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Explanatory Foreword

1 Introduction

This section provides background information and a concise summary of the Council's financial position for the year. It also provides an overview of the format of the remainder of the financial statements.

The statement is produced in accordance with the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2011/12" (CoP 2011). CoP 2011 is prepared under International Financial Reporting Standards (IFRS).

2 Structure of the Accounts

The Council's Accounts for the year are set out on the following pages. The major accounts are classified as Single Entity and Supplementary Single Entity Financial Statements.

The Core Single Entity Statements comprise the following:

- **Movement in Reserves Statement**

  This statement shows the movement in the year on the different reserves held by the Council, 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 Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and 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.

- **Comprehensive Income and Expenditure Statement**

  The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet**

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

- **Cash Flow Statement**

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

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The Supplementary Single Entity financial statements include the following:

- **Housing Revenue Account (HRA)**

  The Housing Revenue Account comprises two statements: the HRA Income and Expenditure Statement and the Movement on the HRA Statement. The HRA closes at the end of 2011/12 subject to Secretary of State approval.

- **Collection Fund**

  The Collection Fund (England) 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.

3 Budgetary Performance

The statement shows the General Fund net expenditure, analysed by Service, showing the approved budgets, actual expenditure and variances against those budgets.

Last Year Actual £000s	Service Departments	Approved Budget £000s	Actual £000s	Variance £000s
	Children, Education and Social Care			
74,899	Adults & Children's Services	82,394	83,196	802
	Development and Neighbourhood Services			
13,889	- Development and Regeneration	15,814	16,336	522
13,976	- Direct Services	14,903	14,244	(659)
8,068	- Leisure Services	7,901	7,906	5
3,238	- Community Protection	3,402	2,841	(561)
3,532	- Housing Services	2,544	1,785	(759)
1,225	- Management Services	1,109	1,327	218
33	- Tees Achieve	21	21	0
	Resources and Corporate Services			
12,366	- Resources	12,430	11,943	(487)
2,034	- Policy and Communications	2,267	2,630	363
1,509	- Law and Democracy	1,712	1,692	(20)
290	- Chief Executive	233	231	(2)
20,970	- Corporate Provisions	9,755	7,364	(2,391)
156,029	**Net Expenditure on Services**	**154,485**	**151,516**	**(2,969)**

A reconciliation between the above table and the Comprehensive Income and Expenditure Account is provided at Note 8 to the accounts.

4 Capital

The Council has continued to make significant investment in infrastructure with £34million spent on capital projects (last year £54.5 million), including the final £2.2million of the £18m scheme on Billingham Forum, Preston Hall £2.1m, Stockton Library £1.6million and £6.4 million on housing provision (last year £14.4 million). Receipts from the disposal of surplus assets (£4.7million) were used to fund 13.7% (last year 12.7%), grants and contributions £21.4million or 62.9% (last year 46.4%), borrowing £4.5 million or 13.3% (last year 33.9%) and revenue contributions £3.4 million or 10.1% (last year 7.7%) were used to fund capital expenditure; £6.9 million in usable capital receipts were carried forward.

5 Large Scale Voluntary Transfer of Council Housing Stock

The Council completed the transfer of its Housing stock to the newly established Housing Association, Tristar Homes Ltd on 13 December 2010. The Council's Housing Revenue Account will close at the end of 2011/12 when approval is granted by the Secretary of State.

6 Private Finance Initiative

The Council entered into an agreement with Robertson Group to build a secondary school at Ingleby Barwick under the Private Finance Initiative. This opened in September 2003 and payments to the contractor started from that date for a period of 25 years.

As required by CoP 2010 the asset is included on the Council's balance sheet as if ownership has already transferred to the Council. This is required because the asset is already under the Council's control. Previously the scheme was "off balance sheet" as ownership of the asset would not transfer until the end of the contract in 2028. A long term liability equal to the value of future finance lease payments has also been established. Note 38 to the Core Financial Statements shows the impact of the PFI scheme in greater detail.

7 Corporate Governance

In May 2002, Cabinet agreed to adopt the Code on Corporate Governance. A self assessment against the CIPFA/SOLACE guidance identified that the vast majority of measures and assurances showing compliance with the Code were already in place and updates to the Code are taken through the Standards Committee at regular intervals during the year. Further information to support the Council's governance arrangements is included within the Annual Governance Statement which accompanies the Financial Statements as Appendix D.

8 Retirement Benefits (IAS 19)

The above standard requires authorities to fully comply with accounting requirements for pension costs. The Council has fully complied with the Code of Practice and a pension liability of £224m is included within the Balance Sheet. Further information is available in Notes 5 and 48 in the Notes to the Core Financial Statements.

9 Dedicated Schools Grant (DSG)

From 2006/07, the arrangements for government support for the funding of schools changed from those in previous years which were provided as part of the council's overall Revenue Support Grant. In 2011/12, the Council received a specific grant from the Department for Children, Schools and Families, referred to as the Dedicated Schools Grant (DSG). This grant is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget (further information on the grant is available in Note 37 of the Notes to Core Financial Statements).

10 Change in Accounting Policies - Heritage Assets

The Code of Practice 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation. Heritage assets are those assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations. They are held by the Council in pursuit of its overall objectives in relation to the maintenance of heritage. Heritage assets can include historical buildings, archaeological sites, military and scientific equipment of historical importance, historic motor vehicles, civic regalia, orders and decorations (medals), museum and gallery collections and works of art. To achieve this, the Balance Sheets as at 1st April 2010 and 31st March 2011 have been restated. Note 1 to the accounts sets out the changes that have been made relating to heritage assets.

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11 Economic Outlook

Approach to Efficiency Savings

The current plan includes savings of almost £20m, however it is clear additional savings are required. Whilst all services have now been reviewed through the Efficiency, Improvement and Transformation (EIT) process there are a range of areas which are worthy of further exploration.

The updated plan has once again identified financial pressures in energy, waste and social care. Whilst there has been significant efforts to reduce costs in these areas, the level of growth and potential pressures have required over £2.5m to be allocated to these areas in each of the last two years. Given the Council's financial position, it is important to do everything possible to avoid future pressures and this indicates a need to have a consolidated and targeted approach to considering options, which may be radical, to avoid further increases. The Council will undertake detailed reviews of these areas. These areas were also identified as part of Phase 2 of the Council's approach to procurement category management and this would be a key aspect of this work. Whilst these measures would attempt to reduce costs, given the level of growth in recent years, the initial focus would be to avoid increases and therefore no savings in these areas have so far been assumed.

There are a number of areas where EIT reviews identified potential additional work and these will now be brought forward, along with some cross cutting areas which are worthy of review. These also link with the procurement category management approach and are: Transport, Street Lighting, Subsidies to External Organisations, Vehicles and Fuel, Fees and Charges and Staff Terms and Conditions. It is estimated that these areas could contribute approximately £1m to the savings target by 2014/15.

Future Uncertainties and Potential Changes to Budget Position

At this stage, it is not possible to forecast the impact of changes on the Council resulting from the Review of Local Government Finance. The Government had indicated that meetings will be held with local Government representatives over the next six months, to discuss further detail. It is unlikely however that we will find out the impact until late in 2012. There are also a range of other uncertainties which could impact on the Council's financial position moving forward.

Council Tax Benefit System - Localisation of Council Tax Benefit incorporates a reduction in funding of 10% which equates to £1.7m for the Council. Depending on the scheme developed, there is a potential pressure on the medium term financial plan through the scheme itself either not delivering the full £1.7m saving or creating a difficulty in collection which will impact on the Council's collection fund. The worst case scenario is that the full impact of the reduction would be a call on Council resources.

New Homes Bonus - It is still unclear whether the Council will benefit from additional new homes bonus in each year of the MTFP, and if so what level of resource could be available. This is linked to review of Local Government Finance mentioned above.

There was a reduction in specific grants in 2011/12 which meant a reduction in funding of approximately £10m, including a reduction of £3m in Early Intervention grant and plans are in place to manage this reduction. It is assumed there are no further reductions in levels of specific grants. However, there are a number of other changes which could impact on the Council's financial position including: Transfer of Public Health Responsibilities and Funding, Academy developments and funding and Service specification policy changes (e.g. Munro Review into Adult Social Care)

Medium Term Financial Plan

The Council has reviewed and updated its Medium Term Financial Plan (MTFP) and rolled it forward for an additional two years in order to demonstrate the financial position the Council could be facing in the long term. A number of changes have been incorporated into the plan, some including estimates around future funding and these are outlined below.

There is an ongoing Review of Local Government Finance which focuses on Business Rate Retention from 2013/14. At this stage, it is not possible to accurately forecast the impact of changes on the Council and it is unlikely that we will find out the actual impact until late in 2012.

There have also been some announcements which are likely to impact on Local Government and the Council and these have been incorporated into the plan:

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Although outside of the current spending review period, the Chancellor's Autumn statement indicated that public sector funding would be reduced further in 2015/16 and again in 2017/18 by 0.9% in each year. Although there are no further details at this stage, and in fact further details are unlikely until the next Comprehensive Spending Review in 2014, it is highly likely that this will impact on Council funding allocations. As part of the previous spending review, the impact of reductions was higher than average in Local Government due in part to areas such as Education and the National Health Service being protected from any reductions. Assuming future reductions follow this trend it is likely that the reduction on Local Government would be more than the 0.9% referred to above. Using a similar proportion to previous reductions, the impact could be £2.9m, in 2015/16 and a further £2.8m in 2016/17. The MTFP has therefore been rolled forward a further two years to demonstrate the potential impact on the Authority of these reductions. It is unclear however, how this would work following the localisation of Business Rates.

The Government have also announced the intention to continue with a public sector pay freeze in 2012/13 and then to restrict pay increases to 1% per annum for 2013/14 and 2014/15. It is recognised that throughout Government, including Local Authorities, there will flexibility over how the pay policy is implemented across their workforces, with Pay Review Bodies playing their usual role. There will however be a reduction in funding to Local Authorities, equivalent to a 1% pay increase. In Stockton therefore there will be a reduction in funding estimated at £650,000 in each of the two years. The current MTFP assumes a 2% pay award and if this were to be maintained, then there would be a pressure due to the reduction in resources. It has therefore been assumed that the Local Government Pay award will be in line with the Government's position which will negate the pressure caused by the income reduction.

The provisional finance settlement was received on 8 December 2011 and this confirmed that there was no change to the Revenue Support Grant (which now incorporates the 2011/12 Council Tax Freeze Grant) for 2012/13. The settlement did confirm the Council will receive an additional £550,000 in new homes bonus for 2012/13, payable for 6 years. The operation of further years New Homes Bonus is unclear due to the changes in Local Government Finance, described above, and therefore no additional income has been assumed at this stage.

Government funding to cover the 2011/12 Council Tax freeze was guaranteed for 4 years. There is no indication this will continue beyond this point and therefore the plan assumes this funding will cease after 2014/15 which will create a pressure of £1.8m per year thereafter.

Summary of the MTFP

The Council's MTFP position can be summarised as follows:

There is a balanced budget in 2012/13, and a projected surplus in 2013/14 of £3.75m.

It is currently estimated that there will be a revenue budget gap of £7.8m in 2015/16 and £11.6m in 2016/17, however there is significant uncertainty around these years of the plan and the situation will be reviewed on an annual basis.

One-off resources of £22.15m (includes the 2013/14 projected surplus) have been released into the MTFP and this will be utilised as follows:

	£m
Housing Regeneration and Stockton Town Centre	5.30
Stockton Town Centre Phase 2	5.00
Investment in one-off Schemes	5.34
Retained for investment opportunities	6.51

Full details of the Council's MTFP are included in the Annual Budget Report which is available on the Council's website.

12 Borrowing and Funds Available

The Council had a capital financing requirement of £133.6 million at 31 March 2012, this compares to the value of its non-current assets of £473.6 million. The underlying need to borrow was £123.1 million. The council also holds investments and cash equivalents of £93.6 million.

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13 Durham Tees Valley Airport Limited

The Council together with the other four Tees Valley councils are shareholders in Durham Tees Valley Airport Limited. The councils collectively owned 25% of the shares with Stockton's shareholding amounting to 4.76%. In December 2011, the majority shareholder, Peel Airports Limited put its shareholding in the airport up for sale. After a period of uncertainty, Peel Airports Limited sold its shareholding to Peel Investments (DTVA) Limited in February 2012. The sale diluted the five council's shareholding from 25% to 10.91% and consequently Stockton now holds 2.08% of the issued shares. Due to the impairment of the airport's assets in the latest set of accounts, the value of the shares has fallen to the extent that the Council now considers its shareholding to have no monetary value.

14 Accounts and Audit Regulations

The Accounts and Audit Regulations 2011 provide details on the approval and publication of the statement, detailing the requirement on authorities to ensure that the Annual Financial Statements are appropriately signed. This covers the responsibilities of the responsible financial officer (who signs the Statement of Responsibilities) and a further requirement for the statement to be signed and dated by the person presiding at the committee or meeting at which the statement was approved.

15 Further Information

Further information about the accounts is available from the Corporate Director of Resources, Municipal Buildings, Stockton-on-Tees, TS18 1LD. This is part of the Council's policy of providing full information about the Council's affairs.

Movement in Reserves Statement for the year ended 31 March 2012

This statement shows the movement in the year on the different reserves held by the Council, 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 Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and 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.

	General Fund Balance	Earmarked GF Reserves	Housing Revenue Account	Capital Receipts Reserve	Capital Grants Unapplied	**Total Usable Reserves**	**Unusable Reserves**	**Total Council Reserves**
	£000s	£000s	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
Balance at 1 April 2010	15,215	76,610	1,341	9,323	11,453	113,942	300,394	414,336
Movement in reserves during 2010/11								
Surplus or (Deficit) on Provision of Services	35,543	-	(165,133)	-	-	(129,590)	-	(129,590)
Other Comprehensive Income and Expenditure		-	-	-	-	-	66,249	66,249
Total Comprehensive Income and Expenditure	35,543	-	(165,133)	-	-	(129,590)	66,249	(63,341)
Adjustments between accounting basis & funding basis under regulations	(25,016)	-	166,004	(2,700)	599	138,887	(138,887)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	10,527	-	871	(2,700)	599	9,297	(72,638)	(63,341)
Transfers to/from Earmarked Reserves	(15,561)	15,561	-	-	-	-	-	-
Increase/Decrease in Year	(5,034)	15,561	871	(2,700)	599	9,297	(72,638)	(63,341)
Balance at 31 March 2011 carried forward	10,181	92,171	2,212	6,623	12,052	123,239	227,756	350,995
Movement in reserves during 2011/12								
Surplus or (Deficit) on Provision of Services	18,481		(119)	-	-	**18,362**	-	**18,362**
Other Comprehensive Expenditure and Income		-	-	-	-	**-**	(122,884)	**(122,884)**
Total Comprehensive Income and Expenditure	**18,481**	-	**(119)**	-	-	**18,362**	**(122,884)**	**(104,522)**
Adjustments between accounting basis & funding basis under regulations	(8,014)	-	-	233	1,312	**(6,469)**	6,469	**-**
Net Increase/Decrease before Transfers to Earmarked Reserves	**10,467**	-	**(119)**	**233**	**1,312**	**11,893**	**(116,415)**	**(104,522)**
Transfers to/from Earmarked Reserves	(9,471)	9,472		-	-	**1**	(1)	**-**
Increase/Decrease in Year	**996**	**9,472**	**(119)**	**233**	**1,312**	**11,894**	**(116,416)**	**(104,522)**
Balance at 31 March 2012 carried forward	**11,177**	**101,643**	**2,093**	**6,856**	**13,364**	**135,133**	**111,340**	**246,473**

Comprehensive Income and Expenditure Statement for the year ended 31 March 2012

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

	2010/11				2011/12		
£000s	£000s	£000s			**£000s**	**£000s**	**£000s**
Expenditure (Restated)	Income (Restated)	Net (Restated)	**Continuing operations:**	**Note**	**Expenditure**	**Income**	**Net**
52,194	(38,410)	13,784	Central services to the public		49,584	(35,319)	**14,265**
15,268	(363)	14,905	Cultural & Related Services		14,072	(26)	**14,046**
17,291	(3,545)	13,746	Environmental & Regulatory Services		19,561	(2,754)	**16,807**
31,834	(21,699)	10,135	Planning Services		9,275	(10,840)	**(1,565)**
234,529	(168,233)	66,296	Education and children's services		196,817	(161,928)	**34,889**
23,514	(3,967)	19,547	Highways and transport services		30,516	(11,680)	**18,836**
72,065	(58,925)	13,140	Other housing services		78,104	(69,166)	**8,938**
68,498	(19,493)	49,005	Adult social care		67,071	(20,251)	**46,820**
5,400	-	5,400	Corporate and democratic core		4,494	(505)	**3,989**
456	-	456	Non distributed costs		1,167	-	**1,167**
-	(58,162)	(58,162)	Exceptional Item - Pension Scheme Actuarial Gain	5	-	-	**-**
521,049	(372,797)	148,252	**Cost Of Services**	8	**470,661**	**(312,469)**	**158,192**
849	(3,087)	(2,238)	Other Operating Expenditure	9	640	(2,075)	**(1,435)**
81,638	(60,601)	21,037	Financing and Investment Income and Expenditure	10	52,948	(54,548)	**(1,600)**
339,206	(186,365)	152,841	Surplus or Deficit on Discontinued Operations (HRA)	11	119	-	**119**
-	(190,302)	(190,302)	Taxation and Non-Specific Grant Income	12	-	(173,638)	**(173,638)**
		129,590	**(Surplus) or Deficit on Provision of Services**				**(18,362)**
		(2,267)	(Surplus) or deficit on revaluation of non current assets				(16,820)
		358	(Surplus) or deficit on revaluation of available for sale financial assets				425
		(63,600)	Actuarial (gains) or losses on pension assets & liabilities	5			139,280
		(740)	Other (gains) and losses				(1)
		(66,249)	**Other Comprehensive Income and Expenditure**				**122,884**
		63,341	**Total Comprehensive Income and Expenditure**				**104,522**

The comparative values for 2010/11 within this statement have been restated for the following reasons:

- to show a separate analysis of lines for Culture & Related Services, Environmental & Regulatory Services and Planning Services which were previously combined. (Required by CoP 2011).
- to show that following the large scale voluntary transfer of council housing in December 2010, the Housing Revenue Account is now a discontinued operation.

Balance Sheet as at 31 March 2012

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

	Note	**31 March 2012 £000s**	31 March 2011 £000s (Restated)	1 April 2010 £000s (Restated)
Non-current assets				
Property, plant and equipment	15	458,214	436,858	757,733
Investment property	16	2,619	3,074	6,009
Intangible assets	17	2,350	2,483	597
Assets held for sale	18	426	633	629
Heritage Assets	19	6,047	6,047	6,047
Long term investments	20	5,377	22,914	36,558
Long Term Debtors	21	372	417	468
Total non-current assets		**475,405**	472,426	808,041
Current assets				
Short term investments	22	39,696	39,049	24,668
Inventories	23	408	356	378
Debtors	24	27,595	28,684	28,768
Cash and Cash Equivalents	25	50,860	26,738	73,532
Assets held for sale	26	510	-	52
Total current assets		**119,069**	94,827	127,398
Current liabilities				
Cash and Cash Equivalents	25	(2,309)	(4,309)	(8,171)
Short Term Borrowing	27	(224)	(40)	(51,747)
Short Term Creditors	28	(51,679)	(53,758)	(45,546)
Total current liabilities		**(54,212)**	(58,107)	(105,464)
Long term liabilities				
Long Term Creditors	29	(139)	(138)	(136)
Long Term Borrowing	30	(57,039)	(57,353)	(208,293)
Other Long Term Liabilities	31	(234,823)	(96,161)	(205,917)
Capital Grants Receipts in Advance	42	(1,788)	(4,499)	(1,293)
Total long term liabilities		**(293,789)**	(158,151)	(415,639)
Net Assets:		**246,473**	350,995	414,336
Reserves				
Usable reserves	32	(135,133)	(123,239)	(113,942)
Unusable Reserves	33	(111,340)	(227,756)	(300,394)
Total Reserves:		**(246,473)**	(350,995)	(414,336)

These financial statements replace the unaudited financial statements certified by the Corporate Director of Resources on 29 June 2012.

Signed by Chair of the Audit Committee
24th September 2012

Cash Flow Statement For The Year Ended 31 March 2012

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

	Note	**2011/12 £000s**	2010/11 £000s
Net (surplus) or deficit on the provision of services		**(18,362)**	129,590
Adjustments to net surplus or deficit on the provision of services for non-cash movements		**2,240**	(194,060)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		**2,616**	4,187
Net cash outflow from operating activities	44	**(13,506)**	(60,283)
Investing activities	45	**(9,249)**	51,592
Financing activities	46	**(3,367)**	51,623
Net (increase) or decrease in cash and cash equivalents		**(26,122)**	42,932
Cash and cash equivalents at the beginning of the reporting period		**(22,429)**	(65,361)
Cash and cash equivalents at the end of the reporting period	25	**(48,551)**	(22,429)

Note 1: Heritage Assets: Change in Accounting Policy

The Code of Practice on Local Council Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation.

Heritage Assets

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were not recognised in the balance sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see Note 56).

In applying the new accounting policy, the Council has identified assets that should now be recognised as heritage assets and measured at £6.047 million with a corresponding increase in the Revaluation Reserve. These assets relate to works in the museum's collection at Preston Hall, and the Council's Civic Regalia. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £6.047 million. The revaluation reserve has increased by £6.047 million.

The fully restated 1 April 2010 Balance Sheet is provided on page 10. The adjustments that have been made to that balance sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	Opening balance as at 1 April 2010 £000	**Restatement £000**	**Restatement Required to opening balances as at 1 April 2010 £000**
Heritage Assets	0	6,047	6,047
Long Term Assets	**801,994**	**6,047**	**808,041**
Total Net Assets	**408,289**	**6,047**	**414,336**
Unusable Reserves	(294,347)	(6,047)	(300,394)
Net Worth/Total Reserves	**(408,289)**	**(6,047)**	**(414,336)**

Movement in Reserves Statement - Unusable Reserves 2010/11

The restatement of the relevant lines of the Movement in Reserves Statement, as of 31 March 2011, resulting from the application of this new accounting policy is presented in the table below.

	As Previously Stated 31 March 2011 £000	**As Restated 31 March 2011 £000**	**Restatement 2011 £000**
Balance at the end of the previous reporting period - 31 March 2010	294,347	300,394	6,047
Balance at the end of the current reporting period - 31 March 2011	**221,709**	**227,756**	**6,047**

Note 1: Heritage Assets: Change in Accounting Policy

The resulting restated balance sheet for 31 March 2011 is provided on page 10. The adjustments that have been made to that balance sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011

	As Previously Stated 31 March 2011 £000	**As Restated 31 March 2011 £000**	**Restatement 2011 £000**
Heritage Assets	0	6,047	6,047
Long Term Assets	**466,379**	**6,047**	**472,426**
Total Net Assets	**344,948**	**6,047**	**350,995**
Unusable Reserves	(221,709)	(6,047)	(227,756)
Net Worth/Total Reserves	**(344,948)**	**(6,047)**	**(350,995)**

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £6.047 million on the balance sheet resulting in an increase to the Revaluation Reserve of £6.047 million.

The balance sheet includes details of heritage assets for three years however the CoP requires a five year summary of transactions for heritage assets to be disclosed. This has not been included because there were no transactions in the two earlier years..

Note 2: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The 2012/13 Code of Practice includes the amendments to IFRS 7 Financial Instruments: Disclosures (Transfers of Financial Assets). It replaces the previous requirements by detailed disclosures that are designed to assist users of the financial statements to evaluate the risk of exposures relating to transfers of financial assets. This is not a common transaction for local authorities and it is unlikely that the Council will need to make any disclosure as a result of the change.

Note 3: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 56, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council has maintained a prudent position of low levels of borrowing at £57.3m, holds investments and cash equivalents of £93.6m and earmarked reserves of £101.6m.

Lease Accounting - Judgement is required in the initial classification of leases as either operating leases or finance leases. The Council has a number of vehicles held on leases, some of these are for substantially all of the life of the asset, and the amounts paid are in excess of what would be paid if the asset were to be purchased. These vehicles have been treated in accordance with the Council's policies in respect of finance leases, and feature on the balance sheet. The Council's other leases have been assessed and are being treated as operating leases, with the costs charged in full to the net cost of services

PFI Schemes - The Council is involved with a PFI contract to provide schools and a library in Ingleby Barwick. After an assessment under the requirements of IFRIC 12, it has been determined that these are effectively under the control of the Council. The accounting policies relating to PFI schemes have therefore been applied to this arrangement and the associated assets have been recognised on the Council's balance sheet.

During 2010/11 the coalition government invited all schools in England to become Academies and encourage parents to set up their own schools, called free schools. Some schools within the Stockton area already have Academy status with more expressing interest. Academies do not fall within the remit of the Local Education Authority. The Council has been required to remove assets linked to the schools from the Balance Sheet and not consolidate the income and expenditure in the Comprehensive Income and Expenditure Statement.

The Council has applied its judgement in the classification of investment properties. Investment properties are held to earn rentals or for capital appreciation or both. Some properties earn rentals but are held for regeneration purposes or wider socio-economic reasons. Where this is the case, these properties have been classed as Property, Plant and Equipment.

Retirement Benefit Obligations (Pensions) – the Council recognise and disclose its retirement benefit obligations in accordance with the requirements of IAS 19 'Employee Benefits'. The calculations are carried out by actuaries and include a number of judgements and estimations about the expected return on assets, rate of inflation, life expectancy and discounts rate amongst others. Changes in these assumptions may have a significant impact on the value of the retirement benefits obligation.

The Council has brought voluntary controlled schools on-balance sheet because they meet the requirements for recognition under IAS 16, the Council acts as the admissions authority and employs the school staff. Voluntary aided schools remain off-balance sheet as they do not meet the same tests as those for voluntary controlled schools. The exception to this is All Saints School which forms the majority of the PFI scheme.

Note 4: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property, plant and equipment would increase by £334k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £18m; while a one year increase in life expectancy would increase the liability by £28m. However, the assumptions interact in complex ways. During 2011/12, the Council's actuary advised that the net pensions liability had increased by £97m and asset values reduced by £42m due to updating of the assumptions.
Arrears	At 31 March 2012, the Council had a balance of sundry debtors and benefit overpayments of £13.8m. A review of significant balances suggested that an impairment of doubtful debts of 22% (£3m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a 10% increase of the amount of the impairment of doubtful debts would require an additional £300k to be set aside as an allowance.

Note 5: Exceptional Items

Pension Liability - Past Service Gain in 2010/11

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This had the effect of reducing the Council's liabilities in the Teesside Pension Fund by £58,162,000 and this was recognised as an actuarial gain in the 2010/11 accounts.

Pension Liability - Actuarial Loss in 2011/12

The annual actuarial assessment of the Teesside Pension Fund has calculated an actuarial loss in 2011/12 of £139 million increasing the Pension Liability to £224 million. This arises because investment returns over the year were lower than assumed by 1.5% while the value placed on the liabilities increased by more than assumed due to a reduction in corporate bond yields which is the discount rate that the accounting standard requires the actuaries to use. When a lower discount rate is used it increases the value placed on the liabilities. The discount rate reduced from 5.5% to 4.6% The actuarial report for the accounts is an assessment of the current position; the overall position will be determined by the next triennial review (as at 31/03/2013). Employers' contribution rates for 2012/13 and 2013/14 have already been determined. Contribution rates in years after 2013/14 will be set in the next review, taking into account the changes to the LGPS from 2014.

Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations

	Usable Reserves					
2011/12	**General Fund Balance**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non-current assets	17,859	-				(17,859)
Revaluation losses on property, plant & equipment	5,188	-				(5,188)
Movements in the market value of investment properties	315	-				(315)
Amortisation of intangible assets	532	-				(532)
Capital grants and contributions	(12,198)	-				12,198
Revenue expenditure funded from capital under statute	4,752	-				(4,752)
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	535	-				(535)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement						
Statutory provision for the financing of capital investment	(6,159)	-				6,159
Capital expenditure charged against the General Fund and HRA balances	(3,454)	-				3,454
Adjustments involving the Revaluation Reserve:						
Charges for depreciation and impairment of non-current assets	1,058					(1,058)
Adjustments involving the Capital Grants Unapplied Account:						
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(10,480)				10,480	-
Application of grants to capital financing transferred to the Capital Adjustment Account					(9,168)	9,168
Adjustments involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	(4,900)	-	4,900			-
Use of the Capital Receipts Reserve to finance new capital expenditure		-	(4,667)			4,667
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	1	-	-	-	-	(1)
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(83)	-	-	-	-	83
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(17)	-	-	-	-	17
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1,065)	-	-	-	-	1,065
Adjustments involving the Accumulated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	102	-	-	-	-	(102)
Total Adjustments	**(8,014)**	**-**	**233**	**-**	**1,312**	**6,469**

Note 6: Adjustments between Accounting Basis and Funding Basis under Regulations

2010/11 Comparative figures	Usable Reserves					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s	£000s	£000s
Adjustments involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement						
Charges for depreciation and impairment of non-current assets	39,306	321,066	-	-	-	(360,372)
Revaluation losses on property, plant & equipment	7,986	-	-	-	-	(7,986)
Movements in the market value of investment properties	-	-	-	-	-	-
Amortisation of intangible assets	129	-	-	-	-	(129)
Capital grants and contributions	(21,568)	(151,225)	-	-	11,870	160,923
Revenue expenditure funded from capital under statute	6,430	-	-	-	-	(6,430)
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	739	386	-	-	-	(1,125)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement						
Statutory provision for the financing of capital investment	(5,719)	-	-	-	-	5,719
Capital expenditure charged against the General Fund and HRA balances	(3,414)	(824)	-	-	-	4,238
Adjustments involving the Capital Grants Unapplied Account:						-
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	11,271	-	-	-	(11,271)	-
Application of grants to capital financing transferred to the Capital Adjustment Account	(11,271)	-	-	-	-	11,271
Adjustments involving the Capital Receipts Reserve:						-
Transfer of cash sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	(290)	(3,942)	4,232	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	(6,932)	-	-	6,932
Adjustments involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income & Expenditure Statement	-	20	-	-	-	(20)
Adjustments involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	4,956	-	-	-	(4,956)
Use of the Major Repairs Reserve to finance new capital expenditure	-	(4,956)	-	-	-	4,956
Adjustments involving the Financial Instruments Adjustment Account:						
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(872)	442	-	-	-	430
Adjustments involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(47,276)	81	-	-	-	47,195
Adjustments involving the Collection Fund Adjustment Account:						
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(44)	-	-	-	-	44
Adjustments involving the Accumulated Absences Adjustment Account:						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(423)	-	-	-	-	423
Total Adjustments	**(25,016)**	**166,004**	**(2,700)**	**-**	**599**	**(138,887)**

Note 7: Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12. The purpose of each earmarked reserve is set out in Appendix A.

	Balance at 1 April 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011	**Transfers Out 2011/12**	**Transfers In 2011/12**	**Balance at 31 March 2012**
	£000s	£000s	£000s	£000s	**£000s**	**£000s**	**£000s**
	(Restated)	(Restated)	(Restated)	(Restated)			
Capital Reserves							
Stockton Town Centre Regeneration	-	-	-	-	83	(15,999)	(15,916)
Approved Capital Schemes	(8,450)	1,279	(5,014)	(12,185)	10,949	(5,020)	(6,256)
Fleet Renewals Fund	(842)		(359)	(1,201)	-	(391)	(1,592)
Strategic Investment Reserve	-	-	-	-	-	(1,319)	(1,319)
Total Capital Reserves	**(9,292)**	**1,279**	**(5,373)**	**(13,386)**	**11,032**	**(22,729)**	**(25,083)**
Earmarked Revenue Reserves							
Balances held by schools under a scheme of delegation	(5,735)	309	(410)	(5,836)	1,124	(3,261)	(7,973)
Insurance Fund	(17,190)	2,629	(4,343)	(18,904)	2,566	(3,795)	(20,133)
Managed Surpluses	(4,450)	-	(1,113)	(5,563)	1,381	-	(4,182)
Commuted Lump Sums	(2,273)	1	(63)	(2,335)	45	(61)	(2,351)
Litigation Reserve	(14,909)	371	(195)	(14,733)	8,000	-	(6,733)
Prudential Financing	(4,890)	1,936	(710)	(3,664)	1,748	(96)	(2,012)
Government Grants Income In Advance	-	5	(2,447)	(2,442)	2,447	(10,704)	(10,699)
Transformation & Implementation Reserve	-	586	(13,451)	(12,865)	3,474	(1,900)	(11,291)
Other Revenue Reserves	(17,871)	12,926	(7,498)	(12,443)	7,319	(6,062)	(11,186)
Total Revenue Reserves	**(67,318)**	**18,763**	**(30,230)**	**(78,785)**	**28,104**	**(25,879)**	**(76,560)**
Total Earmarked Reserves	**(76,610)**	**20,042**	**(35,603)**	**(92,171)**	**39,136**	**(48,608)**	**(101,643)**

Note 8: Amounts Reported for Resource Allocation Decisions

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

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

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

Income and Expenditure 2011/12	**Children, Education & Social Care**	**Development & Neighbourhood**	**Resources & Corporate**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(38,196)	(48,874)	(11,911)	**(98,981)**
Government grants	(152,116)	(86,678)	(2,754)	**(241,548)**
Total Income	**(190,312)**	**(135,552)**	**(14,665)**	**(340,529)**
Employee expenses	153,051	37,859	13,820	**204,730**
Other operating expenses	112,469	137,716	24,006	**274,191**
Support service recharges	7,988	4,078	1,058	**13,124**
Total Expenditure	**273,508**	**179,653**	**38,884**	**492,045**
Net Expenditure	**83,196**	**44,101**	**24,219**	**151,516**

Income and Expenditure 2010/11 Comparative Figures	**Children, Education & Social Care**	**Development & Neighbourhood**	**Resources & Corporate**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Fees, charges & other service income	(28,351)	(37,516)	(9,187)	**(75,054)**
Government grants	(186,173)	(96,693)	(3,054)	**(285,920)**
Total Income	**(214,524)**	**(134,209)**	**(12,241)**	**(360,974)**
Employee expenses	160,039	42,355	13,372	**215,766**
Other operating expenses	122,069	132,193	34,516	**288,778**
Support service recharges	7,315	4,125	1,019	**12,459**
Total Expenditure	**289,423**	**178,673**	**48,907**	**517,003**
Net Expenditure	**74,899**	**44,464**	**36,666**	**156,029**

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

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

	2011/12 £000s	2010/11 £000s (Restated)
Net expenditure in the Directorate Analysis	**151,516**	156,029
Add services not included in main analysis	-	3,524
Add amounts not reported to management	6,676	(11,301)
Cost of Services in Comprehensive Income and Expenditure Statement	**158,192**	148,252

Note 8: Amounts Reported for Resource Allocation Decisions

Reconciliation to Subjective Analysis

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

2011/12	Directorate Analysis £000s	Services not in Analysis £000s	Not reported to Management £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(98,981)	(12,900)	23,667	(88,214)	(22,011)	(110,225)
(Surplus) or deficit on associates and joint ventures	-	-	-	-	-	-
Interest and investment income	-	-		-	(36,677)	(36,677)
Income from council tax	-	-	-	-	(74,650)	(74,650)
Government grants and contributions	(241,548)	(5,926)	(3,209)	(250,683)	(98,988)	(349,671)
Total Income	(340,529)	(18,826)	20,458	(338,897)	(232,326)	(571,223)
Employee expenses	204,730	8,212	(11,707)	201,235	13,569	214,804
Other service expenses	274,191	10,177	(30,166)	254,202	5,088	259,290
Support service recharges	13,124	437	(331)	13,230	331	13,561
Depreciation, amortisation and impairment	-	-	28,422	28,422	315	28,737
Interest Payments	-	-	-	-	37,904	37,904
Precepts & Levies	-	-	-	-	593	593
Payments to Housing Capital Receipts Pool	-	-	-	-	47	47
(Gain) or Loss on Disposal of Fixed Assets	-		-	-	(2,075)	(2,075)
Total Expenditure	492,045	18,826	(13,782)	497,089	55,772	552,861
(Surplus) or deficit on the provision of services	151,516	-	6,676	158,192	(176,554)	(18,362)

2010/11 Comparative figures	Directorate Analysis £000s	Services not in Analysis £000s	Not reported to Management £000s	Net Cost of Services £000s	Corporate Amounts £000s	Total £000s
Fees, charges & other service income	(75,054)	-	(44,150)	(119,204)	(25,905)	(145,109)
(Surplus) or deficit on associates and joint ventures	-		-	-	-	-
Interest and investment income			-	-	(2,011)	(2,011)
Income from council tax	-		-	-	(73,427)	(73,427)
Government grants and contributions	(285,920)	-	(12,830)	(298,750)	(295,478)	(594,228)
Total Income	(360,974)	-	(56,980)	(417,954)	(396,821)	(814,775)
Employee expenses	215,766	-	11,416	227,182	4,022	231,204
Other service expenses	288,778	52	7,834	296,664	13,231	309,895
Support service recharges	12,459	-	63	12,522	2,169	14,691
Depreciation, amortisation and impairment	-	3,472	26,366	29,838	330,534	360,372
Interest Payments	-	-	-	-	30,441	30,441
Precepts & Levies	-	-	-	-	583	583
Payments to Housing Capital Receipts Pool	-	-	-	-	266	266
(Gain) or Loss on Disposal of Fixed Assets	-		-	-	(3,087)	(3,087)
Total Expenditure	517,003	3,524	45,679	566,206	378,159	944,365
(Surplus) or deficit on the provision of services	156,029	3,524	(11,301)	148,252	(18,662)	129,590

Note 9: Other Operating Expenditure

	2011/12 £000s	2010/11 £000s
Parish council precepts	593	583
Payments to the Government Housing Capital Receipts Pool	47	266
Gain or loss on the disposal of non-current assets	(2,075)	(3,087)
	(1,435)	(2,238)

Note 10: Financing and Investment Income and Expenditure

	2011/12 £000s	2010/11 £000s
Interest payable and similar charges	4,854	30,441
Pensions interest cost & expected return on pensions assets	(1,778)	3,830
Interest receivable and similar income	(1,850)	(1,886)
Gain/loss on trading accounts (not applicable to service)	(2,948)	(2,015)
Overhanging debt grant	-	(9,208)
Changes in fair values of investment properties	315	-
Other investment income	(193)	(125)
	(1,600)	21,037

Note 11: Acquired or Discontinued Operations

	2011/12 £000s	2010/11 £000s
Housing Revenue Account	119	152,841
	119	152,841

Note 12: Taxation and Non-Specific Grant Income

	2011/12 £000s	2010/11 £000s
Council tax income	(74,650)	(73,427)
NNDR distribution	(58,778)	(68,281)
Non-ringfenced government grants	(20,740)	(27,592)
Capital grants and contributions	(19,470)	(21,002)
	(173,638)	(190,302)

Note 13: Members' Allowances

Details of the amounts paid to each elected member of the Council are published annually. The total amount paid to members in respect of basic, special responsibility and travel and subsistence allowances was £789,456 (last year: £795,015). An analysis of the allowances paid is shown at Appendix B.

Note 14: Employee remuneration

The number of employees whose taxable remuneration, including benefits, redundancy and other severance payments, exceeded £50,000 is shown below, in bands of £5,000:

Remuneration Summary Salary Range	Number of Employees			
	2011/12	2010/11	**2011/12**	2010/11
	Council	*Council*	***Schools***	*Schools*
£50,001 - £55,000	21	26	43	38
£55,001 - £60,000	17	18	28	35
£60,001 - £65,000	4	8	28	20
£65,001 - £70,000	7	10	12	13
£70,001 - £75,000	1	4	5	5
£75,001 - £80,000	3	9	4	3
£80,001 - £85,000	6	4	2	3
£85,001 - £90,000	2	-	3	1
£90,001 - £95,000	7	7	2	2
£95,001 - £100,000	-	1	2	-
£100,001 - £105,000	-	1	-	-
£105,001 - £110,000	-	-	-	-
£110,001 - £115,000	-	-	-	1
£115,001 - £120,000	-	-	-	-
£120,001 - £125,000	-	-	-	-
£125,001 - £130,000	1	-	-	-

Note 14: Employee remuneration

In addition, a further enhanced disclosure is required for Senior Officers whose salary is £150,000 or more per year (the Chief Executive) and his senior staff. This is shown in the following two tables.

The following table sets out the remuneration disclosures for Senior Officers whose salary is £150,000 or more per year:

Senior Officers' emoluments - Salary is £150,000 or more per year

Post holder information	**Salary (Including fees & Allowances)**	**Expense Allowances**	**Benefits in kind**	**Total Remuneration excluding pension contributions**	**Pension contributions**	**Total Remuneration including pension contributions 2011/12**	Total Remuneration including pension contributions 2010/11
	£	**£**	**£**	**£**	**£**	**£**	**£**
Chief Executive							
Neil Schneider	163,142	476	48	**163,666**	26,419	**190,085**	189,201

The following table sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year.

Senior Officers' emoluments -Salary is between £50,000 and £150,000 per year

Post holder information	**Salary (Including fees & Allowances)**	**Expense Allowances**	**Benefits in kind**	**Total Remuneration excluding pension contributions**	**Pension contributions**	**Total Remuneration including pension contributions 2011/12**	Total Remuneration including pension contributions 2010/11
	£	**£**	**£**	**£**	**£**	**£**	**£**
Corporate Director, Resources and Deputy Chief Executive	131,987	941	27	**132,955**	22,306	**155,261**	155,533
Corporate Director, Children, Education & Social Care	127,017	1,363	73	**128,453**	21,461	**149,914**	150,331
Corporate Director, Development & Neighbourhood Services	125,451	752	35	**126,238**	21,201	**147,439**	147,598
Director of Law and Democracy	94,254	-	-	**94,254**	15,929	**110,183**	112,938
Head of Communications	37,519	-	-	**37,519**	6,341	**43,860**	66,978
Head of Communications	44,454	227	-	**44,681**	7,513	**52,194**	23,144
	560,682	3,283	135	**564,100**	94,751	**658,851**	656,523

Note 15: Non Current Assets - Property, Plant & Equipment

Movements in 2011/12	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation								
At 1 April 2011	-	334,502	14,920	183,618	149	14,151	27,845	**575,185**
Additions		13,142	2,477	6,248	564	4,284	2,489	**29,204**
Donations								**-**
Revaluation increases/(decreases) recognised in the Revaluation Reserve		16,866				21		**16,887**
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services		(5,174)				(13)		**(5,187)**
Derecognition - disposals			(1,233)			(95)		**(1,328)**
Derecognitions - other								**-**
Reclassified to/from held for sale		(456)				(134)		**(590)**
Other reclassifications		23,514					(23,514)	**-**
At 31 March 2012	**-**	**382,394**	**16,164**	**189,866**	**713**	**18,214**	**6,820**	**614,171**
Accumulated Depreciation and Impairment								
At 1 April 2011	-	(67,212)	(6,692)	(53,441)	(149)	(9,539)	(1,294)	**(138,327)**
Depreciation Charge		(4,886)	(1,380)	(5,593)		(44)		**(11,903)**
Depreciation written out to the Revaluation Reserve								**-**
Depreciation written out to the (Surplus)/Deficit on provision of services								**-**
Impairment losses/reversals recognised in the Revaluation Reserve						(67)		**(67)**
Impairment losses/reversals recognised in the (Surplus)/Deficit on provision of services		(747)	(1,096)	(95)	(564)	(4,197)		**(6,699)**
Derecognition - disposals			1,039					**1,039**
Derecognitions - other								**-**
Eliminated on reclassification to held for sale								**-**
Reclassifications		(1,187)					1,187	**-**
At 31 March 2012	**-**	**(74,032)**	**(8,129)**	**(59,129)**	**(713)**	**(13,847)**	**(107)**	**(155,957)**
Net Book Value								
At 31 March 2012	**-**	**308,362**	**8,035**	**130,737**	**-**	**4,367**	**6,713**	**458,214**
At 31 March 2011	**-**	**267,290**	**8,228**	**130,177**	**-**	**4,612**	**26,551**	**436,858**

Note 15: Non Current Assets - Property, Plant & Equipment

Movements in 2010/11	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation								
At 1 April 2010	438,484	362,789	11,239	173,864	-	2,366	3,353	**992,095**
Additions	5,710	24,195	3,797	9,754	149	4,931	-	**48,536**
Donations								**-**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	-	1,816				-		**1,816**
Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on provision of services	(446,144)	(7,464)				(15,329)	(343)	**(469,280)**
Derecognition - disposals	(386)	(215)	-			(37)		**(638)**
Derecognitions - other			(116)					**(116)**
Reclassified to/from held for sale	(9)	(207)				-		**(216)**
Other reclassifications	2,345	(46,412)		-		22,220	24,835	**2,988**
At 31 March 2011	**-**	**334,502**	**14,920**	**183,618**	**149**	**14,151**	**27,845**	**575,185**
Accumulated Depreciation and Impairment								
At 1 April 2010	(120,120)	(63,977)	(4,525)	(45,714)	-	(26)	-	**(234,362)**
Depreciation Charge	(4,958)	(4,161)	(1,250)	(5,021)	-	(277)		**(15,667)**
Depreciation written out to the Revaluation Reserve	-	-						**-**
Depreciation written out to the (Surplus)/Deficit on provision of services	125,078					249		**125,327**
Impairment losses/reversals recognised in the Revaluation Reserve		-						**-**
Impairment losses/reversals recognised in the (Surplus)/Deficit on provision of services	-	(454)	(917)	(2,706)	(149)	(9,416)	-	**(13,642)**
Derecognition - disposals		17	-					**17**
Derecognitions - other								**-**
Eliminated on reclassification to held for sale								**-**
Reclassifications		1,363				(69)	(1,294)	**-**
At 31 March 2011	**-**	**(67,212)**	**(6,692)**	**(53,441)**	**(149)**	**(9,539)**	**(1,294)**	**(138,327)**
Net Book Value								
At 31 March 2011	**-**	**267,290**	**8,228**	**130,177**	**-**	**4,612**	**26,551**	**436,858**
At 1 April 2010	**318,364**	**298,812**	**6,714**	**128,150**	**-**	**2,340**	**3,353**	**757,733**

Note 15: Non Current Assets - Property, Plant & Equipment

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:
Council Dwellings - 50-70 years
Other Land and Buildings - 30-90 years
Vehicles, Plant, Furniture & Equipment - 5 to 15 years
Infrastructure - 10 - 40 years

Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £35.4m.

The major commitments are:

Construction of Northshore Academy - £15.8m
Amalgamation of Bewley Infant and Junior Schools into a Primary School - £1.1m
Housing Regeneration - Mandale Site - £4.1m, Parkfield Site - £1.7m, Swainby Road Site - £1.3m
Public Realm Improvements in Billingham Town Centre - £1.8m
Improvements at Preston Hall - £1.5m
Stockton Centre - Road Realignment - £5.5m

Assets Under Construction

There has been significant movement from Assets Under Construction to Other Land & Buildings. This is due to the refurbsihment of Billingham Forum and Stockton Central Library being completed and the buildings now being operational.

Revaluations

The Council carries out a rolling programme that ensures that all property, plant and equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Operational Assets				
	Council Dwellings	**Other Land & Buildings**	**Vehicles, Plant & Equipment**	**Surplus Assets**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**
Valued at Historical Cost	-	236,331	8,035	3,725	248,091
Valued at fair value as at:					
Current Year	-	2,405	-	8	2,413
2010/2011	-	1,816	-	(5)	1,811
2009/2010	-	29,008	-	1,888	30,896
2008/2009	-	13,969	-	125	14,094
2007/2008	-	4,423	-	2,246	6,669
Total	**-**	**287,952**	**8,035**	**7,987**	**303,974**

Note 16: Non Current Assets - Investment Property

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

	2011/12 £000s	2010/11 £000s
Rental income from investment property	194	124
Direct operating expenses arising from investment property	(85)	(89)
Net gain/(loss)	**109**	35

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal.

The Council 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:

	31 March 2012 £000s	31 March 2011 £000s
Balance at the start of the year	**3,074**	6,009
Additions:		
Purchases		-
Construction	-	-
Subsequent expenditure	-	-
Disposals	(140)	-
Net gains/(losses) from fair value adjustments	(315)	(7)
Transfers		
To/from inventories	-	-
To/from property, plant & equipment	-	(2,928)
Other changes	-	-
Balance at the end of the year	**2,619**	3,074

Note 17: Non Current Assets - Intangible Assets

	Software Licences 2011/12 £000s	Software Licences 2010/11 £000s
Balance at the start of the year:		
Gross carrying amounts	2,659	644
Accumulated amortisation	(176)	(47)
Net carrying amount at start of year	2,483	597
Additions:		
Purchases	398	2,040
Revaluation increases or (decreases)	-	(25)
Amortisation for the period	(531)	(129)
Other changes	-	-
Net carrying amount at the end of the year	**2,350**	2,483
Comprising:		
Gross carrying amounts	3,057	2,659
Accumulated amortisation	(707)	(176)
	2,350	2,483

Note 18: Non Current Assets - Assets Held for Sale (more than one year)

	2011/12 £000s	2010/11 £000s
Balance outstanding at start of year	633	629
Assets newly classified as held for sale:		
Property, plant and equipment	-	535
Intangible assets	-	-
Other assets/liabilities in disposal groups	-	-
Revaluation losses	-	(10)
Revaluation gains	-	-
Impairment losses	-	27
Assets declassified as held for sale:		
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets/liabilities in disposal groups	-	-
Assets sold	(207)	(511)
Transfers from non current to current	-	-
Other movements	-	(37)
Balance outstanding at year-end	**426**	633

Note 19: Non Current Assets - Heritage Assets

Movements in 2011/12	**Fine Art**	**Ceramics, Glass, Silverware & Decorative Art**	**Weapons & Militeria**	**Transport**	**Archaeological**	**Civic Regalia**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Cost or Valuation							
At 1 April 2011	2,529	600	1,600	183	1,000	135	**6,047**
Additions	-	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	-	**-**
Revaluations	-	-	-	-	-	-	**-**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**
Impairment losses/(reversals) recognised in the (Surplus) or Deficit on the Provision of Services	-	-	-	-	-	-	**-**
Depreciation							**-**
At 31 March 2012	**2,529**	**600**	**1,600**	**183**	**1,000**	**135**	**6,047**

Movements in 2010/11	**Fine Art**	**Ceramics, Glass, Silverware & Decorative Art**	**Weapons & Militeria**	**Transport**	**Archaeological**	**Civic Regalia**	**Total**
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**
Cost or Valuation							
At 1 April 2010	2,529	600	1,600	183	1,000	135	**6,047**
Additions	-	-	-	-	-	-	**-**
Disposals	-	-	-	-	-	-	**-**
Revaluations	-	-	-	-	-	-	**-**
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-	**-**
Impairment losses/(reversals) recognised in the (Surplus) or Deficit on the Provision of Services	-	-	-	-	-	-	**-**
Depreciation							**-**
At 31 March 2011	**2,529**	**600**	**1,600**	**183**	**1,000**	**135**	**6,047**

Depreciation

No depreciation is charged on heritage assets as they are considered to have indefinite lives.

Note 19: Non Current Assets - Heritage Assets

Fine Art

Fine art (over 500 items) consists of a wide range of artists, including 'The Dice Players' - a mid seventeenth century Old Master oil painting by Georges de la Tour. Also of note are a JMW Turner watercolour 'The Mustering of the Warrior Angels', and a number of watercolours by such artists as Fulleylove and Gibson. Further research into the collection is ongoing into the attribution of both an Angelica Kauffman and an Edwin Landseer. Modern art is reflected by, amongst others, a set of OpArt visuals by Bridget Riley.

Ceramics, Glass, Siverware & Decorative Art

Decorative Art from the 18th, 19th and 20th Centuries includes the Ions Collection of decorative porcelain and glass from major factories such as Meissen, Wedgewood and Worcester. A fine collection of Parian ware is also contained within the core collection. Glass is reflected in items of both Newcastle and London glass, whilst 20th Century glass can be found in pressed and carnival ware. The collection also contains a wide selection of commemorative and symbolic silver - from military centrepieces through to religious items. Objet de Vertu have been amassed largely from the Spence Bequest, and include intricate and detailed snuff boxes, powder flasks, nutmeg graters and tobacco rasps.

Weapons & Militaria

One of the collection's strongest aspects, the majority of weaponry was donated as part of the Spence Bequest - this includes swords, tsuba, polearms, firearms, armour and medals from the 16th to 19th centuries. The collection of military medals consists of around 300 items, with a number of local significance.

Transport

Transport covers a collection of road vehicles, including horse drawn vehicles mostly from the Victorian period. Of particular note is a rare hand carved hearse wagon with covered sides. 20th Century items include invalid cars, scooters, motor bikes and a fire engine - the latter which is complimented by a collection of extinguishers and related fire fighting equipment. There is also a collection of bicycles, including a rare 'giraffe' bike, and a collection of objects relating to Jack Taylor, a nationally famous cyclist and cycle maker from Stockton. The collection also contains a range of traditional handcarts, all dating between the Victorian era and the Second World War and are relevant to local trades and businesses.

Archaeological

The small collection of archaeological material held by the museum service includes stones from Stockton Castle - demolished after the English Civil War - and a Roman bathhouse from Ingleby Barwick. A variety of material including Iron Age, Roman and Viking items sit alongside a number of archaeological items from the Spence Bequest.

Civic Regalia

The Borough Mace was presented to the town by the Marquis of Londonderry, in commemoration of the Coronation of Her Majesty Queen Elizabeth II. It is wrought in silver-gilt on an ebony shaft and is 4 ft 6in long. There is also a miniature mace made of stainless steel and presented by the Managing Director of the Teesside Division of British Steel in celebration of the Queen's Silver Jubilee.

Additions
There were no additions during the year.

Disposals
There were no disposals during the year.

Note 20: Long Term Investments

	31 March 2012 £000s	31 March 2011 £000s
Barclays Bank	5,000	3,000
HSBC	-	17,000
Lloyds TSB	-	2,112
Durham and Tees Valley Airport Limited	-	425
SITA Tees Valley Limited	377	377
	5,377	22,914

Note 21: Long Term Debtors

	31 March 2012 £000s	31 March 2011 £000s
Housing Advances	28	28
Equity Loans	217	217
Car Loans to Employees	127	172
	372	417

Note 22: Short Term Investments

	31 March 2012 £000s	31 March 2011 £000s
Bank of Scotland	2,034	-
Barclays Bank	3,059	10,177
Cheshire Building Society	-	2,396
Close Brothers Merchant Bank	7,176	5,101
Co-operative Bank	5,102	5,091
Handelsbanken	3	-
HSBC	12,044	89
Lloyds Bank	2,173	2,007
Royal Bank of Scotland	5,051	1,000
Santander	3,054	13,188
	39,696	39,049

Note 23: Inventories

	31 March 2012 £000s	31 March 2011 £000s
Balance at 1 April	356	378
Change in year	52	(22)
Balance at 31 March	**408**	356

Note 24: Debtors

	31 March 2012 £000s	31 March 2011 £000s
Government departments	7,424	13,637
Other local authorities	2,869	2,028
Local taxation	849	611
Housing benefit overpayments	1,965	1,570
Sundry debtors	8,218	6,247
Payments in advance	6,176	4,483
Car loans to employees	94	108
	27,595	28,684

Note 25: Cash and Cash Equivalents

	31 March 2012 £000s	31 March 2011 £000s
Bank and Imprests	110	113
Cash Equivalents:		
United Kingdom Debt Management Office	50,750	26,625
Bank Overdraft	(2,309)	(4,309)
	48,551	22,429

Note 26: Assets Held for Sale (Less than one year)

	2011/12 £000s	2010/11 £000s
Balance outstanding at start of year	-	52
Assets newly classified as held for sale:		
Property, plant and equipment	590	9
Intangible assets	-	-
Other assets/liabilities in disposal groups	-	-
Revaluation losses	-	-
Revaluation gains	-	-
Impairment losses	-	-
Assets declassified as held for sale:		
Property, plant and equipment	-	-
Intangible assets	-	-
Other assets/liabilities in disposal groups	-	-
Assets sold	(80)	(61)
Transfers from non-current to current	-	-
Other movements	-	-
Balance outstanding at year-end	**510**	-

Note 27: Short Term Borrowing

	31 March 2012 £000s	31 March 2011 £000s (Restated)
Loan repayments due within one year	(224)	(40)
	(224)	(40)

Note 28: Short Term Creditors

	31 March 2012 £000s	31 March 2011 £000s (Restated)
Government departments	(9,559)	(13,426)
Other local authorities	(7,225)	(8,559)
Local taxation	(718)	(716)
Sundry creditors	(17,512)	(13,597)
Employee benefits	(2,986)	(2,884)
Income in advance	(7,149)	(7,916)
Revenue grants received in advance	(6,530)	(6,660)
	(51,679)	(53,758)

Note 29: Long Term Creditors

	31 March 2012 £000s	31 March 2011 £000s
Rent bonds	(20)	(20)
Private developers	(119)	(118)
	(139)	(138)

Note 30: Long Term Borrowing

	31 March 2012 £000s	31 March 2011 £000s (Restated)
Loan repayments due after one year:		
PWLB	(5,375)	(5,517)
Money Market	(51,664)	(51,836)
	(57,039)	(57,353)

Note 31: Other Long Term Liabilities

	31 March 2012 £000s	31 March 2011 £000s (Restated)
Finance lease liability	(3,040)	(3,233)
PFI liability	(7,491)	(7,899)
Net pensions liability	(224,292)	(85,029)
	(234,823)	(96,161)

Note 32: Usable Reserves

	31 March 2012 £000s	31 March 2011 £000s (Restated)	1 April 2010 £000s (Restated)
General Fund Balance	11,177	10,181	15,215
Earmarked General Fund Reserves	101,643	92,171	76,610
Housing Revenue Account	2,093	2,212	1,341
Capital Receipts Reserve	6,856	6,623	9,323
Capital Grants Unapplied	13,364	12,052	11,453
	135,133	123,239	113,942

Movements in the Council’s usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 7.

Note 33: Unusable Reserves

	31 March 2012 £000s	31 March 2011 £000s (Restated)	1 April 2010 £000s (Restated)
Revaluation Reserve	(76,494)	(60,708)	(60,259)
Available for Sale Financial Instruments Reserve	(377)	(802)	(1,161)
Capital Adjustment Account	(260,106)	(253,664)	(438,146)
Financial Instruments Adjustment Account	1,126	1,208	1,722
Deferred Capital Receipts Reserve	(195)	(196)	(218)
Pensions Reserve	224,292	85,029	195,824
Collection Fund Adjustment Account	(2,572)	(1,507)	(1,462)
Accumulated Absences Account	2,986	2,884	3,306
	(111,340)	(227,756)	(300,394)

Note 34: Movement on Unusable Reserves

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment. 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.

	2011/12 £000s	2011/12 £000s	2010/11 £000s (Restated)
Balance at 1 April		**(60,708)**	(60,259)
Upward revaluation of assets	(17,429)		(2,801)
Downward revaluation of assets and impairment losses not charged to the (surplus)/deficit on the provision of services	609		534
Surplus or deficit on revaluation of non-current assets not posted to the (surplus)/deficit on the provision of services		**(16,820)**	(2,267)
Difference between fair value depreciation and historical cost depreciation	1,058		766
Adjustment with Capital Adjustment Account for previous impairment	(24)		
Accumulated gains on assets sold or scrapped	-		1,052
Amount written off to the Capital Adjustment Account		**1,034**	1,818
Balance at 31 March		**(76,494)**	(60,708)

Available for Sale Financial Instruments Reserve

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

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

	2011/12		2010/11
	£000s	**£000s**	£000s
Balance at 1 April		**(802)**	(1,161)
Upward revaluation of investments	-		-
Downward revaluation of investments not charged to the (Surplus)/Deficit on the Provision of Services	425		359
		425	359
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		-	-
Balance at 31 March		**(377)**	(802)

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on investment properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Council also contains revaluation gains accumulated on property, plant and equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 6 provides details of the source of all the transactions posted to the account, apart from those involving the Revaluation Reserve.

	2011/12 £000s	2011/12 £000s	2010/11 £000s
Balance at 1 April		**(253,664)**	(438,146)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:			
• Charges for depreciation and impairment of non-current assets	17,859		364,548
• Revaluation losses on property, plant and equipment	5,187		7,986
• Amortisation of intangible assets	532		129
• Revenue expenditure funded from capital under statute	4,753		6,430
• Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	535		1,125
		28,866	380,218
Adjusting amounts written out of the Revaluation Reserve			(1,052)
Net written out amount of the cost of non-current assets consumed in the year		**28,866**	379,166
Capital financing applied in the year:			
• Use of the Capital Receipts Reserve to finance new capital expenditure	(4,667)		(6,932)
• Use of the Major Repairs Reserve to finance new capital expenditure	-		(4,886)
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(12,198)		(9,132)
• Application of grants to capital financing from the Capital Grants Unapplied Account	(9,169)		(11,271)
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(6,159)		(7,310)
• Capital expenditure charged against the General Fund and HRA balances	(3,454)		(3,935)
		(35,647)	(43,466)
Other adjustments		**339**	(151,218)
Balance at 31 March		**(260,106)**	(253,664)

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 Council uses the account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the account at 31 March 2012 will be charged to the General Fund over the next 45 years.

	2011/12 £000s	2011/12 £000s	2010/11 £000s
Balance at 1 April		**1,208**	1,722
Premiums/discounts incurred in the year and charged to the Comprehensive Income and Expenditure Statement	-		19,479
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	(82)		(19,993)
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		(82)	(514)
Balance at 31 March		**1,126**	1,208

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds 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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2011/12 £000s	2010/11 £000s
Balance at 1 April	**85,029**	195,824
Actuarial (gains) or losses on pensions assets and liabilities	139,280	(63,600)
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	16,489	(30,590)
Employer's pensions contributions and direct payments to pensioners payable in the year	(16,506)	(16,605)
Balance at 31 March	**224,292**	85,029

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2011/12 £000s	2010/11 £000s
Balance at 1 April	**(196)**	(218)
Transfer of deferred sale proceeds credited as part of the (gain)/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	1	22
Balance at 31 March	**(195)**	(196)

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 £000s	2010/11 £000s
Balance at 1 April	**(1,507)**	(1,462)
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	(1,065)	(45)
Balance at 31 March	**(2,572)**	(1,507)

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 £000s	2011/12 £000s	2010/11 £000s
Balance at 1 April		**2,884**	3,306
Settlement or cancellation of accrual made at the end of the preceding year	(2,884)		(3,306)
Amounts accrued at the end of the current year	2,986		2,884
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		**102**	(422)
Balance at 31 March		**2,986**	2,884

Note 35: Related Party Transactions

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

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 8 on reporting for resources allocation decisions.

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 13. During 2011/12, services to the value of £17,670 were commissioned from a company in which two members have a controlling interest. Contracts were entered into in full compliance with the Council's standing orders.

Officers

The Corporate Director of Resources, the Head of Finance, Performance & Procurement and a Councillor are Directors in a company, Ingleby Barwick Community Campus Payment Trustee Limited. The company collects funding and makes payments to the contractor under the PFI scheme. The company made payments amounting to £2.5million to the contractor during 2011/12 (last year: £2.1m).

Entities Controlled or Significantly Influenced by the Council

Ingleby Barwick Community Campus Payment Trustee Limited is a fully controlled subsidiary that supports the Ingleby Barwick School PFI scheme. The body consolidates funding from a variety of sources including the Council, the Department for Communities and Local Government, Department for Education and the Dioceses, and makes payment to the contractor, the Robertson's Group. The relevant transactions are considered in the paragraph above.

A number of elected members sit on the management committees or boards of local organisations. During 2011/12 the Council paid grants of over £530,000 (last year: £700,000) to bodies that included the Tees Music Alliance, Tees Valley Arts, Billingham International Folklore Festival, Catalyst Stockton-on-Tees, Five Lamps Organisation, Eastern Ravens Trust, Stockton Arts Centre and Know-How North East.

Note 36: External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2011/12 £000s	2010/11 £000s
Fees payable to the Audit Commission with regard to external audit services	258	282
Fees payable to the Audit Commission with regard to statutory inspections	-	25
Fees payable to the Audit Commission for the certification of grant claims	64	81

Note 37: Dedicated Schools Grant

	Central Expenditure £000s	**Individual Schools Budget £000s**	**Total £000s**
Final Dedicated Schools Grant for 2011/12			130,556
Brought forward from 2010/11			134
Carry forward to 2012/13 agreed in advance			-
Agreed budget distribution in 2011/12	11,920	118,770	130,690
Actual central expenditure	11,708		
Actual individual schools budget deployed to schools		118,770	
Local authority contribution for 2010/11	-	-	-
Surplus carried forward to 2011/12	**212**	**-**	**212**

Note 38: Private Finance Initiative and Similar Contracts

The Council entered into an agreement with Robertson Group to build a secondary school, primary school, nursery unit and a community library at Ingleby Barwick under the Private Finance Initiative. Ingleby Barwick Community Campus opened in September 2003 and payments to the contractor started from that date for a period of 25 years. The contractor took on the obligation to construct the buildings and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate them. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Council for nil consideration.

The contractor is required to provide the following:

Lifecycle Maintenance i.e. Capital repairs such as replacement boilers, glazing and roofing.
Substantial items of furniture and equipment
Security, health & safety
Cleaning & Waste management
Ongoing Repairs & maintenance
Grounds maintenance
Utilities Management
Insurance for the premises and contractor staff
Caretaking
An ICT and telecommunications network
Catering

Assets Held under PFI Schemes	**2011/12 £000s**	2010/11 £000s
Cost or Valuation at 1 April	10,337	10,218
Additions	11	119
Disposals	-	-
Revaluations	-	-
Cost or Valuation at 31 March	**10,348**	10,337
Depreciation & Impairments at 1 April	(113)	-
Charge for the year:		
Depreciation	(113)	(113)
Impairments	-	-
Total Charge for year	(113)	(113)
Disposals	-	-
Revaluations	-	-
Depreciation & Impairments at 31 March	**(226)**	(113)
Balance sheet amount at 1 April	**10,224**	10,218
Balance sheet amount as at 31 March	**10,122**	10,224

Payments

The Council makes a contractual payment which is increased each year by an agreed inflation formula and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.

Note 38: Private Finance Initiative and Similar Contracts

Payments remaining to be made under the PFI contract at 31 March 2012 (excluding any estimation of inflation and availability/performance deductions) are as follows:

Future Payments	**Payment for Services**	**Reimbursement of Capital Expenditure**	**Interest**	**Total**
Payment due:	**£000s**	**£000s**	**£000s**	**£000s**
In 2012/2013	362	456	631	1,449
Within two to five years	1,448	1,843	2,338	5,629
Within six to ten years	1,810	2,916	2,311	7,037
Within eleven to fifteen years	1,810	3,903	1,324	7,037
Within sixteen to twenty years	513	1,350	131	1,994
	5,943	**10,468**	**6,735**	**23,146**

Movement on PFI Liability	**2011/12**	2010/11
	£000s	£000s
Balance outstanding at start of year	(7,899)	(8,173)
Payments during the year	408	274
Capital expenditure incurred during the year	-	-
Balance outstanding at year-end	**(7,491)**	(7,899)

Note 39: Operating Leases

Council as lessee

Operating leases are used as a means of replacing vehicles and equipment that are relatively low cost and are not considered to be finance leases.

Future minimum lease payments due	2011/12 £000s	2010/11 £000s
Not later than one year	330	331
Later than one year & not later than five years	413	390
Later than five years	2	-
	745	721

Council as lessor

The Council acts as a lessor and has granted a number of long-term leases to commercial operations for land and property, accounting for them as operating leases.

Future minimum lease payments receivable	2011/12 £000s	2010/11 £000s
Not later than one year	501	518
Later than one year & not later than five years	1,086	936
Later than five years	8,376	5,662
	9,963	7,116

Note 40: Finance Leases

Council as lessee

Leases for vehicles or equipment that are for the majority of the assets' useful life or which have a value in excess of the de-minimis level for non-current assets are classified as finance leases. These assets are placed on the Council's asset register and are depreciated and impaired in the same manner as if the Council owned the asset.

	2011/12 £000s	2010/11 £000s
Value of Assets held under Finance Leases		
Other land and buildings	-	-
Vehicles, plant & equipment	3,454	4,493
Total	**3,454**	4,493

	2011/12 £000s	2010/11 £000s (Restated)
Future minimum lease payments due		
Current	756	769
Non-current	2,284	2,464
Finance costs payable in the future	924	1,127
Total minimum lease payments	**3,964**	4,360

The comparative values for 2010/11 relating to future minimum lease payments due have been restated to show the correct analysis.

	Minimum Lease payments		Finance Lease liabilities	
	2011/12 £000s	2010/11 £000s	2011/12 £000s	2010/11 £000s
Payable:				
No later than one year	1,157	1,187	756	769
Later than one year & not later than five years	2,757	3,054	2,237	2,351
Later than five years	50	119	47	113
Total	**3,964**	4,360	**3,040**	3,233

Note 41: Capital Expenditure and 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/PPP 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

	31 March 2012 £000s	31 March 2011 £000s
Opening Capital Financing Requirement	**134,772**	272,060
Capital investment		
Property, plant and equipment	29,012	48,536
Investment properties	-	-
Intangible assets	713	2,040
Revenue expenditure funded from capital under statute	4,753	6,430
Sources of Finance		
Capital receipts	(4,667)	(6,932)
Government grants and other contributions	(21,366)	(25,289)
Sums set aside from revenue:		
Direct revenue contributions	(3,443)	(3,538)
Minimum Revenue Position (MRP)	(6,159)	(7,310)
LSVT adjustment	-	(151,225)
Closing Capital Financing Requirement	**133,615**	134,772
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	-	4,795
Increase in underlying need to borrowing (unsupported by government financial assistance)	(1,631)	6,939
Assets acquired under finance leases	474	2,203
Assets acquired under PFI/PPP contracts	-	-
LSVT adjustment	-	(151,225)
Increase/(decrease) in Capital Financing Requirement	**(1,157)**	(137,288)

Note 42: Grant Income

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

	2011/12 £000s	2010/11 £000s
Credited to Taxation and Non Specific Grant Income		
Area Based Grant	-	17,677
RSG	18,168	9,915
Council Tax Freeze Grant	1,801	-
New Homes Bonus	771	-
DCSF Capital Grants	10,127	11,857
Housing Market Renewal	1,947	2,587
Heritage Lottery Fund	1,316	-
Transport Supplementary Grant	-	179
DFT Regional Funding	4,683	5,409
Other Capital Contributions	1,397	970
Total	**40,210**	48,594
Credited to Services		
Supporting People	30	3,346
Housing Benefit and Council Tax Benefit Administration	1,427	1,528
Learning Skills Council	5,987	12,547
Rent Rebates	498	16,982
Council Tax Benefit Subsidy	17,008	16,607
Rent Allowance Subsidy	63,380	40,408
Schools Standard Grant and Schools Standard Fund	762	15,507
Sure Start	9,388	8,251
HRA Subsidy	-	9,998
One North East	141	11,572
Pupil Premium	2,301	-
Concessionary Fares	-	682
Other DFT Grants	24	56
Department of Health Grants	1,993	1,185
Asylum Seekers	94	732
Other Home Office Grants	1,061	1,333
Other Grants	9,470	4,079
Total	**113,564**	144,813

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

Capital Grants Receipts in Advance

	31 March 2012 £000s	31 March 2011 £000s
Standards Fund	1,393	3,894
Growth Point	57	550
Devolved Formula Capital	338	-
Section 106 Agreements	-	55
Total	**1,788**	4,499

Note 43: Financial Instruments

Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:

	Long Term		Current	
	31 March 2012 £000s	31 March 2011 £000s	**31 March 2012 £000s**	31 March 2011 £000s
Investments				
Loans and receivables (principal)	5,000	22,000	39,000	38,000
Accrued interest	-	112	696	1,049
Loans and receivables at amortised cost	**5,000**	22,112	**39,696**	39,049
Available-for-sale financial assets	377	802	-	-
Financial assets at fair value through profit and loss	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	**5,377**	22,914	**39,696**	39,049
Debtors				
Loans and receivables	372	417	13,721	18,631
Financial assets carried at contract amounts	-	-	13,874	10,053
Total debtors	**372**	417	**27,595**	28,684
Borrowings				
Financial liabilities (principal)	(56,265)	(56,665)	(224)	(40)
Accrued interest	(774)	(688)	-	-
Financial liabilities at amortised cost	**(57,039)**	(57,353)	**(224)**	(40)
Financial liabilities at fair value through profit and loss	**-**	-	**-**	-
Total borrowings	**(57,039)**	(57,353)	**(224)**	(40)
Other Long Term Liabilities				
PFI and finance lease liabilities	(10,531)	(11,132)		
Total other long term liabilities	**(10,531)**	(11,132)		
Creditors				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	(139)	(138)	(51,679)	(53,758)
Total creditors	**(139)**	(138)	**(51,679)**	(53,758)

Note 43: Financial Instruments

Income, Expense, Gains and Losses

	2011/12					2010/11				
	Financial Liabilities measured at amortised cost	**Financial Assets: Loans and receivables**	**Financial Assets: Available for sale**	**Assets and Liabilities at Fair Value through Profit and Loss**	**Total**	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	£000s	£000s	£000s	£000s	£000s
Interest expense	(4,834)				**(4,834)**	(30,403)				(30,403)
Losses on derecognition					**-**	-				-
Reductions in fair value					**-**	-				-
Impairment losses					**-**	-				-
Fee expense	(20)				**(20)**	(38)				(38)
Total expense in Surplus or Deficit on the Provision of Services	**(4,854)**	**-**	**-**	**-**	**(4,854)**	(30,441)	-	-	-	(30,441)
Interest income		1,850			**1,850**		1,886			1,886
Interest income accrued on impaired financial assets					**-**					-
Increases in fair value					**-**					-
Gains on derecognition					**-**					-
Fee income		193			**193**		125			125
Total income in Surplus or Deficit on the Provision of Services	**-**	**2,043**	**-**	**-**	**2,043**	-	2,011	-	-	2,011
Gains on revaluation					**-**					-
Losses on revaluation			(425)		**(425)**			(358)		(358)
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment					**-**					-
Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	**-**	**-**	**(425)**	**-**	**(425)**	-	-	(359)	-	(358)
Net gain/(loss) for the year	**(4,854)**	**2,043**	**(425)**	**-**	**(3,236)**	(30,441)	2,011	(359)	-	(28,788)

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- estimated ranges of interest rates at 31 March 2012 of 1.28% to 4.33% for loans from the PWLB and 4.29% to 4.73% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

Note 43: Financial Instruments

The fair values calculated are as follows:

	31 March 2012		31 March 2011	
	Carrying Amount £000s	**Fair Value £000s**	Carrying Amount £000s	Fair Value £000s
Financial liabilities				
PWLB debt	(5,516)	(7,199)	(5,557)	(6,369)
Non-PWLB debt	(51,665)	(60,536)	(51,661)	(64,649)
Trade creditors	(3,717)	(3,717)	(4,378)	(4,378)
Finance lease liability	(3,040)	(3,040)	(3,233)	(3,233)
PFI liability	(7,491)	(7,491)	(7,899)	(7,899)
Long term creditors	(140)	(140)	(138)	(138)
Total Financial liabilities	**(71,569)**	**(82,123)**	(72,866)	(86,666)

The fair value of the liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the prevailing rates for similar loans in the market at the balance sheet date.

	31 March 2012		31 March 2011	
	Carrying Amount £000s	**Fair Value £000s**	Carrying Amount £000s	Fair Value £000s
Loans and receivables				
Money Market Loans < 1 year	39,696	39,696	39,049	39,049
Money Market Loans > 1 year	5,000	5,120	22,112	22,373
Customers	13,874	13,874	10,053	10,053
Total Loans and receivables	**58,570**	**58,690**	71,214	71,475

The fair value of the assets is higher than the carrying amount because the Council's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the balance sheet date. This increases the fair value of loans and receivables.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument. The exceptions to this treatment are:

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

Note 44: Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2011/12 £000s	2010/11 £000s
Interest received	**(1,971)**	(2,068)
Interest paid	**3,837**	12,257
Dividends received	**-**	-

Note 45: Cash Flow Statement - Investing Activities

	2011/12 £000s	2010/11 £000s
Purchase of property, plant and equipment, investment property and intangible assets	31,305	54,478
Purchase of short term and long term investments	1,000	14,301
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2,616)	(4,187)
Proceeds from short term and long term investments	(17,000)	(13,000)
Other receipts from investing activities	(21,938)	-
Net cash flows from investing activities	**(9,249)**	51,592

Note 46: Cash Flow Statement - Financing Activities

	2011/12 £000s	2010/11 £000s
Cash receipts of short term and long term borrowing	-	-
Other receipts from financing activities	(7,435)	(2,466)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,075	1,049
Repayments of short and long term borrowing	215	50,211
Other payments for financing activities	2,778	2,829
Net cash flows from financing activities	**(3,367)**	51,623

Note 47: Pensions Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the Department for Education. The scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12, the Council paid £8.255m to the Teachers' Pensions scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £8.461 million and 14.1%. There were no contributions remaining payable at the year end.

The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 48.

Note 48: Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Council participates in The Local Government Pension Scheme, administered locally by Middlesbrough Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, 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:

	2011/12 £000s	2010/11 £000s
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• Current service cost	17,100	23,286
• Past service gain	-	(58,162)
• Curtailment and settlements	1,167	456
Financing and Investment Income and Expenditure		
• Interest cost	33,049	36,162
• Expected return on scheme assets	(34,827)	(32,332)
Total Post Employment Benefit Charged to the (Surplus) or Deficit on the Provision of Services	**16,489**	(30,590)
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• Actuarial gains and (losses)	(139,280)	63,600
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(122,791)**	33,010
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	(16,489)	30,590
Actual amount charged against the General Fund Balance for pensions in the year:		
• Employers' contributions payable to scheme	**16,506**	16,605

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £64.3m. (2010/11: £74.9m gain).

Note 48: Defined Benefit Pension Schemes

Assets and Liabilities in relation to post employment benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2011/12 £000s	2010/11 £000s
Opening balance at 1 April	(602,730)	(673,028)
Current service cost	(17,100)	(23,286)
Interest cost	(33,049)	(36,162)
Contributions by scheme participants	(5,629)	(6,060)
Actuarial gains and (losses)	(96,889)	58,994
Benefits paid	19,433	19,106
Past service gain	-	58,162
Entity combinations	-	-
Curtailments	(1,899)	(456)
Settlements	3,405	-
Closing balance at 31 March	**(734,458)**	(602,730)

	2011/12 £000s	2010/11 £000s
Opening balance at 1 April	517,701	477,204
Expected rate of return	34,827	32,332
Actuarial gains and (losses)	(42,391)	4,606
Employer contributions	16,506	16,605
Contributions by scheme participants	5,629	6,060
Benefits paid	(19,433)	(19,106)
Entity combinations	-	-
Settlements	(2,673)	-
Closing balance at 31 March	**510,166**	517,701

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 actual return on scheme assets in the year was a loss of £7.6m (2010/11: £40.4m gain).

Note 48: Defined Benefit Pension Schemes

Scheme history

	2007/08 £000s as restated	2008/09 £000s	2009/10 £000s	2010/11 £000s	**2011/12** **£000s**
Present value of liabilities	(498,557)	(446,977)	(673,028)	(602,730)	(734,458)
Fair value of scheme assets	403,345	347,252	477,204	517,701	510,166
Surplus/(deficit) in the scheme	(95,212)	(99,725)	(195,824)	(85,029)	**(224,292)**

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £224m has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in an overall balance of £246m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy; the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £13.0m. (2010/11: £16.6m).

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and discretionary benefits liabilities have been assessed by Barnet Waddingham, an independent firm of actuaries; estimates for the Teesside Pension Fund being based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	2011/12	2010/11
Long term expected rate of return on assets in the scheme:		
Equity investments	**6.1%**	7.2%
Gilts	**3.3%**	4.4%
Bonds	**4.6%**	5.5%
Property	**4.3%**	5.4%
Cash	**3.0%**	3.0%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men	**19.0**	18.9
Women	**23.1**	23.0
Longevity at 65 for future pensioners:		
Men	**21.0**	20.9
Women	**25.0**	24.9
Other assumptions:		
Rate of inflation (RPI)	**3.3%**	3.5%
Rate of inflation (CPI)	**2.5%**	2.7%
Rate of increase in salaries	**4.7%**	5.0%
Rate of increase in pensions	**2.5%**	2.7%
Rate for discounting scheme liabilities	**4.6%**	5.5%
Take-up of option to convert annual pension into retirement lump sum	**50.0%**	50.0%

Note 48: Defined Benefit Pension Schemes

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

	2011/12	2010/11
	%	%
Equity investments	**83.0**	84.0
Gilts	**6.0**	6.0
Other Bonds	**2.0**	2.0
Property	**4.0**	4.0
Cash	**5.0**	4.0
	100.0	100.0

History of Experience Gains and Losses

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

	2007/08	2008/09	2009/10	2010/11	**2011/12**
	% as restated	%	%	%	**%**
Differences between the expected and actual return on assets	(4.50)	(26.60)	23.10	0.90	**(8.30)**
Experience gains and losses on liabilities	2.60	-	(1.80)	2.70	**-**

Note 49: Trust Funds

The Council acts as sole trustee for the Spence Bequest. The Council acts as correspondent for the Yarm Grammar School Trust. In neither case do the funds represent the assets of the Council and therefore they have not been included in the Balance Sheet.

2011/12	**Income £000s**	**Expenditure £000s**	**Assets £000s**	**Liabilities £000s**
Spence Bequest	9	-	98	(98)
Yarm Grammar School Trust	10	(1)	186	(186)
	19	**(1)**	**284**	**(284)**

2010/11	**Income £000s**	**Expenditure £000s**	**Assets £000s**	**Liabilities £000s**
Spence Bequest	9	-	89	(89)
Yarm Grammar School Trust	9	(1)	177	(177)
	18	**(1)**	**266**	**(266)**

Purpose of the Trust Funds:

Spence Bequest

Formed for the benefit of the residents of Stockton-on-Tees by maintaining and securing the Spence collection, purchasing new exhibits and making the collection accessible to the general public.

Yarm Grammar School

To provide special benefits to schools falling within the parish of Yarm and promote the education, including both social and physical training, of persons under the age of 25 years who are, or who have a parent, resident in the parish of Yarm.

Note 50: Termination Benefits

The Council terminated the contracts of a number of employees in 2011/12, incurring liabilities of £3.89m (£2.85m in 2010/11). The amounts have been payable to officers from across the Council reflecting the end of specific grant funding and the rationalisation of services as part of the Council's Efficiency, Improvement and Transformation programme.

In addition the Comprehensive Income and Expenditure Statement includes a provision for £0.45m which has been agreed. These costs are not included in the bands and therefore an additional line has been added to reconcile to the total cost of termination benefits reported in the Comprehensive Income and Expenditure Statement

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:

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	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12 £000s	2010/11 £000s
£0 to £20,000	84	39	72	32	156	188	952	580
£20,000 to £40,000	11	8	24	28	35	63	1,006	1,017
£40,000 to £60,000	6	1	7	12	13	25	633	622
£60,000 to £80,000	1	-	4	6	5	11	342	398
£80,000 to £100,000	-	-	2	-	2	2	172	-
£100,000 to £150,000	-	1	3	1	3	4	340	237
Agreed packages		-	-	-	-	-	450	-
Total	102	49	112	79	214	293	3,895	2,854

Note 51: Nature and Extent of Risks Arising from Financial Instruments

Key risks

The Council's activities expose it to a variety of financial risks; the key risks are:

- **credit risk** – the possibility that other parties might fail to pay amounts due to the Council
- **liquidity risk** – the possibility that the Council might not have funds available to meet its commitments to make payments
- **re-financing risk** – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms
- **market risk** – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements

Overall procedures for managing risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the Local Government Act 2003 and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services and investment guidance issued through the Act. Overall, these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported after each year and quarterly updates are provided to the Audit Committee.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 24/02/2011 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £172.4m. This is the maximum limit of external borrowings or other long term liabilities
- The Operational Boundary was expected to be £148.6m. This is the expected level of debt and other long term liabilities during the year
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 100% based on the Council's net debt
- The maximum and minimum exposures to the maturity structure of debt are shown in the following table:

Note 51: Nature and Extent of Risks Arising from Financial Instruments

	Fitch	Moody's	Standard & Poors	Money Limit	Time Limit
Upper Limit Category (long term)	AA-	Aa3	AA-	£30m	1-3 years
Middle Limit Category (short term)	F2	P2	A-2	£15m *	Up to 1year
Lower Limit Category	Unrated Building Societies with assets in excess of £2 billion			£7m	Up to 1year
Other Institution Limits:					
UK Government	-	-	-	Unlimited	Unlimited
Money Market Funds	-	-	-	not used	Up to 1year
Local Authorities	-	-	-	£3m	Up to 1year

*Note
With the exception of the Nationwide Building Society where its superior credit rating in the Middle category would justify a £20m limit.

The Upper and Middle Limit categories will include banks and building societies. The Lower Limit Category will normally just be used for un-rated subsidiaries and un-rated building societies. The Other Institution Limit will be for other local authorities, the UK Debt Management Office, Money Market Funds. These are all considered high quality names - although not always rated.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies (Treasury Management Practices - TMPs) covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash. These TMPs are a requirement of the Code of Practice and are reviewed periodically.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council'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, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services.

The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website.

The Council's investment strategy primary objectives (in order) are:-

- safeguarding the re-payment of the principal and interest of its investments on time;
- ensuring adequate liquidity, and finally
- the investment return

The criteria for providing a pool of high quality investment counter-parties (both specified and non-specified investments) is:-

- **Banks 1– Good Credit Quality** - the Council will only use banks which:

  Are UK banks: and/or
  Are non UK and domiciled in a country which has a minimum Sovereign long term rating of AA

  and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated):

  - Short Term – F2/P2/A-2
  - Long Term – AA-/Aa3/AA

Note 51: Nature and Extent of Risks Arising from Financial Instruments

- **Banks 2-Guaranteed Banks with suitable Sovereign Support** - In addition, the Council will use banks whose ratings fall below the criteria specified above if all of the following conditions are met:-

  (a) wholesale deposits in the bank are covered by a government guarantee;

  (b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and

  (c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.

- **Banks 3-Eligible Institutions** - the organisation was considered an Eligible Institution for HM Treasury Credit Guarantee Scheme initially announced on 13th October 2008, with the necessary short and long term ratings required in Banks 1 above. These institutions have been subject to suitability checks before inclusion.

- **Banks 4-The Council's own banker** for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time

- **Bank Subsidiary and Treasury Operations** - the Council will use these where the parent bank has the necessary ratings outlined above.

- **Building Societies** - the Council will use all societies which;-

  (a) meet the ratings for banks outlined above, or

  (b) have assets in excess of £2 billion, or

  (c) eligible institutions.

- **Money Market Funds** - currently the Council does not use any money market funds. The position will be kept under review and if circumstances change a report will be prepared to consider their use

- **UK Government** (including the Debt Management Office)-unlimited

- **Local Authorities, Police & Fire Authorities**-limit £3m each

Country and sector considerations - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in Banks 1 above. In addition:

- No more than £30m will be placed with any non UK country at any time,
- Limits in place above will apply to group companies,
- Sector limits will be monitored regularly for appropriateness.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £30,000 cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

The following analysis summarises the Council'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.

Note 51: Nature and Extent of Risks Arising from Financial Instruments

	Amount at 31 March 2012	**Historical experience of default**	**Adjustment for market conditions at 31 March 2012**	**Estimated maximum exposure to default at 31 March 2012**	Estimated maximum exposure at 31 March 2011
	£000s	%	%	**£000s**	£000s
AAA rated counterparties	-	0.00%	0.00%	-	-
AA rated counterparties	12,047	0.03%	0.03%	4	7
A rated counterparties	32,649	0.08%	0.08%	26	4
BBB rated counterparties	-	0.24%	0.24%	-	-
Customers (trade debtors)*	13,874	21.49%	21.49%	2,981	3,484
				3,011	3,495

** - Excluding statutory debtors - Council Tax/NNDR*

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its customers, such that £6.412m of the £13.874m balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

	31 March 2012	31 March 2011
	£000s	£000s
Less than three months	1,257	1,617
Three to six months	547	725
Six months to one year	1,072	1,308
More than one year	3,536	3,181
	6,412	6,831

The Council initiates a legal charge on property where, for instance, clients require the assistance of social services but cannot afford to pay immediately. The total collateral at 31 March 2012 was £1.19m

Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial assets, excluding sums due from customers, is as follows:

	31 March 2011	31 March 2010
	£000s	£000s
Less than one year	39,696	39,049
Between one and two years	5,000	22,112
	44,696	61,161

Note 51: Nature and Extent of Risks Arising from Financial Instruments

Refinancing and Maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved Council in the Treasury Management Strategy, see above):

	Approved minimum limits	**Approved maximum limits**	**31 March 2012 £000s**	**31 March 2012 %**	31 March 2011 £000s	31 March 2011 %
Less than one year	0%	15%	(224)	0.4%	(40)	0.1%
Between one and two years	0%	15%	(29)	0.4%	(224)	0.5%
Between two and five years	0%	55%	(8,556)	15.6%	(8,412)	15.3%
Between five and ten years	0%	75%	(2,519)	20.1%	(2,676)	20.1%
More than ten years	0%	100%	(45,161)	100.0%	(45,178)	100.0%
			(56,489)		(56,530)	

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

<u>Market Risk</u>

Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending upon how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the (Surplus) or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall (no impact on revenue balances)
- 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 (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, 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, subject to influences from Government grants. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

Note 51: Nature and Extent of Risks Arising from Financial Instruments

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns; similarly the drawing of longer term fixed rates borrowing would be postponed.

If all interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on variable rate borrowings	140
Increase in interest receivable on variable rate investments	(30)
Increase in government grant receivable for financing costs	-
Impact on (Surplus) or Deficit on the Provision of Services	110
Decrease in fair value of fixed rate investments assets	(80)
Impact on Other Comprehensive Income and Expenditure	**30**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the (Surplus) or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	7,415

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note - Fair value of Assets and Liabilities carried at Amortised Cost.

Price Risk

The Council, excluding the pension fund, does not invest in equity shares or marketable bonds.

Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates

Note 52: Impairment Losses

During 2011/12, the Council has recognised impairment losses of £7.1m (last year: £357.6m) in relation to:

	2011/12	2010/11
	£m	£m
Council dwellings	-	321.0
Other land and buildings	0.7	7.9
Vehicles, plant & equipment	1.1	0.9
Infrastructure assets	0.1	2.7
Community assets	0.6	0.1
Surplus assets	4.2	24.7
Assets under construction	-	0.3
Financial instruments	0.4	-
	7.1	357.6

Note 53: Contingent Liabilities

West Sussex Pension Fund

There is a potential liability in respect of the Association of County Councils' (ACC) pensions responsibilities. The Local Government Association (LGA) has agreed to take on the ACC's responsibilities, but in the event that the LGA defaults, the councils that subscribed to the ACC will be liable for any sums due. The Council's involvement relates to its share of Cleveland County Council's exposure and is limited to a maximum of £14,000.

Housing Disrepair Claims

In accordance with Section 11 of the Landlord and Tenant Act (1985), the landlord has a statutory and contractual responsibility to maintain its properties in good repair. If a tenant reports a property in disrepair, the landlord must remedy the breach promptly, otherwise the tenant could take the landlord to court and claim damages. Although it is not possible to assess the potential liability that may arise from this responsibility an allowance of £50,000 is included within the 2011/12 budget to cover any claims arising prior to the formation of Tristar Homes Ltd in 2002. In 2010/11 a similar provision was set aside but no damages were awarded during the financial year.

Pension Guarantees

The Council acts as a guarantor for the Association of North East Councils (ANEC) and the North East Assembly (NEA), guaranteeing contributions to pension funds where the organisations are unable to meet their obligations. The Council is one of 12 guaranteeing authorities with the Council's liability equating to approximately £116,000.

In addition, the Council acts as a guarantor for Tees Active Limited to the Teesside Pension Fund by guaranteeing contributions and other any payments or costs due to the fund arising from the organisation not being able to meet its outstanding obligations. This guarantee relates to contributions in relation to the admitted body status of Tees Active Limited and would still apply if the admitted body ceased to exist. The guarantee specifically covers benefits that have accrued after the admission date of 1st May 2004, under the scheme in respect of employees. It is not possible to quantify the liability at this current time.

Note 54: Contingent Assets

The Large Scale Voluntary Transfer of the Council's housing stock to Tristar Homes Ltd has given rise to two contingent assets:

Preserved Right to Buy Receipts

Under the terms of the stock transfer, the rights of existing tenants to buy their homes is preserved. The Council and Tristar Homes Ltd have entered into agreement whereby Tristar will retain the first £3.4m of preserved right to buy (PRTB) receipts. Thereafter the Council will receive 40% of PRTB receipts for a period of ten years. The amount that will potentially arise under this agreement cannot be assessed with any certainty at present and no sum in relation to this has been included within these accounts.

VAT Shelter Sharing Agreement

The Council and Tristar Homes Ltd have entered into a development agreement whereby Tristar will carry out improvement works of a capital nature to the transferred housing stock on the Council's behalf over a period of fifteen years. This arrangement allows Tristar to reclaim VAT incurred on qualifying works with the approval of HM Revenue & Customs.

The VAT shelter sharing agreement has a potential value in excess of £30m and it has been agreed that the Council will receive the first £1.37m of the savings, Tristar will retain the next £1.53m; the remaining savings will be allocated as 65% to the Council and 35% to Tristar.

The Council's share of the VAT shelter sharing agreement is contingent upon Tristar carrying out the qualifying improvement works, therefore the actual sum that will be received cannot be assessed with certainty.

Note 55: Events after the Reporting Date

All Saints Voluntary Aided Church of England School is included on the Council's balance sheet as part of a PFI scheme. It is anticipated that the school will become an academy in 2012/13 and therefore the Council's net worth will reduce by the value of the transferring asset which at 31 March 2012 was £10.122 million.

Note 56: Statement of Accounting Policies

i. General Principles

The annual financial statements summarise the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare annual financial statements by the Accounts and Audit Regulations 2011, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

ii. Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

An exception to this principle relates to some energy and communication expenditure, where bills consist of actual charges for use and prepayment of standing charges. The policy is to ensure that twelve monthly or four quarterly bills are included in each financial year and it is applied consistently to ensure there is not material effect on the accounts for the year.

The minimum accrual limit for both debtors and creditors has been set at £1,000 for the year.

iii. Acquisitions and Discontinued Operations

Following the transfer of its housing stock in December 2010, the Council's Housing Revenue Account will close at the end of 2011/12.

iv. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three 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 form an integral part of the Council's cash management.

Note 56: Statement of Accounting Policies

v. Exceptional Items

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

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

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

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

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

vii. Charges to Revenue for Non Current Assets

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, the Minimum Revenue Provision, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

viii. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, eg time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to (Surplus) or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

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

Note 56: Statement of Accounting Policies

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

Post Employment Benefits
Employees of the Council are members of two separate pension schemes:

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

- The Local Government Pensions Scheme, administered by Middlesbrough Council.

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

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

<u>The Local Government Pension Scheme</u>
The Local Government Scheme is accounted for as a defined benefits scheme:

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

- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% (based on the indicative rate of return on the iBoxx AA rated over 15 year corporate bond index).

- The assets of the Teesside Pension Fund attributable to the Council are included in the Balance Sheet at their fair value:

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

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

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

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

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

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

Note 56: Statement of Accounting Policies

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

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

– contributions paid to the Teesside Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefit are earned by employees.

Discretionary Benefits

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

ix. Events After the Reporting Date

Events after the Reporting Date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Financial Statements are authorised for issue. Two types of events can be identified:

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

Events taking place after the date of authorisation for issue are not reflected in the financial statements.

x. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Where the Council holds variable rate borrowing or has undertaken restructuring exercises, fair value calculations have been undertaken to assess the potential impact of interest charges on the revenue account. These calculations identified that moving to fair value accounting would not have a significant impact on the revenue account or Balance Sheet. As a result, adjustments have not been made to the accounts and the value of borrowings disclosed in the Balance Sheet amounts to the outstanding principal repayable.

For most of the borrowings that the 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 according to the loan agreement.

Note 56: Statement of Accounting Policies

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate. Effective interest rate calculations have been undertaken on replacement loans where the restructure has been classified as a modification. The impact of the calculations proved to be insignificant and the premiums and discounts arising on these loans have also been transferred to the Financial Instruments Adjustment Account.
Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid within the general fund. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market

- available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset in the Balance Sheet. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

The Council has not given any loans to, or guarantees against loans provided by financial institutions, to external or voluntary organisations. However, the Council does have deferred payment policies where individuals are allowed to defer payment against an invoice raised by the Council, such as legal charges held by the Council against properties, with sums due reimbursed from the proceeds of the sale. These are similar to loans at less than market rates and are referred to as soft loans. In such circumstances and where the financial impact of the soft loan was significant, in terms of lost interest, adjustments would be made to the relevant service revenue account and Balance Sheet.

The impact on the Council's revenue account of soft loans and lost interest is not financially significant at 31st March 2012 and the accounts have not been adjusted to reflect these requirements. This position will be reviewed annually as part of the accounts closure process.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset’s original effective interest rate.

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

Note 56: Statement of Accounting Policies

Available for Sale Assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the (gain)/loss is recognised in the (Surplus) or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

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 (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available for Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

xi. Foreign Currency Translation

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

xii. Government Grants and Contributions

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

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

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

Note 56: Statement of Accounting Policies

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

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

Business Improvement Districts

A Business Improvement District (BID) scheme applies to the Cowpen Industrial Estate. The Cowpen Industrial Association Business Improvement District (BID) was established on 1st April 2007. The BID body has provided additional security equipment, palisade fencing and signage for the businesses at the industrial estate on which it has been established. The Council collects a levy from the businesses on behalf of the BID body and pays all monies collected, over to the BID body. The Council collected £54,415 (last year: £50,701) on behalf of the BID during the year. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council accounts for expenditure incurred within the relevant services within the Comprehensive Income and Expenditure Statement and income within the Taxation and Non Specific Grant line.

xiii. Heritage Assets

The Council's Heritage Assets comprise museum collections which are held at Preston Hall Museum and the Council's collection of Civic Regalia. Heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets: where the cost of an asset cannot be identified with certainty, the value has been assessed by a suitably experienced officer.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, 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 Council's general policies on impairment. The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

xiv. Intangible Assets

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

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council’s goods or services.

Note 56: Statement of Accounting Policies

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

xv. Interests in Companies and Other Entities

The Council no longer has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that require it to prepare group accounts. In the Council's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses.

xvi. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is determined on the basis of the initial invoice price, except for stock held by Neighbourhood Services, which is valued on the basis of last invoice price.

Long term contracts are accounted for on the basis of charging the (Surplus) or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

xvii. Investment Property

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

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

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

xviii. Leases

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

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

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

Note 56: Statement of Accounting Policies

The Council as Lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent free period at the commencement of the lease).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Council's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

Note 56: Statement of Accounting Policies

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

Operating Leases

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

xx. Overheads and Support Services

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

- Corporate and Democratic Core – costs relating to the Council's status as a multi functional, democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on assets held for sale.

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

xxi. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year and cost more than £10,000 are classified as property, plant and equipment.

<u>Recognition</u>

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

<u>Measurement</u>

Assets are initially measured at cost, comprising:

- the purchase price

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

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

Note 56: Statement of Accounting Policies

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account.

Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

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

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

<u>Impairment</u>

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

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

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

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

Note 56: Statement of Accounting Policies

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

Depreciation is calculated on the following bases:

- buildings – straight line allocation over the useful life of the property as estimated by the valuer

- vehicles, plant, furniture and equipment – straight line over the useful life of the asset, as advised by a suitably qualified officer

- infrastructure – straight line allocation over 40 years.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the item, the components have been identified but have not been depreciated separately as the change in depreciation cost is not considered to be significant.

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

Disposals and Non current Assets Held for Sale
When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any losses previously recognised in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, plant and equipment or Assets held for sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the General Fund Balance in the Movement in Reserves Statement.
The written off value of disposals is not a charge against council tax, as the cost of non current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

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

Note 56: Statement of Accounting Policies

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

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

- The amounts payable to the PFI operators each year are analysed into 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 8.4% on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- **contingent rent** – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- **payment towards liability** – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write downs is calculated using the same principles as for a finance lease)

- **lifecycle replacement costs** – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, plant and equipment when the relevant works are eventually carried out.

xxiii. Provisions, Contingent Liabilities and Contingent Assets

<u>Provisions</u>

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

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

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

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

<u>Landfill Allowance Schemes</u>

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

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

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

Note 56: Statement of Accounting Policies

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

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

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

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

xxiv. Reserves

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

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

xxv. Revenue Expenditure Funded from Capital under Statute

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

xxvi. VAT

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

xxvii. Carbon Reduction Commitment Allowances

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

Housing Revenue Account - Income & Expenditure Statement
for the year ended 31 March 2012

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

		2011/12		2010/11
		£000s	**£000s**	£000s
Expenditure	**Note**			
Repairs and maintenance		(9)		5,945
Supervision and management		4		7,093
Rents, rates, taxes and other charges		-		-
Depreciation and impairment of non current assets	2	-		326,024
Debt management costs		-		144
Movement in the allowance for bad debts (not specified by the Code)		-		-
HRA Subsidy payable	6	124		-
Sums directed by the Secretary of State that are expenditure in accordance with the Code		-		-
Total Expenditure			**119**	339,206
Income				
Dwelling rents	3	-		(21,548)
Non-dwelling rents	4	-		(470)
Charges for services and facilities	5	-		(741)
Contributions towards expenditure		-		(290)
HRA Subsidy receivable	6	-		(1,390)
Sums directed by the Secretary of State that are income in accordance with proper practices		-		(161,926)
Total Income			**-**	(186,365)
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement			**119**	152,841
HRA services' share of Corporate and Democratic Core			-	-
HRA share of other amounts included in the whole Council Cost of Services but not allocated to specific services			-	3
Net Income for HRA Services			**119**	152,844
HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:				
(Gain) or loss on sale of HRA non current assets			-	(3,536)
Interest payable and similar charges			-	15,797
Interest and investment income			-	-
Pensions interest cost and expected return on pensions assets			-	28
Capital grants and contributions receivable			-	-
(Surplus) or deficit for the year on HRA services			**119**	165,133

Movement on the HRA Statement for the year ended 31 March 2012

	2011/12		2010/11
	£000s	**£000s**	£000s
Balance on the HRA at the end of the previous year		**2,212**	1,341
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement		**(119)**	(165,133)
Adjustments between accounting basis and funding basis under statute:			
Interest payable and similar charges including premiums & discounts	-		11,143
Gains or loss on sale of HRA fixed assets	-		(3,536)
Repayment of loans and premiums by CLG	-		(161,926)
Fixed asset impairments	-		321,066
Capital expenditure funded by the HRA	-		(824)
HRA share of contributions to or from the Pension Reserve	-		81
Net increase or (decrease) before transfers to or from reserves		**-**	166,004
Transfers (to) or from reserves:			
Voluntary set aside for debt repayment	-		-
Transfer to / (from) major repairs reserve	-		-
		-	-
Increase or (decrease) in year on the HRA		**(119)**	871
Balance on the HRA at the end of the current year		**2,093**	2,212

Note 1: Large Scale Voluntary Transfer

The Council completed the transfer of its housing stock to Tristar Homes Ltd on 13 December 2010.

The Housing Revenue Account (HRA) will remain open until formal consent to close the account has been received from the Secretary of State. This has been sought and is currently awaited.

The transactions in the account for 2011/12 are predominately the unwinding of accruals made in 2010/11 and the finalisation of HRA subsidy following the subsidy audit in December 2011 that showed a repayment of £124,000 was required.

Note 2: Depreciation and Fixed Asset Impairments

There was no depreciation charge on housing stock or garages. (Last year: £5.0m for housing stock based on the Major Repairs Allowance and £38k for garages).

There were no fixed asset impairments in the year (last year: £321million).

Note 3: Dwelling Rents

Dwelling rents for the year totalled £Nil (last year: £21.5million).

Note 4: Non-Dwelling Rents

This includes income received from shop and land rents of £Nil (last year: £152k) and from garage rents £Nil (last year: £318k). Retained shops, land and garages are now accounted for within the General Fund.

Note 5: Charges for services and facilities

Service charges were £Nil (last year: £741k)

Note 6: HRA Subsidy

Subsidy is payable by or to the Government based upon notional HRA expenditure and income.

The following table details the amount of subsidy payable to or by the authority during the year in accordance with the elements set out in the general formula in paragraph 3.1 of the General Determination of Housing Revenue Subsidy.

	2011/12 £000s	2010/11 £000s
Expenditure Entitlements:		
Management and maintenance	-	12,234
Major repairs allowance	-	4,958
Charges for capital	-	2,197
Admissible allowances	-	-
Rent compensation	-	-
Arms length management company	-	5,040
Total Expenditure	-	24,429
Income Entitlements:		
Guideline rent income	-	(23,253)
Interest on receipts	-	(4)
Net Entitlement	-	1,172
Supporting people	-	-
Total Entitlement	-	1,172
Previous year adjustment	(124)	218
Net HRA Subsidy Receivable/(Payable)	**(124)**	1,390

Note 7: Retirement Benefits

There are no costs to be charged in 2011/12. In 2010/11 the charges were: current service cost £49k, pension interest costs £28k and non distributed costs £3k. The full impact of IAS in 2010/11 was reversed through the Movement on the HRA Statement to the Pension Reserve

Note 8: Housing Stock

Housing Stock - Movements	2011/12 Number	2010/11 Number
Stock at 1st April	-	10,423
Less: Sales and leases	-	(11)
Demolitions	-	(106)
Large Scale Voluntary Transfer	-	(10,288)
Transfer to General Fund	-	(28)
Add: New capitalisation	-	10
Total	**-**	-

Note 9: Major Repairs Reserve

	2011/12 £000s	2010/11 £000s
Balance at 1st April	-	-
Received during year	-	(4,958)
Financing of capital expenditure in year	-	4,886
Provision for future costs	-	72
Balance at 31st March	**-**	-

Note 10: Capital Expenditure

Capital expenditure on the HRA is detailed as follows, supported by methods of financing:

	2011/12						
	Expenditure	**Financing**					
	Expenditure Total	**Borrowing Approvals**	**Contributions**	**Major repairs Reserve**	**Capital Receipts**	**Total**	2010/11 Financing
	£000s	**£000s**	**£000s**	**£000s**	**£000s**	**£000s**	£000s
Council Dwellings:							
Stock rationalisation		-	-	-	-	-	824
Renewal expenditure		-	-		-	-	4,045
Disabled adaptations		-	-		-	-	841
	-	**- -**	**-**	**-**	**-**	**-**	5,710

The Council received capital receipts totalling £62k (last year: £520k), in respect of repaid discounts on right to buy sales and repayment of mortgages. Of this £47k was contributed to the Government pool (last year: £270k).

Note 11: Rent Arrears

	2011/12	2010/11
	£000s	£000s
Arrears as at 31 March		
Current tenants	-	-
Former tenants	-	-
Total	**-**	-
Rent written off in the year		687
Value of provision for bad debts held on the Balance Sheet	-	-

Collection Fund Statement for the year ended 31 March 2012

The Collection Fund (England) 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.

	2011/12		2010/11
	£000s	**£000s**	£000s
Income			
Income from Council Tax payers	(72,192)		(71,711)
Council Tax benefits - transfer from General Fund	(16,856)		(16,478)
Income collectable from business ratepayers	(72,925)		(66,619)
Contributions:			
Towards banding adjustments	-		-
Total Income		**(161,973)**	(154,808)
Expenditure			
Precepts and demands:			
Cleveland Police	11,075		10,990
Cleveland Fire	3,772		3,743
Stockton-on-Tees Borough Council	72,613		72,051
		87,460	86,784
Business rate:			
Payments to national pool	72,689		66,387
Cost of collection	235		232
Interest on overpayments	-		-
		72,924	66,619
Net provision for bad debts	(1,236)		122
Bad debts written off	370		(374)
		(866)	(252)
Contributions:			
Previous years' estimated Collection Fund surplus/(deficit)	1,170		
		1,170	1,600
Total Payments		**160,688**	154,751
(Surplus) / Deficit for the year		**(1,285)**	(57)
Balance at 1st April		**(1,815)**	(1,758)
Balance at 31st March		**(3,100)**	(1,815)

Note 1: Council Tax Base

Property Category and Council Tax Banding		2011/12 Number in Category No.	2011/12 Band D Equivalent No.	2010/11 Number in Category No.	2010/11 Band D Equivalent No.
A - up to £40,000		35,471	19,512.30	35,509	19,499.10
B - £40,001 to £52,000		15,060	10,265.10	14,888	10,129.60
C - £52,001 to £68,000		14,581	11,605.30	14,424	11,499.80
D - £68,001 to £88,000		8,997	8,227.30	8,933	8,137.80
E - £88,001 to £120,000		5,028	5,780.50	5,000	5,746.30
F - £120,001 to £160,000		2,044	2,779.80	2,011	2,737.60
G - £160,001 to £320,000		1,194	1,849.60	1,170	1,812.50
H - over £320,000		106	142.50	104	139.00
Total			**60,162.40**		59,701.70
Contributions in lieu			0.00		0.00
Gross Tax Base			**60,162.40**		59,701.70
Non Collection		2%	(1,203.25)	2%	(1,194.03)
Council Tax Base			**58,959.15**		58,507.67

Note 2: Council Tax Levels

Property Category and Council Tax Banding	2011/12 SBC Band D £	2010/11 SBC Band D £
A - up to £40,000	814.35	814.35
B - £40,001 to £52,000	950.08	950.08
C - £52,001 to £68,000	1,085.80	1,085.80
D - £68,001 to £88,000	1,221.53	1,221.53
E - £88,001 to £120,000	1,492.98	1,492.98
F - £120,001 to £160,000	1,764.43	1,764.43
G - £160,001 to £320,000	2,035.88	2,035.88
H - over £320,000	2,443.06	2,443.06

Note 3: Council Tax Income

Property Category and Council Tax Banding	2011/12 Number in Category	2011/12 Tax incl. Police & Fire	2011/12 Estimated Debit	2010/11 Estimated Debit
Estimated Income	**No.**	**£**	**£000s**	£000s
A - up to £40,000	35,471	982.23	34,841	34,878
B - £40,001 to £52,000	15,060	1,145.93	17,258	17,061
C - £52,001 to £68,000	14,581	1,309.63	19,096	18,890
D - £68,001 to £88,000	8,997	1,473.34	13,256	13,161
E - £88,001 to £120,000	5,028	1,800.75	9,054	9,004
F - £120,001 to £160,000	2,044	2,128.15	4,350	4,280
G - £160,001 to £320,000	1,194	2,455.57	2,932	2,873
H - over £320,000	106	2,946.68	312	306
Estimated Opening Debit			**101,099**	100,453
Actual Income				
Property charge total			102,166	101,341
Exemptions			(3,137)	(3,327)
Disabled relief			(118)	(124)
Discounts			(9,021)	(8,883)
Disregard			(398)	(443)
Write offs			(370)	(375)
Actual Income Collectable			**89,122**	88,189

Note 4: Council Tax Major Preceptors

	2011/12	2010/11
	£	£
Stockton-on-Tees Borough Council	72,613,340	72,051,433
Cleveland Fire Authority	3,771,617	3,742,736
Cleveland Police Authority	11,074,777	10,989,972

Note 5: National Non Domestic (Business) Rates Gross Rateable Value

	2011/12	2010/11
	£000s	£000s
Value at the year end	**193,461,149**	189,725,652

Note 6: National Non Domestic (Business) Rates Multiplier

	2011/12	2010/11
	pence	pence
Multiplier for the year	**43.3p**	41.4p

Note 7: National Non Domestic (Business) Rates Income

	2011/12		2010/11
	£000s	**£000s**	£000s
Estimated income			
Gross rateable value	193,461		189,726
Multiplier (pence in the £)	43.3p		41.4p
		83,769	78,547
Less: Voids		(3,880)	(4,654)
Exemptions		(2,062)	(3,196)
Estimated Opening Debit		**77,827**	70,697
Actual income			
Actual opening debit	75,351		68,255
Additional adjustments	1,821		1,458
Property Charge Total		**77,172**	69,713
Discounts and Reliefs			
Mandatory relief	(3,142)		(2,307)
Discretionary relief (net of contribution from General Fund)	10		(101)
Small Business rate relief total	(2,080)		(1,342)
Small Business rate supplement total	1,269		1,254
Deferral scheme	-		-
Interest	(52)		(100)
Write offs	-		-
Bad debt provision	(253)		(499)
		(4,248)	(3,095)
Actual Income Collectable		**72,924**	66,618

Responsibilities for the Annual Financial Statements

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director of Resources;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and

- approve the Annual Financial Statements by the date specified by the Secretary of State.

The Corporate Director of Resources Responsibilities

The Corporate Director of Resources is responsible for the preparation of the Council's Annual Financial

In preparing the Annual Financial Statements, the Corporate Director of Resources 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 of Practice.

The Corporate Director of Resources has also:

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

Certification of the accounts by the Corporate Director of Resources

In accordance with the requirements of the Accounts and Audit Regulations 2011, I certify that by signing this statement the Annual Financial Statements give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2012.

J Danks CPFA Date:

Corporate Director of Resources

Independent Auditor's Report

Independent Auditor's Report

Appendix A

Earmarked Reserves

Stockton Town Centre Regeneration

This incorporates the balance of funds being used by the Council to contribute to the Stockton Town Centre Regeneration project.

Approved Capital Schemes

To be used to assist the funding of capital expenditure in future years.

Fleet Renewals Fund

A reserve formed to cover the replacement of the Council's vehicle fleet.

Strategic Investment Reserve

A reserve retained to support investments which generate ongoing revenue income streams.

Balances held by schools under a scheme of delegation

Balances retained by individual schools from their delegated budget.

Insurance Fund

The fund covers the insurance policy 'excess' on liability and property claims. The 'excess' on liability of £100,000, covers any public, employers, officials and professional indemnity and libel and slander liability claims. A property 'excess' of £100,000 covers claims relating to schools.

Managed Surpluses

Budget savings that are earmarked specifically for their use and form an important part of the service planning process.

Commuted Lump Sums

These lump sums have been received to help cover the maintenance costs of bridges, play areas and open spaces, for which the Council has become responsible.

Litigation Reserve

Reserve to cover the costs of potential legal action that the Council may face.

Prudential Financing

This reserve has been formed from service contributions to cover the costs and repayment of prudential borrowing.

Government Grants Income In Advance

Reserve holding grants received by the Council whose conditions may require repayment if the grant conditions are not met. This is an IFRS requirement.

Transformation & Implementation Reserve

Reserve to support the Council as it responds to current and future budget pressures. It will fund items such as redundancy costs and the transformation agenda.

Other Revenue Reserves are individual reserves of less than £2m and include:

Tees Valley Unlimited

The surplus on the Income and Expenditure Account for the Unit, carried forward to fund pressures within the Unit in future years.

Winter Maintenance

This reserve has been created to offset the costs over future years of the change in the climate. This includes extra grass cutting, changes to the statutory requirements for winter maintenance of roads and extra watering of plants and trees, etc.

Appendix A

Earmarked Reserves

Youth Offending

The reserve will be utilised to fund the Youth Offending Service, including the cost of inspection and other essential services, such as Regional Training Consortium and Developing Initiatives for Supporting Communities (DISC).

Stockton/Darlington Partnership

A reserve to cover the costs of developing and funding the partnership.

Dedicated Schools Grant

This reserve contains unutilised Dedicated Schools Grant, which can be carried forward to future years. Additional information can be found in Note 37 of the Notes to the Core Financial Statements.

Standards Fund

A fund created from income received under the Governments Standards Fund Programme to fund specific services on behalf of children and young people.

ICT Infrastructure

Reserve to develop workflow technologies and flexible working arrangements, as detailed within the Council's ICT Strategy

DWP Steps

To cover the costs involved in encouraging those with learning and physical disabilities and mental health issues back into employment.

Xentrall

Stockton Borough Council's share of any surplus generated from the Xentrall partnership with Darlington Borough Council.

Tees Achieve Surplus

Tees Achieve offers apprenticeships, E2E training programmes and adult education courses across the borough. A specific reserve has been created to ringfence funding for future developments and restructuring as funding for these projects is not guaranteed to remain at the same levels.

Miscellaneous

This reserve contains other small amounts which will be utilised in 2012/13.

Time to Buy Initiative

A scheme to assist first time buyers of houses.

Environmental Warranties

Funds to support warranties given as part of the transfer of the housing stock.

Appendix B

Members' Allowances

Member	Basic Allowance £	Special Responsibility Allowance £	Travel £	Subsistence £	Total 2011/12 £	Total 2010/11 £
H Aggio	975.00		56.14		**1,031.14**	9,906.13
JL Apedaile	9,300.00	5,520.79	215.16		**15,035.95**	17,428.50
P Baker	9,300.00				**9,300.00**	9,300.00
J Beall	9,300.00	14,240.29	811.00		**24,351.29**	23,342.82
J Beaumont	975.00	1,362.90	159.89	3.80	**2,501.59**	23,359.82
P Broughton	975.00		103.86		**1,078.86**	9,557.93
D Brown	8,400.00	3,125.00	11.10		**11,536.10**	0.00
PA Cains	975.00	786.29	122.65		**1,883.94**	16,937.27
R Cains	975.00	393.15	107.44		**1,475.59**	13,306.91
M Chatburn	8,400.00				**8,400.00**	0.00
J M Cherrett	9,300.00	7,379.03	47.35		**16,726.38**	17,056.99
C Clark	8,400.00				**8,400.00**	0.00
M Clark	8,400.00				**8,400.00**	0.00
A Cockerill	975.00		11.64		**986.64**	9,687.84
D Coleman	9,300.00	12,790.29			**22,090.29**	22,299.96
R Cook	9,300.00	25,290.29	660.16	8.75	**35,259.20**	22,851.54
N Cooke	8,400.00	6,250.00			**14,650.00**	0.00
G Corr	8,400.00				**8,400.00**	0.00
E Craggs	975.00				**975.00**	9,348.00
A Cunningham	0.00				**0.00**	1,641.35
E Cunningham	8,400.00		78.91		**8,478.91**	0.00
IJ Dalgarno	9,300.00				**9,300.00**	9,300.00
P Dennis	8,400.00				**8,400.00**	0.00
K Dixon	9,300.00	11,585.99			**20,885.99**	14,340.12
J Earl	975.00		34.93		**1,009.93**	9,400.19
M Eddy	9,300.00	564.52			**9,864.52**	13,050.00
KC Faulks	9,300.00	3,689.52	224.84		**13,214.36**	13,203.23
J Fletcher	975.00				**975.00**	9,677.03
S Fletcher	975.00				**975.00**	9,570.23
M Frankland	975.00				**975.00**	9,300.00
J Gardner	9,300.00				**9,300.00**	9,300.00
R Gibson	9,300.00	8,282.26	53.30		**17,635.56**	22,896.92
DC Harrington	9,300.00	11,962.33			**21,262.33**	16,996.97
B Houchen	8,400.00				**8,400.00**	0.00
B Inman	9,300.00	6,250.00			**15,550.00**	9,300.00
M Javed	9,300.00	6,250.00	156.59		**15,706.59**	9,345.20
E Johnson	8,400.00	3,125.00			**11,525.00**	0.00
E Kennedy	8,400.00		23.90		**8,423.90**	0.00
J Kirby	9,300.00	3,125.00			**12,425.00**	9,300.00
P Kirton	9,300.00	6,250.00			**15,550.00**	9,300.00
T Laing	9,300.00	1,956.99	171.05		**11,428.04**	23,016.08
C Large	9,300.00	2,668.69	103.70		**12,072.39**	13,098.12
AM Larkin	0.00				**0.00**	1,963.33
C Leckonby	9,300.00		21.10		**9,321.10**	10,281.90
A Lewis	9,300.00		262.19		**9,562.19**	9,852.07
K Lupton	9,300.00	15,465.05	378.54		**25,143.59**	39,133.38
R McCall	8,400.00				**8,400.00**	0.00

Appendix B

Members' Allowances

Member	Basic Allowance £	Special Responsibility Allowance £	Travel £	Subsistence £	Total 2011/12 £	Total 2010/11 £
A McCoy	9,300.00	12,790.29	799.47		**22,889.76**	23,648.84
K Nelson	9,300.00	3,689.52			**12,989.52**	13,562.92
S Nelson	9,300.00	12,790.29	301.16		**22,391.45**	22,528.03
EA Nesbitt	975.00				**975.00**	9,300.00
W Noble	975.00	312.00			**1,287.00**	10,069.90
E O'Donnell	9,300.00	7,379.03	15.56		**16,694.59**	16,800.00
R Patterson	9,300.00	7,291.70	80.45		**16,672.15**	9,449.68
M Perry	9,300.00	7,379.03			**16,679.03**	16,800.00
M Rigg	9,300.00	6,048.42			**15,348.42**	21,800.04
R Rix	975.00	786.29			**1,761.29**	16,995.58
D Rose	8,400.00	10,833.30	78.40		**19,311.70**	0.00
F Salt	975.00	393.15			**1,368.15**	13,318.74
A Sherris	9,300.00	564.52	321.26		**10,185.78**	13,292.54
M Smith	9,300.00	11,397.82			**20,697.82**	13,095.97
N Stephenson	8,400.00		33.10		**8,433.10**	0.00
M Stoker	9,300.00	7,379.03	340.50		**17,019.53**	16,859.96
T Stott	8,400.00	3,125.00			**11,525.00**	0.00
A Trainer	0.00				**0.00**	6,232.26
SF Walmsley	9,300.00	4,919.39			**14,219.39**	14,300.04
Mrs S Walmsley	9,300.00				**9,300.00**	9,397.51
D Wilburn	8,400.00	3,125.00			**11,525.00**	0.00
N Wilburn	8,400.00	3,125.00			**11,525.00**	0.00
Mary Womphrey	9,300.00	1,956.99			**11,256.99**	22,299.96
M Womphrey	9,300.00	564.52			**9,864.52**	13,765.75
W Woodhead	9,300.00	1,129.03	160.98		**10,590.01**	17,047.09
B Woodhouse	9,300.00	7,379.03			**16,679.03**	16,800.00
Totals	**510,825.00**	**272,671.73**	**5,946.32**	**12.55**	**789,455.60**	795,014.64

Appendix C

Glossary of Terms

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

Amortised cost
The amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount. International Accounting Standard (IAS) 39 requires the amortised cost to be calculated using the effective interest method.

Capital Charge
A charge to service revenue accounts to reflect the cost of non current assets used in the provision of a service.

Capital Expenditure

Expenditure on the acquisition of a non current asset or expenditure designed to extend its useful life.

Community Assets
Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

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

Contingency
A condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non occurrence of one or more uncertain future events.

Corporate and Democratic Core
The Corporate and Democratic Core comprises all activities which councils engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be 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.

Deferred Charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. Examples of deferred charges are expenditure on items such as improvement grants.

Depreciation
The measure of the wearing out, consumption or other reduction in the useful economic life of a non current asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

Effective interest method
This is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The effective interest rate in a financial instrument is the rate that exactly discounts the cash flows associated with the instrument to the net carrying amount at initial recognition.

Exceptional Items

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

Extraordinary Items

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

Finance Lease

A lease that transfers substantially all the risks and rewards of ownership of a non current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Going Concern

The concept that the Council 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 transfers of assets to an Council in return for past or future compliance with certain conditions relating to the activities of the Council.

Heritage Assets

Heritage assets are held in support of the primary objective of increasing the knowledge, understanding and appreciation of the Council's history and local area. They include items such as works of art, museum collections and civic regalia.

Infrastructure Assets

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

Inventories

Comprise the following categories:

a) goods or other assets purchased for resale;
b) consumable stores;
c) raw materials and components purchased for incorporation into products for sale;
d) products and services in intermediate stages of completion;
e) long term contract balances; and
f) finished goods.

Investments
A long term investment is an investment that is being held for use on a continuing basis in the activities of the Council. Investments should be so 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 classified as current assets.

Investment Properties
Interest in land and/or buildings:

a) in respect of which construction work and development have been completed; and
b) which is held for its investment potential, any rental income being negotiated at arm's length.

Long Term Contracts

A contract entered into for the design, manufacture or construction of a 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 to substantially 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.

Net Book Value

The amount at which non current assets are included in the balance sheet i.e. the historical cost or current value, less the cumulative amounts provided for depreciation.

Net Current Replacement Cost
The cost of replacing or recreating the particular asset in its existing condition and in its existing use i.e. the costs of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Realisable Value

The open market value of the asset in its existing use (or open market value in the case of a non operational asset), less any expenses incurred in realising the asset.

Non Current Assets
Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

Non Operational Assets
Non current assets held by a council but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Lease
A lease other than a finance lease.

Operational Assets

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

Post Balance Sheet Events

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

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 corrections or adjustments of accounting estimates in prior years.

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.

Useful Life

The period over which the Council will derive benefits from the use of a non current asset.