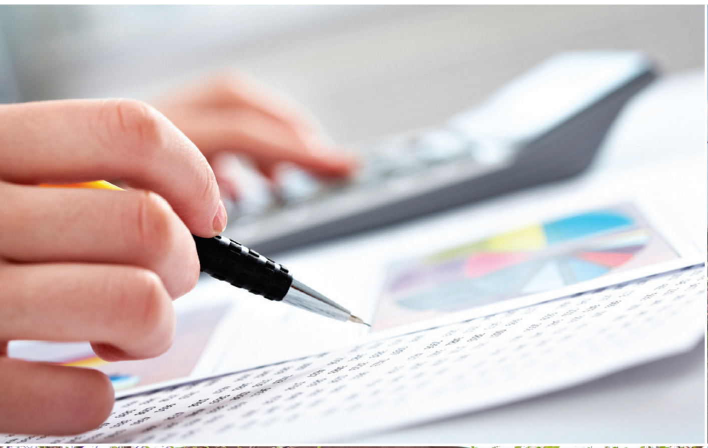
city of stoke on trent

Statement of Accounts 2012/13



Creating an effective and confident council | Mandate for change

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1. Explanatory Foreword

Welcome to the Statement of Accounts for Stoke-on-Trent City Council for the financial year 2012/13. The purpose of this document is to provide a true and fair view of the financial performance of the City Council in the delivery of services to the citizens of Stoke-on-Trent. It also summarises the overall financial position of the City Council for the year ended 31 March 2013. The accounts and accompanying documents are subject to an external independent review by Grant Thornton UK LLP and their opinion forms part of this document.

This foreword provides:

- An overview of the main financial issues arising during the year;
- A summary of the various statements that make up the City Council's 2012/13 accounts;
- A broad picture of where the money comes from and what it is spent on, including a comparison to the budget for the year; and
- An overview of significant changes in the City Council's net worth.

About Us

Stoke-on-Trent City Council is a unitary council with no parish councils. The City Council provides key services to a population of around 249,000 residents in over 113,000 households and geographically covers an area of 36 square miles. This is made up of residential, industrial, commercial land with a significant amount of green space for a mainly urban area. The City Council has 44 elected members and employs circa 9,500 staff (including schools), who deliver a diverse range of services for residents, local business and visitors to the City.

Austerity Continues

The Comprehensive Spending Review (CSR) in October 2010 announced that there would be a 28% reduction in funding for local government throughout 2011/12 to 2014/15 with the highest proportion of these cuts taking place during the first two years. More recent announcements have confirmed that the period of austerity will continue for much longer and the reduction in funding will be much greater (in excess of 33% for some councils) by the end of 2014/15.

The financial settlement received in December 2012 confirmed that resources over the next two years would continue to reduce in line with the extension of the austerity programme into 2015/16 and possibly much longer. The forecast trajectory and distribution of cuts will also continue into the medium term. The government has stated that they will carry out a further spending review in the summer of 2013 which will set out the resources available for 2015 onwards.

The first two years of the CSR has seen Stoke-on-Trent receive the 284th worst financial settlement out of all the 324 local authorities in England and is surrounded by local authorities who have all received significantly better settlements. From 2010/11 to 2014/15 the City Council has received the 47th biggest cut in spending power in terms of £ reduction per dwelling. This equates to £373.50 less financial resource for each dwelling in the city. The changes to the formula and specific grants have resulted in a combined loss of grant support in 2011/12 of £25m and a further reduction of £8m in 2012/13, together with increases in demand for services, contractual commitments and other cost pressures.

Strategic Response

The City Council has responded to the challenge by agreeing a clear vision and direction for the City in the form of the 'Mandate for Change' with its overriding ambition to make Stoke-on-Trent a Great Working City. This is the key policy and strategy document for the City Council and is a shared view that is held by partners city wide. The Mandate was launched in July 2011 and focuses on four strategic aims which cover economic regeneration of the area and helping people live independent and healthy lives. The strategic aims are outlined below and help form the basis for the prioritisation and targeting of the scarce resources available to the City Council.

Make Stoke-on-Trent the place to bring business

The number one priority was identified as increasing the number of jobs. Concentrated effort has been placed on attracting inward investment. This is an established way of getting jobs into an area in a relatively short period of time. It is also a really good way of diversifying the employment opportunities across our city. A 'red carpet' approach to inward investment was launched, a single point of contact for investors has been set up and our planning process has been streamlined.

Support and develop existing business

Tailored solutions have been offered to enable growth, providing guidance and signposting to funding opportunities for local businesses. Quality advice and support for businesses to get appropriate accommodation to meet their requirements, helping companies to recruit the right workforce and facilitating access to supply chains and professional networks has also been a key priority.

Work with people to promote independence and healthy lives

The City Council is striving in partnership with our schools and colleges to raise aspirations and improve attainment levels for all our children. Supporting and enabling independence for all families and adults remains one of our highest priorities, actively contributing to promoting healthy lives across the city, focusing on improving the health and wellbeing of our communities, increasing life expectancy and reducing health inequalities.

Make Stoke-on-Trent a great place to live

Raising the profile of the area for all the right reasons, developing a choice of high quality housing, improving and promoting the leisure and cultural offers and working in partnership continue to make the City safe.

These strategic aims have been underpinned by a commitment to become a more effective and confident council.

Over the last year the Mandate for Change has targeted investment into encouraging new business into the area, tackling the number of empty homes, helping people back into jobs, promoting independence and providing fair and easy access to care and other services.

Over the last two years savings of £56m have been implemented or alternatives secured. Although inevitably some frontline services have been hit, the majority of these savings have been achieved from redesigning services, delayering management and supervision, managing demand and implementing a range of other efficiency measures. Given the scale of the current challenges the financial results of the City Council over the past two years has been impressive.

The budget approved for 2013/14 builds upon this progress as we continue to develop and improve the City to benefit all our residents, businesses, stakeholders and visitors.

Strong Financial Management

Strong financial management and proactive action by services has again been at the forefront of delivering the budget for 2012/13. Despite being faced with increasing demand in some areas, such as children in care, and the continued pressure on income budgets, the forecast adverse variance throughout the year has consistently reduced month by month. This was a deliberate intention of the strategy to outturn under budget in order to increase the flexibility for the future and ease the burden of the increasingly difficult decisions that need to be made. This proactive action has placed the City Council in a relatively strong position given the financial challenges that it will continue to have to face.

The Housing Revenue Account (HRA) spent £47.2m carrying out day to day repairs, collecting rents and managing the service. It spent a further £17.5m on loan interest and funding capital works on its assets. It collected £66.0m in rent and charges, generating a net surplus of £1.3m to contribute to its reserves which will be used to fund future expenditure and cushion the impacts of welfare reform and other business challenges.

The City Council's ambitious capital programme delivered £166.6m worth of investment in 2012/13 which included a number of key achievements during the year. The programme has provided a strong foundation for the future and significant improvements to the City's physical infrastructure and environment has been delivered.

What does the future look like?

2013/14 will be a year that will see many changes. The Local Government Finance Act 2012 has fundamentally altered the way in which local government is being funded. The amount of resources available to the local area will become increasingly dependent on its ability to grow local income streams particularly from business rates and new homes. This makes the success of our Mandate for Change to attract new businesses and create new jobs even more critical. This new emphasis is a clear departure from the traditional grant funding formula which predominantly distributed national grant support on the basis of the deprivation and the needs of the local population.

New national policy changes are also far reaching and are being implemented over a very short period of time. All of these new arrangements have a financial impact. From 1 April 2013, all local authorities have implemented a local council tax support scheme with a significant reduction in the level of resources than the previous national council tax benefits scheme which it has replaced. From this date, local authorities will also be responsible for the Social Fund, which was previously administered by the Department for Work and Pensions; and Public Health responsibilities have transferred into Local Government from the NHS.

A further comprehensive overhaul of the welfare system is continuing, with the future introduction of universal credits and the impacts of house under-occupancy, or 'bedroom tax' is being assessed locally. These changes and the effects of the Localism Act, planning reform, and the changing landscape of education provision all add to the complexity of estimating resourcing requirements within such a radically changing operating environment.

The introduction of The Welfare Reform Act may also have various impacts on the City Council which could include increase in demand for services, increase in bad debt and problems in recovering debt, fall in demand for discretionary chargeable services and increase in homelessness. A cross directorate working group has been convened to closely monitor and identify any issues at an early stage so that strategies and mitigations can be put in place to meet any additional resource requirements.

The decisive action that has been taken over the last two years has placed the City Council in a relatively strong position, given the incredibly challenging circumstances it faces. This has provided a sound foundation for the future, allowing some flexibility to ease the burden of the increasingly difficult decisions that need to be taken. At the same time an early focus and engagement with residents, Members, officers and other stakeholders is critical in order to prepare and prioritise what matters most as part of the development of the 2014/15 budget and the delivery of our 2013/14 objectives.

Explanation of the Format of the Statement of Accounts

Stoke-on-Trent City Council is a complex and varied organisation providing a full range of local services to its communities. By its very nature, this statement is also complex and it is therefore appropriate to explain the format of the Statement of Accounts to enable easier navigation and understanding. It is also supported by a glossary of financial terms which is included at the end of the document.

The City Council produces and publicises summary, non-statutory financial management information based on its audited accounts each year. The purpose of the Statement of 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 are the significant events during this year?
- What was the value of the City Council's assets at the end of the financial year?
- What is the net worth of the City Council?

An objective of the financial statements is also to provide information about the City Council's financial performance. This is designed to be useful to a wide range of users to assess the governance and stewardship of the council's management arrangements. In order to achieve this, the following underlying principles have been adopted.

Understandability
Every effort is made to use plain English and where technical terms are unavoidable they are defined in the glossary of terms.

Relevance
Information is presented so that it will assist the reader to understand the Council's current financial position or make predictions about its financial trends.

Reliability
The financial information within the accounts has been prepared so that it provides a faithful representation of the transactions and events that have taken place.

Comparability
The application and adoption of International Financial Reporting Standards (IFRS) and requirements of the CIPFA Code of Practice for Local Authority Accounting ensures consistency of financial information and comparability to other similar organisations.

Timeliness
The City Council is committed to producing and publishing its accounts in line with statutory requirements and deadlines.

Verifiability
The Statement of Accounts and supporting documentation are subject to independent review by external auditors and are available for Public Inspection for a period of 20 working days, commencing 8 July 2013.

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 Statement of Accounts comprises:

- Independent Auditor's Report to Members (section 2)
- Statement of Responsibilities for the Statement of Accounts (section 3)
- Statement of Accounting Policies (section 4)
- Statement of Accounting Standards that have been issued but not yet adopted in preparation of the Accounts (section 5)
- Critical Judgement in applying accounting policies (section 6)
- Core Financial Statements (sections 7-10)
- Accounting Policy and prior period adjustments (section 11)
- Assumptions made about the future and other major sources of estimation uncertainty (section 12)
- Notes to the Accounts (section 13)
- Supplementary Financial Statements (section 14-18)
- Glossary of Financial Terms (section 19)

The Core Financial Statements are:

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

The Supplementary Financial Statements comprise:

- **Housing Revenue Account Income and Expenditure Account** – This shows the economic cost of providing social housing services in the year.
- **Movement on the HRA Statement** – This summarises the increase or decrease in the Housing Revenue Account reserve.
- **Collection Fund Statement** – This summarises the receipts and payments relating to council tax and business rates.
- **Annual Governance Statement** (published separately) – The City Council is required to publish an Annual Governance Statement for the financial year. This Statement explains how the City Council has complied with its responsibility to ensure that public money is safeguarded and properly accounted for and also used economically, efficiently and effectively. This statement will also explain the progress that the City

Council has achieved in implementing the improvement actions outlined in the previous year's Annual Governance Statement.

What did the Council's Services Cost in the Financial Year?

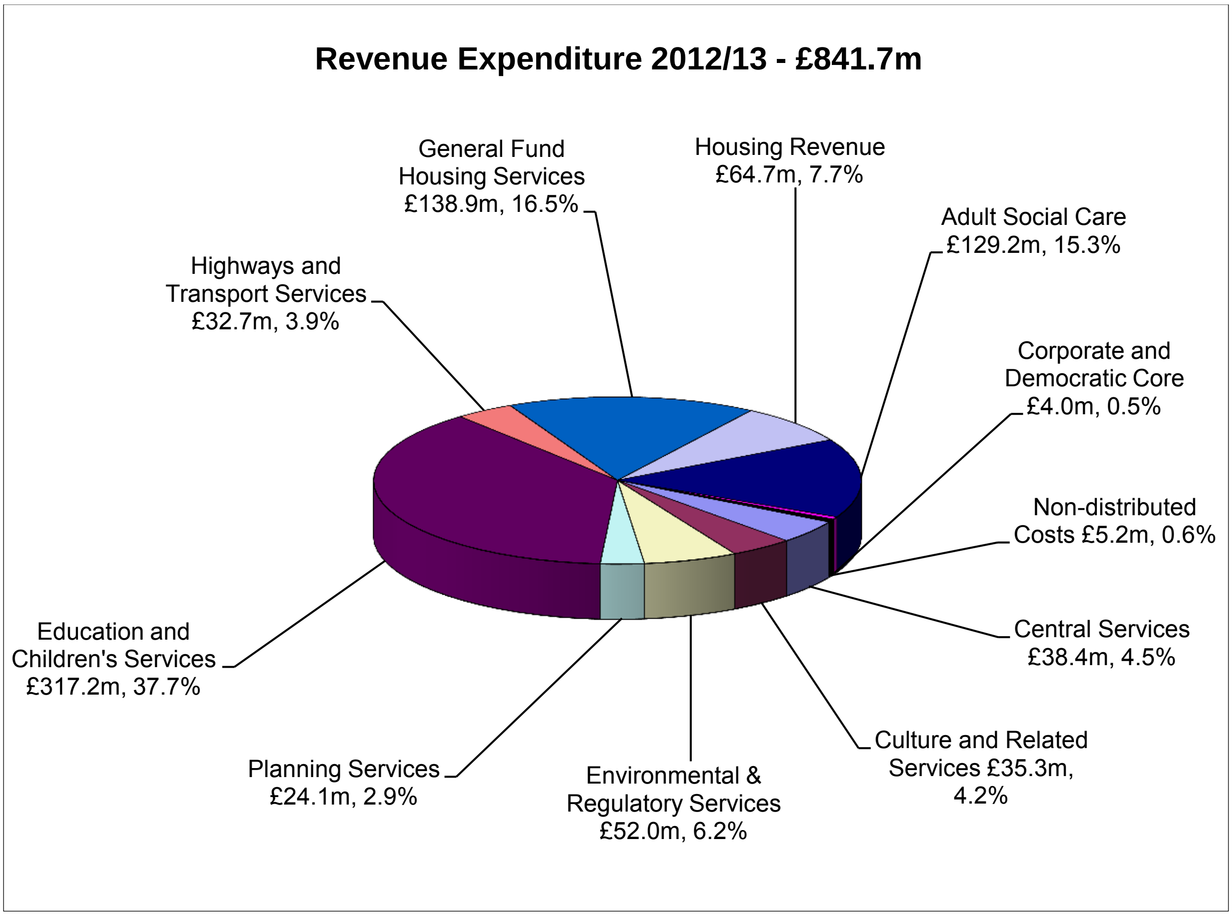
Each year, the City Council aims to deliver its approved Medium Term Financial Strategy, spending money on key services to reflect local priorities and also those that have to be delivered by law. The charts below show what services the money is spent on and then where the money comes from.

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

	Expenditure	Income
	£m	£m
General Fund	777.0	777.5
Housing Revenue Account	64.7	66.0
Total	**841.7**	**843.5**

During the year total income exceeded expenditure by £1.8m, made up of a £0.5m surplus on the General Fund and a £1.3m surplus on the Housing Revenue Account.

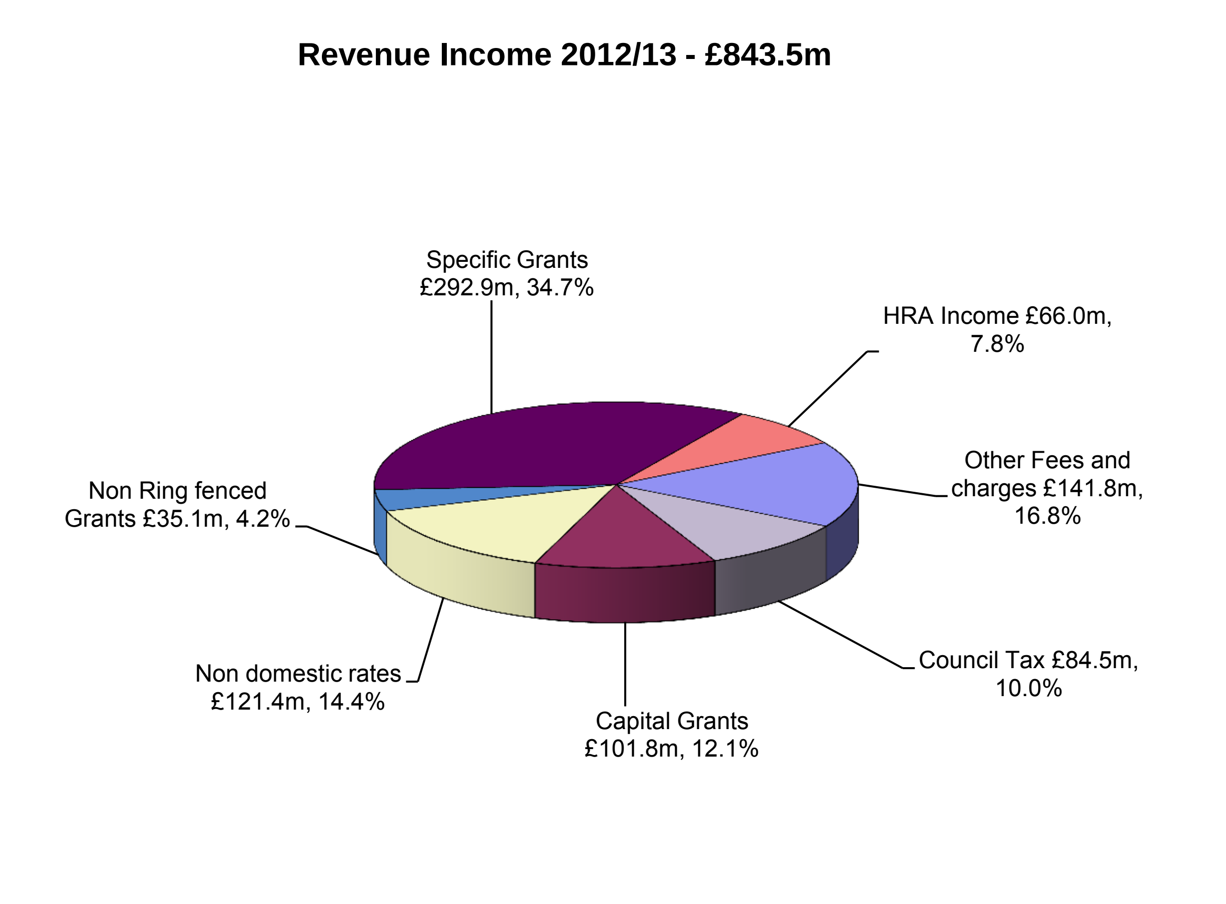
The chart below shows how the money was spent in 2012/13.



Where Does the Money Come From?

The City Council's expenditure for 2012/13 was funded from a number of different income sources as shown in the following graph.

The income comes primarily from central government in the form of grants and from local residents in the form of council tax payments.



Budget versus Outturn 2012/13

The City Council organises itself into Directorates which are responsible for the performance and financial management of its services. The budget is set at the beginning of each year which is aligned to these operational departments and monitored on a regular basis. The table below shows the Directorates performance against the budget, resulting in a surplus on the general fund of £0.5m, and a surplus on the HRA of £1.3m.

Detail	2012/13 Budget	2012/13 Outturn	Variance (under) / Overspend	Comment
	£m	£m	£m	
People Directorate	104.5	103.4	(1.1)	Main cost pressure relates to the number of children within the care system. This has been partially offset by proactive action to reduce costs on contracts, vacancy management and securing additional funding.
City Renewal Services	48.2	48.1	(0.1)	Additional costs in respect of expenditure previously classified as capital and a reduction in income. This has been offset by strong proactive financial management across all services.
Corporate Services	21.9	21.0	(0.9)	Underspend mainly due to proactive vacancy management and generation of additional income for services.
Chief Executive's	0.4	0.4	-	No variance
Benefit Payments	-	(0.4)	(0.4)	Additional subsidy received due to the positive local detection of fraud and other errors.
Civic & Corporate Expenses	1.4	1.4	-	No variance
Non-departmental costs (incl. reserves movement)	(91.9)	(89.9)	2.0	Some non-achievement of corporate savings and revenue contribution to the capital programme. This has been offset by a reduction in financing charges.
General Fund Net Expenditure	**84.5**	**84.0**	**(0.5)**	
Council Tax	(84.5)	(84.5)	-	No variance
Total General Fund	**-**	**(0.5)**	**(0.5)**	
Total Housing Revenue Account	**(0.1)**	**(1.3)**	**(1.2)**	Underspend mainly due to proactive vacancy management
Movement in General Fund and Housing Revenue Account	**(0.1)**	**(1.8)**	**(1.7)**	

General Fund Services

The focus of this section is to look at how the City Council spends its General Fund (non-Council Housing) resources on day to day activities.

As part of the Government's austerity measures, 2012/13 was the second year of a financial settlement for local government which has seen a cumulative reduction in funding across the sector. Where possible, every effort was made to implement savings prior to the start of 2012/13 to provide a strong foundation for the year ahead. During the year there have been high demand pressures experienced due to the number of child referrals and an increase in placements into the care system. This has been combined with a continued reduction in some income streams. These pressures along with the original budget savings were monitored closely throughout the year.

Service redesign in Localities, proactive vacancy management, cutting non-essential spend and identifying additional funding have bought the outturn back to an underspend position by the end of the financial year. Directorates, working with finance colleagues, proactively improved the outturn position throughout the year which has enabled an additional £2.0m to be set aside from the 2012/13 budget to be used on areas of most concern to residents in the future.

The City Council endorsed the funding strategy for the redundancy programme on 24 February 2011. This effectively approved the borrowing, on a temporary basis, from the Council's earmarked reserves of up to £25.0m. The plan was to make repayments, as quickly as possible, over a maximum period of up to five years. For 2010/11 £14.3m was borrowed from earmarked reserves with a further £5.7m to meet the redundancy costs in 2011/12. No further borrowing has been required for 2012/13 and the outstanding borrowing from earmarked reserves of £4.2m at the end of 2011/12 has now been fully repaid.

The General Fund outturn for 2012/13 is a surplus of £0.5m, which takes the cumulative General Fund Reserve (Corporate Contingency) as at 31 March 2013 to a reasonable position of £8.0m.

Council Housing Services

Day to day expenditure on the City Council's housing stock, such as general property maintenance and other landlord costs, are funded by tenants' rents. By law, these monies can only be spent on council housing 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 2012/13 is a surplus of £1.3m.

The underspend mainly related to lower supervision and management costs of £1.8m due to measures to reduce non-essential expenditure and proactive management of staff vacancies.

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

The contribution to the General Fund balance of £0.5m and the housing revenue outturn of £1.3m (total £1.8m) is reflected in accordance with current accounting standards in the Movement in Reserves Statement and Comprehensive Income and Expenditure Account. The overall position is summarised in the table below.

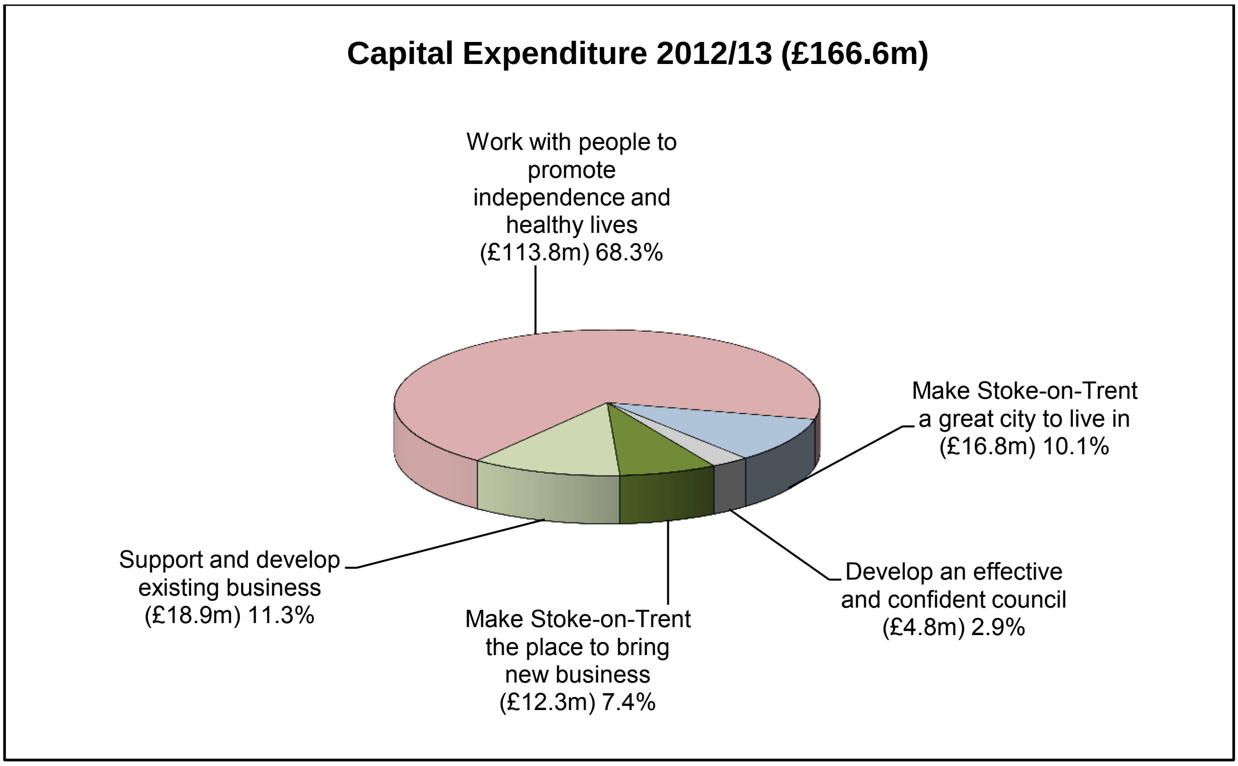
Total Council	**Expenditure**	**Income**	**Net**
	£m	£m	£m
Net Cost of Services per Comprehensive Income and Expenditure Statement	887.4	(477.9)	409.5
Other Operating Expenditure	13.8	(4.4)	9.4
Net operating expenditure	**901.2**	**(482.3)**	**418.9**
Financing and Investment Income & Expenditure	31.7	3.7	35.4
Other Revenue income	-	(342.7)	(342.7)
Deficit/(surplus) for the year	**932.9**	**(821.3)**	**111.6**
Adjustments to Comprehensive Income and expenditure under statute	(127.6)	(6.3)	(133.9)
Transfers to/from other reserves (excluding Schools)	36.4	(15.9)	20.5
Total income/expenditure	**841.7**	**(843.5)**	**(1.8)**

The City Council's Assets

The Council's Long term assets are valued at £1,106.1m out of which £1,022.9m is represented by council dwellings, infrastructure, land, buildings, vehicles and equipment.

Capital Expenditure

As well as delivering day to day services, the City Council also spends money on capital investment, which results in assets such as land, buildings, vehicles and equipment. The authority has a very ambitious agenda over the medium term to revitalise the City through capital investment in education, infrastructure, housing, regeneration and private sector led projects. In 2012/13 the City Council spent £166.6m on capital expenditure, which is analysed in the following graph against the Mandate for Change priorities.



The programmes with the most significant spend and major achievements in this financial year include:

- Building Schools for the Future (£106.6m) with 9 projects at practical completion.
- City Centre Bus Station (£9.2m), the new bus concourse opened on 26 March 2013.
- Public Sector Housing (£6.8m), investment to improve homes including central heating, kitchens, adaptations that aid the tenant and climate change work for greater fuel efficiency.
- CoRE (£6.0m), the second phase conference centre and demonstration facilities building has been refurbished.
- Highways programmes (£6.0m), including Local Transport Plan, capitalised highways, reduce congestion and improve transport network.
- New Build Housing (£5.9m), the programme continues with developments on site at City Waterside, Meir, Fegg Hayes and Weston Heights.
- Central Business District (£5.8m), the project is on track to deliver practical completion of two Council buildings in 2015.
- Primary Capital Programmes (£4.4m), a number of education led service developments.
- IT Strategy (£4.0m), the data migration to the new Data Centre was successfully completed in February 2013.
- City Centre Public Realm (£1.9m), phase 1 now complete including paving works, trees, feature seating and street lighting.

Significant Transactions during the Year

Icelandic Bank

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

The result of this judgment is that the City Council expects 100% of the principal investments to be returned. Payments amounting to £2.4m have been received by the authority to date. It is not known when the balance of the outstanding investment will be received.

De-recognition and impairment of assets

A number of assets have been derecognised due to replacement or disposal or transfers of schools following conversion to academy status.

Where assets no longer provide a level of service to the City Council against which the asset was originally valued or their value has been affected by changes to market conditions, the value of that asset is adjusted to reflect this occurrence and the asset value is impaired. Property, plant and equipment, totalling £199.1m, have been impaired in accordance with legislation.

During the year a number of schools were given approval to change to Academy status, the assets used by these schools were deemed to no longer provide a service to the City Council and were impaired with a total value of £187.1m.

Non-Current asset note (13.06a) provides details of the sums involved in respect of de-recognition, transfer and impairment.

Long Term Debtor

Six of the schools which converted to Academy status, entered into a long term lease contract with the Council in respect of the properties they occupy, which are included in the Transform Schools PFI scheme.

The properties in question have been derecognised from the Council's Assets on the Balance Sheet, and a long term debtor included on the Balance Sheet to represent the PFI Unitary payments due and recoverable from the schools in respect of these properties. The Long Term debtor balance as at 31 March 2013 was £2.3m.

Municipal Mutual Insurance Ltd (MMI)

A provision has been created relating to the MMI scheme of agreement. This agreement has been set up with the creditors of MMI as an alternative to liquidation of the business of the company. Creditors will be responsible to make reduced payments if the level of claims exceeds 50 thousand pounds in aggregate. MMI confirmed on 13 November 2012 that the Scheme will be triggered. Control of the company has now passed to the scheme administrator. Ernst & Young LLP, have undertaken a financial review of the company and have concluded that such a levy will be required in the near term and have advised scheme creditors that the initial rate of the levy will be 15%.

Pensions

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

The Fund has seen a deterioration of its Pensions liability on the balance sheet since last year. This is because financial assumptions at 31st March 2013 are less favourable than they were at 31st March 2012. This has resulted in an increase of the Pensions Liability on the City Council's Balance Sheet of £69.0m (2011/12 increase of £57.3m) to £364.7m (2011/12 £295.7m). This amount is also reported in the Comprehensive Income and Expenditure Account but, as per statutory guidelines, does not impact on the calculation of the Council Tax charged to tax payers. For additional information see note 13.15.

Further information on officers remuneration and related parties can be found in section 13.12 and 13.21 respectively.

External Auditors
Grant Thornton UK LLP have now been appointed as the auditors for the City Council. Further information regarding auditors remuneration can be found in section 13.20.

Changes in Accounting Policy

There have been no material changes in accounting policy applicable during 2012/13.

What is the Net Worth of the City Council?

Net Worth
The net worth of the Council decreased by 31% from £448.8m to £309.7m mainly as a result of an increase in net pension liability and reduction in property, plant and equipment due to falls in value and the transfer of property to Academy schools.

Reserves and Balances
The City Council's reserves consist of Usable and Unusable reserves. The Movement in Reserves Statement (section 9 of the accounts) shows the split and movement of those reserves during the year.

The City Council needs to maintain a level of balances and reserves in order to meet any future 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 and Earmarked Reserves
The City Council's financial strategy is to maintain a General Fund reserve of around £8.0m. This was achieved for 2012/13. The City Council does not plan to make any contribution to this balance in 2013/14 as the general reserve is now at a level that is considered reasonable and fit for purpose for the future.

The City Council also holds £94.2m of 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 in the following table.

General Fund Reserves	Non-Earmarked Reserve	Earmarked Reserves	Usable Capital Receipts & Capital Grants
	£m	£m	£m
Opening Balance (1 April 2012)	7.5	82.0	21.1
Contribution 2012/13	0.5	12.2	0.5
Closing Balance (31 March 2013)	**8.0**	**94.2**	**21.6**

Housing Revenue Account Reserve
The City Council planned to make a contribution of £1.3m to the non-earmarked reserve in 2012/13, resulting in a HRA balance as at 31 March 2013 of £8.3m. The HRA's financial strategy includes a determination that a prudent level of the HRA reserves is a minimum of circa £4.0m, having regard for the inherent levels of future financial risk and uncertainty. As a result of some slippage of some investment programmes, the balance at the start of the year was £7.0m. During the year, a further contribution of £1.3m has been added to this balance which will be used to progress initiatives planned in 2013/14, and offset future risks such as the impact of Welfare Reform.

The HRA holds significant earmarked reserves, mainly to cover the cost of planned major capital investment schemes and debt repayment due within a short term period.

Housing Revenue Account Reserves	**Non-Earmarked Reserve**	**Earmarked Reserves**
	£m	£m
Opening Balance (1 April 2012)	7.0	5.0
Contribution 2012/13	1.3	10.9
Closing Balance (31 March 2013)	**8.3**	**15.9**

Borrowing
The City Council has a capital financing requirement of £544.9m which represents the underlying need to borrow for capital purposes. The majority of this debt is authorised and supported by grant payment from central government to help meet loan costs. The authorised limit for external debt, which is set annually by the City Council, was £488.4m for 2012/13 and is £508.4m for 2013/14. Against this limit, the City Council has external borrowings of £302.8m at the year end, which reflects the current approach of using cash balances to fund capital expenditure as part of a clear and deliberate integrated treasury management strategy. Like many councils, Stoke-on-Trent continued its strategy of running down its day to day cash balances during the year to limit its exposure to relatively low interest rates and uncertain money markets.

The majority of the City Council's long term borrowings are undertaken from the Public Works Loan Board (PWLB) which is a statutory body operating within the United Kingdom Debt Management Office, an executive agency of HM Treasury. The authority has repaid £3.0m of loans in 2012/13.

Future funding for Capital Assets
The City Council's Budget Report in February 2013 approved a capital programme for the period 2013/14 of £147.6m and an indicative programme for 2014/15 to 2015/16 of £111.8m. The programme has been developed to ensure that the costs remain within a prudent level of resources to finance those costs such as the use of borrowing, capital receipts and external grants and contributions. The City Council's adoption and use of prudential indicators provides assurance that the capital investment remains affordable over this period.

Material Events post reporting date

Business Rates Retention

The Local Government Finance Act 2012 has fundamentally changed the way in which local government is funded. The changes see a move away from a formula grant support mechanism which was predominantly based on the needs of an area and population towards a funding arrangement that rewards growth and strives for local sustainability. Local authorities from 1 April 2013 will retain a proportion of their business rates collected locally, which means growing the local economy through business rates is critical to the authority's future.

Business Rate Appeals

The introduction of business rates retention from the 1 April 2013 has meant the authority becomes liable for a share of the loss of rates relating to financial periods up to 31 March 2012 which follow on from a successful appeal. An allowance was made by central government within its national estimates to cover anticipated losses. There has been a transfer of risk that this national allowance will not reflect local circumstances and that the authority will bear a proportion of additional loss which prior to the introduction of the new scheme, would have been met entirely by central government.

Welfare Reform

The Government has introduced changes to the council tax benefit scheme as part of the welfare reform agenda. This has transferred the responsibility from central government to local government to deliver a local discount scheme with less financial support from central government. The scheme for local council tax support which has been put forward by the City Council is based on the principle that the new arrangements will be self-contained within the reduced level of resources available. The support scheme means that everyone of working age will make a contribution to council tax, some for the first time.

Public Health

The City Council will become responsible for the provision of Public Health Services from 1 April 2013 following the transfer of the function from the National Health Service to local authorities.

Concluding Comments

It is clear that the economic challenges faced by the United Kingdom and many other countries around the world are having a huge impact on the ability of national governments to provide appropriate funding levels for local public services.

This is compounded by national policy changes within the UK including a fundamental review of the way in which local government is funded, the major overhaul of welfare arrangements; the Localism Act 2011; planning reform; and the changing landscape of education provision.

The decisive action taken over the last two years has enabled the City Council to be in a relatively strong financial position, given the incredibly challenging circumstances it faces. In 2012/13, a deliberate intention of the financial strategy was to outturn under budget in order to increase the flexibility for the future and to ease the burden of the increasingly difficult decisions that need to be taken. This has provided a sound foundation for the future, which has been essential given that it is now clear that the impacts of the central government's austerity programme will mean fiscal contraction of local government resources will continue for much longer and be much deeper than was originally announced.

Preparation for the budget development for 2013/14 started early, as further reductions in funding continued and increasing cost pressures were evident. A comprehensive and inclusive consultation programme commenced in the autumn. The 2013/14 budget was agreed by City Council on 28 February 2013, approving budgeted net expenditure for the year of £66.8m and budgeted capital expenditure of £147.6m. The gross budget for the Housing Revenue Account for 2013/14 was set at £69.2m and the Housing Capital Investment Programme was set at £21.8m. These plans were approved by City Council on the 24 January 2013.

In spite of the on-going economic challenges the City Council is determined to improve outcomes for its local residents. By working with our partners, the City Council continues to deliver a bold and ambitious investment and change programme. The planned agenda of modernisation and transformation will continue to improve the targeting of need and positive impact of services to the people of Stoke-on-Trent.

It is clear that the overall value for money delivered by the City Council is better now than it has been at any time since it became a Unitary Authority in 1997. It is unfortunate that the overall benefit of this improved performance has not been felt as strongly by local residents due to the huge contribution this area is making to reduce the Country's overall national deficit.

The future and continued success of the Mandate for Change is critical in order to increase the capability to grow local income streams particularly from business rates and new homes. The City Council has to become more self-sufficient and less reliant on central government funding support. This will create the right conditions for local economic growth and prosperity for Stoke-on-Trent's residents.

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

Further information about the accounts is available from:

Stoke-on-Trent City Council
Corporate Services Directorate
Financial Services Division
Civic Centre, Glebe Street,
Stoke-on-Trent,
ST4 1HH
Telephone (01782) 238633
E-mail: finance@stoke.gov.uk

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

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

Opinion on the Authority financial statements

We have audited the financial statements of Stoke on Trent City Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the section 151 Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Stoke on Trent City Council as at 31 March 2013 and of its expenditure and income 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 2012/13.

Opinion on other matters

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

Matters on which we report by exception

We report to you if:

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

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Stoke on Trent City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Mark Stocks

Director

for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

27 September 2013

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 responsibility by the City Council to the Audit Committee, I confirm that the accounts were approved by the Audit Committee at its meeting on 26th September 2013.

Councillor Olwen Hamer
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 2013, financial performance and cash flow of the City Council for the year ended 31 March 2013.

Peter Bates
Assistant Director, Financial Services
Section 151 Officer
Date

4. Statement of Accounting Policies adopted by Stoke-on-Trent City Council for 2012/13

1. General

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, based on International Financial Reporting Standards ("the Code") which is produced by CIPFA/LASAAC under the oversight of the Financial Reporting Advisory Board.

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

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

2. Changes in Accounting Policies and Prior Period Adjustments

Significant Policy Changes

There are no significant accounting policy changes adopted for the 2012/13 accounts.

3. Critical Accounting Judgements

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

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 as to whether they fall within the scope of IFRIC 12 *Service Concession Arrangements* and if so, the determination of control over the related assets to establish whether they are included or excluded from the City Council's balance sheet.

Provisions
The assessment as to the probability of the settlement of obligations arising as a result of a past event such that the City 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 '*Leases'* and IFRIC 4 '*Determining Whether an Arrangement Contains a Lease'* to determine whether arrangements should be accounted for as finance or operating leases.

Schools
The City Council's schools are run under a number of arrangements: Foundation schools, Church schools and Local Authority run schools. All schools are part of the PFI contract for services and as such are recognised on the balance sheet as the City Council controls the delivery of the PFI service. The status of the recognition alters where the City Council relinquishes control through the issuance on a long term lease or transfer of asset to an external agency.

Service Impairment
There is a high degree of uncertainty about future levels of funding for local government. The City Council needs to make a judgement as to whether this uncertainty is sufficient to provide an indication that the assets of the City Council might be significantly impaired as a result of a need to close facilities and reduce levels of service provision.

Investment Property
The assessment as to whether land and buildings owned and rented out by the City Council are held solely to earn rentals, capital appreciation or both or held on basis that their principal function is service related.

The effect of applying specific issues to the critical accounting judgements is disclosed in section 6.

4. Key Sources of Estimation Uncertainty

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

Provisions
The estimate of the required level of provisions is performed by the City Council on a case by case basis using the best information available at the time. Due to the nature of the obligations that give rise to 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 City Council estimates the remaining useful life of its assets based upon professional valuation advice. Variation in such estimates could have a material impact upon the depreciation charge for the next financial year.

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

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

Changes in accounting estimates
Where changes to accounting estimates have a material effect in the current period or are expected to have a material effect in future periods.

5. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the City 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 amortisation and impairment.

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

6. Property Plant and Equipment

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

- it is probable that the future economic benefits or service potential associated with the item will flow to the entity, and;
- the cost of the item can be measured reliably, and;
- the cost of the item is above the following de minimis levels set for administrative purposes:

- Land and Buildings	£15,000
- Equipment	£ 5,000
- Schools Capital	£ 2,000

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

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

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

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

Where the Department for Education issue an Academy Order the school asset subject to transfer is impaired. On transfer to Academy status the asset is derecognised subject to the period of the lease.

In the event of a long term lease, a long term debtor is established for the discounted value of the minimum lease payments due from the Academy school.

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 where applicable;
- 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.
- non-property assets – fair value, market value or proxy for market value

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

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

With effect from 1 April 2010 the City Council has separately accounted for components of assets. Components are considered for recognition where the components have a value which is significant in relation to the total value of the asset, have different useful lives and / or depreciation bases and the depreciation charges materially affect the statement of accounts.

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 useful economic lives as advised typically:

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

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

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

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposal is payable to the Government. As a result of changes in legislation, as set out in amendments to the Local Government Act 2003, the City Council also has the option to retain 100% of some receipts (Non Right-to-Buy and 1-4-1 replacement) provided that they are used for the provision of affordable housing, regeneration projects or the repayment of housing debt. The balance of receipts is credited to the Usable Capital Receipts Reserve, and can then only be used to finance new capital investment or reduce the City Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Usable Capital Receipts Reserve via the Movement in Reserves Statement.

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

7. Investment Property

Investment property is property held solely to earn rentals and / or for capital appreciation. The property is accounted for in accordance with the accounting policy set out for property, plant and equipment. In accordance with the Accounting Code of Practice, assets identified as 'of indeterminate use' are to be classified as surplus assets within Property, Plant and Equipment. Housing related assets and assets held to provide economic regeneration are classified as operational properties based on their principal function being service related.

8. Non-Current Assets Held for Sale

Non-current assets are classified as held for sale when the sale is highly probable, the asset is available for immediate sale in its present condition, the City Council is committed to and actively marketing the sale and which is normally expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

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

9. Revenue Expenditure Funded from Capital Under Statute

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

10. Basis of Charges for Capital

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

11. Government Grants and Contributions

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

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

12. Revenue Income and Expenditure

The revenue accounts are maintained on an accruals basis. Expenditure is charged to the revenue accounts in the period in which goods and services are received and, similarly, income is credited in the period in which it falls due, regardless of the timing of cash payments or receipts. The exception to the accruals basis is where the amounts involved are not material.

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

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

Where Income and Expenditure have been recognised but cash has not been received or paid, a Debtor or Creditor for the relevant amount is recognised on the Balance Sheet. Where debts may not be settled and it is likely that collection of such debt is doubtful, the balance of the debt is written down and a charge is made to revenue for the income that may not be collectable.

13. VAT

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

14. Reserves

The City Council sets aside specific amounts as reserves for future policy purposes or to cover future events / contingencies. When the expenditure to be financed from reserves is incurred, it is charged to the appropriate service revenue account in that year and included in net cost of services in the Comprehensive Income and Expenditure Statement. The corresponding amount is then transferred from the appropriate 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 both usable earmarked reserves, which are set aside for specific purposes; and the General Reserve, which is set aside for future general use.

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

15. Inventories and Work in Progress

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

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

16. Support Services

The cost of overheads and support services are allocated to those that benefit from the supply of service in proportion to the benefits received, on an appropriate basis to accord with CIPFA's Service Reporting Code of Practice (SeRCOP).

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

17. Provisions

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

18. Leases

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

Finance Leases

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

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

Operating Leases

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

19. Employee Benefits

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

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

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

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

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

20. Financial Instruments

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

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

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

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

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

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

Where assets are identified as impaired, because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Comprehensive Income and Expenditure Statement.

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

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

the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

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

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

Gains and losses on the re-purchase or early settlement of borrowing are credited / debited to Net Cost of Services in the Comprehensive Income and Expenditure Statement in the year of repurchase / settlement. However, where re-purchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

21. Interests in Companies

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

22. Private Finance Initiative (PFI) and similar contracts

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

- Schools – assets transferred to Transform Schools (Stoke) Limited.
- Street Lighting – assets transferred to Tay Valley Lighting (Stoke-on-Trent) Limited.
- Bentilee District Centre – assets transferred to Bentilee HUB (Project Company) Limited.
- Hanford Waste – assets 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 City 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 City Council at the end of the contracts for no additional charge, the City 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 any other property, plant and equipment owned by the City Council.

The amounts payable to the PFI operators each year (known as the unitary charge) are analysed into five elements:

- fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement;
- finance cost – an interest charge of an agreed % on the outstanding balance sheet liability, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- contingent rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Comprehensive Income and Expenditure Statement;
- payment towards liability – applied to write down the balance sheet liability towards the PFI operator;
- lifecycle replacement costs (regular planned refurbishments) – recognised as non-current assets on the balance sheet.

23. <u>Foundation Status Schools & Academies</u>

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. The foundation school land is transferred to the school hence derecognised from the Councils balance sheet. In the event that the risks and rewards are borne mainly by the authority, the Foundation School's balance sheet will be consolidated into the authority's balance sheet. The City Council currently has several foundation schools. It is the City 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 City 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 or are due to 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 City Council's Balance Sheet. The process for derecognition is as follows:-

- In the event that a school obtains approval to take up academy status, the infrastructure, intangible assets, buildings, plant and equipment of the school are impaired.
- When the Academy opens, the assets are derecognised with the exception of the building.
- When the Academy enters into a long term lease arrangement with the City Council the buildings are derecognised.
- The land, being on a short term lease is retained on the City Council's balance sheet.

24. <u>Council Tax</u>

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

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

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

Stoke-on-Trent City Council used to be the accountable body of the RENEW North Staffordshire Pathfinder project. In 2010/11, funding for the programme was withdrawn and the partnership arrangement ceased. Transitional funding was, however, put in place to ensure that any outstanding obligations entered into by the partnership programme were met, these obligations continue.

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

26. <u>National Non-Domestic Rates (NNDR)</u>

Income and Expenditure Treatment

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

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

Cash collected from NNDR taxpayers by the City 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 City Council is not a revenue activity and is not included in the City Council's Cash Flow Statement as a cash inflow except for the cash retained in respect of the cost of collection allowance. Similarly, the City Council's payment into the NNDR national pool is not a revenue activity and is not included in the City 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 defined as cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the City 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, known as Minimum Revenue Provision (MRP). This charge has been previously based upon a statutory percentage (4%) of the authority's underlying need to borrow for capital purposes at the start of each year. Change to legislation now 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 the end of the financial year 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 City Council may, from time to time, have capital receipts and other capital resources available at the end of a financial year, which it is considered will be used in the following or subsequent financial year to offset what would otherwise be an increase in their debt liability. In anticipation of such use, the City 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 City 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 City Council. A contingent asset is disclosed where an inflow of economic benefits is probable.

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

30. Heritage Assets

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

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

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

A level of £10,000 has been established for assets to be valued. Any assets less than this level are valued in line with the average increase in assets above £10,000.

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

Ceramics and Porcelain

The ceramics and porcelain artefacts include some of the most nationally important collections in the world with over 5,000 pieces on display. These items are reported in the balance sheet at valuations received in 2012/13 where the cost of obtaining professional valuations has not been prohibitive. Significant pieces will be sampled periodically and reviewed against the relevant antique and ceramic trade press to ensure the continued adequacy of their valuation. The ceramics and porcelain artefacts are deemed to have indeterminate useful lives and a high residual value the City Council therefore does not consider it appropriate to charge depreciation.

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

Fine Arts Collection
The fine art collection includes paintings (both oil and watercolour), prints, sculptures and sketches and is reported in the balance sheet at valuations received in 2012/13 where the cost of obtaining professional valuations has not been prohibitive. Significant pieces will be sampled periodically and reviewed against the relevant antique trade press to ensure the continued adequacy of their valuation. The assets within the art collection are deemed to have indeterminate useful lives and a high residual value the City Council therefore does not consider it appropriate to charge depreciation.

Acquisitions are made by purchase or donation; acquisitions are initially recognised at cost and donations are recognised at valuation provided by external valuers and with reference to appropriate trade markets for the paintings. The majority of the collection held by the City Council was acquired over 50 years ago.

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

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

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

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

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

Property
The City Council considers that the Gladstone Pottery Museum, Etruria Industrial Museum and Ford Green Hall buildings as heritage assets and are held on the balance sheet in accordance with the City Council's accounting policies on property, plant and equipment.

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

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

31. Carbon Reduction Commitments

The City Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The City Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted, a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the authority is recognised and reported in the costs of the authority's services and is apportioned to services on the basis of energy consumption. Allowances will be measured initially at cost. Allowances that are issued for less than their fair value shall be measured initially at their fair value, with the difference between fair value and the purchase price recognised as income. Assets will be recognised as current intangible assets unless held for the purpose of trading, as a current item of inventory.

32. <u>Events after the Balance Sheet Date</u>

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

Adjusting Events
Those events that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

Non-adjusting Events
Those events that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but, where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and either their estimated financial effect or a statement that such an estimate cannot be made reliably.

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

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

The 2012/13 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The Code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

For 2012/13 the following accounting policy changes that need to be reported relate to:

- Amendments to IAS 1 Presentation of Financial Statements (other comprehensive income- June 2011)
    - Minor amendments to the classification of available-for-sale financial instruments. The City Council does not hold any available-for-sale financial instruments.

- Amendments to IFRS 7 Financial Instruments (December 2011):
    - Disclosures regarding offsetting of financial assets and Liabilities to show the items gross before any offset arrangements take place. The City Council is able to comply with this requirement.

- Amendments to IAS 12 Income Taxes (deferred tax: recovery of underlying assets – (December 2010)
    - The amendment is not expected to be relevant to the City Council's financial statements.

- Amendments to IAS 19 Employee Benefits - (June 2011)
    - Revisions have been made to IAS 19 for all financial years beginning on or after 1st January 2013. This change will come into effect on 1st April 2013 and will be reported within the Authority's accounts in 2013/14. The new IAS 19 differs from the current standard in a few key areas:
        - The interest cost and expected return on assets will be combined into a net figure – the 'net interest cost'. In effect, this means that the expected return will be replaced by a figure that would be applicable if the scheme held its assets entirely in corporate bonds. For schemes that hold a significant proportion of return seeking assets (as is the case for many LGPS Funds), this change will normally result in an increase to the pension cost.
        - Actuarial gains and losses (to be re-termed 're-measurements') on liabilities due to changes in actuarial assumptions will be split between the effect of changes in financial assumptions and changes in demographic assumptions.

      The Authority's appointed Actuaries, Hymans Robertson, have indicated that the effect of the change to IAS 19 on the income statement to 31st March 2013 would be an increase of £5,398,000. This will have the effect of increasing the liability and reserve on the balance sheet by the same value. This will be disclosed in the comparatives within 2013/14 accounts.

- IFRS 13 Fair Value Measurement (May 2011)
    - This item has been deferred by CIPFA/LASAAC until 2014/15.

6. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in section 4, the authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. Some of the key critical judgements made in the Statement of Accounts are:

- Municipal Mutual Insurance:_On 30th September 1992 the main insurer for Local Authorities, Municipal Mutual Insurance Ltd (MMI) became technically insolvent. Shortly after MMI negotiated a "Scheme of Arrangement" with its creditors, mainly local authorities, including Stoke-On-Trent City Council where the City Council shares the risk on potential insurance claims for events prior to 1992. A recent decision in the Supreme Court has increased the likelihood that MMI will no longer be able to meet its liabilities meaning the City Council would become liable for a proportion of the liabilities. There is a substantial claims provision within the MMI accounts to pay claims that have already been notified to the Company. The final liability to the City Council is as yet not finalised but an estimate has been provided for.

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

- The City Council had £5,000,000 invested with the Icelandic bank Landsbanki at the time of its collapse in 2008. Following legal representations to the Icelandic courts, in conjunction with other affected authorities and the Local Government Association, preferential creditor status has been granted to the authority in respect of its deposits. The result of this judgement is that the City Council expects 100% of the principal investments to be returned. To date a total of £2,377,667 has been repaid to the City Council but it is not known when the balance of the outstanding investments will be received. A further amount of £37,387, being a proportion of the outstanding balance made in Icelandic Krona, is currently being held in an interest bearing escrow account domiciled in Iceland. This money will only be paid over to the City Council when the Icelandic Central Bank relaxes its currency control restrictions which prevent Icelandic Krona leaving the country.

- 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 are recognised as Property, Plant and Equipment on the authority's balance sheet.

- The City Council's schools are run under a number of arrangements including Local Authority, Foundation schools and Church schools. It is deemed that the City Council still retains a significant part of the risk and rewards of Local Authority run schools and hence their net assets should remain on the City council's balance sheet. For Foundation and Church Schools as they form part of the PFI contract for which the City Council controls the delivery of services provided, the assets are recognised on the balance sheet. The status of the recognition alters where the City Council relinquishes control through the issuance on a long term lease or transfer of asset to an external agency. A number of schools have converted to Academy status, some of which have entered into a long term lease arrangement with the City Council on the properties they occupy. It is deemed that such schools bear a significant part of the risks and rewards of ownership of such assets and therefore have been de-recognised from the City Council's balance sheet. It is also deemed that Academies' current assets and liabilities are not to be consolidated into the City Council's balance sheet.

7 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.

2011/12 Gross Expenditure £000	2011/12 Gross Income £000	2011/12 Net Expenditure £000		Note	2012/13 Gross Expenditure £000	2012/13 Gross Income £000	2012/13 Net Expenditure £000
			Service Areas				
30,785	(26,874)	3,911	Central services to the Public		31,158	(26,776)	4,382
27,767	(13,300)	14,467	Cultural and related services		29,569	(10,692)	18,877
40,368	(18,458)	21,910	Environmental and regulatory services		42,204	(20,774)	21,430
23,837	(10,791)	13,046	Planning services		21,671	(10,722)	10,949
276,756	(211,869)	64,887	Education and children's services		266,984	(201,624)	65,360
-	-	-	Academies Impairment	13.05c	182,912	-	182,912
28,744	(10,033)	18,711	Highways and transport services		27,331	(10,808)	16,523
123,712	(94,123)	29,589	General fund housing services		121,813	(98,807)	23,006
53,706	(61,103)	(7,397)	Local authority housing	14.00	54,879	(65,496)	(10,617)
74,441	-	74,441	Local authority housing - settlement payment to government for HRA self-financing		-	-	-
106,206	(31,574)	74,632	Adult social care		107,456	(31,875)	75,581
4,546	(491)	4,055	Corporate and democratic core		3,293	(401)	2,892
(1,498)	-	(1,498)	Non distributed costs		(1,813)	-	(1,813)
789,370	**(478,616)**	**310,754**	***Net Cost of Services***		**887,457**	**(477,975)**	**409,482**
		73	Levies and external contributions				73
		7,421	Loss (Profit) on Disposal of Non current Assets				7,510
		8,133	Loss on Derecognition of Non current Assets				876
		2,186	Contribution of Housing capital receipts to Government Pool DCLG				962
		17,813	**Other Operating Expenditure**				**9,421**
		22,620	Interest Payable and similar charges	13.09b			26,988
		5,321	Pensions interest cost and expected return on pension assets	13.15c			8,678
		(1,605)	Interest and investment income	13.09b			(846)
		(1)	Income and expenditure in relation to investment properties and changes in their fair value	13.06d			622
		232	Other investment income/expense				-
		26,567	**Financing and Investment Income and**				**35,442**
		(81,680)	Council Tax Income				(84,498)
		(99,360)	Non domestic rates	18.01			(121,360)
		(64,363)	Non-ringfenced government grants	13.11a			(35,082)
		(105,520)	Capital grants and contributions	13.11a			(101,778)
		(350,923)	**Taxation & Non-Specific Grant Income**				**(342,718)**
		4,211	**(Surplus)/Deficit on Provision of Services**				**111,627**
		2,971	(Surplus)/Deficit arising on revaluation of Fixed Assets	13.04c			(37,049)
		55,047	Actuarial (gains)/losses on pension fund assets and liabilities and business combination	13.04e			64,522
		58,018	**Other Comprehensive Income and Expenditure**				**27,473**
		62,229	**Total Comprehensive Income and Expenditure**				**139,100**

8 Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

01 April 2011 £000	31 March 2012 £000		Notes	31 March 2013 £000
1,082,678	1,130,663	Property Plant and Equipment	13.06a	1,022,922
24,765	24,826	Heritage Assets	13.06e	64,303
16,905	10,418	Investment Property	13.06d	9,535
6,349	5,511	Intangible Assets	13.06b	4,176
4,123	2,001	Long Term Investments	13.09d	1,707
1,759	1,922	Long Term Debtors	13.17a	3,425
1,136,579	**1,175,341**	**Long Term Assets**		**1,106,068**
-	654	Short Term Investments	13.09f	38
2,131	2,856	Assets Held for Sale	13.06c	3,101
1,038	633	Stocks	13.18	566
46,054	46,135	Short Term Debtors	13.17b	48,771
48,323	47,966	Cash & Cash Equivalents	13.09g	25,031
97,546	**98,244**	**Current Assets**		**77,507**
(8,522)	(7,398)	Short Term Borrowing	13.09a	(7,590)
(4,886)	(5,297)	Other Short Term Liabilities	13.09a	(5,221)
(65,425)	(53,871)	Short Term Creditors	13.19	(68,006)
(3,457)	(298)	Grants Receipts in Advance - Revenue	13.11a	(399)
(30,196)	(30,282)	Grants Receipts in Advance - Capital	13.11a	(2,979)
(2,230)	(3,463)	Provisions	13.10	(1,666)
(114,716)	**(100,609)**	**Current Liabilities**		**(85,861)**
(342)	(946)	Long Term Creditors	13.09a	(1,316)
(98)	-	Grants Receipts in Advance - Revenue	13.11a	-
(1,630)	(2,864)	Grants Receipts in Advance - Capital	13.11a	(5,218)
(11,454)	(5,223)	Provisions	13.10	(5,929)
(229,788)	(301,270)	Long Term Borrowing	13.09h	(299,771)
(126,607)	(118,134)	Other Long Term Liabilities	13.09l	(111,038)
(238,434)	(295,708)	Net Pensions Liabilities	13.15e	(364,714)
(608,353)	**(724,145)**	**Long Term Liabilities**		**(787,986)**
511,056	**448,831**	**Net Assets**		**309,728**
97,795	122,556	**Usable Reserves**	13.03a	148,023
413,261	326,275	**Unusable Reserves**	13.04a	161,705
511,056	**448,831**	**Total Reserves**		**309,728**

9 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 charged 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.

2012/13	Note	General Fund Balance £000	General Fund Earmarked Reserves £000	Useable Capital Receipts £000	Housing Revenue Account £000	HRA Earmarked Reserves £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Useable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 2012 brought forward		**7,456**	**82,017**	**4,739**	**7,019**	**1,822**	**3,149**	**16,354**	**122,556**	**326,275**	**448,831**
Movement in Reserves During 2012/13											
Surplus or (deficit) on provision of services accounting basis		(115,098)	-	-	3,471	-	-	-	(111,627)	-	**(111,627)**
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	(27,473)	**(27,473)**
Total Comprehensive Expenditure and Income	*7*	**(115,098)**	**-**	**-**	**3,471**	**-**	**-**	**-**	**(111,627)**	**(27,473)**	**(139,100)**
Adjustments between accounting basis & funding basis under regulations	*13.01*	127,890	-	829	6,021	-	2,723	(371)	137,092	(137,092)	-
Net Increase / (Decrease) before Transfers to Earmarked Reserves		**12,792**	**-**	**829**	**9,492**	**-**	**2,723**	**(371)**	**25,465**	**(164,565)**	**(139,100)**
Other adjustments		1	(63)	1	-	-	-	63	2	(5)	(3)
Transfers to Earmarked Reserves	*13.02*	(28,113)	28,113	-	(8,238)	8,238	-	-	-	-	-
Transfers from Earmarked Reserves	*13.02*	15,874	(15,874)	-	-	-	-	-	-	-	-
Increase / Decrease in Year		554	12,176	830	1,254	8,238	2,723	(308)	25,467	(164,570)	(139,103)
Balance at 31 March 2013		**8,010**	**94,193**	**5,569**	**8,273**	**10,060**	**5,872**	**16,046**	**148,023**	**161,705**	**309,728**
	Note	*13.03a*	*13.02*	*13.03c*	*15*	*13.02*	*16.03*	*13.03b*	*13.03a*	*13.04a*	

Note 9 cont'd

2011/12	*Note*	**General Fund Balance £000**	**General Fund Earmarked Reserves £000**	**Useable Capital Receipts £000**	**Housing Revenue Account £000**	**HRA Earmarked Reserves £000**	**Major Repairs Reserve £000**	**Capital Grants Unapplied £000**	**Total Useable Reserves £000**	**Unusable Reserves £000**	**Total Authority Reserves £000**
Brought Forward Balance at 31 March 2011		**5,813**	**60,925**	**5,509**	**7,537**	**2,486**	**50**	**15,475**	**97,795**	**413,261**	**511,056**
<u>Movement in Reserves During 2011/12</u>											
Surplus or (deficit) on provision of services accounting basis		66,481	-	-	(70,692)	-	-	-	(4,211)	-	**(4,211)**
Other Comprehensive Expenditure and Income		-	-	-	-	-	-	-	-	(58,018)	**(58,018)** -
Total Comprehensive Expenditure and Income		**66,481**	**-**	**-**	**(70,692)**	**-**	**-**	**-**	**(4,211)**	**(58,018)**	**(62,229)**
Adjustments between accounting basis & funding basis under regulations	*13.01*	(43,697)	-	(770)	69,510	-	3,098	827	**28,968**	(28,968)	**-**
Net Increase / (Decrease) before Transfers to Earmarked Reserves		**22,784**	**-**	**(770)**	**(1,182)**	**-**	**3,098**	**827**	**24,757**	**(86,986)**	**(62,229)**
Other Adjustments		3	(52)	-	-	-	1	52	**4**	-	**4**
Transfers to Earmarked Reserves	*13.02*	(39,228)	39,228	-	-	-	-	-	**-**	-	**-**
Transfers from Earmarked Reserves	*13.02*	18,084	(18,084)		664	(664)	-	-	**-**	-	**-**
Increase / (Decrease) in Year		**1,643**	**21,092**	**(770)**	**(518)**	**(664)**	**3,099**	**879**	**24,761**	**(86,986)**	**(62,225)**
Balance at 31 March 2012 carried forward		**7,456**	**82,017**	**4,739**	**7,019**	**1,822**	**3,149**	**16,354**	**122,556**	**326,275**	**448,831**
	Note	*13.03a*	*13.02*	*13.03c*	*15*	*13.02*	*16.03*	*13.03b*	*13.03a*	*13.04a*	

10 Cash Flow Statement

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

2011/12 £000		Note	2012/13 £000
4,211	**Net (surplus) or deficit on the provision of services**		**111,627**
(69,544)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	*13.27a*	(257,471)
123,772	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	*13.27b*	81,187
58,439	**Net cash flows from Operating Activities**		**(64,657)**
7,993	Investing Activities	*13.27d*	78,088
(66,075)	Financing Activities	*13.27e*	9,504
357	**Net (increase) or decrease in cash and cash equivalents**		**22,935**
48,323	**Cash and cash equivalents at the beginning of the reporting period**		47,966
47,966	**Cash and cash equivalents at the end of the reporting period**		**25,031**

11 Changes to Accounting Policy and Prior Period Adjustments

This section details revisions to previous years reported figures as a result of a change to accounting policy, the city council changing their accounting method or changes required as a result of International Financial Reporting Standards (IFRS) regulatory changes.

11.01 Impact of Prior Period Adjustments

A number of prior period adjustments were processed as shown below. This resulted in revisions to some of the note to the statement of accounts. There was no impact on the Comprehensive Income & Expenditure Statement, Net Movement in Reserves, or net worth on the Balance Sheet of the year ended 31st March 2011 and 2012, hence none of the core statements required restating.

11.01a Revaluation Reserve Restatement

IAS40 (Investment Property) of the IFRS standards requires reporting bodies to separately identify Investment Property from other non-current assets. The standard has been adopted as part of the Local Authority Accounting Code, with some minor but significant adaptations in respect of assets of indeterminate use where the Local Authority Accounting Code provides the option to classify these assets as surplus assets within Property, Plant and Equipment, rather than Investment Properties.

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

As a result of the reclassification, the basis of valuation changed in respect of the assets in question, and a revision of the IFRS adjustments processed is required, giving rise to a transfer from the Capital Adjustment Account to the Revaluation Reserve.

The reclassification results in the following changes being made to the Revaluation Reserve and the Capital Adjustment Account balance in the 2010/11 and 2011/12 financial statements:

	Revaluation Reserve	**Capital Adjustment Account**	
	Note 13.04c	Note 13.04b	
	£000	**£000**	**£000**
Balance Sheet at 31st March 2011	106,430	552,783	659,213
Adjustments:			-
Change in revaluation basis of Investment Property IFRS classification	10,146	**(10,146)**	-
Change in classification of Non Current Assets 2010/11	(211)	211	-
			-
Restated 31st March 2011	**116,365**	**542,848**	**659,213**
	£000	**£000**	**£000**
Balance Sheet at 31st March 2012	95,230	540,410	635,640
			-
Adjustments to Opening Balance Sheet 1st April	9,935	**(9,935)**	-
Change in classification of Non Current Assets 2011/12	116	(116)	-
			-
Subtotal of changes	**105,281**	**530,359**	**635,640**

Section 13.04b and 13.04c provide details of the restated notes to the accounts.

11.01b Deferred Capital Receipts

In 2011/12, the City Council received a transfer of private housing improvement loans (Kickstart) from Birmingham City Council. The period of loan repayment varies and is dependent on certain conditions. As a result, the impact of the cash settlement of the loans are required to be classified as deferred capital receipts within the Unusuable Reserves section. Last year, the balance was classified within the

The impact on net worth on the Balance Sheet and Unusable Reserves is nil. The impact on the specific reserve balances are as follows (details can be found in notes 13.04b and 13.04h).

	Deferred Capital Receipts	**Capital Adjustment Account**	
	Note 13.04h	Note 13.04b	
	£000	**£000**	**£000**
Subtotal of changes brought forward	-	530,359	530,359
			-
Transfer of Kickstart loans to Deferred Capital Receipts	6,659	**(6,659)**	-
			-
Restated 31st March 2012	**6,659**	**523,700**	**530,359**

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

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

The items in the Authority's Balance Sheet at 31 March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Property, Plant and Equipment

Assets are depreciated over their remaining useful economic life. These lives are assessed either by service managers (for items such as Vehicles, Plant and Equipment) or by professional property valuers (for Land and Buildings). Property useful life assessments are made in conjunction with the guidance provided by Royal Institute of Chartered Surveyors (RICS) and will take into account amongst other things the current physical state of the asset. Property values are formally re-assessed every five years with additional valuations taking place in the event of major spend or impairment of the asset. Should the authority discontinue the maintenance of buildings there could be a detrimental effect on their remaining useful life.

If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that asset values would reduce by £1.421m, should the annual depreciation charge for other land and buildings increase by 10%.

Provisions

The Authority has made an insurance provision of £4.337m (out of a total of £4.487m) 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 2013. 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 £2.169m to the claims arising. However, under the Authority's insurance policies, its loss arising from settlements in any one year is currently limited to a maximum of £1.954m.

Pensions Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

The effect of the net pensions liability of changes in individual assumptions can be measured. For instance, all other factors remaining equal, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £112.570m.

Arrears

At 31 March 2013, the Authority had a balance of sundry debtors of £28.274m. 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 £6.159m. 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 £6.159m to be set aside as an allowance.

PFI and Similar Contracts

As at 31 March 2013 the Authority had committed to making unitary payments of £478.959m over the remaining lives of the PFI and similar contracts schemes (see note 13.08). The contract payments are subject to inflationary increases, based on factors such as energy prices and various other contract variations that may arise after this date. In the current economic climate particularly with respect to energy prices, the value of future unitary payments may be hugher than currently anticipated.

If energy and other inflationary factors were to change, a 1% increase in costs will require an additional £4.790m to be set aside to meet future commitments.

13 Notes to the Accounts - Index

13.01 Adjustments between Accounting basis and funding basis under regulations

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

2012/13	Notes	Useable Reserves General fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustments Primarily Involving:		£000	£000	£000	£000	£000	£000
Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement (CIES)							
Depreciation of Non-Current Assets	13.06g	(22,673)	(9,782)	-	-	-	32,455
Impairment of Non-Current Assets	13.06g	(191,219)	(7,853)	-	-	-	199,072
Revaluation losses on Property, Plant and Equipment	13.06a	(16,648)	(186)	-	-	-	16,834
Revaluation losses on Assets Held for Sale	13.06c	-	-	-	-	-	-
Movement in market value of Investment Properties	13.06d	(622)	-	-	-	-	622
Amortisation of Intangible Assets	13.06b	(1,824)	-	-	-	-	1,824
Capital grants and contributions applied	13.04b	89,188	400	-	-	-	(89,588)
Revenue Expenditure Funded from Capital Under Statute	13.04b	(6,440)	-	-	-	-	6,440
Revenue Expenditure Funded from Capital Under Statute - Funding	13.04b	5,180	-	-	-	-	(5,180)
Amount of Non-Current Assets written off on disposal to the CIES	13.06a	(11,946)	-	-	-	-	11,946
Amount of Non-Current Assets written off on derecognition to the CIES	13.06a	(3,194)	-	-	-	-	3,194
Insertion of items not debited or credited to the CIES							
MRP for capital financing	13.09m	16,509	875	-	-	-	(17,384)
County council loan principal repayment	13.09l	1,829	-	-	-	-	(1,829)
Service concession deferred income write back	13.08d	582	-	-	-	-	(582)
Voluntary repayment of debt	16.03	-	2,614	-	-	-	(2,614)
Capital expenditure charged against the General Fund and HRA Balances	13.07b	5,179	1,000	-	-	-	(6,179)
Capital Grants Unapplied Account							
Capital Grants unapplied credited to CIES	13.03b	7,010	-	-	-	(7,010)	-
Application of grants transferred to Capital Adjustment Account	13.04b	-	-	-	-	7,381	(7,381)
Financial Instruments Adjustments Account							
Financial instruments adjustment account	13.04g	118	(33)	-	-	-	(85)
Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to CIES	13.04e /13.15d	(28,327)	(977)	-	-	-	29,304
Employer's contributions and direct payments to pensioners payable in the year	13.04e /13.15d	23,993	827	-	-	-	(24,820)
Collection Fund Adjustment Account							
Difference between amounts credited to the CIES and amounts to be recognised under statutory provisions relating to Council Tax	13.04d	127	-	-	-	-	(127)
Accumulated Absences Account							
Accumulated absences account	13.04f	(502)	25	-	-	-	477
Deferred Capital Receipts Reserve							
Transfer of deferred sale proceeds credited as part of gain/loss in disposal to the CIES	13.04h	2,715	-	-	-	-	(2,715)
Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES	13.03c	4,039	-	(4,039)	-	-	-
Contribution from Capital Receipts Reserve to disposal costs		(2)	(99)	101			-
Repayment of long term debtor	13.03c	-	-	(322)	-	-	322
Contribution from Capital Receipts Reserve to Government Capital Receipts Pool	13.03c	(962)	-	962	-	-	-
Use of Capital receipts to finance new capital expenditure	13.03c	-	-	2,469	-	-	(2,469)
Major Repairs Reserve							
Major Repairs Allowance credited to HRA	16.03	-	9,782	-	(9,782)	-	-
Use of major repairs allowance to finance voluntary repayment of debt	16.03	-	(2,614)		2,614		
Use of major repairs allowance to finance new capital expenditure	13.07b	-	-	-	4,445	-	(4,445)
Total Adjustments		**(127,890)**	**(6,021)**	**(829)**	**(2,723)**	**371**	**137,092**

Note 13.01 cont'd

2011/12	Note	Useable Reserves General fund	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
Adjustment Primarily Involving:		**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income and expenditure Statement (CIES)							
Depreciation of Non-Current Assets	13.06g	(22,974)	(9,391)	-	-	-	32,365
Impairment of Non-Current Assets	13.06g	(10,337)	(145)	-	-	-	10,482
Revaluation losses on Property, Plant and Equipment	13.06a	(16,400)	-	-	-	-	16,400
Movement in market value of Investment Properties	13.06d	1	-	-	-	-	(1)
Amortisation of Intangible Assets	13.06b	(1,733)	-	-	-	-	1,733
Capital grants and contributions applied	13.04b	95,127	162	-	-	-	(95,289)
Revenue Expenditure Funded from Capital Under Statute	13.04b	(6,719)	-	-	-	-	6,719
Revenue Expenditure Funded from Capital Under Statute - Funding	13.04b	2,395	-	-	-	-	(2,395)
Amounts by which the amounts charged for equal pay claims to CIES differ from the cost of settlements chargable in accordance with statutory requirments	13.04b	3,668	-	-	-	-	(3,668)
Amount of Non-Current Assets written off on disposal to the CIES	13.06a	(13,274)	-	-	-	-	13,274
Amount of Non-Current Assets written off on derecognition to the CIES	13.06a	(8,133)	-	-	-	-	8,133
Settlement Payment HRA Funding	13.04b	-	(74,441)	-	-	-	74,441
Insertion of items not debited or credited to the CIES							
MRP for capital financing	13.09m	15,369	891	-	-	-	(16,260)
County council loan principal repayment	13.09l	1,829	-	-	-	-	(1,829)
Service concession deferred income write back	13.08d	571	-	-	-	-	(571)
Capital expenditure charged against the General Fund and HRA Balances	13.07b	1,087	1,836	-	-	-	(2,923)
Capital Grants Unapplied Account							
Capital Grants unapplied credited to CIES	13.03b	7,836	-	-	-	(7,836)	-
Application of grants transferred to CAA	13.04b	-	-	-	-	7,009	(7,009)
Financial Instruments Adjustments Account							
Financial instruments adjustment account	13.04g	(4,459)	(33)	-	-	-	4,492
Pensions Reserve							
Reversal of items relating to retirement benefits debited or credited to CIES	13.04e /13.15d	(22,908)	(735)	-	-	-	23,643
Employer's contributions and direct payments to pensioners payable in the year	13.04e /13.15d	20,751	665	-	-	-	(21,416)
Collection Fund Adjustment Account							
Difference between amounts credited to the I&E Account and amounts to be recognised under statutory provisions relating to Council Tax	13.04d	26	-	-	-	-	(26)
Accumulated Absences Account							
Accumulated absences account	13.04f	(1,694)	21	-	-	-	1,673
Capital Receipts Reserve							
Transfer of cash sale proceeds credited as part of gain/loss in disposal to the CIES	13.03c	5,854	-	(5,854)	-	-	-
Repayment of long term debtor	13.03c	-	-	(113)	-	-	113
Contribution from Capital Receipts Reserve to Government Capital Receipts Pool	13.03c	(2,186)	-	2,186	-	-	-
Use of Capital receipts to finance new capital expenditure	13.03c	-	-	4,510	-	-	(4,510)
Voluntary repayment of debt	13.03c	-		41			(41)
Major Repairs Reserve							
Major Repairs Allowance credited to HRA	16.03	-	11,660	-	(11,660)	-	-
Use of major repairs allowance to finance new capital expenditure	13.07b	-	-	-	8,562	-	(8,562)
Total Adjustments		**43,697**	**(69,510)**	**770**	**(3,098)**	**(827)**	**28,968**

13.02 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and Housing Revenue Account (HRA) balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2012/13.

	Note	Balance at 01 April 2011 £000	Transfers From 2011/12 £000	Transfers To 2011/12 £000	Balance at 31 March 2012 £000	Transfers From 2012/13 £000	Transfers To 2012/13 £000	Balance at 31 March 2013 £000
General Fund:								
School-balances		**5,370**	(2,060)	3,136	**6,446**	(1,715)	2,754	**7,485**
Schools - DSG Reserve	13.11b	**2,849**	-	2,971	**5,820**	(36)	3,643	**9,427**
Education PFI - to meet future expenditure of the schools' PFI scheme		**14,817**	(7,502)	15,973	**23,288**	(778)	4,766	**27,276**
Street Lighting PFI - to meet future expenditure of the street lighting PFI scheme		**7,755**	-	72	**7,827**	-	178	**8,005**
Insurance - represents the balance of the self funding element under the liability insurance arrangement		**5,798**	(1,554)	1,939	**6,183**	(1,431)	1,971	**6,723**
Other Earmarked Reserves - held for future expenditure on various projects		**14,853**	(4,409)	6,731	**17,175**	(6,153)	2,792	**13,814**
Change Transformation Reserve		**500**	-	1,782	**2,282**	(34)	2,800	**5,048**
Invest to Save Reserve		**-**	-	-	**-**	-	5,000	**5,000**
Redundancy Reserve		**878**	(157)	-	**721**	(721)	1,779	**1,779**
Grants, Contributions and Donations Received not spent in year but where any conditions applicable have been met.		**8,101**	(2,402)	6,624	**12,323**	(5,006)	2,430	**9,747**
		60,921	**(18,084)**	**39,228**	**82,065**	**(15,874)**	**28,113**	**94,304**
Other transfer between revenue and capital reserve		**-**	**(52)**	**-**	**(52)**	**(63)**	**-**	**(115)**
Other transfer between capital and revenue reserve		4	-	-	**4**	-	-	**4**
Total General Fund	13.03a	**60,925**	**(18,136)**	**39,228**	**82,017**	**(15,937)**	**28,113**	**94,193**
Net Movement of General Fund Earmarked Reserves							**12,176**	
HRA								
Housing Repairs Account		**4**	(4)	-	**-**	-	-	**-**
Housing Capital Reserve - to meet items of future capital expenditure		**1,798**	(660)	-	**1,138**	-	8,238	**9,376**
HRA Equipment		**684**	-	-	**684**	-	-	**684**
Service Charges		**-**	-	-	**-**	-	-	**-**
Total HRA	13.03a	**2,486**	**(664)**	**-**	**1,822**	**-**	**8,238**	**10,060**
Net Movement of HRA Earmarked Reserves							**8,238**	
Total Earmarked Reserves		**63,411**	**(18,800)**	**39,228**	**83,839**	**(15,937)**	**36,351**	**104,253**

Housing Revenue Account Earmarked Reserves

The Housing Repairs Account and HRA Equipment Reserve shown within the Housing Revenue Earmarked Reserve Account were previously identified within other earmarked reserves.

Movements in the Education PFI Reserve

Movements in the Education PFI Reserve include the repayment of a temporary transfer of funds of £4.181m to the General Fund in accordance with the Redundancy Strategy adopted by the City Council.

13.03 Usable Reserves

13.03a Movements in Usable Reserves

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:

Usable Capital Receipts Reserve
Proceeds of fixed assets sales available to meet future capital investment. Additional information is provided in note **13.03c** 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 I
Resources available to meet future running costs of council housing. Additional information is provided in the HRA Movement in Reserves Statement.

Major Repairs Reserve
Resources available to meet capital investment in council housing. Additional information is provided in the HRA note **16.03**.

Earmarked Reserves
Resources available to meet future costs on specific projects, this include resources available to meet running costs of schools. These reserves are included in note **13.02** earmarked reserves.

Capital Grants Unapplied
Resources available to meet future costs of non-housing capital projects. Additional information is provided in note **13.03b** below.

Reserve	*Note*	**Balance at 1 April 2011**	**Transfer Out 2011/12**	**Transfers In 2011/12**	**Balance at 31 March 2012**	**Transfers Out 2012/13**	**Transfers In 2012/13**	**Balance at 31 March 2013**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
General Fund Balance	*9*	**5,813**	-	1,643	**7,456**	-	554	**8,010**
Earmarked Reserves - General Fund	*13.02*	**60,925**	(18,136)	39,228	**82,017**	(15,937)	28,113	**94,193**
Usable Capital Receipts Reserve	*13.03c*	**5,509**	(6,737)	5,967	**4,739**	(3,532)	4,362	**5,569**
Housing Revenue Account Balance	*15*	**7,537**	(518)	-	**7,019**	-	1,254	**8,273**
Earmarked Reserves - HRA	*13.02*	**2,486**	(664)	-	**1,822**	-	8,238	**10,060**
Major Repairs Reserve	*16.03*	**50**	(9,991)	13,090	**3,149**	(7,059)	9,782	**5,872**
Capital Grants Unapplied	*13.03b*	**15,475**	(7,009)	7,888	**16,354**	(7,381)	7,073	**16,046**
Total Movement in Usable		**97,795**	**(43,055)**	**67,816**	**122,556**	**(33,909)**	**59,376**	**148,023**

13.03b Capital Grants Unapplied Reserve

31 March 2012 £000		*Note*	**31 March 2013 £000**
7,836	Capital grants received which have not been applied	*13.01*	7,010
(7,009)	Applied during the year transferred to capital adjustment	*13.04b*	(7,381)
52	Transfer between capital and revenue reserve	*9*	63
879	**Total increase/(decrease) in reserve during year**	*9*	**(308)**
15,475	Balance brought forward at 1 April		16,354
16,354	**Balance carried forward at 31 March**	*9*	**16,046**

13.03c Usable Capital Receipts Reserve

31 March 2012 £000		Note	31 March 2013 £000
5,854	Amounts receivable in year	*13.01*	4,040
113	Amount receivable from long term debtors	*13.01*	322
-	Disposal Costs	*13.01*	(101)
(2,186)	Capital receipts pooling payment to DCLG	*13.01*	(962)
(41)	Amount voluntary set aside to pay off debt	*13.01*	-
(4,510)	Amounts applied to finance new capital investment in	*13.07b*	(2,469)
(770)	**Total increase/(decrease) in realised capital**		**830**
5,509	Balance brought forward at 1 April		4,739
4,739	**Balance carried forward at 31 March**		**5,569**

13.04 Unusable Reserves

Unusable reserves are unrealised gains and losses and adjustment accounts that absorb the difference between the outcome of applying proper accounting practices and the requirements of statutory arrangements for funding expenditure.

13.04a Summary of Unusable Reserves

31 March 2011 £000 restated	31 March 2012 £000 restated		Note	31 March 2013 £000
542,848	523,701	Capital Adjustment Account	13.04b	394,370
116,365	105,281	Revaluation Reserve	13.04c	136,920
340	366	Collection Fund Adjustment Account	13.04d	493
(238,434)	(295,708)	Pensions Reserve	13.04e	(364,714)
(7,508)	(9,182)	Accumulated Absences Account	13.04f	(9,659)
(350)	(4,842)	Financial Instruments Adjustment Account	13.04g	(4,757)
-	6,659	Deferred Capital Receipts Reserve	13.04h	9,052
413,261	**326,275**	**Total Unusable Reserves**		**161,705**

13.04b Capital Adjustment Account

The Capital adjustment account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisation are charged to the comprehensive income and expenditure statement. The account also contains accumulated gains and losses on investment properties and revaluation gains accumulated on property, plant and equipment before 1st April 2007, after that date all such gains are held in the Revaluation Reserve Account.

2010/11 £000 restated	2011/12 £000 restated		Note	2012/13 £000	2012/13 £000
746,545	**542,848**	**Balance at 1st April**			**523,701**
(39,806)	(42,847)	Charges for depreciation and impairment of non current assets		(231,527)	
(217,432)	(16,400)	Revaluation losses on property, plant and equipment & non current assets held for sale		(16,834)	
(1,358)	(1,733)	Amortisation of intangible assets	13.06b	(1,824)	
(889)	(4,324)	Revenue expenditure funded from capital under statute		(1,260)	
(6,648)	(13,274)	Amounts of non-current assets written off on disposal or sale as part of gain /loss on disposal		(11,946)	
-	(8,133)	Amounts of non-current assets written off on derecognition as part of gain/loss on derecognition		(3,194)	
(1,291)	-	Movement in market value of Investment Properties	13.06d	(622)	
(267,424)	**(86,711)**				**(267,207)**
(3,879)	8,325	Adjusting Amounts written out of Revaluation Reserve	13.04c		5,406
(271,303)	**(78,386)**	**Net Written out amount of the cost of non-current assets consumed in the year**			**(261,801)**
2010/11 £000	**2011/12 £000**			**2012/13 £000**	**£000**
		Capital Financing applied in the year:			
7,593	4,510	Use of Capital Receipt reserve to finance new capital expenditure	13.03c		2,469
9,045	8,562	Use of major repairs reserve to finance new capital expenditure	16.03		4,445
-	-	Use of major repairs reserve to finance voluntary repayment of debt	16.03		2,614
-	(113)	Repayment of Long term debt			-
-	41	Voluntary repayment of debt			-
39,007	95,289	Capital grants and contributions credited to the CIES applied to capital financing	13.01		89,588
-	(6,659)	Transfer of Kickstart deferred capital receipt balance			-
-	7,009	Applications of grants to capital financing from capital grants unapplied account	13.03b		7,381
16,919	18,089	Statutory provision for the financing of capital investment charged against general fund and HRA balances			19,213
-	3,668	Amount by which amounts charged for equal pay claims are different from the cost of settlement in accordance with statutory requirements	13.01		-
573	571	Service concession deferred income write back			582
4,409	2,923	Capital expenditure charged against the General fund and HRA balances			6,179
-	(74,441)	Self Funding HRA	13.01		-
77,546	**59,449**				**132,471**
206	(206)	Other opening balance adjustments			(1)
(10,146)	(4)	Transfer to Revaluation Reserve re: IFRS reclassification	13.04c		-
(9,940)	**(210)**	**Other adjustments**			**(1)**
542,848	**523,701**	**Balance at 31 March**			**394,370**

13.04c Revaluation Reserve

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

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

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

2010/11 £000 restated	2011/12 £000 restated		Note	2012/13 £000	2012/13 £000
106,100	**116,365**	**Balance at 1 April**			**105,281**
(47)	-	Other opening balance adjustment			(4)
10,146	4	Transfer from Capital Adjustment Account re: IFRS reclassification	13.04b		-
1,594	12,706	Upward revaluation of assets		48,102	
(5,307)	(15,469)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		(11,053)	
(3,713)	(2,763)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services			37,049
(2,223)	(2,009)	Difference between fair value depreciation and historical cost depreciation		(2,756)	
(21)	(6,316)	Accumulated gains on assets sold or scrapped		(2,650)	
6,123	-	Other amounts written off to Capital Adjustment Account		-	
3,879	(8,325)	Amount written off to the Capital Adjustment Account	13.04b		(5,406)
116,365	**105,281**	**Balance at 31 March**			**136,920**

13.04d 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.

2011/12 £000		2012/13 £000
340	**Balance at 1 April**	366
26	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	127
366	**Balance at 31 March**	**493**

13.04e 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.

2011/12 £000		Note	2012/13 £000
(238,434)	**Balance at 1 April**		**(295,708)**
(54,945)	Actuarial gains or losses on pensions assets and liabilities	13.15c	(64,522)
(102)	Other Post Employment Benefit charged to the Comprehensive Income and Expenditure Statement	13.15c	-
(23,643)	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	13.15d	(29,304)
21,416	Employer's pensions contributions and direct payments to pensioners payable in the year	13.15d	24,820
(295,708)	**Balance at 31 March**		**(364,714)**

13.04f 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.

2011/12 £000		2012/13 £000	2012/13 £000
(7,509)	**Balance at 1 April**		**(9,182)**
7,509	Settlement or cancellation of accrual made at the end of the preceding year	9,182	
(9,182)	Amounts accrued at the end of the current year	(9,659)	
(1,673)	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		(477)
(9,182)	**Balance at 31 March**		**(9,659)**

13.04g Financial Instruments Adjustment Account

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

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

The Authority uses the Account to manage discount received on the early redemption of a number loans. Discounts are credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the Housing Revenue Account to the Account in the Movement in Reserves Statement. Over time, the income (£33,291 in 2012/13) 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 2013 will be paid to the Housing Revenue Account until 2016/17.

The Authority also has an adjustment for the effective interest rates relating to the Kickstart loans. This is purely an accounting entry to write back the full amount of the loans to the Balance Sheet when they mature.

2011/12 £000		Note	2012/13 £000	2012/13 £000
(350)	**Balance at 1 April**			**(4,842)**
-	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement		-	
(33)	Discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement		(33)	
476	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements		-	
362	Interest adjustment Kickstart loan	13.09i	118	85
(5,297)	Fair value adjustment on recognition of Kickstart loan previously administered by Birmingham Council			-
(4,842)	**Balance at 31 March**			**(4,757)**

13.04h Deferred Capital Receipts Reserve

The Deferred Capital Receipt Reserve holds the gains recognised on the disposal of non current assets but for which the cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as useable capital receipts until the cash settlement is due. When the deferred cash settlement becomes due, amounts are transfered to the Useable Capital Receipts Reserve.

The Balance in this account is represented by the following deferred receipts: The future receipts due on the Kickstart home improvement loans, the future PFI Unitary payments due from Academy schools on long term lease arrangements, and other sundry disposals of Non Current Assets for which the cash settlement is not yet due.

2011/12 restated £000		2012/13 £000	2012/13 £000
-	**Balance at 1 April**		**6,659**
	Transfer of deferred proceeds creditors as part of gains /loss on disposal to the Comprhensive Income and Expenditure Statement		
-	Academy schools future unitary payments	2,260	
-	Deferred Sale proceeds on non-current assets	455	
6,659	Kickstart (home improvement loans) future receipts	-	
			2,715
	Transfer to Capital Receipts Account upon receipt of cash		
-	Kickstart (home improvement loans) cash receipt	(322)	
			(322)
6,659	**Balance at 31 March**		**9,052**

13.05 Amounts Reported for Management Account Purposes

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

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

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) Directorate Analysis

2012/13	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	-	(9,922)	(65,572)	(26,036)	(46,072)	(42,179)	(2,241)	-	(192,022)
Government grants	(119,337)	(130,733)	(547)	(167,144)	(5,713)	(27,381)	(4,113)	-	(454,968)
Total Income	**(119,337)**	**(140,655)**	**(66,119)**	**(193,180)**	**(51,785)**	**(69,560)**	**(6,354)**	**-**	**(646,990)**
Employee expenses	-	8,266	5,908	130,653	28,830	39,270	7,355	121	220,403
Other service expenses	118,892	(52,343)	57,765	276,189	80,680	99,678	233	(989)	580,105
Support service	-	3,640	1,192	5,835	6,808	4,333	2,720	1,009	25,537
Total Expenditure	**118,892**	**(40,437)**	**64,865**	**412,677**	**116,318**	**143,281**	**10,308**	**141**	**826,045**
Net Expenditure	**(445)**	**(181,092)**	**(1,254)**	**219,497**	**64,533**	**73,721**	**3,954**	**141**	**179,055**

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

b) 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.

2012/13	*Note*	**Directorate Analysis**	**Amounts not included in I&E**	**Cost of Services (prior to Allocation of Recharges)**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service		(191,342)	6,314	(185,028)	(14,717)	**(199,745)**	-	(199,745)
Surplus or deficit on associates and joint ventures		-	-	-	-	**-**	-	-
Interest and investment income		(846)	846	-	-	**-**	(846)	(846)
Income from council tax	*17*	166	(166)	-	-	**-**	(84,498)	(84,498)
Government grants and	*13.11a*	(454,968)	162,021	(292,947)	(41)	**(292,988)**	(258,220)	(551,208)
Total Income		**(646,990)**	**169,015**	**(477,975)**	**(14,758)**	**(492,733)**	**(343,564)**	**(836,297)**
Employee expenses		211,725	-	211,725	24,504	**236,229**	-	236,229
Pensions interest cost and expected return on pension assets	*13.15*	8,678	(8,678)	-	-	**-**	8,678	8,678
Other service expenses		436,207	(39,913)	396,294	13,246	**409,540**	-	409,540
Support Service recharges		25,537	-	25,537	(25,537)	**-**	-	-
Depreciation, amortisation and impairment		107,489	146,412	253,901	2,545	**256,446**	622	257,068
Interest Payments		26,988	(26,988)	-	-	**-**	26,988	26,988
Precepts & Levies		73	(73)	-	-	**-**	73	73
Payments to Housing Capital Receipts Pool		962	(962)	-	-	**-**	962	962
Gain or Loss on Disposal of Fixed		8,386	(8,386)	-	-	**-**	8,386	8,386
Total expenditure		**826,045**	**61,412**	**887,457**	**14,758**	**902,215**	**45,709**	**947,924**
Surplus or deficit on the provision of services		**179,055**	**230,427**	**409,482**	**-**	**409,482**	**(297,855)**	**111,627**

2011/12	*Note*	**Directorate Analysis**	**Amounts not included in I&E**	**Cost of Services (prior to Allocation of Recharges)**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
		£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Fees, charges & other service		(183,957)	3,024	(180,933)	(2,989)	**(183,922)**	-	(183,922)
Surplus or deficit on associates and joint ventures		-	-	-	-	**-**	-	-
Interest and investment income		(1,606)	1,606	-	-	**-**	(1,606)	(1,606)
Income from council tax		-	-	-	-	**-**	(81,680)	(81,680)
Government grants and	*13.11a*	(333,890)	36,207	(297,683)	(30)	**(297,713)**	(269,243)	(566,956)
Total Income		**(519,453)**	**40,837**	**(478,616)**	**(3,019)**	**(481,635)**	**(352,529)**	**(834,164)**
Employee expenses		227,597	-	227,597	19,054	**246,651**	-	246,651
Pensions interest cost and		5,321	(5,321)	-	-	**-**	5,321	5,321
Other service expenses		506,812	(43,246)	463,566	15,828	**479,394**	8,365	487,759
Support Service recharges		34,203	-	34,203	(34,203)	**-**	-	-
Depreciation, amortisation and impairment		26,810	37,194	64,004	2,340	**66,344**	-	66,344
Interest Payments		22,620	(22,620)	-	-	**-**	22,620	22,620
Precepts & Levies		73	(73)	-	-	**-**	73	73
Payments to Housing Capital Receipts Pool		2,186	(2,186)	-	-	**-**	2,186	2,186
Gain or Loss on Disposal of Fixed		7,421	(7,421)	-	-	**-**	7,421	7,421
Total expenditure		**833,043**	**(43,673)**	**789,370**	**3,019**	**792,389**	**45,986**	**838,375**
Surplus or deficit on the provision of services		**313,590**	**(2,836)**	**310,754**	**-**	**310,754**	**(306,543)**	**4,211**

13.05c Exceptional items in Net Cost of Services

Impairment of Schools

During 2012/13, the accounting treatment of schools, who have become (or are in the process of becoming) an Academy has been formalised and agreed with the auditors. Buildings, Vehicles, Property, Plant & Equipment, Infrastructure, Assets under construction and Intangible assets relating to schools who have either converted to an Academy in this or previous years, or are formally in the process of doing so as at 31st March 2013, have been impaired to create a nil value asset in the Authority's accounts. This has resulted in an exceptional charge of impairment to the Net Cost of Services for Education and Children's Services of £182.9m. The assets are then formally de-recognised once the Academy is open or when the long term lease of the assets becomes effective (whichever is the later).

13.06 Assets

13.06a Property, Plant and Equipment

Movements on Balances in 2012/13:

	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 [1]
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
Opening Balance at 1st April 2012	**405,034**	**435,714**	**50,817**	**182,418**	**35,081**	**107,583**	**87,468**	**1,304,115**	**227,436**
Additions	4,673	6,801	9,087	7,473	626	4,733	126,280	**159,673**	5,219
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	(6,629)	-	-	-	(1,479)	-	**(8,108)**	119
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	(29)	(18,435)	-	-	-	(8,299)	-	**(26,763)**	(10,202)
Derecognition Non-schools	-	(902)	(1,671)	(4,528)	(672)	(13,548)	-	**(21,321)**	(61)
Derecognition - School transfers	-	(16,138)	(6,766)	(4)	-	-	-	**(22,908)**	(16,138)
Reclassifications - other	1,688	73,838	2,904	5,625	108	(1,908)	(81,983)	**272**	57,961
Assets reclassified (to) / from Held for Sale	(2,742)	(453)	-	-	-	(291)	-	**(3,486)**	-
Other	-	(135)	(2)	(412)	-	-	(1,298)	**(1,847)**	(118)
At 31 March 2013	**408,624**	**473,661**	**54,369**	**190,572**	**35,143**	**86,791**	**130,467**	**1,379,627**	**264,216**
Accumulated Depreciation and Impairment									
Opening Balance as at 1st April 2012	**(27,602)**	**(41,921)**	**(21,622)**	**(34,871)**	**(1,012)**	**(44,420)**	**(2,004)**	**(173,452)**	**(26,680)**
Depreciation Charge in year	(8,242)	(14,211)	(4,385)	(5,091)	-	(392)	-	**(32,321)**	(7,886)
Depreciation written out to the Revaluation Reserve	-	11,279	-	-	-	269	-	**11,548**	271
Depreciation written out to the Surplus / Deficit on the Provision of Services	18	4,632	-	-	-	5,279	-	**9,929**	2,913
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(4,404)	-	-	-	(1,444)	-	**(5,848)**	(4,346)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(6,049)	(92,930)	(9,488)	(1,320)	(102)	(6,612)	(82,366)	**(198,867)**	(92,809)
Derecognition - Other	-	(11)	1,454	1,333	672	6,597	-	**10,045**	45
Derecognition - School transfers	-	15,262	6,766	5	-	-	-	**22,033**	15,262
Reclassifications - other	3	(286)	(19)	(46)	-	182	167	**1**	-
Assets reclassified (to) / from Held for Sale	248	5	-	-	-	-	-	**253**	-
Other	-	(26)	-	-	-	-	-	**(26)**	(26)
At 31 March 2013	**(41,624)**	**(122,611)**	**(27,294)**	**(39,990)**	**(442)**	**(40,541)**	**(84,203)**	**(356,705)**	**(113,256)**
Net Book Value									
At 31 March 2013	**367,000**	**351,050**	**27,075**	**150,582**	**34,701**	**46,250**	**46,264**	**1,022,922**	**150,960**
At 31 March 2012	**377,432**	**393,793**	**29,195**	**147,547**	**34,069**	**63,163**	**85,464**	**1,130,663**	**200,756**

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

Comparative Movements in 2011/12:

	Council Dwellings	Other Land and Buildings	Vehicles, Plant , furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	PFI Assets included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
Opening Balance as at 1st April 2011	**396,287**	**456,794**	**48,867**	**176,598**	**31,655**	**128,049**	**18,797**	**1,257,047**	**230,762**
Opening Balance Adjustments	-	1,251	-	(2)	2	989	1	**2,241**	1,235
Restated Opening Balance as at 1st April 2011	**396,287**	**458,045**	**48,867**	**176,596**	**31,657**	**129,038**	**18,798**	**1,259,288**	**231,997**
Additions	9,010	12,089	3,773	7,965	3,260	7,704	81,807	**125,608**	9,785
Donations	-	-	-	-	-	-	-	**-**	-
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	(3,032)	-	-	-	(39)	(211)	**(3,282)**	(4,264)
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-	(10,358)	-	-	-	(8,301)	(372)	**(19,031)**	(5,813)
Derecognition - Non-schools	(34)	(1,447)	(2,237)	(2,692)	-	(5,666)	-	**(12,076)**	-
Derecognition - School Transfers	-	(8,630)	-	(2)	-	-	(46)	**(8,678)**	(8,630)
Reclassifications - other	1,324	(246)	414	551	164	9,289	(5,887)	**5,609**	4,361
Assets reclassified (to) / from Held for Sale	(1,553)	(4,654)	-	-	-	(2,486)	-	**(8,693)**	-
W/O Accumulated Impairment on Revaluation	-	(6,053)	-	-	-	(21,956)	(6,621)	**(34,630)**	-
At 31 March 2012	**405,034**	**435,714**	**50,817**	**182,418**	**35,081**	**107,583**	**87,468**	**1,304,115**	**227,436**
Accumulated Depreciation and Impairment									
Opening Balance as at 1st April 2011	**(19,705)**	**(35,102)**	**(19,369)**	**(29,719)**	**(672)**	**(66,470)**	**(3,332)**	**(174,369)**	**(21,427)**
Opening Balance Adjustments	-	(1,244)	(1)	1	-	(990)	(1)	**(2,235)**	(1,256)
Restated Opening Balance as at 1st April 2011	**(19,705)**	**(36,346)**	**(19,370)**	**(29,718)**	**(672)**	**(67,460)**	**(3,333)**	**(176,604)**	**(22,683)**
Depreciation Charge in year	(7,961)	(14,613)	(4,284)	(5,215)	-	(167)	-	**(32,240)**	(7,937)
Depreciation written out to the Revaluation Reserve	-	6,421	-	-	-	2,898	-	**9,319**	3,263
Depreciation written out to the Surplus / Deficit on the Provision of Services	-	770	-	-	-	1,860	-	**2,630**	573
Impairment losses / (reversals) recognised in the Revaluation Reserve	-	(2,649)	-	-	-	(1,494)	(4,863)	**(9,006)**	(19)
Impairment losses / (reversals) recognised in the Surplus / Deficit on the Provision of Services	(47)	(3,083)	-	(946)	(340)	(4,192)	(1,758)	**(10,366)**	(422)
Derecognition - Non-schools	2	61	2,033	1,007	-	1,669	-	**4,772**	-
Derecognition - School Transfers	-	545	-	-	-	-	-	**545**	545
Reclassifications - other	-	133	(1)	1	-	(590)	1,329	**872**	-
Assets reclassified (to) / from Held for Sale	109	787	-	-	-	1,100	-	**1,996**	-
W/O Accumulated Impairment on Revaluation	-	6,053	-	-	-	21,956	6,621	**34,630**	-
At 31 March 2012	**(27,602)**	**(41,921)**	**(21,622)**	**(34,871)**	**(1,012)**	**(44,420)**	**(2,004)**	**(173,452)**	**(26,680)**
Net Book Value	**377,432**	**393,793**	**29,195**	**147,547**	**34,069**	**63,163**	**85,464**	**1,130,663**	**200,756**

Surplus Assets

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

Analysis of Surplus Assets by type

2011/12		2012/13
£000		£000
43,789	Strategic regeneration sites	24,906
11,542	Cleared land not currently qualifying as held for	7,121
6,218	Vacant premises	11,806
1,614	Other surplus assets	2,417
63,163	**Balance at year end**	**46,250**

Revaluation of Property, Plant & Equipment

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

All former valuations for the reporting period to 31 March 2013 were completed by external valuers in accordance with the professional standards of the Royal Institute of Chartered Surveyors (RICS) with due regard to IFRS requirements for asset classification and measurement bases.

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

To date EUV-SH has been based on the vacant possession value of the properties, adjusted to reflect the continuing occupation by a secure tenant **(Vacant Possession adjustment factor**) (The Beacon approach). EUV-SH thus reflects a valuation for a property if it were sold with sitting tenants paying rents at less than market value and tenants' rights including RTB. For 2012/13 there has been no change to this factor.

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

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

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

Items of Vehicles, Plant, Furniture & Equipment are generally carried at the historic cost of acquiring the asset less accumulated depreciation based on the original estimated useful life of the asset.

	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture & Equipment	Surplus Assets	Total
	£000	£000	£000	£000	£000
Carried at Historical Cost	-	1,583	26,519	7,280	**35,382**
Valued at Fair Value as at:					
31/03/2013	-	110,064	-	9,086	**119,150**
31/03/2012	-	36,973	-	12,842	**49,815**
31/03/2011	367,000	4,689	180	7,141	**379,010**
31/03/2010	-	87,843	-	4,657	**92,500**
31/03/2009	-	109,899	376	5,244	**115,519**
	367,000	**351,051**	**27,075**	**46,250**	**791,376**

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

As from 1 April 2010, the Authority adopted a policy to separately identify and revalue, on a rolling programme basis, buildings whose individual value was greater than £1m. The building value was to be sub-divided into significant components, where a component was deemed to have a different Remaining Useful Life (RUL). During the reporting period, 17 properties were identified as requiring componentisation as at 31 March 2013. The effect of this componentisation will be realised in the carrying value of those assets as from 1 April 2013 and for the estimated RUL of each component.

13.06b Intangible Assets

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

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

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

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £1.824m charged to revenue in 2012/13 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.

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

2011/12 Other Assets £000		**2012/13 Other Assets £000**
	Balance at start of year:	
8,888	▪ Gross carrying amounts	9,871
(2,539)	▪ Accumulated amortisation	(4,360)
6,349	Net carrying amount at start of year	5,511
	Additions:	
983	▪ Purchases	673
(88)	Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(78)
-	Impairment losses recognised in the Surplus/Deficit on the Provision of Services - Academy Schools	(106)
(1,733)	Amortisation for the period	(1,824)
5,511	**Net carrying amount at end of year**	**4,176**
	Comprising:	
9,783	▪ Gross carrying amounts	10,544
(4,272)	▪ Accumulated amortisation	(6,368)
5,511		4,176

13.06c Assets Held for Sale

Current 2011/12 £000		Current 2012/13 £000
2,131	**Balance outstanding at start of year**	2,856
	Assets newly classified as held for sale:	
6,942	▪ Property, Plant and Equipment	3,297
-	▪ Intangible Assets	-
-	▪ Other assets/liabilities in disposal groups	-
-	Additions	3
-	Revaluation losses	-
-	Revaluation gains	-
-	Impairment losses	(3)
	Assets declassified as held for sale:	
(247)	▪ Property, Plant and Equipment	(63)
-	▪ Intangible Assets	-
-	▪ Other assets/liabilities in disposal groups	-
(5,970)	Assets sold	(2,989)
-	Transfers from non current to current	-
-	Other movements	-
2,856	**Balance outstanding at year-end**	**3,101**

13.06d Investment Properties

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:

2011/12 £000		2012/13 £000
16,905	Balance at start of the year	**10,418**
-	Assets reclassified from Investment	-
16,905	Restated Balance at start of year	**10,418**
	Additions:	
-	Purchases	-
-	Construction	-
1	Subsequent expenditure	11
-	Disposals	-
1	Net gains/losses from fair value adjustments	(622)
	Transfers:	
-	To/from Inventories	-
(6,487)	To/from Property, Plant and Equipment	(272)
(2)	Other changes impairment	-
10,418	**Balance at end of the year**	**9,535**

13.06e Heritage Assets

Heritage Assets Carrying Value

Reconciliation of the Carrying Value of Heritage Assets held by the Authority.

Movements in 2012/13:

	Buildings	Collections	Statuary and Horological	Sptifire Aircraft	Total Assets
	£000	£000	£000	£000	£000
At 1 April 2012	2,487	21,423	416	500	**24,826**
Additions	173	-	-	-	**173**
Donations	-	-	-	-	**-**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	-	39,220	-	250	**39,470**
Revaluation increases / (decreases) recognised in the Surplus / Deficit on the Provision of Services	-	-	-	-	**-**
Impairment losses recognised in the Revaluation Reserve	(14)	-	-	-	**(14)**
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(18)	-	-	-	**(18)**
Derecognition - Disposals	-	-	-	-	**-**
Other movements in Cost or Valuation	-	-	-	-	**-**
Depreciation Charge	(134)	-	-	-	**(134)**
At 31 March 2013	**2,494**	**60,643**	**416**	**750**	**64,303**

Comparative Movements in 2011/12:

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

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

13.06f Shared Assets

The Staffordshire Hoard
The Staffordshire Hoard is owned and cared for jointly by Stoke-on-Trent City Council and Birmingham City Council on behalf of the nation. The Hoard was acquired by both Councils for the value of £3.285m, 50% of the value is now included in Heritage Assets on the balance sheet of the City Council at a value of £1.642m.

13.06g Impairment and Depreciation

Impairment Losses

a. During the reporting period a number of schools have changed status through either applying to, or being directed to, convert to Academy status. This action has required the Authority to impair the value of several assets within the Property, Plant & Equipment classification, totalling £187.1m, of which, £4.3m was charged to the Revaluation Reserve and £182.8m was charged to the General Fund Net Cost of Service. Additionally, £0.1m of Intangible Asset balances were charged as Impairment Losses to the Net Cost of Service.

b. The Authority recognised further Impairment Losses totalling £7.8m, of which £1.4m was charged to the Revaluation Reserve and £6.4m was charged to the General Fund Net Cost of Service. These Impairment Losses related to domestic and commercial properties acquired through regeneration programmes, where the properties suffer disconnection of services and removal of fixtures, and subsequent demolition of the building. These properties are classified in Property, Plant & Equipment as Surplus Assets.

c. A review of 2012/13 capital expenditure was also undertaken to establish any requirement to make an impairment charge. This review concentrated on expenditure which was unlikely to have added significant value to the fixed assets involved. This resulted in a further impairment charge of £1.9m classified against Property, Plant & Equipment, of which £1.8m was charged to the Net Cost of Service and £0.1m to the Revaluation Reserve. Additionally, £0.1m of Intangible assets were charged as Impairment Losses to the Net Cost of Service.

d. A similar impairment review of 2012/13 capital expenditure on Housing assets resulted in Impairment Losses totalling £7.8m being charged to the Net Cost of Service.

Depreciation and Impairment of Non-Current Assets

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

	Note	**Amortisation**	**Depreciation**	**Impairment**
		£000	**£000**	**£000**
Property, Plant and Equipment	*13.06a*	-	(32,321)	(198,867)
Intangible Assets	*13.06b*	(1,824)	-	(78)
Intangible Assets - Academy Schools	*13.06b*	-	-	(106)
Non Current Assets Held for Sale	*13.06c*	-		(3)
Investment Properties	*13.06d*	-	-	-
Heritage Assets	*13.06e*	-	(134)	(18)
Total Depreciation and Impairment charged to Services		**(1,824)**	**(32,455)**	**(199,072)**

13.06h Leases

a) Authority as Lessee

Finance Leases

The City Council has 33 current finance leases with primary lease periods ranging from 1 to 6 years. The equipment on these finance leases include vehicles, wheeled bins, IT equipment and Central Heating Units.

Depreciation charges on the assets held under finance leases for 2012/13 is £1,017,569 (2011/12 £1,219,383).

The interest charged on finance leases during 2012/13 is £396,284 (2011/12 £491,300). During 2012/13 the City Council did not enter into any new finance leases.

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

31 March 2012 £000		31 March 2013 £000
4,989	Vehicles, Plant, Furniture and Equipment	3,847
4,989		**3,847**

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 2012 £000		31 March 2013 £000
	Finance lease liabilities (net present value of minimum lease payments):	
1,092	▪ current	973
4,057	▪ non current	2,960
-	Finance costs payable in future years	-
5,149	**Minimum lease payments**	**3,933**

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

Minimum Lease Payments 31 March 2012 £000	Finance Lease Liabilities 31 March 2012 £000		Minimum Lease Payments 31 March 2013 £000	Finance Lease Liabilities 31 March 2013 £000
1,488	1,092	Not later than one year	1,277	973
4,354	3,680	Later than one year and not later than five years	3,334	2,960
377	377	Later than five years	-	-
6,219	**5,149**		**4,611**	**3,933**

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 2012 £000		31 March 2013 £000
551	Not later than one year	366
889	Later than one year and not later than five years	284
-	Later than five years	-
1,440		**650**

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 2012 £000		31 March 2013 £000
332	Minimum lease payments	349
-	Contingent rents	-
332		**349**

b) Authority as Lessor

Operating Leases

The City Council has granted a number of short and long term operating leases on various properties including Investment Properties. The rents received in respect of both investment and other properties for 2012/13 are detailed below:

31 March 2012 £000		31 March 2013 £000
679	Rental income from Investment Properties	615
2,647	Rental income from other properties	2,513
3,326		**3,128**

31 March 2012 £000		31 March 2013 £000
2,647	Not later than one year	2,513
649	Later than one year and not later than five years	585
30	Later than five years	30
3,326		**3,128**

c) Long Term Finance Lease Debtor - Academy Schools

A number of schools have converted to Academy status and entered into a long term 125 year lease contract with the Council in respect of the properties they occupy. The Authority has a gross investment in the lease, made up of the minimum unitary payments payable by the Council to the PFI provider in respect of these properties. This represents the amount the Council will expect to receive from the Academy schools over the remaining term of the PFI scheme which expires in October 2025, after which a peppercorn rent will apply for the remainder of the long term lease period. The minimum lease payments comprise settlement of the long term debtor for the interest in the property aquired by the the Schools (leasee), and finance income that will be earned by the Council (lessor), in future years, while the debtor remains outstanding .

The minimum lease payments do not include charges for maintenance and service costs, neither do they include rents that are contingent on events taking place after the lease was entered into, such as indexation on energy costs and future variations to the PFI contract. As at 31st March 2013, total unitary payments due was £10.167m, out of which the fair value of service charges and contingent rent was estimated as £6.889m.

The Gross Investment is made up of the following amounts:

Finance Lease Debtor	**31 March 2013 £000**
Current	259
Non Current	2,001
Net present value of minimum lease payments	**2,260**
Unearned finance income	1,018
Unguaranteed residual value of property	-
Gross Investment in the lease	**3,278**

The Gross Investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in Lease 31 March 2013 £000	Minimum Lease Payments 31 March 2013 £000	Fair Value of Future Service Costs and Contingent Rents 31 March 2013 £000
No later than one year	259	244	380
Later than one year but not later than five years	1,036	846	1,854
Later than five years	1,983	1,170	4,655
	3,278	**2,260**	**6,889**

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as indexation on energy costs and future variations to the PFI contract.

13.06j Consolidated Managed Assets Note

Movements on Balances in 2012/13:

	Note	Council Dwellings	Other Land and Buildings	Vehicles, Plant , furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Heritage Assets	Intangible Assets	Assets Held for Sale	Investment Property
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation		405,034	435,714	50,817	182,418	35,081	107,583	87,468	**1,304,115**	**25,097**	9,871	3,973	10,549
Accumulated Depreciation and Impairment balance b/f		(27,602)	(41,921)	(21,622)	(34,871)	(1,012)	(44,420)	(2,004)	**(173,452)**	**(271)**	(4,360)	(1,117)	(131)
Net Book Value brought forward		**377,432**	**393,793**	**29,195**	**147,547**	**34,069**	**63,163**	**85,464**	**1,130,663**	**24,826**	**5,511**	**2,856**	**10,418**
In year transactions which add to the assets value													
Additions / Enhancements through Capital Expenditure	*13.07b*	4,673	6,801	9,087	7,473	626	4,734	126,280	**159,674**	173	673	3	11
Abortive Costs write off	*13.07b*	-	(161)	(2)	(412)	-	-	(1,298)	**(1,873)**	-	-	-	-
Donations		-	-	-	-	-	-	-	**-**	-	-	-	-
In year transactions which change assets value as a result of formal revaluation													
Upward Revaluations recognised in the Revaluation Reserve	*13.04c*	-	8,513	-	-	-	119	-	**8,632**	39,470	-	-	-
Downward Revaluations recognised in the Revaluation Reserve	*13.04c*	-	(3,862)	-	-	-	(1,329)	-	**(5,191)**	-	-	-	-
Upward Revaluations recognised in the Surplus / Deficit on the Provision of Services	*13.01*	-	547	-	-	-	192	-	**739**	-	-	-	-
Downward Revaluations recognised in the Surplus / Deficit on the Provision of Services	*13.01*	(11)	(14,351)	-	-	-	(3,212)	-	**(17,574)**	-	-	-	-
Movement in Market Value of Investment Property - Gain	*13.01*	-	-	-	-	-	-	-	**-**	-	-	-	252
Movement in Market Value of Investment Property - Loss	*13.01*	-	-	-	-	-	-	-	**-**	-	-	-	(874)

	Note	Council Dwellings	Other Land and Buildings	Vehicles, Plant , furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Heritage Assets	Intangible Assets	Assets Held for Sale	Investment Property
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
In year transactions which reduce the assets value due to service usage (or loss thereof)													
Depreciation Charge in year	*13.01*	(8,242)	(14,211)	(4,385)	(5,091)	-	(392)	-	**(32,321)**	(134)	-	-	-
Amortisation Charge in year	*13.01*	-	-	-	-	-	-	-		-	(1,824)	-	-
Impairment recoverable from previous upward revaluations													
Capital spend which has been deemed not to add an equivalent value	*13.04c*	-	(63)	-	-	-	(1)	-	**(64)**	(14)	-	-	-
Loss in value due to demolitions, site aggregation, etc.	*13.04c*	-	-	-	-	-	(1,443)	-	**(1,443)**	-	-	-	-
Loss of service use due to school applying for Academy Status	*13.04c*	-	(4,341)	-	-	-	-	-	**(4,341)**	-	-	-	-
Impairment requiring an additional charge to the Net Cost of Service													
Capital spend which has been deemed not to add an equivalent value	*13.01*	(6,049)	(365)	(1,391)	(1,259)	(102)	(270)	-	**(9,436)**	(18)	(78)	(3)	-
Loss in value due to demolitions, site aggregation, etc.	*13.01*	-	24	(286)	-	-	(6,342)	-	**(6,604)**	-	-	-	-
Loss of service use due to school applying for Academy Status	*13.01*	-	(92,589)	(7,811)	(60)	-	-	(82,366)	**(182,826)**	-	(106)	-	-
In year transactions which reduce the assets value due to write off, transfer of ownership, closure of service or long term lease													
Disposal of assets in Renewal Areas	*13.01*	-	-	-	-	-	(6,951)	-	**(6,951)**	-	-	-	-
Other Sales (incl RTBs)	*13.01*	-	-	-	-	-	-	-	**-**	-		(2,989)	-
Community Asset transfers	*13.01*	-	(1,314)	(34)	-	-	-	-	**(1,348)**	-	-	-	-
Transfers of Land assets for schools becoming foundations	*13.01*	-	(876)	-	-	-	-	-	**(876)**	-	-	-	-
Other disposal transactions	*13.01*	-	401	(183)	-	-	-	-	**218**	-	-	-	-
Derecognition due to asset replacement / write off	*13.01*	-	-		(3,194)	-	-	-	**(3,194)**	-	-	-	-
Assets transferred to / from other categories in year													
Reclassifications within PPE		1,692	73,404	2,885	5,578	108	(1,734)	(81,933)	**-**	-	-	-	-
Reclassifications from IP		-	148	-	-	-	7	117	**272**	-	-	-	(272)
Assets moved to Held for Sale		(2,558)	(448)	-	-	-	(291)	-	**(3,297)**	-	-	3,297	-
Assets moved from Held for Sale		63	-	-	-	-	-	-	**63**	-	-	(63)	-
Cost or Valuation balance c/f		408,624	473,661	54,369	190,572	35,143	86,791	130,467	**1,379,627**	64,740	10,544	4,183	9,596
Accumulated Depreciation and Impairment balance c/f		(41,624)	(122,611)	(27,294)	(39,990)	(442)	(40,541)	(84,203)	**(356,705)**	(437)	(6,368)	(1,082)	(61)
Net Book Value At 31 March 2013		**367,000**	**351,050**	**27,075**	**150,582**	**34,701**	**46,250**	**46,264**	**1,022,922**	**64,303**	**4,176**	**3,101**	**9,535**

13.07 Capital

13.07a Capital Commitments

At 31 March 2013, the Authority has entered into a number of significant contracts for the construction or enhancement of Property, Plant and Equipment in 2013/14 and future years budgeted to cost £194.8m. Similar commitments at 31 March 2012 were £277.1m. The major commitments are:

Capital Scheme	£m
Housing Stock Maintenance	115.0
Central Business District	35.9
BSF Design & Build Contracts	32.1
BSF ICT Infrastructure	11.8
Total Commitments	**194.8**

13.07b Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases 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.

2011/12 £000		Note	2012/13 £000
437,452	Opening Capital Financing Requirement		515,084
	Capital investment		
125,608	Property, Plant and Equipment	13.06a	159,674
210	Heritage Assets	13.06e	173
1	Investment Properties	13.06d	11
983	Intangible Assets	13.06b	-
-	Assets Held for Sale	13.06c	3
6,719	Revenue Expenditure Funded from Capital under Statute	13.04b	6,440
74,441	Settlement payment to government for HRA self-financing		-
6,659	Kickstart Loans		-
-	Capital Expenditure Reclassified as Revenue		(1,873)
	Sources of finance		
(4,510)	Capital receipts reserve applied to finance capital expenditure	13.03c	(2,469)
(97,684)	Government grants & other contributions received in year & applied	13.04b	(94,768)
(7,009)	Government grants & other contributions applied from reserves	13.03b	(7,381)
(8,562)	Use of Major Repairs Reserve	16.03	(4,445)
(1,087)	Direct revenue contributions - General Fund	13.04b	(5,179)
(1,836)	Direct revenue contributions - HRA	13.04b	(1,000)
(16,260)	Minimum Revenue Provision	13.09m	(17,384)
(41)	Amount voluntarily set aside to pay off debt		-
-	HRA Voluntary repayment of debt	16.03	(2,614)
515,084	**Closing Capital Financing Requirement**		**544,272**
93,192	Increase in underlying need to borrowing (unsupported by government financial assistance)		48,938
(16,301)	Decrease in underlying need to borrow (MRP and Voluntary Debt	13.09m	(17,384)
-	Decrease in underlying need to borrow (HRA Voluntary Debt Repayment)	13.04b	(2,614)
741	Assets acquired under PFI/PPP contracts		923
77,632	**Increase/(decrease) in Capital Financing Requirement**		**29,863**

13.08 PFI and Similar Contracts

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

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

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

The value of unreimbursed capital expenditure incurred is included on the Balance Sheet in Other Long Term Liabilities note (see note 13.09l). All other elements of the Unitary Payments are included in income and expenditure as detailed below.

Total payments remaining to be paid under each PFI or service concession contract at 31st March 2013 (including estimated inflation, contract variations and estimated future capital replacement costs are analysed below in 5 year bandings).

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

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

13.08a 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 remaining 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 2012/13 were:

2011/12 £000		*Note*	**2012/13 £000**
9,970	Fair Value of Services		10,872
5,304	Finance Cost		5,100
510	Contingent Rent		1,372
15,784	**Revenue Unitary Payments**		**17,344**
52	Other Revenue Expenditure		48
5,039	Depreciation		4,974
20,875	Total Expenditure		**22,366**
(8,294)	PFI Special Grant	*13.11a*	(8,294)
(7,555)	Other Contributions		(10,477)
5,026	(Surplus)/Deficit Amount in Income & Expenditure Account		**3,595**
	Movement in Reserves Statement		
(5,039)	Amounts Required by Statute to be Excluded – Depreciation		(4,974)
1,766	Amounts Required by Statute to be Included – MRP	*13.09m*	2,156
(1,753)	Transfer to/(from) Earmarked Reserves		(192)
-	**Net Charge to the General Fund**		585
(73)	Interest Earned on Balance		-

Future Unitary Payments	**Repayment of Liability £000**	**Interest £000**	**Service Charge £000**	**Lifecycle Costs £000**	**Total £000**
Within 1 year	2,365	5,085	6,873	3,589	17,912
2 – 5 years	12,983	19,391	28,331	22,345	83,050
6 – 10 years	20,743	19,693	42,564	30,781	113,781
11 – 13 years	15,009	4,583	28,235	9,403	57,230
	51,100	**48,752**	**106,003**	**66,118**	**271,973**

An affordability review of the Schools PFI contract was undertaken in 2011 and highlighted the need for additional contributions to maintain the affordability of the contract. A provision has been made in the Dedicated Schools Grant of the City Council to fund the additional contributions for 2012/13 and 2013/14. From April 2014 schools will pay additional contributions directly to the project. The predicted future PFI payments include assumptions around contractual indexation the Council will be required to pay. The effects of these assumptions will be monitored closely over the remaining life of the contract and mitigated through reduced energy consumption, contract negotiations and/or increased revenue contributions.

A number of schools have converted to Academy status and entered into a contractual arrangement with the Council in respect of properties under the PFI scheme. The Council recharges the Unitary Charges on such properties to the schools. Total contributions payable by Academy schools in 2012/13 amounted to £1,501,499.

Six of the schools which have converted to academy status, entered into a long term lease arrangement with the Council on the properties occupied. It is deemed that such schools bear a significant part of the risks and rewards of ownership of the schools assets and therefore such assets have been derecognised from the Council's Balance Sheet. The discounted value of the unitary payments relating to the assets are classified as long term debtors on the balance sheet and as at 31st March 2013 was £2,260,000 (see note 13.09j). The current unitary charges payable by the schools amount to £518,338 per annum.

The Net Book Value of Assets Held under the Schools Estate PFI Scheme at 31st March 2013 was £101,158,000.

13.08b 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 2012/13 were:

2011/12 £000		Note	2012/13 £000
2,191	Fair Value of Services		2,454
926	Finance Cost		892
119	Contingent Rent		110
3,236	**Revenue Unitary Payments**		**3,456**
29	Other Revenue Expenditure		47
802	Depreciation		808
4,067	Total Expenditure		**4,311**
(1,351)	PFI Special Grant	13.11a	(1,351)
12	Other Contributions		(12)
2,728	(Surplus)/Deficit Amount in Income & Expenditure Account		**2,948**
	Movement in Reserves Statement		
(802)	Amounts Required by Statute to be Excluded – Depreciation		(808)
1,355	Amounts Required by Statute to be Included – MRP	13.09m	1,371
34	Transfer to/(from) Earmarked Reserves		178
3,315	**Net Charge to the General Fund**		**3,689**
(24)	Interest Earned on Balance		-

Future Unitary Payments	Repayment of Liability £000	Interest £000	Service Charge £000	Lifecycle Costs £000	Total £000
Within 1 year	300	913	822	1,190	3,225
2 – 5 years	2,277	3,698	3,614	3,886	13,475
6 – 10 years	4,428	4,081	5,210	4,494	18,213
11 – 15 years	5,708	2,870	6,291	4,995	19,864
16 years	798	341	604	-	1,743
	13,511	**11,903**	**16,541**	**14,565**	**56,520**

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

The Net Book Value of Assets Held under the Street Lighting PFI Scheme at 31st March 2013 was £26,385,000.

13.08c 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

* As part of the changes to the NHS brought about by the Health and Social Care Act 2012, Primary Care Trusts (PCTs) and Strategic Health Authorities (SHAs) ceased to exist on 31 March 2013

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 2012/13 were as follows:

2011/12 £000		*Note*	**2012/13 £000**
705	Fair Value of Services		718
1,267	Finance Cost		1,249
22	Contingent Rent		52
1,994	**Revenue Unitary Payments**		**2,019**
69	Depreciation		69
2,063	Total Expenditure		**2,088**
(1,131)	PFI Special Grant (Cultural & Related Net Cost Of Service)	*13.11a*	(1,136)
(215)	PFI Special Grant (Children's & Education Net Cost Of Service)	*13.11a*	(210)
(733)	Other Contributions		(860)
(16)	(Surplus)/Deficit Amount in Income & Expenditure Account		**(118)**
	Movement in Reserves Statement		
(69)	Amounts Required by Statute to be Excluded – Depreciation		(69)
96	Amounts Required by Statute to be Included – MRP	*13.09m*	114
(11)	Transfer to/(from) Earmarked Reserves		73
-	**Net Charge to the General Fund**		-

Future Unitary Payments	**Repayment of Liability £000**	**Interest £000**	**Service Charge £000**	**Total £000**
Within 1 year	127	987	744	1,858
2 – 5 years	472	3,488	3,454	7,414
6 – 10 years	1,168	3,570	5,060	9,798
11 – 15 years	1,489	1,712	7,100	10,301
16 – 19 years	3,654	1,369	4,306	9,329
	6,910	**11,126**	**20,664**	**38,700**

The Net Book Value of Assets Held under the Bentilee District Centre PFI Scheme at 31st March 2013 was £4,443,000.

13.08d Hanford Waste Scheme

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

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

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

Transactions under the scheme during 2012/13 together with anticipated future payments are shown below:

2011/12 £000		Note	2012/13 £000
4,552	Fair Value of Services		3,463
933	Finance Cost		845
1,033	Contingent Rent		1,201
6,518	**Revenue Unitary Payments**		**5,509**
1,130	Other Revenue Expenditure		3,168
2,028	Depreciation		2,061
9,676	**Total Expenditure**		**10,738**
(571)	Deferred Credits		(582)
(6,323)	Other Contributions (Income from Staffordshire County Council)		(6,218)
2,782	**(Surplus)/Deficit Amount in Income & Expenditure Account**		**3,938**
	Movement in Reserves Statement		
(2,028)	Amounts Required by Statute to be Excluded – Depreciation		(2,061)
1,798	Amounts Required by Statute to be Included – MRP	*13.09m*	1,914
-	Transfer to/(from) Earmarked Reserves		-
2,552	**Net Charge to the General Fund**		**3,791**

Future Unitary Payments	Repayment of Liability £000	Interest £000	Service Charge £000	Lifecycle Costs £000	Total £000
Within 1 year	1,456	2,042	3,536	555	7,589
2 – 5 years	6,836	8,051	15,050	2,363	32,300
6 – 7 years	3,860	3,672	8,584	1,272	17,388
	12,152	**13,765**	**27,170**	**4,190**	**57,277**

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

The Net Book Value of Assets Held under the Hanford Waste Scheme at 31st March 2013 was £18,975,000.

13.09 Financial Instruments

13.09a Financial Instruments

Council, as shown on the Balance Sheet, to be further analysed into various defined categories. These changes occurred from 1st April 2007.

Long-term 2011/12 £000	Current 2011/12 £000		Note	Long-term 2012/13 £000	Current 2012/13 £000
		Investments			
1,982	654	Loans and receivables[3]	*13.09k*	1,688	38
19	-	Unquoted equity investment at cost[2]	*13.09e*	19	-
2,001	**654**	**Total investments**		**1,707**	**38**
		Debtors			
1,922	-	Loans and receivables[4]	*13.17a*	3,425	-
-	-	Finance Leases - Academy Schools [6]	*13.09j*	2,260	244
-	33,463 *	Financial assets carried at contract amounts[5]	*13.17b*	-	35,478 *
-	-	Financial assets carried at contract amounts - PFI	*13.17b*		1,114
1,922	**33,463**	**Total Debtors**		**5,685**	**36,836**
		Borrowings			
301,270	7,398	Financial liabilities at amortised cost[1]	*13.09h*	299,771	7,590
301,270	**7,398**	**Total borrowings**		**299,771**	**7,590**
		Other Long Term Liabilities			
26,429	-	Liability with Staffordshire County		24,600	-
91,614	5,297	PFI and finance lease liabilities	*13.09l*	87,489	5,221
295,708	-	Net Pensions Liabilities	*13.15*	364,714	-
5,313	-	Other long term liabilities		5,991	-
419,064	**5,297**	**Total other long term liabilities**		**482,794**	**5,221**
		Creditors			
946	-	Financial liabilities at amortised		1,316	-
2,864	30,580	Financial liabilities at amortised cost - Grants received in advance	*13.11a*	5,218	3,378
-	19,936 *	Financial liabilities carried at contract amount		-	65,316 *
3,810	**50,516**	**Total creditors**		**6,534**	**68,694**

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

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

[3]Details of the nature of investment are included in the Long and Short Term Investment tables and in view of the immateriality of amounts involved, no further disclosures are required. Further information is given in note 13.09k.

[4]Within long term debtors there is a soft loan relating to Kickstart. Further information is given in the Soft Loans table and note 13.09i.

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

[6] Further information relating to the long term finance lease debtor for Academy schools is given in note 13.09j.

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

13.09b Gains and Losses on Financial Instruments

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

	2012/13				2011/12			
	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
Impairment Losses	-	-	-	-	-	(700)	-	**(700)**
Interest Expense	(26,988)	-	-	(26,988)	(22,620)	-	-	**(22,620)**
Total Expense in Surplus or Deficit on the Provision of Service	(26,988)	-	-	(26,988)	(22,620)	(700)	-	**(23,320)**
Interest Income	-	846	-	846	-	1,605	-	**1,605**
Total Income in Surplus or Deficit on the Provision of Service	-	846	-	846	-	1,605	-	**1,605**
Net gain/(loss) for the year	**(26,988)**	**846**	**-**	**(26,142)**	**(22,620)**	**905**	**-**	**(21,715)**

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

13.09c 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 fair values are calculated as follows:

Fair Value of liabilities carried at amortised cost

Carrying amount as at 31 March 2012	Fair Value as at 31 March 2012		Carrying amount as at 31 March 2013	Fair Value as at 31 March 2013
£000	£000		£000	£000
284,229	295,604	PWLB - Maturity[1]	282,771	358,755
20,000	20,385	LOBOs[2]	20,000	27,432
13,925	13,925	Finance leases	12,170	12,170
4,468	4,468	Other borrowing	4,611	4,611
322,622	**334,382**	**Financial Liabilities**	**319,552**	**402,968**
3,810	**3,810**	**Long-term Creditors**	**6,534**	**6,534**

[1]The fair value amount shown in the table represents PWLB loan amount assessed on the basis of present value for future cash flows, as recommended by the City Council's independent advisors. This has been based on comparable new borrowing rates for the same financial instrument from a comparable lender as disclosed in the accounting policies. The PWLB have provided a figure of £358,754,911 (£350,848,657 (2011/12)) as a fair value which reflects the premature redemption amount. These figures also include the £74,441,000 HRA loans taken out in 2011/12.

Fair value is higher 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.

[2]A fair value for the LOBO loans has been provided by the City Council's treasury advisers on the same basis as the PWLB, this amount is £27.432m.

Fair Value of assets carried at amortised cost

Carrying amount as at 31 March 2012 £000	Fair Value as at 31 March 2012 £000		Note	Carrying amount as at 31 March 2013 £000	Fair Value as at 31 March 2013 £000
1,922	1,922	**Long-term Debtors**	13.17a	1,409	1,409

13.09d Long Term Investments

Net Carrying Value March 2012 £000		Note	Net Carrying Value March 2013 £000
19	External organisations	13.09e	19
1,982	Landsbanki Investment	13.09k	1,688
2,001			**1,707**

The Landsbanki investment relates to the frozen funds which the City Council placed with the Icelandic bank. Further information relating to Landsbanki is given in note 13.09k

13.09e Other Long Term Investments

Associates	Stoke-on-Trent Regeneration Limited	West Midlands Transport Information Services Limited	CoRE2 Limited (Formerly Centre of Refurbishment Excellence)	Centre of Refurbishment Excellence
Number of Shares	19,000	10	0	0
Percentage Holding	19.0%	1.0%	40.0%	24.9%
Value of Shares Held	£19,000	£0	£0	£0

Joint Venture

Name of Company	Kier Stoke Limited
Number of Shares	199
Percentage Held	19.9%
Value of Shares Held	£199
Nature of Business	Housing & Public Maintenance Services
Entity Year End	Jun-12

March 2012 £000		Note	March 2013 £000
38,894	Gross Turnover		40,566
1,595	Operating (Loss) /Profit		2,453
1,606	(Loss)/Profit Before Tax		2,421
8,781	Gross Assets		9,939
5,827	Gross Liabilities		4,752
272	Share of Fixed Assets		212
1,475	Share of Current Assets		1,766
315	Share of Liabilities due within one year		946
-	Share of Liabilities due after one year		-
123	Dividend Received	13.22	253

13.09f Short Term Investments

Net Carrying Value March 2012 £000		Note	Net Carrying Value March 2013 £000
38	Deposits - Landsbanki Escrow	13.09k	38
616	Deposits - Landsbanki		-
654			**38**

13.09g Cash and Cash Equivalents

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

31 March 2012 £000		31 March 2013 £000
172	Cash held by the Authority	155
19,611	Bank current accounts	24,876
28,183	Short-term deposits	-
47,966	**Total Cash and Cash Equivalents**	**25,031**

No short term deposits were held at the end of the financial year as they had all matured by 31st March.

13.09h Long Term Borrowing

Net Carrying Value March 2012 £000		Note	Net Carrying Value March 2013 £000
206,829	PWLB		205,330
74,441	PWLB - HRA Self Financing		74,441
20,000	LOBOs		20,000
301,270		*13.09a*	**299,771**

13.09i Soft Loans

March 2012 £000		March 2013 £000
-	**Opening Carrying Amount at 1st April**	**1,724**
-	Nominal Value of New Loans in year	-
6,659	Recognition of soft loans	-
(5,297)	Fair Value Adjustment on Initial Recognition	-
-	Soft Loans repaid in year	(321)
-	Recognised Impairment Losses	-
362	Write back amount of Loan Initially Written down to Fair Value	118
-	Increase in Discounted Amount	-
-	Other Changes in Value	(250)
1,724	**Nominal Value of Loans at 31st March**	**1,271**

13.09j Nature and Extent of Risks Arising from Financial Instruments

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

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

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

Credit Risk

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

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

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

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

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

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

(d) investments are limited to £8m for the highest rated or government owned institution except in the case of the DMO (where the limit changes according to the amount of cash available to invest and the Treasury Management Board's view on the economic climate at a given point in time);

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

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

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

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

The Authority's maximum exposure to credit risk in relation to funds held as investments in banks at the Balance Sheet date is £20,137,388. As the deposits rest with several banks the risk of any institution failing to make interest payments or repay the principle sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 2013 that this was likely to crystallise

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

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

	Amount as at 31 March 2013	Historical experience of default	Historical experience adjusted for market conditions as at 31 March 2013	Estimated maximum exposure to default and un-collectability at 31 March 2013	Estimated maximum exposure as at 31 March 2012
	£000	%	%	**£000**	**£000**
	A	B	C	(A X C)	
Customers	56,036	23.30	23.30	13,056	19,711
				13,056	**19,711**

The City Council currently has £13.056m in it's Balance Sheet to cover bad debt.

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.

The Authority does not generally allow credit for customers, such that £42.980m of the £56.036m balance is past its due date for payment. This amount can be analysed by age as follows:

31 March 2012 £000		31 March 2013 £000
40,033	Less than 1 year	42,083
4,713	More than 1 year	897
44,746		**42,980**

Liquidity Risk

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

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

1. Outstanding Loans

Source of Loan	*Note*	Interest Rates Payable (Average) %	Total Outstanding at 31 March 2013 £000	Total Outstanding at 31 March 2012 £000
Public Works Loan Board		4.72	208,330	209,788
Public Works Loan Board - HRA	*13.09h*	3.50	74,441	74,441
Market Loans	*13.09h*	3.84	20,000	20,000
			302,771	**304,229**

Analysis of Maturity Less Premiums	Total Outstanding at 31 March 2013 £000	Total Outstanding at 31 March 2012 £000
Less than one year	3,000	2,959
Between one and two years	-	2,956
Between two and five years	8,000	7,855
Between five and ten years	22,500	8,701
More than ten years	269,271	281,758
	302,771	**304,229**

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

The City Council allocated a total of £89m of existing debt to HRA from its existing debt portfolio which was taken into account when the business plan was prepared in 2011/12.

This year all deferred (overhanging) premiums have been recognised and accounted for in the Comprehensive Income and Expenditure Statement. The additional overhanging premiums recognised is £1.5m.

2. Finance Leases

	Effective Interest Rate based on Opening Loan Balance	Total Outstanding at 31 March 2013	Total Outstanding at 31 March 2012
Finance leases	%	£000	£000
33 Lease agreements from various lenders	8.7	3,933	5,149

	Note	Total Outstanding at 31 March 2013 £000	Total Outstanding at 31 March 2012 £000
Amounts payable within 12 months included in current liabilities		973	1,092
Amount payable 2-5 years		2,960	3,680
Amount after 5 years		-	377
Total long term liability		2,960	4,057
Total Finance Lease liability	*13.06h*	**3,933**	**5,149**

3. PFI Schemes and Service Concessions

	Effective Interest Rate based on Opening Loan Balance	Total Outstanding at 31 March 2013	Total Outstanding at 31 March 2012
4 schemes with differing operators:	9.27%	£000	£000
Opening liability		87,190	91,466
New loans raised		923	741
Repayment of liability		(5,554)	(5,017)
Delayed lifecycle asset acquisition		1,114	-
Closing liability		**83,673**	**87,190**

	Total Outstanding at 31 March 2013 £000	Total Outstanding at 31 March 2012 £000
Amounts payable within 12 months included in current liabilities	4,248	4,205
Amount payable 2-5 years included in deferred liabilities	22,568	20,175
Amount after 5 years included in deferred liabilities	56,857	62,810
Total long term liability included in deferred liabilities	79,425	82,985
Total PFI Schemes and Service Concessions liability	**83,673**	**87,190**

Total amount payable by PFI Schemes

	Note	Total Outstanding at 31 March 2013 £000	Total Outstanding at 31 March 2012 £000
Schools Estate PFI Scheme	*13.08a*	51,100	53,256
Street Lighting PFI Scheme	*13.08b*	13,511	13,386
Bentilee District Centre PFI	*13.08c*	6,910	7,024
Hanford Waste Scheme	*13.08d*	12,152	13,524
Total		**83,673**	**87,190**

The Council has four current PFI and service concession schemes, details of which are disclosed on a scheme by scheme basis in note 13.08.

The interest charged on the schemes during 2012/13 is £8.1m (2011/12 £8.4m). Interest is calculated and charged so as to produce a constant interest rate over the life of the scheme in accordance with IFRIC12.

In addition to the interest charged above the Council also charged contingent rentals during 2012/13 of £2.7m (2011/12 £1.7m). These are also shown within Interest Payable and Similar Charges in the Income and Expenditure Account.

Within the balance of £83.673m there is a prepayment of £1.114m, therefore, the overall liability is actually

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

Over the life of the PFI contracts the Council transfers sufficient funds to earmarked reserves to ensure that adequate funds are available to meet future liability of the PFI schemes (see note 13.08) 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 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 or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Authority has a number of strategies for managing interest rate risk. Current policy is not to place borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. However, no such opportunities arose in 2012/13.

All investments are classified as Cash or Cash Equivalents and are therefore not susceptible to interest rate risk.

Price Risk

The City Council does not generally invest in equity shares but does have shareholdings in a joint venture totalling £19,000. The shareholdings are not traded on the open market, and therefore, the City Council is not exposed to losses arising from movements in share prices. Details of the joint venture are provided in note 13.09e.

Foreign Exchange Risk

The City Council currently has a small amount of financial assets, or liabilities, denominated in foreign currencies in the Icelandic Escrow account of £37k. There is additional risk in relation to Landsbanki. Deposits with the Icelandic domiciled banks were converted to Icelandic Krona (ISK) on 22 April 2009. Repayments by the banks will be based on the value of the deposit in the ISK and repaid in Euros, US Dollars, Pounds Sterling and ISK. The Sterling value of repayments will depend on prevailing exchange rates for each of the separate currencies at the time of payment. Details of the Landsbank investment are provided in note 13.09k.

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

13.09k Icelandic Investment

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

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

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

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

The transactions in 2012/13 were as follows:

Carrying Amount as at 31/03/12	**£**
Long Term	1,981,879
Short Term	616,167
Total	**2,598,046**
2012/13	
Repayments received	(909,656)
Carrying Amount as at 31/03/13	**1,688,390**

Escrow Account

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

13.09l Other Long Term Borrowing (PFI & Finance Leases)

The other long term borrowings as at 31 March 2013 are as follows:-

31 March 2012 £000		*Note*	**31 March 2013 £000**
26,400	County Council debt		24,572
4,057	Finance Leases	*13.09j (2)*	2,960
82,985	Private Finance Initiative – Finance Lease	*13.09j (4)*	79,425
4,571	Private Finance Initiative – Deferred Service		3,990
121	Other		91
118,134			**111,038**

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 2012/13 the total payment to the County Council was £2,864,207 (£2,999,751 in 2011/12), of which £1,035,323 (£1,170,867 in 2011/12) related to interest and expenses and £1,828,884 to repayment of principal, as in previous years. The total amount paid to the County Council is contained within the Movement in Reserves Statement.

13.09m 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 2012/13 is:

2011/12 £000	Minimum Revenue Provision	Note	2012/13 £000
10,354	Other services		10,954
	Private Finance Initiative		
1,766	▪ Schools	13.08a	2,156
1,355	▪ Street lighting	13.08b	1,371
96	▪ Bentilee District	13.08c	114
1,798	▪ Hanford Waste	13.08d	1,914
891	HRA voluntary repayment of debt		875
41	General Fund voluntary repayment of debt		-
16,301			**17,384**

13.10 Provisions

	Liability Insurance Claims	Other Provisions	Total
	£000	£000	£000
Balance at 1 April 2012	4,324	4,362	**8,686**
Additional provisions made in 2012/13	1,649	2,029	**3,678**
Amounts used in 2012/13	(1,486)	(3,283)	**(4,769)**
Unused amounts reversed in 2012/13	-	-	**-**
Balance at 31 March 2013	**4,487**	**3,108**	**7,595**
This balance is split as follows:			
Short Term Liability	150	1,516	**1,666**
Long Term Liability	4,337	1,592	**5,929**
	4,487	**3,108**	**7,595**

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.

13.11 Grants

13.11a Grant Income

i) The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

Credited to Taxation and Non Specific Grant Income

Capital 2011/12 £000	Revenue 2011/12 £000		Note	Capital 2012/13 £000	Revenue 2012/13 £000
-	35,472	Communities & Local Government		1,443	5,325
6,080	-	Pathfinder/Regional		1,360	-
81,506	14,574	Department for Education (DfE)		88,837	14,713
-	-	Department of Health (DoH)		-	11,980
-	-	Department of Work & Pensions (DWP)		-	2,593
1,053	-	Private Sector Contributions		617	-
3,965	-	Department for Transport (DfT)		3,740	471
8,627	-	Other Government Grants		812	-
333	-	Homes and Communities Agency (HCA)		415	-
1,118	-	Lottery		1,358	-
351	-	Other Contributions		200	-
244	14,317	Other Grants		50	-
326	-	Advantage West Midlands (AWM)		-	-
1,917	-	European Regional Development Fund (ERDF)		2,946	-
105,520	**64,363**	**Total**	7	**101,778**	**35,082**

Credited to Net Cost of Service:	Type of Funding/Grant	Note	2011/12 £000	2012/13 £000
Central Services to the Public	Council Tax Benefits		23,999	23,942
	Other Grants		15	1
Cultural and Related	Private Finance Initiative (PFI) - Bentilee	13.08c	1,131	1,136
	Other Grants		175	29
Environmental and Regulatory	Other Grants		988	776
Planning and Development	Other Grants		1,495	510
Childrens and Education	Dedicated Schools Grant		157,115	148,084
	Private Finance Initiative (PFI) - Schools	13.08a	8,294	8,294
	Private Finance Initiative (PFI) - Bentilee	13.08c	215	210
	Other Grants (Including Standards Fund)		10,933	12,243
Highways and Transport	Private Finance Initiative (PFI) - Street Lighting	13.08b	1,351	1,351
	Other Grants		559	207
Housing	Rent Allowances		52,293	54,246
	Rent Rebates		38,438	40,691
	Other Grants		135	460
Housing Revenue Account	Other Grants		22	146
Adult Social Care	Other Grants		525	621
	Total	13.05	**297,683**	**292,947**

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

31/03/2011 £000 Short Term	31/03/2011 £000 Long Term	31/03/2012 £000 Short Term	31/03/2012 £000 Long Term	Capital Grants Receipts in Advance	Note	31/03/2013 £000 Short Term	31/03/2013 £000 Long Term
24,225	-	27,518	-	Department for Education (DfE)		1,922	-
280	1,630	14	-	Private Sector Contributions		-	-
5,691	-	2,750	2,864	Other Government Grants		1,057	5,218
30,196	**1,630**	**30,282**	**2,864**	**Total**	8	**2,979**	**5,218**

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:

31/03/2012 £000 Short Term	31/03/2012 £000 Long Term	**Revenue Grants Receipts in Advance**	*Note*	31/03/2013 £000 Short Term	31/03/2013 £000 Long Term
-	-	Department for Education (DfE)		177	-
-	-	Department for Transport (DfT)		-	-
-	-	Department of Health (DoH)		-	-
-	-	Department for Work and Pensions (DWP)		-	-
-	-	High Peak Borough Council		-	-
-	-	Department for Environment, Food and Rural Affairs (DEFRA)		-	-
93	-	Young People's Learning Agency (YPLA)		-	-
71	-	Private Sector Contributions		-	-
134	-	Department of Business Innovation and Skills (BIS)		222	-
-	-	Arts Funding Council		-	-
					-
298	**-**	**Total**	*8*	**399**	**-**

13.11b Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined by in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2012-13 are as follows:

	Central Expenditure £000	ISB £000	Total £000
Final DSG for 2012/13 before Academy recoupment	28,973	150,966	179,939
Academy figure recouped for 2012/13	(1,387)	(30,468)	(31,855)
Total DSG after Academy recoupment for 2012/13	**27,586**	**120,498**	**148,084**
Brought forward from 2011/12	5,820	-	5,820
Carry forward to 2013/14 agreed in advance	-	-	-
Agreed initial budgeted distribution in 2012/13	33,406	120,498	**153,904**
In year adjustments	-	-	**-**
Final budget distribution for 2012/13	**33,406**	**120,498**	**153,904**
Less Actual central expenditure	(25,386)	-	(25,386)
Less Actual ISB deployed to schools	-	(119,091)	(119,091)
Plus Local authority contribution for 2012/13	-	-	-
Carry forward to 2013/14	**8,020**	**1,407**	**9,427**

13.12 Officers Remuneration

Disclosure of senior employees remuneration

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

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

There were no bonus payments made to any senior employees in either 2012/13 or 2011/12.

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

Post title and name	Notes		Salary (including fees and allowances)	Expense allowances	Compensation for loss of office	Benefits in kind	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
			£	£	£	£	£	£	£
Chief Executive - J van de Laarschot		2012/13	192,585	2,933	-	-	195,518	32,739	228,257
Chief Executive - J van de Laarschot		2011/12	189,453	1,251	-	1,239	191,943	31,260	223,203

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

Post title	Notes		Salary (including fees and allowances) £	Expense allowances £	Compensation for loss of office £	Benefits in kind £	Total remuneration excluding pension contributions £	Pension contributions £	Total remuneration including pension contributions £
Assistant Chief Executive	1	2012/13	73,333	1,167	-	-	74,500	12,467	86,967
Assistant Chief Executive		2011/12	-	-	-	-	-	-	-
Director - Adult & Neighbourhood Services		2012/13	139,106	1,476	-	-	140,582	23,648	164,230
Director - Adult & Neighbourhood Services		2011/12	139,106	676	-	1,239	141,021	22,953	163,974
Director - City Renewal		2012/13	115,443	-	-	-	115,443	19,625	135,068
Director - City Renewal		2011/12	128,336	-	-	-	128,336	21,176	149,512
Director - Business Services	2 & 4	2012/13	-	-	-	-	-	-	-
Director - Business Services		2011/12	17,522	17	57,865	103	75,507	1,732	77,239
Director - Children & Young People's Services	3	2012/13	-	-	-	-	-	-	-
Director - Children & Young People's Services		2011/12	149,073	1,203	173,750	1,239	325,265	22,953	348,218
Assistant Director - Legal Services		2012/13	90,138	1,308	-	-	91,446	13,100	104,546
Assistant Director - Legal Services		2011/12	98,211	-	-	1,239	99,450	12,715	112,165
Assistant Director - Financial Services (Section 151 Officer)		2012/13	115,102	2,093	-	-	117,195	19,549	136,744
Assistant Director - Financial Services (Section 151 Officer)		2011/12	117,857	415	-	1,239	119,511	19,426	138,937
Assistant Director - Business Technology	4	2012/13	94,571	1,915	-	-	96,486	16,077	112,563
Assistant Director - Business Technology		2011/12	103,498	309	-	1,239	105,046	16,539	121,585

[1] Appointed 11th September 2012

[2] Left 30th April 2011 (annualised salary was £124,000). From 11th September 2012 role deleted (now absorbed by Assistant Chief

[3] Appointed 24th May 2010, left 31st March 2012 (annualised salary was £132,000). Role covered by Interim Advisor from 18th April 2012 (to be absorbed into Director of People role in new structure).

[4] Also acted up as Director - Business Services (From 1st May 2011 to 10th September 2012).

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:

2011/12					2012/13			
Number of Teaching staff	Number of Employees (non teaching)	Total Number of Employees	Number of Employees Left in Year	Range	Number of Teaching staff	Number of Employees (non teaching)	Total Number of Employees [1]	Number of Employees Left in Year
46	51	97	16	£ 50,000 - £ 54,999	24	51	75	3
49	16	65	14	£ 55,000 - £ 59,999	36	19	55	7
20	14	34	7	£ 60,000 - £ 64,999	17	14	31	4
16	-	16	4	£ 65,000 - £ 69,999	9	4	13	2
8	-	8	2	£ 70,000 - £ 74,999	3	6	9	1
6	6	12	4	£ 75,000 - £ 79,999	5	4	9	2
3	6	9	4	£ 80,000 - £ 84,999	2	9	11	3
2	8	10	5	£ 85,000 - £ 89,999	1	5	6	2
1	4	5	1	£ 90,000 - £ 94,999	-	4	4	-
1	2	3	-	£ 95,000 - £ 99,999	-	2	2	1
-	3	3	2	£ 100,000 - £104,999	1	1	2	-
-	1	1	-	£ 105,000 - £109,999	-	1	1	1
-	-	-	-	£ 110,000 - £114,999	-	1	1	-
-	1	1	-	£ 115,000 - £119,999	-	2	2	-
-	-	-	-	£ 120,000 - £124,999	-	-	-	-
-	1	1	-	£ 125,000 - £129,999	-	-	-	-
-	-	-	-	£ 130,000 - £134,999	-	-	-	-
-	-	-	-	£ 135,000 - £139,999	-	1	1	1
-	1	1	-	£ 140,000 - £144,999	-	2	2	1
2	-	2	2	£ 145,000 - £149,999	-	-	-	-
-	-	-	-	£ 150,000 - £154,999	-	-	-	-
-	-	-	-	£ 155,000 - £159,999	-	-	-	-
-	-	-	-	£ 160,000 - £164,999	-	-	-	-
-	-	-	-	£ 165,000 - £169,999	-	-	-	-
-	-	-	-	£ 170,000 - £174,999	-	-	-	-
-	-	-	-	£ 175,000 - £179,999	-	-	-	-
-	1	1	1	£ 180,000 - £184,999	-	-	-	-
-	-	-	-	£ 185,000 - £189,999	-	-	-	-
-	1	1	-	£ 190,000 - £194,999	-	-	-	-
-	-	-	-	£ 195,000 - £199,999	-	1	1	-
-	-	-	-	£ 200,000 - £204,999	-	-	-	-
-	-	-	-	£ 205,000 - £209,999	-	-	-	-
-	-	-	-	£ 210,000 - £214,999	-	-	-	-
-	-	-	-	£ 215,000 - £219,999	-	-	-	-
-	-	-	-	£ 220,000 - £224,999	-	-	-	-
-	1	1	1	£ 320,000 - £324,999	-	-	-	-
154	**117**	**271**	**63**		**98**	**127**	**225**	**28**

[1] Includes 18 employees in receipt of compensatory payments for redundancy which has moved their remuneration into the >£50k banding

13.13 Termination Benefits & Exit Packages

The Authority terminated the contracts of almost 400 employees in 2012/13 mainly as a consequence of the ongoing corporate restructuring programme. A total of over £4.5m in compensatory payments was incurred (including redundancy costs and pay in lieu of notice) plus an additional £1.3m will be paid to the pension fund in respect of actuarial strain costs. A further 19 people have signed to leave in 2013/14 and a total of £0.3m has been included in a provision. £1.8m for compensatory payments and £0.5m for actuarial strain has been included as a reserve on the balance sheet for further costs expected in 2013/14. The amount paid to Senior Officers is also detailed in note 13.12 'Officers Remuneration'.

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

2011/12					2012/13			
Number of Compulsory Redundancies	**Number of Other Departures Agreed**	**Total Number of exit packages by cost band**	**Total cost of exit packages in each band £'000**	**Exit package cost band (including special payments)**	**Number of Compulsory Redundancies**	**Number of Other Departures Agreed**	**Total Number of exit packages by cost band**	**Total cost of exit packages in each band £'000**
67	312	379	2,696	£0 - £20,000	16	271	287	1,908
4	98	102	2,816	£20,001 - £40,000	-	77	77	2,007
1	29	30	1,442	£40,001 - £60,000	-	19	19	925
-	9	9	636	£60,001 - £80,000	-	5	5	332
-	6	6	545	£80,001 - £100,000	-	5	5	441
-	3	3	352	£100,001 - £150,000	-	2	2	222
-	1	1	173	£150,001 - £180,000	-	-	-	-
72	**458**	**530**	**8,660**		**16**	**379**	**395**	**5,835**

13.14 Members' Allowances and Expenses

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

2011/12 £000		2012/13 £000
614	Allowances	686
22	Expenses	24
636	**Total**	710

13.15 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 2012/13 the City Council paid employer's contributions to the scheme of £7,337,763 (2011/12 £8,271,200), the employer contribution rate was 14.1% (2011/12 14.1%) of teachers pensionable pay. Total pensionable pay for the year was £52,031,658 (2011/12 £58,622,515). Added years' lump sum payments awarded by the authority in respect of the Teachers' Pension Scheme amounted to £18,272 for 3 teachers (2011/12 £127,783 - 11 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 2013 & will impact on calculations commencing 2014/15. The balance sheet has deteriorated fromlast year, this is because of the impact of unfavourable financial assumptions although this has been partially offset with better than expected asset returns over the year.

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

In 2012/13 the City Council paid an employer's contribution based on 17.0% (2011/12 – 16.5%) of employees' pensionable pay. Total pensionable pay for the year was £109,608,726 (2011/12 £115,896,769).

The Actuary estimates the Employer's contributions for the year to 31 March 2014 will be approximately £19.2m.

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 2013, the City Council agreed to allow 87 employees (159 in 2011/12) 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 £394,969 (2011/12 £735,670).

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.

c) Comprehensive Income and Expenditure Statement & Movement on Reserves Statement

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

	Note	Local Government Pension Scheme		Teachers' Pension Scheme		Total	
		2011/12 £000	**2012/13 £000**	**2011/12 £000**	**2012/13 £000**	**2011/12 £000**	**2012/13 £000**
Cost of Services:							
- current service cost		20,573	20,595	-	-	20,573	20,595
- past service costs		12	19	-	-	12	19
- settlements and curtailments		(3,970)	(296)	1,707	308	(2,263)	12
		16,615	**20,318**	**1,707**	**308**	**18,322**	**20,626**
Financing and Investment Income and Expenditure							
- interest cost		43,060	41,417	1,480	1,450	44,540	42,867
- expected return on scheme assets		(39,219)	(34,189)	-	-	(39,219)	(34,189)
	13.05	**3,841**	**7,228**	**1,480**	**1,450**	**5,321**	**8,678**
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services		**20,456**	**27,546**	**3,187**	**1,758**	**23,643**	**29,304**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure							
- actuarial gains and losses		52,095	63,598	2,850	925	54,945	64,523
- business combination *		102	-	-	-	102	-
		52,197	**63,598**	**2,850**	**925**	**55,047**	**64,523**
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		**72,653**	**91,144**	**6,037**	**2,683**	**78,690**	**93,827**
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	13.01	(20,456)	(27,546)	(3,187)	(1,758)	(23,643)	(29,304)
Actual amount charged against the General Fund Balance for pensions in the year:							
- employers' contributions payable to scheme		19,359	22,819	-	-	19,359	22,819
- retirement benefits payable to pensioners		-	-	2,057	2,001	2,057	2,001
	13.01	19,359	22,819	2,057	2,001	21,416	24,820
Transfer (to) / from Pension Reserve		**(53,294)**	**(68,325)**	**(3,980)**	**(682)**	**(57,274)**	**(69,007)**

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

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £302,489,000.

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

This table shows a reconciliation of the present value of the scheme assets and liabilities and the reason why they have changed from the previous year. In other words, it summarises the effect of all of the factors responsible for the movement in the assets and liabilities over the last year.

	Funded liabilities: Local Government Pension Scheme		Unfunded Liabilities: Teachers' Pension Scheme		Total	
	2011/12 £000	**2012/13 £000**	**2011/12 £000**	**2012/13 £000**	**2011/12 £000**	**2012/13 £000**
Reconciliation of present value of the scheme liabilities (defined benefit obligation):						
Opening balance at 1 April	780,475	863,313	27,074	31,054	807,549	894,367
Current service cost	20,573	20,595	-	-	20,573	20,595
Interest cost	43,060	41,417	1,480	1,450	44,540	42,867
Contributions by scheme participants	7,345	7,020	-	-	7,345	7,020
Actuarial gains and losses	37,743	119,204	2,850	925	40,593	120,129
Benefits paid	(25,641)	(25,887)	(2,057)	(2,001)	(27,698)	(27,888)
Past service costs	12	19	-	-	12	19
Entity combinations	7,504	-	-	-	7,504	-
Curtailments	2,665	1,460	1,707	308	4,372	1,768
Settlements	(10,423)	(2,719)	-	-	(10,423)	(2,719)
Closing balance at 31 March	**863,313**	**1,024,422**	**31,054**	**31,736**	**894,367**	**1,056,158**

	Note	Funded liabilities: Local Government Pension Scheme		Unfunded Liabilities: Teachers Pension Scheme		Total	
		2011/12 £000	**2012/13 £000**	**2011/12 £000**	**2012/13 £000**	**2011/12 £000**	**2012/13 £000**
Reconciliation of fair value of the scheme (plan) assets:							
Opening balance at 1 April		569,115	598,659	-	-	569,115	598,659
Expected rate of return		39,219	34,189	-	-	39,219	34,189
Actuarial gains and losses		(14,352)	55,606	-	-	(14,352)	55,606
Employer contributions		21,416	24,820	-	-	21,416	24,820
Contributions by scheme participants		7,345	7,021	-	-	7,345	7,021
Benefits paid		(27,698)	(27,888)	-	-	(27,698)	(27,888)
Entity combinations		7,402	-	-	-	7,402	-
Settlements		(3,788)	(963)	-	-	(3,788)	(963)
Closing balance at 31 March		598,659	691,444	-	-	598,659	691,444
Net Pension (Asset)/Liability	13.04	**264,654**	**332,978**	**31,054**	**31,736**	**295,708**	**364,714**

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 2013, 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 2012 to 31st December 2012	3.8	(-1.2 previous period)
- Estimated return for the period from 01 April 2012 to 31 March 2013	15.0	(4.5 previous period)

The actual return on scheme assets in the year was £89,926,000 (2011/12 £25,041,000)

Within the £1,024,422k there is a liability of approximately £21,429k in respect of LGPS unfunded pensions. For the unfunded liability it is assumed that all unfunded pensions are payable for the remainder of the members life.

f) Scheme History	*Note*	**2008/09 £000**	**2009/10 £000**	**2010/11 £000**	**2011/12 £000**	**2012/13 £000**
Present value of liabilities:						
Local Government Pension Scheme		(518,972)	(901,729)	(761,588)	(842,685)	(1,002,993)
Discretionary Benefits		(43,512)	(53,428)	(45,961)	(51,682)	(53,165)
		(562,484)	**(955,157)**	**(807,549)**	**(894,367)**	**(1,056,158)**
Fair value of assets in the Local Government Pension Scheme		364,982	535,411	569,115	598,659	691,444
Surplus/(deficit) in the scheme:	*13.04e*	**(197,502)**	**(419,746)**	**(238,434)**	**(295,708)**	**(364,714)**

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £1,056,158,000 has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £364,714,000. 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).

The principal assumptions used by the actuary have been:

	2011/12	**2012/13**
Long-term expected rate of return on assets in the scheme:		
Equities	6.2	4.5
Bonds	3.3	4.5
Property	4.4	4.5
Cash	3.5	4.5
Mortality assumptions:		
Longevity at 65 for current pensioners:		
- Men	21.2 years	21.2 years
- Women	23.4 years	23.4 years
Longevity at 65 for future pensioners:		
- Men	23.3 years	23.3 years
- Women	25.6 years	25.6 years
Rate of inflation	2.5	2.8
Rate of increase in salaries	4.8	5.1
Rate of increase in pensions	2.5	2.8
Rate for discounting scheme liabilities	4.8	4.5
Real discount rate for discounting scheme liabilities	2.2	1.7
Proportion of employees taking up commutation option		
- pre-April 2008 service	50	50
- post-April 2008 service	75	75
Expected Rate of Return	5.7	4.5

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

	31 March 2012 %	**31 March 2013 %**	**31 March 2012 £000**	**31 March 2013 £000**
Equities	78	79	466,954	546,241
Bonds	12	12	71,839	82,973
Property	9	8	53,879	55,316
Cash	1	1	5,987	6,914
	100	**100**	**598,659**	**691,444**

h) History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2013:

	2008/09 %	2009/10 %	2010/11 %	2011/12 %	2012/13 %
Actuarial gains(losses)	(85,203)	(216,514)	86,654	(54,945)	(64,523)
Present Value of liabilities	(562,484)	(955,157)	(807,549)	(894,367)	(1,056,158)
Experience gains and losses on liabilities	**(15.1%)**	**(22.7%)**	**10.73%**	**(6.14%)**	**(6.11%)**
Fair Value of Employer Assets	364,982	535,411	569,115	598,659	691,444
Experience Gains / (Losses) on Assets	(140,082)	133,264	(28,338)	(14,352)	55,606
Differences between the expected and actual return on assets	**(38.4%)**	**24.89%**	**(5.0%)**	**(2.4%)**	**8.04%**

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

Change in assumptions at year ended 31 Mar 2013	Approximate % increase to Employer Liability	Approximate monetary amount
	%	£000
0.5 % decrease in Real Discount Rate	11%	112,570
1 year increase in member life expectancy	3%	31,685
0.5% increase in the Salary Increase Rate	4%	37,092
0.5% increase in the Pension Increase Rate	7%	73,560

13.16 Pooled Budgets

13.16a Mental Health Section 75 Pooled Budget

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

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

2011/12 £000	2011/12 £000		2012/13 £000	2012/13 £000
		Funding provided to the pooled budget:		
3,898		Stoke on Trent City Council	3,508	
4,900		North Staffordshire Combined Healthcare Trust	4,445	
-		Other operating revenue	705	
	8,798			8,658
		Expenditure met from the pooled budget:		
3,898		Stoke on Trent City Council	3,508	
4,900		North Staffordshire Combined Healthcare Trust	5,371	
-		Finance costs/Receivables	(47)	
	8,798			8,832
	-	Net (surplus)/deficit arising on the pooled budget during the year		**174**

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 31 March 2013 creditors provision of £213,987 has been made in respect of the balance owed by the City Council to the pooled budget. There are no other assets or liabilities associated with the pooled fund.

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

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

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

13.16b ICES Section 75 Pooled Budget

Stoke on Trent City Council is a partner in a pooled budget arrangement with Stoke-on-Trent Primary Care Trust (PCT) for the provision the Integrated Community Equipment Service (ICES). The 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.

2011/12 £000	2011/12 £000		2012/13 £000	2012/13 £000
		Funding provided to the pooled budget:		
(408)		Stoke-on-Trent City Council	(422)	
(724)		Stoke-on-Trent PCT	(926)	
(98)		Surplus b/f	30	
	(1,230)			(1,318)
	1,260	Net expenditure met from the pooled budget:		1,208
	30	Net (surplus)/deficit arising on the pooled budget during the year		**(110)**

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

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

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

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

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

13.16c 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.

2011/12 £000			2012/13 £000	
		Funding provided to the pooled budget:		
(353)		Stoke-on-Trent City Council	(271)	
(510)		North Staffordshire Combined Healthcare Trust (NSCHT)	(251)	
(71)		Brought Forward (NSCHT)	-	
(23)		Other	(23)	
	(957)			(545)
		Expenditure met from the pooled budget:		
353		Stoke-on-Trent City Council	271	
491		North Staffordshire Combined Healthcare Trust (NSCHT)	255	
23		Other	23	
	867			549
	(90)	Net (surplus)/deficit arising on the pooled budget during the year		4

Note: At 31 March 2013, the deficit of £3,940 was funded out of reserves.

13.16d Youth Offending Services Pooled Budget

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

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

2011/12 £000			**2012/13 £000**	
		Funding provided to the pooled budget:		
(1,061)		Stoke-on-Trent City Council	(804)	
(812)		Youth Justice Board	(769)	
(147)		Police	(189)	
(112)		Probation Service	(117)	
(182)		Stoke-on-Trent PCT	(182)	
(12)		Other	(10)	
(76)		Brought Forward	(428)	
	(2,402)			(2,499)
		Expenditure met from the pooled budget:		
709		Stoke-on-Trent City Council	561	
812		Youth Justice Board	769	
147		Police	189	
112		Probation Service	117	
182		Stoke-on-Trent PCT	182	
12		Other	10	
-		Brought Forward Deficit	-	
	1,974			1,828
	(428)	Net (surplus)/deficit arising on the pooled budget during the year		(671)

13.17 Debtors

13.17a Long Term Debtors

		Balance at 01/04/12	Reclassification from Short Term to Long Term Debtor	Reclassification from Long Term to Short Term Debtor	New Academy Debtor	Application of Reserves	Repayments	Fair Value Adjustment	Balance at 31/03/13
		£000	£000	£000	£000	£000	£000	£000	£000
Mortgages		89	-	-	-	-	(27)	-	**62**
House Purchase & Improvement Advances		18	-	-	-	-	(1)	-	**17**
New Victoria Theatre [1]		40	-	-	-	-	(12)	-	**28**
Cobridge Community Centre [1]		11	-	-	-	(11)	-	-	**-**
Stoke-on-Trent Rep Theatre [1]		40	-	-	-	-	(9)	-	**31**
Kickstart [2]		1,724	(250)		-	-	(203)	-	**1,271**
Academy Schools	*13.17c*	-	-	-	2,016	-	-	-	**2,016**
Total		**1,922**	**(250)**	**-**	**2,016**	**(11)**	**(252)**	**-**	**3,425**

[1] Loans provided at nil interest but not treated as soft loans due to materiality.
[2] In 2011/12 the Authority, through Birmingham City Council, made a number of improvement loans to householders under the Kickstart Programme at nil interest and have been treated as a soft loan. Further details are shown below.

Private Housing Improvement Loans (Kickstart)

The City Council received a transfer of private housing improvement loans (Kickstart) from Birmingham City Council, during 2011/12, who formally acted as the agent on behalf of the City Council in administering the scheme. The balance of outstanding loans shown on the Balance Sheet have been discounted using the prevailing market repayment mortgage rate, including a risk factor to reflect the possibility of any repayment default. The period of the loan repayments varies with the agreement reached with the homeowner, but a prudent assumption of 30 years has been applied to the discount rate. The loans are classified as soft loans (see note 13.09i).

13.17b Short Term Debtors

31 March 2011 £000	31 March 2012 £000		Note	31 March 2013 £000
18,897	18,315	Central government bodies		12,254
-	2,219	Academies		289
4,033	4,008	Other local authorities		2,084
121	2,282	NHS bodies		176
1	1	Public corporations and trading funds		1
23,002	19,310	Other entities and individuals[1]		33,967
46,054	**46,135**	**Total**	*13.09a*	**48,771**

[1] Other entities and individuals includes £1.9m re: charges on property.

13.17c Long Term Debtor - Academy Schools

A number of Academy schools are contracted to reimburse the City Council in respect of PFI charges for services provided. In the event that the Academies are unable to fulfil their obligations, the DfE will compensate the City Council for the payments due.

	31 March 2013 £000
Short Term Debtor	244
Long Term Debtor	2,016
Total Academy Schools Debtor	**2,260**

13.18 Stocks

	Consumable Stores		Maintenance Materials		Goods Acquired for Resale		Total	
	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000
Opening balance	389	297	12	14	232	727	633	1,038
Purchases	3,848	3,810	359	434	868	699	5,075	4,943
Recognised as an expense in the year	(3,903)	(3,718)	(358)	(436)	(881)	(1,194)	(5,142)	(5,348)
Written off balances	-	-	-	-	-	-	-	-
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
Closing balance	**334**	**389**	**13**	**12**	**219**	**232**	**566**	**633**

13.19 Short-Term Creditors

31 March 2011 £000	31 March 2012 £000		Note	31 March 2013 £000
-	-	Academies		106
8,540	6,085	Central government bodies		5,828
16,034	4,839	Other local authorities		3,626
270	198	NHS bodies		567
249	192	Public corporations and trading funds		2
40,332	42,557	Other entities and individuals		57,877
65,425	**53,871**	**Total**	*13.09a*	**68,006**

13.20 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.

2011/12 £000		2012/13 £000
380	Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year	226
75	Fees payable to external auditors for the certification of grant claims and returns for the year	46
455	**Total**	**272**

13.21 Related Party Transactions

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

Central Government

Central government has effective control over the general operations of the Authority, as it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (such as those relating to council tax bills and housing benefits). Grants received from government departments are set out in the subjective analysis in Note 13.05 on Amounts Reported for Management Account Purposes. A breakdown of grants received by funder in 2012/13 is shown in Note 13.11.

Members

Members of the City Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 13.14. During 2012/13, no members declared interests in related party companies which at 31st March 2012 had outstanding loans with the Authority. Details of all members' interests are available within the Members' Registers of Interest on the City Council website, Stoke-on-Line.

Officers

During 2012/13, no council officers declared interests in related parties.

Other Public Bodies

Stoke-on-Trent City Council has a pooled budget arrangement with North Staffordshire Combined Healthcare Trust for the provision of mental health services. Other pooled budget arrangements are in place with Stoke-on-Trent Primary Care Trust for the provision of Integrated Community Equipment Services (ICES) and Child & Adolescent Mental Health Services (CAHMS). The Authority has a further pooled budget arrangement for the provision of Youth Offending Services. The other bodies involved in this include the Youth Justice Board, the Probation Service, Stoke-on-Trent Primary Care Trust and North Staffordshire Police Authority. Transactions and outstanding balances for all of these arrangements are detailed in Note 13.16.

Entities Controlled or Significantly Influenced by the Authority

The City Council has interests in a number of companies. During 2012/13, the following members were on the board of these companies, and various related party transactions were made to the companies:

Stoke-on-Trent Regeneration Limited - Cllr. Pervez was appointed as director on 07/07/2011, Cllr. Meredith and Cllr. Shotton were both appointed as observers at the same date. In 2012/13, the Authority received a dividend payment of £155,671.56 (£78,320.47 of this relates to 2011/12 that was received in June 2012.

West Midlands Transport Information Services Limited - Contributions of £20,329.42 were made in respect of the travel information service provided by the company.

Kier Stoke Limited - Cllr. Hassall was appointed as an Executive member of the board until 30/05/12. On 31/05/12 Cllr. Bridges took over this position. Various transactions took place in 2012/13 and these are detailed in note 13.22 below. The City Council previously entered into a sub-lease with Kier Stoke Limited. The assets were under an operating lease. The final lease rental was received in 2011/12.

Centre of Refurbishment Excellence (CoRE) - During 2011/12, CoRE (subsequently renamed CoRE2) was established as an incubator company. This involves a partnership between the City Council, Stoke-on-Trent College and the Building Research Establishment (BRE).

During 2012/13, a new company, CoRE, was registered to continue the activities of the incubator company.

Jane Forshaw, Assistant Director - Green Enterprises, and Councillor Ruth Rosenau, have been appointed as Directors of both companies.

The Centre of Refurbishment Excellence project has reclaimed and re-used a number of historic redundant buildings located in a major derelict site in one of the most deprived areas of Stoke-on-Trent. The project constitutes a capital conservation and new build scheme, together with an on-going revenue operation, which will safeguard the buildings' heritage for the enjoyment, utilisation and education of future generations. In 2012/13, the City Council incurred £6.100m of capital costs and £0.060m of revenue costs in developing the Centre.

The revenue operation comprises a facility for product demonstration; profiling and showcasing sustainable refurbishment products; support businesses to secure new business opportunities from retrofitting and deliver refurbishment skills and training solutions, including practitioner led seminars and conferences.

As at 31 March 2013, CoRE2 owed the City Council £0.018m in respect of expenditure that the Authority had incurred on behalf of CoRE2. In addition, CoRE owed the City Council £0.053m in respect of expenditure incurred on behalf of CoRE, by the Authority. The City Council has also made a donation to CoRE2 of £0.045m during 2012/13.

13.22 Joint Venture Company

Background

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

Service Contract and Agreements

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

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

Transactions and Balances

Between 1 April 2012 and 31 March 2013, Kier Stoke Limited charged the City Council for £31.9m (2011/12 £36.7m) net of Value Added Tax for completed works and services, and advised that the value of uncompleted works as at 31st March 2013 was £3.1m (2011/12 £4.8m) for all work streams. Total balance outstanding at 31 March 2013 was £2.7m (2011/12 £0.3m).

The City Council raised a total value of invoices against Kier Stoke Limited during 2012/13 of £356k for various services and £10k was outstanding at 31 March 2013.

During 2012/13, the City Council dividend was £253,000 from Kier Stoke Limited (see note 13.09e).

The City Council has an outstanding short term debtor of £3.2m with Kier which is a pre-payment in respect of previous cash flow arrangements.

13.23 Agency Services

Stoke-on-Trent City Council provides payroll services for 8 academies (5 in 2011/12). This involves the payment of £22,330,125 (£13,592,199 in 2011/12) to 957 employees (681 in 2011/12). The sum of £5,062,063 (£3,194,670 in 2011/12) was paid over to Her Majesty's Revenue and Customs (HMRC) and Pensions administrator. The Academies paid a management fee of £41,062 in the year (£35,908 in 2011/12).

Organisation Name	Service Provided	Total Amount paid 2011/12 £000	Total Amount paid 2012/13 £000	Number of Employees 2011/12	Number of Employees 2012/13	Amount paid over to HMRC 2011/12 £000	Amount paid over to HMRC 2012/13 £000	Management Fee Received 2011/12 £000	Management Fee Received 2012/13 £000
Co-operative Academy at Brownhills[1]	Payroll	3,837	3,907	151	170	936	927	6	7
Bartholemew's Academy [2]	Payroll	1,516	1,713	77	79	304	353	4	4
Discovery Academy [3]	Payroll	3,724	6,235	213	213	909	1,444	7	10
Ormiston Horizon Academy [3]	Payroll	1,703	3,099	92	97	408	726	3	5
St. Peter's Academy [3]	Payroll	2,812	4,435	148	171	637	1,033	5	9
Crescent Academy [4]	Payroll	-	993	-	77	-	184	-	2
Eaton Park Academy [4]	Payroll	-	975	-	76	-	186	-	2
Sutherland Academy [4]	Payroll	-	973	-	74	-	209	-	2
Total		**13,592**	**22,330**	**681**	**957**	**3,194**	**5,062**	**25**	**41**

[1] From 1st September 2010
[2] From 1st April 2011
[3] From 1st September 2011
[4] From 1st August 2012

13.24 Trust Funds

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

Lord Mayor's Charity

2011/12 £		2012/13 £
(60)	**Value of Fund Brought Forward 1st June**	**4,946**
5,252	Income	6,589
(246)	Expenditure	(5,554)
5,006	Net Income	**1,035**
4,946	Assets	5,981
-	Liabilities	-
4,946	**Balance Carried forward at 31st May**	**5,981**

13.25 Contingent Assets

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

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

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

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

b. The Council submitted a claim for "overpaid" VAT dating back to the early 1970's based on the outcome of well known VAT litigation "the Fleming case" which meant that certain items previously deemed to be Standard rated were considered to be exempt or outside the scope of VAT. 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.

13.26 Contingent Liabilities

a. In 1992, Municipal Mutual Insurance (MMI) ceased to trade and now exists solely to discharge its responsibilities under policies that it had previously issued. These responsibilities relate mainly to legal liability claims, which will take many years to materialise and finalise. In the event of MMI's insolvency during this period, local authority policyholders have agreed to enter into a 'scheme of arrangement' under which there are claw-back provisions on claims payments made by MMI after the implementation of the scheme. The potential maximum liability if the scheme is triggered is £938,293 although MMI may also cease to deal fully with any new liability claims.

   Now that the scheme of arrangement has been triggered it is a certainty that the City Council will have to set aside monies to honour its obligations as a scheme creditor. Stoke-on-Trent City Council has received notification that this obligation is in the region of £150,000. A letter from the scheme administrators dated 13th may 2013 advises that the final obligation will only be set as of the date that the scheme Levy notice is issued later this year. There is no indication at this stage as to whether further monies will be required in terms of a second or further levy, but the scheme administrators have not ruled it out. The Council is uncertain as to whether further monies will be required to be set aside, hence the matter is still considered to be a contingent liability.

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

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

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

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

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

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

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

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

j. From time to time the City Council is involved in a number of investigations and enquiries on data protection and taxation from Government bodies, such as Information Commissions Offices (ICO) and Her Majesty's Revenue and Customs (HMRC). Where the outcome of such investigations are known, adequate provisions have been made in the accounts as at 31st March 2013. There is however, a pending enquiry from HMRC on VA schools VAT, the outcome of which is uncertain and is unlikely to materially affect the amounts reported in the statement of accounts.

k. The Balance Sheet includes Private Housing Improvement Loans (Kickstart) with a fair value of £1.3m as at 31st March 2013. The repayment of some of these loans are dependant on certain events, such as sale of property or death of borrower. It is uncertain when these events will arise and when the loans will be repaid.

13.27 Notes to Cash Flow Statement

13.27a Amounts included in Adjustments to net Surplus/Deficit on provision of services that are for non-cash movements

2011/12 £000		2012/13 £000
(32,365)	Depreciation	(32,455)
(26,882)	Impairments & Downward valuations	(215,906)
(1,733)	Amortisations	(1,824)
-	Increase in impairment for provision for bad debts	-
6,678	Decrease in creditors	11,086
2,536	Increase/(decrease) in debtors	1,955
(405)	Increase/decrease in stock	(67)
(2,227)	Movement in Pension Liability	(4,484)
(21,407)	Carrying amount of non-current assets sold	(15,140)
6,260	Other non-cash items charged to the net Surplus or Deficit on the Provision of Services	(14)
1	Change in FV of investment properties	(622)
(69,544)		**(257,471)**

13.27b Amounts included in Adjustments to net Surplus/Deficit on provision of services that are investing and financing activities

2011/12 £000		2012/13 £000
-	Proceeds from short-term and long-term investments	-
117,918	Other receipts from investing activities	77,148
5,854	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,039
123,772		**81,187**

13.27c Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2011/12 £000		2012/13 £000
(401)	Interest received	(314)
22,585	Interest paid	22,695
(43)	Dividends received	(523)

13.27d Cash Flow Statement – Investing Activities

2011/12 £000		2012/13 £000
133,011	Purchase of property, plant and equipment, investment property and intangible assets	160,061
-	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	-
(5,632)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(3,915)
(1,468)	Proceeds from shot-term and long-term investments	(910)
(117,918)	Other receipts from investing activities	(77,148)
7,993	**Net cash flows from investing activities**	**78,088**

13.27e Cash Flow Statement – Financing Activities

2011/12 £000		2012/13 £000
-	Cash receipts of short- and long-term borrowing	-
(113)	Other receipts from financing activities	-
(74,441)	HRA Self Financing Settlement Loan	-
5,412	Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	4,609
5,829	Repayments of short- and long-term borrowing	4,829
(2,762)	Other payments for financing activities	66
(66,075)	**Net cash flows from financing activities**	**9,504**

13.28 Events after the Balance Sheet Date

13.28a Retention of Non Domestic Rates

When the new arrangements for retention of business rates came into effect on 1st April 2013, a transfer of risk occurred and local authorities assumed the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This includes amounts that were paid over to central government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authority, but would have been transferred to the Department of Communities and Local Government (DCLG). While the authority is not required to recognise such liabilities in the accounts for the year ended March 2013, the Council is required to report its respective share of the liability as a non-adjusting post balance sheet event. At the date the statements were prepared, the Council's 49% share of the liability was £155k (excluding the effect of reliefs and multiple business premises) of an estimated future liability relating to 2012/13 and before of £3,479k.

13.28b School Conversions to Academies

Since the Balance Sheet date, the following schools have converted to Academy Schools:

School Name	Date converted
Hollywall Primary (converted to Star Academy)	1st April 2013
Harpfield Primary	1st May 2013
Maple Court Primary	1st June 2013
Carmountside Primary	1st July 2013
Thistley Hough High	1st September 2013
St. Margaret Ward Catholic College	1st September 2013
St. Peter's Catholic Primary	1st September 2013
St. Wilfrid's Catholic Primary	1st September 2013
Our Lady & St. Benedict's Catholic Primary	1st September 2013
St. George & St. Martin's Catholic Primary	1st September 2013
St. Mary's Catholic Primary	1st September 2013
St. Joseph's Catholic Primary	1st September 2013

Since the Balance Sheet date further schools have indicated their intent, and been given approval to proceed, with becoming an Academy. As at 1st September the schools as noted below are progressing towards coverting to Academies, and the impairment that is currently due to be charged in relation to them is as follows:-

School Name	Total Impairment £'000
Glebe Primary School	566
Our Lady's Catholic Primary School	303
Sandon Primary School	659
St Augustine's RC Primary School	255
St Gregory's Catholic Primary School	1,578
St Maria Goretti Catholic Primary School	439
St Thomas More Catholic College	11,963
	15,763

Of this impairment £14.7m will be charged to the Net Cost of Service with the remaining £1.1m charged to the Revaluation Reserve.

13.29 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 26 September 2013. In line with statutory requirements the accounts and supporting documentation were made available for a period of 20 working days commencing 8th July 2013.

Events after the Balance Sheet date have been considered up to 26 September 2013, in preparing the accounts.

14 Housing Revenue Account Income & Expenditure Account

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

2011/12 £000		Note	2012/13 £000	
	Expenditure			
(20,258)	Repairs and maintenance	16.04	(22,965)	
(13,545)	Supervision and management		(13,044)	
(227)	Rents, rates, taxes and other charges		(205)	
(9,665)	Negative HRA Subsidy payable	16.08	92	
(9,535)	Depreciation and impairment of non-current assets	16.02	(17,821)	
(77)	Debt management costs		(48)	
(399)	Increase in bad debt provision		(888)	
(53,706)	**Total Expenditure**			**(54,879)**
	Income			
59,247	Dwelling rents		63,464	
558	Non-dwelling rents		516	
959	Charges for services and facilities		1,004	
339	Contributions towards expenditure		512	
61,103	**Total Income**			**65,496**
7,397	**Net Cost of HRA Services per Comprehensive Income and Expenditure Statement**			**10,617**
(74,441)	Exceptional item - Settlement payment to government for HRA self-financing			-
(67,044)	**Net Cost of HRA Services after Exceptional item**			**10,617**
(344)	HRA services' share of Corporate and Democratic Core			**(340)**
(67,388)	**Net Cost for HRA Services**			**10,277**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure			
(3,481)	Interest payable and similar charges	16.10		(7,015)
180	HRA Interest and investment income	16.10		98
(165)	Pensions interest cost and expected return on pensions costs			(289)
162	Capital grants and contributions receivable			400
(70,692)	**Surplus or (deficit) for the year on HRA services**			**3,471**

15 Movement on HRA Statement

2011/12 £000		Notes	2012/13 £000	
7,537	Balance on the HRA at the end of the previous year			7,019
(70,692)	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	14	3,471	
69,510	Adjustments between accounting basis and funding basis under statute	13.01	6,021	9,492
(1,182)	**Net increase or (decrease) before transfers to or from reserves**			**9,492**
664	Transfers (to) or from reserves			(8,238)
(518)	Increase or (decrease) in year on the HRA			1,254
7,019	**Balance on the HRA at the end of the current year**			**8,273**

16 Notes to the Housing Revenue Account Financial Statements

16.01 Housing Stock

2011/12		2012/13
19,190	Number of dwellings at the beginning of the year	19,120
-	Dwellings brought back into stock	-
(2)	Dwellings merged	-
(80)	Dwellings sold under Right to Buy	(81)
(2)	Other sales	(9)
(3)	Dwellings awaiting demolition	-
-	Dwellings demolished	(1)
17	New dwellings	-
19,120	Number of dwellings at the end of the year	19,029
	Consisting of :	
15,960	Houses / Bungalows	15,877
3,160	Flats	3,152

16.02 Valuation of Housing Assets

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Investment Properties	Assets Held for Sale
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Movements in Net Book Value At 1st April 2012	**377,432**	**10,342**	**7,130**	**5,245**	**118**	**2,416**	**1,721**	**404,404**	1,351	464
Opening Balance Adjustment	-	1	180	-	-	(793)	-	**(612)**	-	-
Amended Opening Balance	**377,432**	**10,343**	**7,310**	**5,245**	**118**	**1,623**	**1,721**	**403,792**	**1,351**	**464**
Depreciation Charge	(8,241)	(425)	(788)	(318)	-	(9)	-	**(9,781)**	-	-
Impairment Charges	(6,060)	(164)	(1,343)	(450)	-	(19)	-	**(8,036)**	-	(3)
Other Movements	3,869	(397)	1,245	450	-	(313)	(1,353)	**3,501**	-	763
Net Book Value At 31 March 2013	**367,000**	**9,357**	**6,424**	**4,927**	**118**	**1,282**	**368**	**389,476**	**1,351**	**1,224**
Comparative Movements in 2011/12: Net Book Value At 1st April 2011	**376,582**	**11,249**	**7,119**	**3,791**	**118**	**2,449**	**1,973**	**403,281**	**1,472**	**721**
Depreciation Charge	(7,961)	(423)	(783)	(213)	-	(10)	-	**(9,390)**	-	-
Impairment Charges	(47)	(56)	-	-	-	(42)	-	**(145)**	-	-
Other Movements	8,858	(428)	794	1,667	-	19	(252)	**10,658**	(121)	(257)
Net Book Value At 31 March 2012	**377,432**	**10,342**	**7,130**	**5,245**	**118**	**2,416**	**1,721**	**404,404**	**1,351**	**464**

The vacant possession value of dwellings within the Housing Revenue Account as at 1 April 2012 was £1,160,830,625. 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.

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.

16.03 Major Repairs Reserve

The Major Repairs Reserve 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.

2011/12 £000		2012/13 £000
(50)	Balance at beginning of the year	(3,149)
(9,391)	Depreciation on HRA Assets	(9,782)
(3,699)	MRA in excess of depreciation on dwellings	-
-	Interest on balances	-
(13,140)		(12,931)
-	Re-payment of principal debt	2,614
1,429	Depreciation on non dwellings	-
8,562	Capital expenditure on houses within the HRA	4,445
(3,149)	Balance at end of year	**(5,872)**

16.04 Housing Repairs Account

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

2011/12 £000		2012/13 £000
	Expenditure	
20,258	Repairs and maintenance	(22,965)
20,258		(22,965)
	Income	
(20,254)	Contribution from Housing Revenue Account	22,965
4	Surplus / (deficit) for the year	-
(4)	Balance at beginning of year	-
-	Balance at end of year	**-**

16.05 Summary of Capital Expenditure

2011/12 £000		2012/13 £000
	Expenditure	
9,009	Dwellings	4,674
2,779	Other Land & Buildings	8
850	Other property	2,163
12,638		**6,845**
	Financing	
-	Borrowing	-
1,836	Revenue contributions	1,000
8,562	Major repairs reserve	4,445
2,078	Usable capital receipts	1,000
162	Grants and contributions	400
12,638		**6,845**

16.06 Summary of Capital Receipts

2011/12 £000		2012/13 £000
4,836	Balance brought forward	4,112
	Value of receipts	
275	Land	437
3,078	Houses	2,590
20	Mortgage repayments	19
39	Repayment of discount	26
128	Sale of vehicles, plant & equipment	124
8,376		**7,308**
2,186	Capital receipts pooling payment to DCLG	962
2,078	Usable receipts applied to capital expenditure – public sector	1,000
-	Funding of disposal costs	99
4,112	Balance carried forward	5,247
8,376		**7,308**

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

Included within the HRA balance is £0.8m 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 note 13.15.

16.08 HRA Subsidy Calculation

2011/12 £000		2012/13 £000
13,043	Management allowance	-
19,739	Maintenance allowance	-
11,660	Major repairs allowance	-
-	Rental constraint allowance	-
3,871	Capital financing charges	-
(33)	Amortised premiums and discounts	-
(58,082)	Rents	-
(3)	Interest on receipts	-
(9,805)		-
140	Adjustments from previous years	92
(9,665)		**92**

16.09 Rent Arrears

2011/12 £000'		2012/13 £000
3,288	Arrears at year end	2,606
1,461	Provision in respect of uncollectable debts	2,020

16.10 Capital Asset Charges and Adjustments

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

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

2011/12 £000		2012/13 £000
	Item 8 Credit	
(57)	Interest Receivable	(98)
(33)	Discounts Received	(33)
(90)	**Total Item 8 Credit**	**(131)**
	Item 8 Debit	
77	Debt Management Charges and Repayment	2,662
3,480	Capital Asset Charges Adjustment	7,015
3,557	**Total Item 8 Debit**	**9,677**

17 Collection Fund Statement

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

2011/12 £000			Note	2012/13 £000	
		Income			
	78,746	Business Ratepayers			79,511
		Council Tax			
100,512		Council Tax	18.02	103,172	
(23,799)		*Less* Council Tax Benefit	18.02	(23,873)	
-		*Less* Transitional Relief		-	
-	76,713	*Less* Discounts for Prompt Payment		-	79,299
	23,799	Council Tax Benefit			23,873
	-	Community Charge			-
	-	Council Tax refunds written back			-
	179,258				**182,683**
		Expenditure			
12,664		Staffordshire Police Authority Precept	18.03	12,681	
4,823		Stoke-on-Trent & Staffordshire Fire and Rescue Authority Precept	18.03	4,829	
81,541		Stoke-on-Trent City Council Demand	18.03	84,497	
	99,028				102,007
		Business Ratepayers			
76,751		Payment to NNDR Pool		76,834	
366		Costs of Collection		368	
1,629		Provision for Uncollectable Amounts		2,309	
	78,746				79,511
		Write Offs			
	1,127	Council Tax	18.02		6,983
		Provision for Losses			
	190	Council Tax			(6,020)
		Transfers from Surplus			
	18	to Staffordshire Police Authority			6
	7	to Stoke-on-Trent & Staffordshire Fire Authority			2
	128	to General Fund			41
	179,244				**182,530**
	14	Surplus/(Deficit) for the Year			153
	428	Balance at beginning of year			442
	442	Balance at end of year			**595**

18 Notes to the Collection Fund

18.01 Business Rates

The City Council collects business rates in its area on behalf of the Government based on non-domestic rateable values multiplied by a uniform rate. From 1 April 2005 the Government introduced the small business rate relief scheme, those eligible pay a lesser rate. The total amount collected, less certain reliefs and deductions, is paid into the NNDR pool. In 2012/13 this amounted to £79,511k (2011/12 £78,746k) (**see note 17**). The City then receives a share of the pool based on the size of the local resident population. In 2012/13 this amounted to £121,360k (2011/12 £99,360k) (**see note 7**).

2011/12		2012/13
43.3p	Business Rate Multiplier	45.8p
42.6p	Small Business Rate Relief Multiplier	45.0p
£213,843,034	Non-domestic rateable value at year-end	£215,501,892

18.02 Council Tax

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

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

2011/12 £000'		2012/13 £000'
116,748	Council tax gross charge	120,128
(6,006)	*Less* Exemptions	(5,658)
(10,128)	Discounts	(11,184)
(104)	Disabled allowances	(114)
100,510		**103,172**
(1,127)	*Less* Amounts written off	(6,983)
99,383		**96,189**
(23,799)	*Less* Council Tax Benefits scheme	(23,873)
75,584		**72,316**

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)		-	153	5/9	85.2
A	Up to £40,000	69,101	57,447	6/9	38,297.7
B	£40,000 - £52,000	22,882	20,522	7/9	15,961.9
C	£52,001 - £68,000	14,428	13,078	8/9	11,625.1
D	£68,001 - £88,000	4,483	4,213	1	4,213.2
E	£88,001 - £120,000	1,663	1,554	11/9	1,899.8
F	£120,001 - £160,000	450	426	13/9	615.3
G	£160,001 - £320,000	104	79	15/9	131.9
H	Over £320,000	44	12	18/9	24.9
					72,855.0
Less Adjustments for collection rates					(1,457.1)
Council Tax base for 2012/13					**71,397.9**

The overall Council Tax requirement of £84.497m 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	**2012/13**	**2011/12**
Council Tax Requirement	£84.497m	£81.541m
Taxbase	71,398	71,305
City Council Band D	£1,183.46	£1,143.55
Staffordshire Police Authority	£177.61	£177.61
Stoke-on-Trent & Staffordshire Fire Authority	£67.64	£67.64
Combined Band D Council Tax	£1,428.71	£1,388.80

The level at which Council Tax was set in 2012/13 was:

Valuation Band	**Stoke-on-Trent City Council**	**Staffordshire Police Authority**	**Stoke-on-Trent & Staffordshire Fire Authority**	**Total 2012/13**	**Total 2011/12**
	£	£	£	**£**	£
A	788.97	118.41	45.09	**952.47**	925.87
B	920.47	138.14	52.61	**1,111.22**	1,080.18
C	1,051.96	157.88	60.12	**1,269.96**	1,234.49
D	1,183.46	177.61	67.64	**1,428.71**	1,388.80
E	1,446.45	217.08	82.67	**1,746.20**	1,697.42
F	1,709.44	256.55	97.70	**2,063.69**	2,006.04
G	1,972.43	296.02	112.73	**2,381.18**	2,314.67
H	2,366.92	355.22	135.28	**2,857.42**	2,777.60

18.03 Precepting Authorities

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

2011/12		**2012/13**
£		**£**
81,540,718	Stoke-on-Trent City Council	84,496,559
12,664,463	Staffordshire Police Authority	12,680,981
4,822,793	Stoke-on-Trent & Staffordshire Fire and Rescue Authority	4,829,081
99,027,974		**102,006,621**

18.04 Continuing Impact of Community Charge

Although the Council Tax replaced the Community Charge on 1 April 1993, the City Council continues to account for the residual adjustments in relation to Community Charges raised in earlier years, in the Collection Fund. In 2012/13, residual receipts were transferred to the General Fund, with corresponding refunds in future being paid from this source.

19 Glossary of Financial Terms

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

1-4-1 Useable Capital Receipts
Where a property is sold under Right to Buy (RTB) a substantial proportion of the receipt is surrendered to HM Treasury. Stoke-on-Trent City Council entered into an agreement to enable some of these receipts to be retained in full, providing it is spent on affordable housing or regeneration. These receipts can only be used to fund 30% of any housing project.

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

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

Capital Receipts
Income received from the sale of capital assets.

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

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

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

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

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

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

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

a. by an established pattern of past practice, public policies or a sufficiently specific current statement, the authority has indicated to other parties that it will accept certain responsibilities; and

b. as a result, the authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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

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

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

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

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

a. termination of employees' services earlier than expected, for example, as a result of closing a factory or discontinuing a segment of a business; and

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

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

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

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

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

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

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

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

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

Direct Revenue Financing (DRF)
Funding of capital expenditure from the revenue account.

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

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.

Escrow Account

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

Estimation Techniques

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

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

Exceptional Items

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

Expected Rate of Return on Pension Assets

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

Extraordinary Items

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

Fair Value

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

Fees and Charges

Income arising from the provision of services.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term ‘financial instrument’ covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

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

Formula Spending Share
Replaced the Standard Spending Assessment (SSA) methodology for allocating resources to local authorities according to their relative circumstances.

General Fund Revenue Account
Account providing details of all City Council services except those shown in the Housing Revenue Account and the Collection Fund.

Going Concern
The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

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

Group Accounts
Accounts prepared on a group basis where local authorities have interests in certain other bodies which are material in aggregate.

Heritage Assets
Assets that are held by the Authority principally for their contribution to knowledge or culture whether the collections of assets and artefacts are exhibited to the general public or held in storage.

Heritage assets may include :

- ceramics, porcelain work and figurines
- art collections
- pottery machinery and ephemera
- archaeological collections

Housing Revenue Account (HRA)
Account showing the income and expenditure relating to the provision of council housing and related services.

Impairment
A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

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

Intangible Asset
This is an asset that does not exist in a physical sense but nevertheless has value to the Council and is used on a continuing basis, an example would be software licenses.

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

International Financial Reporting Interpretations Committee (IFRIC)
The IFRIC reviews, on a timely basis within the context of current International Financial Reporting Standards (IFRSs) and the IASB Framework, accounting issues that are likely to receive divergent or unacceptable treatment in the absence of authoritative guidance, with a view to reaching consensus on the appropriate accounting treatment.

International Financial Reporting Standards (IFRS)
International Financial Reporting Standards are a set of ‘principles-based’ standards and interpretations which establish broad rules as well as dictating specific treatments, rather than following a prescriptive accounting code.

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
>
> 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.

Lender option/Borrower option (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 Rates (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
- Heritage assets

Non Current Assets Held for Sale
The following conditions must be met for an asset to be classified as held for sale :

- management is committed to a plan to sell
- the asset is available for immediate sale
- an active programme to locate a buyer is initiated
- the sale is highly probable, within 12 months of classification as held for sale
- the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value
- actions required to complete the plan indicate that it is unlikely that plan will be significantly changed or withdrawn

Non-Distributed Costs
These are overheads that are not apportioned to services to accord with CIPFA’s Best Value Accounting Code of Practice.

Other Surplus Sites
Small areas of land not providing operational services but not yet marked for disposal/redevelopment.

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

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

Precept
Demands made upon the Collection Fund by other authorities (Staffordshire Police Authority and the Stoke-on-Trent and Staffordshire Combined 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.

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

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 entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and

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;

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 (REFCUS)
Expenditure which may properly be capitalised but which does not result in the creation of a non-current

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.

Supported capital expenditure (Capital) (SCE(C))
Indicates the amount of capital grant support to a local authority for capital investment purposes.

Supported capital expenditure (Revenue) (SCE(R))
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.

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

Strategic Regeneration Sites
Assets acquired or earmarked to provide strategic development opportunities.

Total Cost
The total cost of a service or activity includes all costs which relate to the provision of the service (directly or brought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads which need to be apportioned in accordance with CIPFA's Best Value Accounting Code of Practice.

Useful Life
Period over which the Local Authority will derive benefits from the use of a fixed asset.

Vacant Premises
Property assets not providing operational services but not yet marked for disposal/redevelopment.

Vested Rights
In relation to a defined benefit pension scheme, these are:

a. for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
b. for deferred pensioners, their preserved benefits;
c. for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

Whole of Government Accounts
Whole of Government Accounts (WGA) are full accounts covering the whole public sector and audited by the National Audit Office. WGA is a consolidation of the accounts of about 1,500 bodies from central government, devolved administrations, the health service, local government and public corporations.

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