the schemes during 2010/11 is £8.7m (2009/10 £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 and IAS17.

In addition to the interest charged above the Council also charged contingent rentals during 2009/10 of £2.0m (2009/10 £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.

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. Policy is to aim to place a maximum of 20% of its 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 2010/11. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is monitored during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable. According to this assessment strategy, at 31 March 2011, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000
Increase in interest payable on variable rate borrowings	-
Increase in interest receivable on variable rate investments	-
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	-
Share of overall impact debited to the HRA	-
Decrease in fair value of fixed rate investment assets	-
Impact on Other Comprehensive Income and Expenditure	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	25,530

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.

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. Sterling value received will depend on prevailing exchange rates. However, most of the banks assets are in currencies other than ISK.

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.

14.35 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.

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.

	Landsbanki Investment 1	Landsbanki Investment 2	Landsbanki Investment Total
	£	£	£
2008/09			
Original Investment	2,000,000	3,000,000	5,000,000
Interest Credited to Income and Expenditure	75,328	122,507	197,835
Impairment	(385,643)	(565,865)	(951,508)
Carrying Amount as at 31/03/09	**1,689,685**	**2,556,642**	**4,246,327**
2009/10			
Interest Credited to Income and Expenditure	101,540	144,215	245,755
Impairment	(168,107)	(220,531)	(388,638)
Carrying Amount as at 31/03/10	**1,623,118**	**2,480,326**	**4,103,444**
2010/11			
Interest Credited to Income and Expenditure	97,540	139,910	237,450
Impairment	(97,540)	(139,910)	(237,450)
Carrying Amount as at 31/03/11	**1,623,118**	**2,480,326**	**4,103,444**

No repayments for the outstanding deposits have been received by the authority during the financial year 2010/11.

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. The expected repayments have been estimated as follows, based on the statements made by the administrator:

Date	Recovery Profile	Landsbanki
	%	£
Dec-11	22.17	1,148,564
Dec-12	8.87	434,292
Dec-13	8.87	410,535
Dec-14	8.87	388,079
Dec-15	8.87	366,851
Dec-16	8.87	346,786
Dec-17	8.87	327,820
Dec-18	19.47	680,517
Total	**94.86**	**4,103,444**

To accord with the latest information available, the City Council is assuming priority creditor status for the recovery of its investments. In addition to this a default interest rate of 22% (the Icelandic penalty interest rate) is being claimed from the maturity date of both investments to 22nd April 2009.

Financial Instrument Adjustment Account

Regulations issued in February/March 2009 allowed the authority not to charge amounts relating to impaired investments to the General Fund. Such amounts were instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The Council has complied with the regulations and created a Financial Instruments Adjustment Account (FIAA).

Under the regulations, the authority must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The authority has complied with this and the entries are as follows:

	Landsbanki Investment 1	Landsbanki Investment 2	Landsbanki FIAA Total
	£	£	£
2008/09			
Opening Balance	385,643	565,865	951,508
Interest Credited to Income and Expenditure	(75,328)	(122,507)	(197,835)
Balance as at 31/03/09	**310,315**	**443,358**	**753,673**
2009/10			
Interest Credited to Income and Expenditure	(101,540)	(144,215)	(245,755)
Impairment	168,107	220,531	388,638
Balance as at 31/03/10	**376,882**	**519,674**	**896,556**
2010/11			
Charge to General Fund	(376,882)	(519,674)	(896,556)
Interest Credited to Income and Expenditure	97,540	139,910	237,450
Impairment	(97,540)	(139,910)	(237,450)
Balance as at 31/03/11	**-**	**-**	**-**

Note 14.35 cont'd

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the City Council will be determined by the administrators/receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available, the authority considers that it is appropriate to make an impairment adjustment for the deposits, and has taken the action outlined below. As there is uncertainty regarding the legal status of current claims available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers. It is possible that further adjustments will be made to the accounts in future years.

Landsbanki

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 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. Old Landsbanki's affairs are being administered under Icelandic law.

Recovery is subject to the following uncertainties and risks:

- At present deposits enjoy preferential creditor status which has been tested through the Icelandic courts and confirmed but may be subject to further appeal.
- The impact of exchange rate fluctuations on the value of the assets recovered by the resolution committee and on the settlement of the authority's claim. The interest bearing bond (i.e. the financial instrument used to compensate local authorities) is in a range of currencies.
- Settlement of the terms of the 'bond' which will allow creditors of Old Landsbanki to enjoy rights in New Landsbanki.

As stated above, 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 94.86% of its investment and interest returned. This was achieved through legal representations to the Icelandic courts in conjunction with other affected authorities and the LGA. The preferential status may be subject to further appeal from other creditors with deposits in the bank. The total assets of Landsbanki, assuming that the value of the Bond remains at its current level, only cover around one third of its liabilities. This could mean that should further legal challenges be successful that creditors may only get 34p for each pound invested.

The Resolution Committee has provided information about the bond. Because it is anticipated that all the assets of Landsbanki Islands will need to be realised to repay priority creditors, there will be no settlement in a single sum. The repayments will be split as per the 'Recovery Profile' stated in the second table running from 2011 to 2018.

Recoveries are expressed as a percentage of the authority's claim in the administration, which includes interest from the Bond. Further information in relation to the Bond is contained within the creditors' report and the Statement of Assets Report presented at the February 2010 Creditors meeting.

Note 14.48 on Post Balance Sheet Events will give further information regarding the Icelandic Investments.

14.36 Long Term Debtors

	Balance at 01/04/10 £000	Reclassification from Short Term to Long £000	Reclassification from Long Term to Short £000	Advances £000	Repayments £000	Carrying Value £000	Balance at 31/03/11 £000
Mortgages	164	-	-	-	(44)	-	**120**
House Purchase & Improvement Advances	18	-	-	-	-	-	**18**
New Victoria Theatre [1]	61	-	-	-	(10)	-	**51**
Cobridge Community Centre [1]	11	-	-	-	-	-	**11**
Stoke-on-Trent Rep. Theatre [1]	56	-	-	-	(8)	-	**48**
Port Vale (Valiant 2001) FC Ltd [2]	1,459	-	-	-	-	37	**1,496**
Tunstall Community Centre [1]	15	-	-	-	-	-	**15**
Housing Tenant Arrears [3]	290	-	(290)	-	-	-	**-**
Rent Allowances [3]	250	-	(250)	-	-	-	**-**
Wade Allied Holdings Ltd [4]	250	-	(97)	-	(153)	-	**-**
Total	**2,574**	**-**	**(637)**	**-**	**(215)**	**37**	**1,759**

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

[2] Adjustment of carrying value to the full value of the loan in accordance with the accounting treatment of soft loans. It should be noted that from 1st April 2009 Port Vale FC were given a 'principal repayment holiday' for two years whereby they have to repay the interest (and not the principal) based upon the original terms (e.g. interest rate, term of repayment etc). This decision was taken to assist the football club, as part of a broader City Council initiative to assist local businesses, in what are difficult economic times.

[3] Reclassification to Long Term Debtor element of amounts outstanding for Housing Tenant Arrears and Rent Allowances.

[4] During 2009/10 the City Council entered into a loan agreement with Wade Allied Holdings Ltd under Section 2 of the Local Government Act 2000. The loan value is £250,000 and attracts interest at a rate of 8%. The loan has now been transferred to Short Term Debtors as the final payment is due to be made in 2011/12.

14.37 Inventories

	Consumable Stores		Maintenance Materials		Client Services Work in Progress		Goods Acquired for Resale		Total	
	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000	2009/10 £000
Balance outstanding at start of year	223	81	11	6	-	-	667	987	901	1,074
Purchases	3,925	3,571	3	5	-	-	615	561	4,543	4,137
Recognised as an expense in the year	(3,876)	(3,431)	-	-	-	-	(558)	(536)	(4,434)	(3,967)
Written off balances	-	-	-	-	-	-	-	(344)	-	(344)
Reversals of write-offs in previous years	28	1	-	-	-	-	-	-	28	1
Balance outstanding at year end	**300**	**222**	**14**	**11**	**-**	**-**	**724**	**668**	**1,038**	**901**

14.38 Short –Term Debtors

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
22,756	38,406	Central government bodies	18,897
1,302	6,846	Other local authorities	4,033
148	50	NHS bodies	121
-	1	Public corporations and trading funds	1
41,312	29,748	Other entities and individuals	23,002
65,518	**75,051**	**Total**	**46,054**

14.39 Cash and Cash Equivalents

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

31 March 2010 £000		31 March 2011 £000
196	Cash held by the Authority	172
12,008	Bank current accounts	40,346
-	Short-term deposits	7,805
12,204	**Total Cash and Cash Equivalents**	**48,323**

The Authority held no short term deposits at the end of 2009/10 and the cash levels of the Council were higher at the end of 2010/11 than the previous year. This was in part due to a large grant in respect of Housing Market Renewal paid in advance of spend and slippage in the capital program.

14.40 Short-Term Creditors

31 March 2009 £000	31 March 2010 £000		31 March 2011 £000
26,028	38,695	Central government bodies	40,218
3,469	7,677	Other local authorities	16,038
585	924	NHS bodies	270
-	193	Public corporations and trading funds	249
61,595	55,723	Other entities and individuals	42,303
91,677	**103,212**	**Total**	**99,078**

14.41 Provisions

	Liability Insurance Claims	Equal Pay	Other Provisions	Total
	£000	£000	£000	£000
Balance at 1 April 2010	4,405	6,973	1,675	**13,053**
Additional provisions made in 2010/11	1,193	-	1,630	**2,823**
Amounts used in 2010/11	(1,480)	(459)	(227)	**(2,166)**
Unused amounts reversed in 2010/11	-	-	(26)	**(26)**
Balance at 31 March 2011	**4,118**	**6,514**	**3,052**	**13,684**
This balance is split as follows:				
Short Term Liability	-	301	1,929	**2,230**
Long Term Liability	4,118	6,213	1,123	**11,454**
	4,118	6,514	3,052	**13,684**

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

At the balance sheet date the City Council held outstanding equal pay/equal value tribunal claims which may take several years to settle.

Other provisions

All other provisions are individually insignificant.

14.42 Other Long Term Borrowings (PFI & Finance Leases)

The other long term borrowings as at 31 March 2011 are as follows:-

31 March 2010 £000		31 March 2011 £000
30,058	County Council debt	28,229
6,603	Finance Leases	5,288
91,631	Private Finance Initiative – Finance Lease	87,799
5,716	Private Finance Initiative – Deferred Service	5,142
192	Other	149
134,200		**126,607**

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 2010/11 the total payment to the County Council was £3,164,880 (£3,303,397 in 2009/10), of which £1,335,996 (£1,474,513 in 2009/10) 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.

14.43 Movements in Usable Reserves

14.43a

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 reference
Usable Capital Receipts Reserve	Proceeds of fixed assets sales available to meet future capital investment.	Additional information is provided in note 14.43b 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 17.03
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 14.02 earmarked reserves
Capital Grants Unapplied	Resources available to meet future costs of non-housing capital projects	Additional information is provided in note 14.43c below

Reserve	Balance at 1 April 2009 £000	Transfer Out 2009/10 £000	Transfers In 2009/10 £000	Balance at 31 March 2010 £000	Transfers Out 2010/11 £000	Transfers In 2010/11 £000	Balance at 31 March 2011 £000
Usable Capital Receipts Reserve	**9,808**	(6,409)	4,378	**7,777**	(9,353)	7,085	**5,509**
General Fund Others	**4,706**	-	608	**5,314**	-	499	**5,813**
Housing Revenue Account Balance	**5,324**	-	3,019	**8,343**	(806)	-	**7,537**
Major Repairs Reserve	**50**	(12,505)	12,505	**50**	(9,355)	9,355	**50**
Restated Earmarked Reserves	**74,593**	(15,339)	13,132	**72,386**	(33,587)	24,612	**63,411**
Restated Capital Grants Unapplied	**1,600**	(349)	-	**1,251**	(147)	14,371	**15,475**
Total Movement in Usable Reserves	**96,081**	**(34,602)**	**33,642**	**95,121**	**(53,248)**	**55,922**	**97,795**

14.43b Usable Capital Receipts Reserve

31 March 2010 £000		31 March 2011 £000
4,378	Amounts receivable in year	7,085
(1,442)	Capital receipts pooling payment to DCLG	(1,760)
-	Amount voluntary set aside to pay off debt	-
(4,967)	Amounts applied to finance new capital investment	**(7,593)**
(2,031)	**Total increase/(decrease) in realised capital resources in year**	**(2,268)**
9,808	Balance brought forward at 1 April	7,777
7,777	**Balance carried forward at 31 March**	**5,509**

14.43c Capital Grants Unapplied Reserve

31 March 2010 £000		31 March 2011 £000
-	Capital grants received where any conditions applicable have been met but which have not been applied during the year	14,371
103	Applied during the year	(143)
-	Transfer between capital and revenue reserve	(4)
(452)	Transfer to capital adjustment account	-
(349)	**Total increase/(decrease) in reserve during year**	**14,224**
1,600	Balance brought forward at 1 April	1,251
1,251	**Balance carried forward at 31 March**	**15,475**

14.44 Unusable Reserves

31 March 2010 £000		31 March 2011 £000
106,100	Revaluation Reserve	106,430
46	Available for Sale Financial Instruments Reserve	-
746,545	Capital Adjustment Account	552,783
(1,250)	Financial Instruments Adjustment Account	(350)
(419,746)	Pensions Reserve	(238,434)
(11,841)	Accumulated Absences Account	(7,508)
1,085	Collection Fund Adjustment Account	340
420,939	**Total Unusable Reserves**	**413,261**

14.44a 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.

2009/10 £000		2010/11 £000	2010/11 £000
113,050	**Balance at 1 April**		**106,100**
1,323	Opening balance adjustment		(47)
19,157	Upward revaluation of assets	1,594	
(17,098)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(5,101)	
2,059	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(3,507)
(2,122)	Difference between fair value depreciation and historical cost depreciation	(2,216)	
(2,784)	Accumulated gains on assets sold or scrapped	(23)	
(5,426)	Other amounts written off to Capital Adjustment Account	6123	
(10,332)	Amount written off to the Capital Adjustment Account		3,884
106,100	**Balance at 31 March**		**106,430**

14.44b 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.

2009/10 £000		2010/11 £000	2010/11 £000
114	**Balance at 1 April**		**46**
13	Upward revaluation of investments	-	
(81)	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	(46)	
46			-
-	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	-	
46	**Balance at 31 March**		**-**

14.44c 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.

2009/10 £000		2010/11 £000	2010/11 £000
721,982	**Balance at 1st April**		**746,545**
-	Reversal of items relating to capital expenditure debited or credited to comprehensive income and expenditure statement (CIES)	-	
(58,436)	Charges for depreciation and impairment of non current assets	(39,806)	
-	Revaluation losses on Property, plant and equipment & non current assets held for sale	(217,432)	
(781)	Amortisation of intangible assets	(1,358)	
(2,617)	Revenue expenditure funded from capital under statute	(889)	
(6,382)	Amounts of non-current assets written off on disposal or sale as part of gain /loss on disposal	(6,648)	
(68,216)			**(266,133)**
9,008	Adjusting Amounts written out of Revaluation Reserve		(3,884)
(59,208)	**Net Written out amount of the cost of non-current assets consumed in the year**		**(270,017)**

Note 14.44c cont'd

2009/10		2010/11	
£000		£000	£000
	Capital Financing applied in the year:		
4,967	Use of Capital Receipt reserve to finance new capital expenditure		7,593
1,174	Use of major repairs reserve to finance new capital expenditure		9,045
47,817	Capital grants and contributions credited to the CIES applied to capital financing		39,007
632	Applications of grants to capital financing from capital grants unapplied account		
18,127	Statutory provision for the financing of capital investment charged against general fund and HRA balances		16,919
572	Service concession deferred income write back		573
2,183	Capital expenditure charged against the General fund and HRA balances		4,409
9,415	Other *		
84,887			**77,546**
(1,116)	**Movement in the market value of investment properties debited /credited to CIES**		(1,291)
746,545	**Balance at 31 March**		**552,783**

14.44d 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 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 2010/11) 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 2011 will be paid to the Housing Revenue Account until 2016/17.

The Authority has been allowed to defer revenue charges in respect of the impairment on its investments in the Icelandic bank Landsbanki. The regulation over ride has now ended meaning that a charge of £896,556 has been charged to the Comprehensive Income and Expenditure Statement.

The Authority also has an adjustment for the effective interest rate relating to the Port Vale loans. This is purely an accounting entry to write back the full amount of the loan to the balance sheet when it matures. The adjustment for 2010/11 was a charge of £37,224.

2009/10		2010/11	
£000		£000	£000
(1,066)	**Balance at 1 April**		**(1,250)**
(184)	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	4	
-	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	896	
-	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		-
(1,250)	**Balance at 31 March**		**(350)**

14.44e 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.

2009/10 £000		2010/11 £000
(197,502)	**Balance at 1 April**	**(419,746)**
(216,514)	Actuarial gains or losses on pensions assets and liabilities	86,654
(32,561)	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	54,881
26,831	Employer's pensions contributions and direct payments to pensioners payable in the year	39,777
(419,746)	**Balance at 31 March**	**(238,434)**

14.44f 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.

2009/10 £000		2010/11 £000	2010/11 £000
(10,119)	**Balance at 1 April**		**(11,841)**
10,119	Settlement or cancellation of accrual made at the end of the preceding year	11,841	
(11,841)	Amounts accrued at the end of the current year	(7,508)	
(1,722)	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		4,333
(11,841)	**Balance at 31 March**		**(7,508)**

14.44g 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.

2009/10 £000		2010/11 £000
142	**Balance at 1 April**	1,085
943	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	(745)
1,085	**Balance at 31 March**	**340**

14.45 Notes to Cash Flow Statement

14.45a Amounts included in Adjustments to net Surplus/Deficit on provision of services that are for non-cash movements

2009/10 £000		2010/11 £000
(59,217)	Depreciation, Impairment & Amortisation	(41,165)
(143)	Downward valuations	(216,975)
-	Amortisations	-
-	Increase in impairment for provision for bad debts	-
3,222	Increase in creditors	3,903
11,859	Increase/decrease in debtors	(19,738)
(172)	Increase/decrease in stock	137
(5,730)	Pension Liability	94,658
(5,383)	Carrying amount of non-current assets sold	(6,598)
47,067	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(1,368)
-	Change in FV of investment properties	(1,291)
(8,497)		**(188,437)**

14.45b Amounts included in Adjustments to net Surplus/Deficit on provision of services that are investing and financing activities

2009/10 £000		2010/11 £000
-	Purchase of short-term and long-term investments	-
-	Proceeds from short-term and long-term investments	-
-	Other receipts from investing activities	86,842
4,014	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	7,035
4,014		**93,877**

14.45c Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £000		2010/11 £000
(2,114)	Interest received	(1,518)
24,111	Interest paid	23,772
(43)	Dividends received	(193)

14.45d Cash Flow Statement – Investing Activities

2009/10 £000		2010/11 £000
72,913	Purchase of property, plant and equipment, investment property and intangible assets	83,955
-	Purchase of short-term and long-term investments	-
1,450	Other payments for investing activities	-
(4,112)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(6,906)
(1,250)	Proceeds from shot-term and long-term investments	(10,391)
(59,880)	Other receipts from investing activities	(93,108)
9,121	**Net cash flows from investing activities**	**(26,450)**

14.45e Cash Flow Statement – Financing Activities

2009/10 £000		2010/11 £000
(2,838)	Cash receipts of short- and long-term borrowing	-
-	Other receipts from financing activities	-
8,043	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,511
1,829	Repayments of short- and long-term borrowing	1,829
10,388	Other payments for financing activities	(9,507)
17,422	**Net cash flows from financing activities**	**(3,167)**

14.46 Trading Activities

The City Council does not operate any trading activities.

14.47 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.

   As at 31 March 2011, the value of payments amount to £6.2m (£13.2m 2009/10).

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.

14.48 Events after the Balance Sheet Date

Icelandic Investments

The City Council is under constant pressure to close its financial accounts as early as possible and for 2010/11 all entries were processed by the end of April. Subsequently, CIPFA issued a LAAP bulletin for all authorities affected by the collapse of the Icelandic banks. The impact of the bulletin is that the carrying value of the investment is understated by £197,086.65 which is immaterial in the context of the accounts and will be restated in the financial year 2011/12.

14.49 Contingent Liabilities

1. 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 17 years since MMI ceased to trade, their liabilities are increasing and their report and accounts for the year ending 30 June 2010 shows an accumulated deficit of £48.6m. MMI directors “remain of the view that a solvent run-off, with the full payment of agreed claims is achievable”. This issue will continue to be monitored closely and it still may be some years before the final outcome for MMI is known. The City Council is currently unable to forecast the value or timing of any potential liability, hence the matter is considered to be contingent.

2. 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.

3. 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.

4. 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.

5. 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.

6. Stoke-on-Trent is committed to dealing with equal pay issues in an equitable manner in the interests of both the employees affected and the community which it serves. To date, the City Council has received a relatively small number of tribunal claims which have been recognised in the accounts as a cost of service at claim value in accordance with proper accounting practice, even though these claims have not yet been settled, and the City Council in no way accepts any liability for these claims. The City Council is unable, at this stage, to measure the degree of likelihood of any further potential liabilities over and above the examples above or the amount of any potential obligations with sufficient reliability. Hence, no further amounts have been recognised within the accounts.

7. 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.

8. 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. Provisions have been made in the Accounts based on best estimates of likely pension fund deficit.

9. 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.

10. The council is in dispute over certain 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.

14.50 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 29 September 2011. In line with statutory requirements the accounts and supporting documentation were made available for a period of 20 working days commencing 4th July 2011.

Events after the Balance Sheet date have been considered up to 29 September 2011, in preparing the accounts.

15 Housing Revenue Account Income & Expenditure Account

2009/10 £000		Note	2010/11 £000	
	Expenditure			
(14,525)	Repairs and maintenance		(17,121)	
(13,781)	Supervision and management		(14,793)	
(245)	Rents, rates, taxes and other charges		(160)	
(3,740)	Negative HRA Subsidy payable		(10,713)	
(20,930)	Depreciation and impairment of non-current assets		(9,379)	
-	Loss on property revaluation		(33,989)	
(49)	Debt management costs		(53)	
(261)	Increase in bad debt provision		(398)	
4	Other expenditure		-	
(53,527)	**Total Expenditure**			**(86,606)**
	Income			
55,047	Dwelling rents		56,155	
575	Non-dwelling rents		556	
851	Charges for services and facilities		985	
(648)	Refunds of charges for services and facilities		-	
55,825	**Total Income**			**57,696**
2,298	**Net Cost of HRA Services per Comprehensive Income and Expenditure Statement**			**(28,910)**
	Exceptional item - Impact of change from RPI to CPI index			**3,659**
-	Exceptional item - Vacant property revaluation	14.04		**(173,225)**
2,298	**Net Cost of HRA Services after Exceptional item**			**(198,476)**
(468)	HRA services' share of Corporate and Democratic Core			**(409)**
1,830	**Net Income for HRA Services**			**(198,885)**
	HRA share of the operating income and			
(35)	Gain or (loss) on sale of HRA non-current assets			-
(3,581)	Interest payable and similar charges			(3,512)
203	HRA Interest and investment income			124
(451)	Pensions interest cost and expected return on pensions costs			(379)
-	Capital grants and contributions receivable			149
(2,034)	**Surplus or (deficit) for the year on HRA**			**(202,503)**

16 Movement on HRA Statement

2009/10 £000		Notes		2010/11 £000
5,324	Balance on the HRA at the end of the previous year			8,343
(2,054)	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement		(202,503)	
4,323	Adjustments between accounting basis and funding basis under statute	14.01	198,900	(3,603)
2,269	**Net increase or (decrease) before transfers to or from reserves**			**(3,603)**
750	Transfers (to) or from reserves			2,797
3,019	Increase or (decrease) in year on the HRA			(806)
8,343	**Balance on the HRA at the end of the current year**			**7,537**

17 Notes to the Housing Revenue Account Financial Statements

17.01 Housing Stock

2009/10 £000		2010/11 £000
19,351	Number of dwellings at the beginning of the year	19,297
3	Dwellings brought back into stock	-
-	Dwellings merged	(1)
(42)	Dwellings sold under Right to Buy	(63)
-	Other sales	(18)
(15)	Dwellings awaiting demolition	(16)
-	Dwellings demolished	(9)
19,297	Number of dwellings at the end of the year	19,190
	Consisting of :	
16,121	Houses / Bungalows	16,022
3,176	Flats	3,168

17.02 Valuation of Housing Assets

The City Council has carried out a desktop valuation of its council house dwellings at 1 April 2010, and an impairment review at 31 March 2011. The Vacant Possession (VP) factor was reduced from 49% to 34%. This has resulted in a net decrease in the balance sheet valuation as at 31 March 2011. During the year there was a downward valuation of £33.989m resulting from a 9% reduction in the general property prices within the region in the financial year.

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
Cost or Valuation								
At 1 April 2010	**591,584**	**4,225**	**12,855**	**3,536**	**315**	**865**	**926**	**614,306**
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**	**4,636**	**12,746**	**4,130**	**118**	**1,474**	**1,973**	**421,364**
Accumulated Depreciation and Impairment								
At 1 April 2010	(11,468)	(207)	(5,428)	(218)	-	(51)	-	**(17,372)**
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)**	**(321)**	**(5,627)**	**(339)**	**-**	**(63)**	**-**	**(26,055)**
Net Book Value								
At 31 March 2011	**376,582**	**4,315**	**7,119**	**3,791**	**118**	**1,411**	**1,973**	**395,309**
At 31 March 2010	580,116	4,018	7,427	3,318	315	814	926	596,934

Note 17.02 cont'd

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2010 was £1,171,327,875. 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 2009/10:

	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 1 April 2009	582,653	4,367	12,822	2,418	428	2,069	-	**604,757**
Additions	17,972	24	979	1,118	-	3	926	**21,022**
Donations	-	-	-	-	-	-	-	**-**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	1,281	-	-	-	-	-	-	**1,281**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(8,209)	137	-	-	-	6	-	**(8,066)**
Derecognition - Disposals	-	-	(920)	-	-	-	-	**(920)**
Reclassification - other	(355)	(79)	-	-	(156)	(2,354)	-	**(2,944)**
Assets reclassified (to) / from Held for Sale	(1,758)	-	-	-	-	-	-	**(1,758)**
Other movements in Cost or Valuation	-	-	-	-	-	-	-	**-**
At 31 March 2010	**591,584**	**4,449**	**12,881**	**3,536**	**272**	**(276)**	**926**	**613,372**
Accumulated Depreciation and Impairment								
At 1 April 2009	(13)	(160)	(5,453)	(98)	-	(8)	-	**(5,732)**
Depreciation Charge	(11,484)	(112)	(744)	(121)	-	(44)	-	**(12,505)**
Depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	**-**
Depreciation written out o the	-	51	-	-	-	-	-	**51**
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	-	**-**
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	-	-	-	**-**
Derecognition - Disposals	-	-	744	-	-	-	-	**744**
Reclassification - other	-	-	-	-	43	1,142	-	**1,185**
Assets reclassified (to) / from Held for Sale	29	-	-	-	-	-	-	**29**
Other movements in Depreciation and Impairment	-	(211)	-	-	-	-	-	**(211)**
At 31 March 2010	**(11,468)**	**(432)**	**(5,453)**	**(219)**	**43**	**1,090**	**-**	**(16,439)**
Net Book Value	**580,116**	**4,017**	**7,428**	**3,317**	**315**	**814**	**926**	**596,933**

17.03 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.

2009/10 £000		2010/11 £000
(50)	Balance at beginning of the year	(50)
(12,505)	Depreciation on HRA Assets	(9,355)
(2,195)	MRA in excess of depreciation on dwellings	(722)
-	Interest on balances	-
(14,750)		(10,127)
1,021	Depreciation on non dwellings	1,033
13,679	Capital expenditure on houses within the HRA	9,044
(50)	Balance at end of year	**(50)**

17.04 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.

2009/10 £000		2010/11 £000
	Expenditure	
14,525	Repairs and maintenance	17,120
14,525		17,120
	Income	
(14,525)	Contribution from Housing Revenue Account	(16,770)
-	Surplus / (deficit) for the year	-
(354)	Balance at beginning of year	(354)
(354)	Balance at end of year	**(4)**

17.05 Summary of Capital Expenditure

2009/10 £000		2010/11 £000
	Expenditure	
19,355	Houses	17,916
1,666	Other property	829
21,021		18,745
	Financing	
3,199	Borrowing	4,120
2,183	Revenue contributions	4,409
13,679	Major repairs reserve	9,044
1,797	Usable capital receipts	1,023
163	Grants	149
21,021		**18,745**

17.06 Summary of Capital Receipts

2009/10 £000		2010/11 £000
6,172	Balance brought forward	5,081
	Value of receipts	
48	Land	-
1,670	Houses	2,425
29	Mortgage repayments	28
224	Repayment of discount	80
177	Sale of vehicles, plant & equipment	131
8,320		7,745
1,442	Capital receipts pooling payment to DCLG	1,763
1,797	Usable receipts applied to capital expenditure – public sector	1,146
5,081	Balance carried forward	4,836
8,320		7,745

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

Included within the HRA balance is £1.0m 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.

17.08 Depreciation

2009/10 £000		2010/11 £000
11,484	Dwellings	8,322
1,021	Other operational assets	1,033
12,505		**9,355**

17.09 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.

2009/10 £000		2010/11 £000
8,209	Dwellings	24
216	Other operational assets	-
8,425		**24**

17.10 HRA Subsidy Calculation

2009/10 £000		2010/11 £000
12,031	Management allowance	12,447
18,782	Maintenance allowance	19,397
13,679	Major repairs allowance	9,044
-	Rental constraint allowance	-
4,915	Capital financing charges	3,835
(34)	Amortised premiums and discounts	(33)
(53,099)	Rents	(54,558)
(14)	Interest on receipts	(7)
(3,740)		(9,875)
-	Adjustments from previous years	(838)
(3,740)		**(10,713)**

17.11 Rent Arrears

2009/10 £000'		2010/11 £000
2,573	Arrears at year end	2,976
1,089	Provision in respect of uncollectable debts	1,360

18 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.

2009/10 £000			2010/11 £000	
		Income		
	75,491	Business Ratepayers		75,898
		Council Tax		
97,541		Council Tax	100,311	
(22,386)		*Less* Council Tax Benefit	(23,476)	
-		*Less* Transitional Relief	-	
-	75,155	*Less* Discounts for Prompt Payment	-	76,835
	22,386	Council Tax Benefit		23,476
	-	Community Charge		-
	46	Council Tax refunds written back		7
	173,078			**176,216**
		Expenditure		
12,163		Staffordshire Police Authority Precept	12,625	
4,629		Stoke-on-Trent & Staffordshire Fire and Rescue Authority	4,808	
78,281		Stoke-on-Trent City Council Demand	81,288	
	95,073			98,721
		Business Ratepayers		
73,905		Payment to NNDR Pool	73,771	
377		Costs of Collection	366	
1,209		Provision for Uncollectable Amounts	1,761	
	75,491			75,898
		Write Offs		
	3,815	Council Tax		(2)
		Provision for Losses		
	(2,515)	Council Tax		1,794
		Transfers from Surplus		
	9	to Staffordshire Police Authority		91
	3	to Stoke-on-Trent & Staffordshire Fire Authority		35
	56	to General Fund		583
	171,932			**177,120**
	1,146	Surplus/(Deficit) for the Year		(904)
	186	Balance at beginning of year		1,332
	1,332	Balance at end of year		**428**

19 Notes to the Collection Fund

19.01 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.

2009/10		2010/11
48.5p	Business Rate Multiplier	41.4p
48.1p	Small Business Rate Relief Multiplier	40.7p
£188,734,337	Non-domestic rateable value at year-end	£215,188,159

19.02 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:

2009/10 £000'		2010/11 £000'
113,196	Council tax gross charge	116,445
(5,553)	*Less* Exemptions	(5,697)
(10,004)	Discounts	(10,330)
(98)	Disabled allowances	(107)
97,541		**100,311**
(3,815)	*Less* Amounts written off	(2)
93,726		**100,309**
(22,386)	*Less* Council Tax Benefits scheme	(23,476)
71,340		**76,833**

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)	-	163.25	5/9	90.7
A	Up to £40,000	69,000	57,511.25	6/9	38,340.8
B	£40,000 - £52,000	22,478	20,221.00	7/9	15,727.4
C	£52,001 - £68,000	14,257	12,989.40	8/9	11,546.1
D	£68,001 - £88,000	4,438	4,164.00	1	4,164.0
E	£88,001 - £120,000	1,654	1,542.20	11/9	1,884.9
F	£120,001 - £160,000	453	431.80	13/9	623.7
G	£160,001 - £320,000	105	79.00	15/9	131.7
H	Over £320,000	44	12.50	18/9	25.0
					72,534.3
Less Adjustments for collection rates					(1,450.7)
Council Tax base for 2010/11					**71,084**

The overall Council Tax requirement of £78.281m 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	**2010/11**	**2009/10**
Council Tax Requirement	£81.288m	£78.281m
Taxbase	71,084	70,429
City Council Band D	£1,143.55	£1,111.48
Staffordshire Police Authority	£177.61	£172.71
Stoke-on-Trent & Staffordshire Fire Authority	£67.64	£65.73
Combined Band D Council Tax	£1,388.80	£1,349.92

Note 19.02 cont'd

The level at which Council Tax was set in 2010/11 was:

Valuation Band	Stoke-on-Trent City Council	Staffordshire Police Authority	Stoke-on-Trent & Staffordshire Fire Authority	Total 2010/11	Total 2009/10
	£	£	£	£	£
A	762.37	118.41	45.09	**925.87**	899.95
B	889.43	138.14	52.61	**1,080.18**	1,049.94
C	1016.49	157.88	60.12	**1,234.49**	1,199.93
D	1,143.55	177.61	67.64	**1,388.80**	1,349.92
E	1,397.67	217.08	82.67	**1,697.42**	1,649.90
F	1,651.79	256.55	97.7	**2,006.04**	1,949.88
G	1,905.92	296.02	112.73	**2,314.67**	2,249.87
H	2,287.10	355.22	135.28	**2,777.60**	2,699.84

19.03 Precepting Authorities

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

2009/10 £000		2010/11 £000
78,280,526	Stoke-on-Trent City Council	81,287,607
12,163,793	Staffordshire Police Authority	12,625,158
4,629,457	Stoke-on-Trent & Staffordshire Fire and Rescue Authority	4,807,821
95,073,776		**98,720,586**

19.04 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.

20 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.

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

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.

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.

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

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.

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.

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.

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 1500 bodies from central government, devolved administrations, the health service, local government and public corporations.

These accounts 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.

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