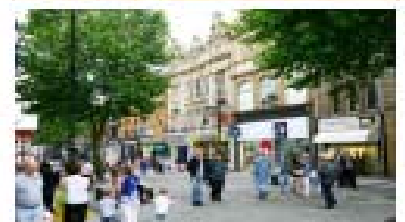


**2011-12
Statement of Accounts**



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Explanatory Foreword

Introduction

The Statement of Accounts summarises the financial performance of the Council for the year ended 31 March 2012.

The foreword gives a brief summary of the Council's overall financial results for 2011/12, the type of expenditure incurred and the funds used to pay for it. It also highlights the main influences affecting the accounts and assists in the interpretation of the main accounting statements.

Explanation of the Statements

The full statement of accounts consist of:

The Statement of Responsibilities for the Statement of Accounts

This identifies the officer responsible for the proper administration of the Council's financial affairs and sets out their and the Council's responsibilities in respect of the Statement of Accounts.

Movement in Reserves Statement

This shows the movement in year on the different reserves held by the Council, identified between usable reserves and unusable reserves. The statement shows that in 2011/12 usable reserves (cash backed reserves) increased by £0.798m and unusable reserves (accountancy adjustments) reduced by £24.080m. The overall movement on the Council's 2011/12 reserves was a reduction of £23.282m.

Comprehensive Income and Expenditure Statement

This identifies the income and expenditure on all services the Council provides and brings together all the recognised gains and losses of the Authority during the period 1 April 2011 to 31 March 2012. The statement shows the 2011/12 cost of Council Services was £190.253m and the Council recorded a deficit on the provision of its services of £17.386m. This deficit represents the amount the Council's net worth has fallen over the year. This is shown on the Balance Sheet as a reduction in net assets less liabilities between 31st March 2011 and 31st March 2012. In addition to the in year underspend of £0.306m the main factors which have contributed to this reduction in the net worth of the Council:

- Charging of changes to the pension deficit to the Comprehensive Income and Expenditure Statement (CIES)
- The CIES incurs a charge for the depreciation of fixed assets
- The CIES also recognises the revaluation on non current assets

The Balance Sheet

This statement sets out the financial position of the Council on 31 March 2012. It incorporates the funds of the Council, both Capital and Revenue. The headline figures from the Balance Sheet are:

- Long Term Assets increased by £28.354m in 2011/12 and this is mainly due to the revaluation of schools buildings in 2011/12
- The Council's Net Pension Liability at 31 March 2012 was £127.498m, an increase of £39.421m on 2011/12. The increase in the liability was due to the actuary changing assumptions that the value of the pension fund is based on
- Usable Reserves increased by £0.798m
- Provisions decreased by £0.371m
- The Net Worth of the Council reduced by £23.282m in 2011/12 to £322.889m at 31 March 2012 which was mainly due to the increase in the pension liability

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. It identifies how the Council generates and uses cash and cash equivalents by classifying the cash flows as operating, investing and financing activities. Cash flows from operating activities are a key indicator of how the Council is funded by taxation and grant income, or from services provided by the Council. Investing activities identify how 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 by the Council. The statement shows the Council recorded a cash flow net decrease of £9.684m in 2011/12. This primarily is the result of the Council following the strategy of funding its capital programme from investments instead of borrowing.

The Housing Revenue Account (HRA)

In November 2010 the Council transferred ownership of its Housing Stock and associated land to Golden Gates Housing Trust under a Large Scale Voluntary Transfer (LSVT). In June 2011 the Council applied to the Department for Communities and Local Government for permission to formally close the HRA as of 31 March 2012, and written approval was received in July 2011.

Following the transfer the Council was required to maintain a Housing Revenue Account for a minimum of 12 months afterwards to account for any residual income and expenditure that may be received or incurred. Therefore during 2011/12 the Housing Revenue Account remained operational until 31 March 2012 and the statement and notes are shown in the accounts.

At the 31 March 2011, 28 properties remained within the Council's ownership. These comprised 22 units at Alder Lodge which the Council uses as homelessness accommodation and a further 6 properties that were not part of the transfer of housing stock to Golden Gates Housing Trust. As the HRA ceased to exist from 31 March 2012 these properties were transferred into the general fund on that date.

The Collection Fund

The Collection Fund is the account into which income due from Council Tax and Business Rates is paid. Money is paid out to Government for Businesses Rates and to the Council, Fire and Police Authorities in respect of amounts required by their budgets for the financial year. A provision is made for uncollectible Council Tax, and any surplus on the accounts is paid over to the Council and its preceptors in subsequent years. The Collection Fund recorded a surplus of £0.194m for the year ended 31 March 2012.

The Group Accounts

The Council is required to prepare Group Accounts where the Council has an interest in subsidiaries, associates and/or jointly controlled entities subject to the consideration of materiality. These statements consolidate the Council's accounts with those of:

- Warrington Borough Transport (WBT) – In 2011/12 WBT reported a loss of £0.198m

Segmental Reporting

The Comprehensive Income and Expenditure Statement is produced under accounting standards and differs from the financial management reporting the Council uses in year (this is the same for all Councils). The Segmental reporting note (note 28) to the Accounts reconciles the Comprehensive Income and Expenditure Statement with the Council's internal management accounts reporting format.

Notes & Glossary of Terms

The accounting arrangements of local government and a large organisation such as the Council are complex. To help understand the accounts the main statements are supported by explanatory notes and a glossary of terms and abbreviations used.

Main Influences on the 2011/12 Accounts

The main influences on the 2011/12 have been:

- Economic Conditions
- Government Cuts
- Revaluation of Assets
- Changes in Accounting Policy

Economic Conditions

Global economic conditions have influenced the Council's approach to its Treasury Management activities. Interest rates throughout the year were at unprecedented low levels. This meant the return earned on investments was also very low, as was the rate of interest payable on long loans. Turbulence in the world banking sector increased the risk associated with investing money. These factors contributed to the

Council adopting the policy of funding capital expenditure from Council cash balances rather than undertaking new borrowing.

The economy has also had a major impact on the Council's pension liability, which increased by £39.421m in 2011/12 to £127.498m. This was fuelled by changes in actuarial assumptions used to value the pension fund, which were based on a more pessimistic economic outlook than those used in the previous year.

The economy declining in 2011/12 and the impact of the Government's austerity measures have also seen increases in the demand for some Council services.

Government Cuts

The Government's Comprehensive Spending review 2010 outlined its policy to make reductions in funding of 28% to Local Government over four financial years from 2011/12 as part of its strategy to reduce the level of national debt. For Local Government these cuts were front loaded in 2011/12 and 2012/13.

This resulted in the Council having its Government funding cut by £8.8m (13.3%) in 2011/12.

Revaluation of Assets

The Council revalues its property assets on a three year rolling programme. In 2011/12 all the Council Schools were revalued, together with its Private Finance Initiative (PFI) and investment assets. This resulted in the Council's property portfolio increasing in value by £16m.

Significant Changes in Accounting Policy

The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices.

For 2011/12 the following changes in accounting policies have been adopted:

1. Financial Reporting Standard (FRS) 30 - Heritage Assets. Heritage Assets are tangible assets with historic, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

This requires that heritage assets are recorded as a separate category on the Balance Sheet for the first time and that there is a restatement of the opening balance sheet at 1 April 2010 to include such assets and to re-state the 2010/11 and 2009/10 accounts. In previous financial years, Heritage Assets were not recognised in the Balance Sheet as there was no requirement to adopt the relevant standard in prior years.

The Council has incorporated £13.260m of Heritage Assets into its Long Term Assets in the 2011/12 Balance Sheet. Detailed information on Heritage Assets is included in Notes 52 to 55 of the accounts.

2. There is a new disclosure requirement in relation to staff exit packages as the 2011/12 Code has introduced a requirement to disclose the number and cost of exit packages agreed in the financial year. Notes 35 & 45 of the accounts set out this information.
3. 2011/12 is the first year that Carbon Reduction Commitment (CRC) emissions will give rise to a liability to purchase and surrender CRC carbon allowances. The Council has estimated a £0.258m provision for this in its 2011/12 accounts.
4. The definition of what constitutes a related party has changed in 2011/12, in relation to close family members of the person and a revision to the core definition. There is also a change in disclosure with less disclosure being required in respect of central government departments, government agencies, National Health Service bodies and other Local Authorities. These changes are incorporated into note 39 to the accounts.

Summary of 2011/12 Financial Year

Expenditure falls into two broad areas, namely revenue spending (concerning the provision of Council services) and capital spending (the acquisition and improvement of assets).

Revenue Spending (General Fund) in 2011/12

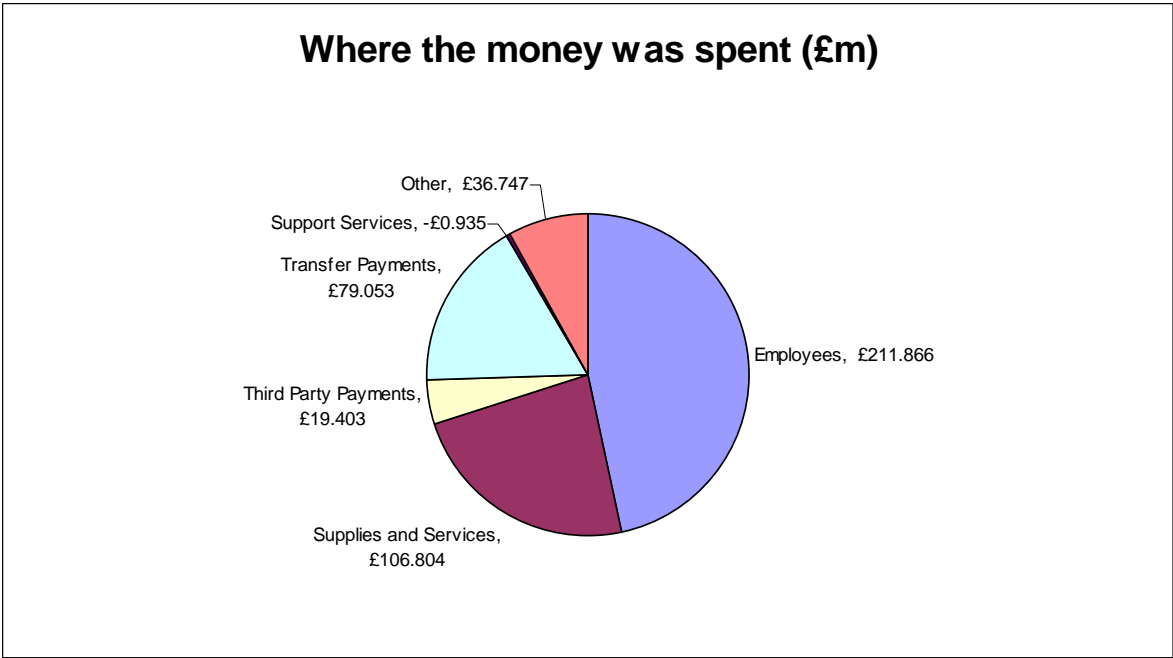
A comparison of budget and expenditure is set out below with the actual spend as reported for each Directorate for 2011/12 as follows:

| Directorate | Original Budget £m | Movement £m | Revised Budget £m | Actual Spend £m | Variance £m |
|----------------------------|-------------------------------|------------------------|------------------------------|----------------------------|------------------------|
| Environment & Regeneration | 27.755 | 5.751 | 33.506 | 33.496 | -0.010 |
| Neighbourhood & Community | 71.316 | -0.605 | 70.711 | 70.665 | -0.046 |
| Assistant Chief Executive | 13.724 | -5.030 | 8.694 | 7.823 | -0.871 |
| Children & Young People | 38.451 | 26.680 | 65.131 | 65.202 | 0.071 |
| Corporate Financing | 3.576 | -30.003 | -26.427 | -25.877 | 0.550 |
| | 154.822 | -3.207 | 151.615 | 151.309 | -0.306 |

The variances in original and revised budget in Children & Young People (+£27m), Environment and Regeneration (+£6m) and Corporate Financing (-£30m) relate to the movement on depreciation budgets for Council assets. The movement in Assistant Chief Executive's Budget (-£5m) relates to a change in treatment of internal recharges

The table above shows that the Council recorded a revenue underspend position for 2011/12 of £0.306m.

The Council incurred gross revenue expenditure in 2011/12 of £452.939m an analysis of which is given in the charts below:

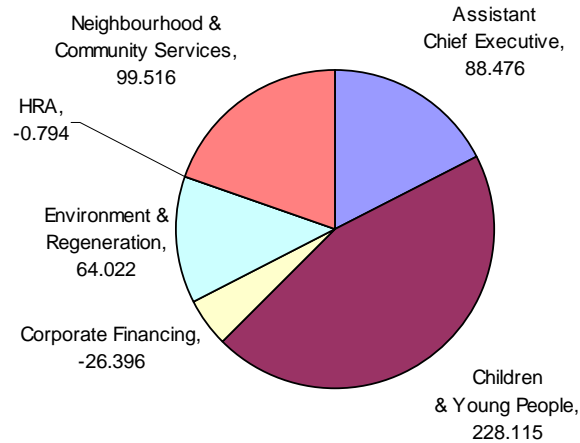


The main elements of expenditure are:

- Employees £211.866m – salary costs including teachers
- Third Party Payments of £19.403m – including Concessionary Travel, Golden Gates Housing Management Fee, learning disability expenditure
- Transfer Payments of £79.053m – including Housing Benefit, Council Tax Benefits and Rent Rebates
- Supplies of £106.804m – including Social Care costs and IT and telecoms
- Other Operating costs of £35.813m – includes premises costs and transport costs

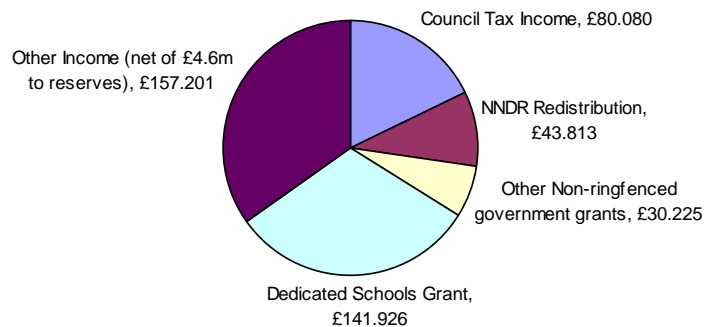
As at 31 March 2012, the Council employed 8,614 staff (including teachers) and 5,820 full time equivalents (FTE's)

Services on which the money was spent (£m)



The chart below identifies the sources of Council funding for 2011/12:

Where the money came from (£m)



The main elements of income as shown above are:

- **Dedicated Schools Grant £141.926m** - a grant paid by the Government that can only be used in support of the schools budget
- **Council Tax £80.080m** - this is the council tax collected from local taxpayers
- **NDR Redistribution £43.813m** – the business rates redistributed from Central Government
- **Other Non-ring Fenced Grants £30.225m** - these are a range of grants from the Government to support general expenditure

- **Other Income £157.201m** – includes non-government grants, reimbursements, contributions recharges, and is net of contributions to reserves

Capital Spending in 2011/12

The Council spent £42.723m (30% under the in-year Budget Programme) on capital items in 2011/12. The Council set out its 2011/12 Capital Programme in March 2011. The capital programme is revised on a quarterly basis throughout the year to account for slippage and the addition and deletion of schemes from the programme. Based on the December 2011 revision, 70% of the 2011/12 capital budget was spent. The underspend is the result in delays in several projects in 2011/12, the majority of which will be rolled forward into 2012/13. The main projects where slippage has occurred are:

- Orford Park Sports Village £4m – groundwork delays
- Building Maintenance Programme £2m - re-profiling of specific work and additional maintenance charged to revenue
- Venture Capital trading Company £2m – no capital funding needed for project
- Solar PV Panels £4.5m – delays due to change in Government Feed in Tariff
- Workforce Remodelling £4m – reduction in anticipated number of leavers

The tables following show an analysis of 2011/12 capital expenditure, funding position and major scheme expenditure:

| 2011/12 Capital Expenditure | Original MTFP £m | Revised (Dec) £m | Actual Spend £m | % Spent | Variance | |
|--|---------------------|---------------------|--------------------|------------|-----------------|-------------|
| | | | | | £m | % |
| Children & Young People Directorate | 12.567 | 9.216 | 8.412 | 91% | - 0.804 | -9% |
| Neighbourhood & Community Directorate | 0.901 | 0.550 | 0.482 | 88% | - 0.068 | -12% |
| Corporate Finance | 4.000 | - | - | 0% | - | -100% |
| Assistant Chief Executives Directorate | 5.900 | 8.584 | 4.203 | 49% | - 4.381 | -51% |
| Environment & Regeneration Directorate | 45.469 | 32.179 | 24.318 | 76% | - 7.861 | -24% |
| Invest to Save Programme | 18.300 | 10.084 | 5.308 | 53% | - 4.776 | -47% |
| Total | 87.137 | 60.613 | 42.723 | 70% | - 17.890 | -30% |

The Council paid for its capital expenditure from the following sources:

| Capital Programme | Actual £m |
|--------------------------------------|---------------|
| Council Unsupported Borrowing | 15.434 |
| Council Capital Grants and Reserves | 23.153 |
| Council Capital Receipts | 4.056 |
| Council Revenue Funding | 0.080 |
| TOTAL - Capital Funding Plans | 42.723 |

In 2011/12 the majority of borrowing (£11.634m) has been financed from the Council's own cash and investments rather than taking out external loans. This is in line with the Council's Treasury Management Strategy.

The most significant Capital schemes, which incurred expenditure of £0.5m or more are shown below:

| Major Capital Schemes with Spending over £500,000 | £m |
|--|---------------|
| Capitalisation of Pension Costs | 2.340 |
| Great Sankey High-6th Form Accommodation & Modernisation | 1.861 |
| Local Authority Mortgage Scheme | 2.000 |
| Lymm High School - Remodel | 0.897 |
| Culcheth High School | 0.894 |
| Local Transport Plan - Bridges | 0.663 |
| Affordable Housing&Tackling Empty Homes | 1.140 |
| Local Transport Plan - Structural Maintenance | 1.985 |
| Orford Park Sports Village | 11.470 |
| Disabled Adaptations to Private Housing | 1.049 |
| Great Sankey Primary Replacement | 0.868 |
| Capitalised Redundancy Costs | 1.863 |
| Ravenbank Primary School | 0.613 |
| School Capital Works | 0.779 |
| Local Transport Plan - Long Lane Project | 1.918 |
| Solar Panels - Golden Gates Housing Properties | 2.498 |
| | 32.840 |

Capitalisation of Redundancy Costs

In March 2011, the Department for Communities and Local Government (DCLG) notified Councils that there was the opportunity to submit requests for a capitalisation direction. The effect of a direction is that specified revenue expenditure is able to be treated as capital expenditure, rather than charging to revenue, it may be funded from capital sources (e.g. borrowing capital receipts, capital grants), thereby increasing a council's financial flexibility.

The Council was awarded two capitalisation directives for pension costs associated with retirements and statutory redundancy costs. In 2011/12 the Council capitalised £1.863m of redundancy costs and £2.340m of pension costs.

Acquisition of assets

The Council made three property acquisitions totalling £0.230m in 2011/12:

- Land at Sealand Close - £1
- 17 Farnworth Road - £0.105m
- 17 Yates Close - £0.124m

Disposal of Assets

The Council disposed of assets totalling £0.788m in 2011/12. The major disposals consisted of:

- The Horizon Centre, Loushers Lane - £0.305m
- G Block, Culcheth High School - £0.306m
- 38 Secker Avenue, Latchford - £0.076m
- 54 Statham Avenue - £0.034m
- 80 Gorsey Lane - £0.067m

Schools

The Council's expenditure on schools and education is predominantly funded by grant monies provided by the Government through the Dedicated Schools Grant, (DSG), (Sixth form funding derives from a separate, specific funding allocation). The DSG is ring-fenced and can only be used to cover either schools' expenditure or specific central education services provided by the Council. The Council underspent on its DSG in 2011/12 by £980 mainly as a result of reduced early retirement and long-term sickness costs, which offset increased costs in placing Warrington children in other Councils specialist educational establishments.

During the year school reserves increased by £3.126m to a year end balance of £5.080m. The increase was made up of:

- Primary £1.760m
- Secondary £0.969m
- Special £0.397m

The increase mainly resulted from the inclusion of standards fund grant in school balances due to a change in government funding. Previously standards fund balances were reported separately.

Borrowing Facilities

At 31 March 2012, the Council's total external deposits with financial institutions amounted to £24.327m (£27.835m at 31 March 2011). At 31 March 2012, the Council had £114.847m of debt outstanding (£112.345m at 31 March 2011), principally used to finance the Council's capital programme.

The increase in the level of debt in 2011/12 is mainly due to new loans for the Local Authority Mortgage Scheme (£2m) and for Golden Gates Housing Trust (£1.819m). There have been two loans totalling (£1.333m) which have been repaid to the PWLB during the year.

The Council considers this level of borrowing to be prudent with reference to the Capital Financing Requirement (CFR) (as defined in the Prudential Framework for Capital Accounting). The CFR measures the underlying need to borrow to finance capital expenditure and as at 31 March 2012 was £151.593m (£139.370m as at 31 March 2011).

Reserves

The Council holds both usable (funds available for the Council to use) and unusable reserves (non cash back reserves / accountancy adjustment reserves). The usable reserve balance at 31 March 2012 was £47.229m, an increase of £0.798m over the year.

Significant Provisions

Note 22 to the accounts shows that £3.176m of provisions that have been recorded in the accounts. The most significant being:

- £0.675m Redundancy
- £1.287m Insurance Fund
- £0.600m Residential Nursing Contract

Private Finance Initiative (PFI)

In 2004 the Council procured and delivered 105 affordable social houses at the former Anson Close and Blenheim Close site under the Private Finance Initiative (PFI). Under the terms of the agreement, the Council is liable to pay a maximum unitary charge of £300,000 per annum (until the year 2034) towards the annual operational cost of the project. Deductions will apply in respect of non-performance by the PFI Contractor.

In 2004 the Council also procured and delivered 38 affordable apartments for rent, providing supported housing at the former John Morris House site under the Private Finance Initiative. Under the terms of the agreement the Council is liable to pay a maximum unitary charge of £180,500 per annum (until the year 2038) towards the annual operational cost of the project.

Events After the Balance Sheet Date

On 18 May 2012 the Council set up a Community Interest Company and a Cultural Trust. Culture Warrington took over the running of Parr Hall, Pyramid and the Museum and LiveWire Warrington took over the running of the Council's Leisure and Wellbeing Services. The Council entered into 20 property leases with these organisations as a result.

This event is recorded in note 6 to the accounts but it is not formally recorded in the accounting statements.

Officers' Remuneration

Note 35 to the accounts provide details of the remuneration packages paid to senior officers of the Council.

Pensions

There has been a great deal of press publicity over the past 12 months on public sector pension schemes. Full details of the pension schemes the Council contribute to can be found in Notes 46 and 47 to the Accounts.

The majority of non-teaching staff who work for the Council are members of the Cheshire Pension Fund, Cheshire West and Chester Council administers this fund on behalf of the four Cheshire Councils. Figures contained in the Statement of Accounts are based on the latest valuation of the scheme by Hymans Robertson LLP, an independent firm of actuaries.

The Council's Balance Sheet includes a net pension liability of £127.498m as at 31 March 2012, an increase of £39.421m. The impact of this liability is that it reduces the net worth of the Council by £127.498m.

The increase is principally due to the actuarial financial assumptions at 31 March 2012 being less favourable than they were at 31 March 2011.

The pension liability reflects the fair value of future pension liabilities that have been incurred less the assets that have already been set aside to fund them.

For 2011/12 the Cheshire Pension Fund received £7m more in contributions than it paid out in benefits. Full copies of the pension fund accounts are available upon request.

The Government have recently announced changes to the Local Government Pension Scheme to make it more sustainable in the long term. These changes will become operational from 1 April 2014 and will result in the scheme changing from a final salary scheme to a career averaging scheme.

Also in line with new Government policy by 1 April 2013 all Council staff must be automatically enrolled into the Local Government Pension Scheme. Staff have the choice to leave the scheme if they wish. This is different to the current procedure whereby staff decide whether to join the scheme or not.

The Council are members of the Teachers' Pension Scheme administered by the Department for Education and it is not possible for the Council to identify its share of the underlying liabilities. For the purposes of the Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme.

For the first time in 2011/12 the Council also made a contribution to the NHS Pension Scheme for 27 staff who transferred to the Council in year. Again it is not possible for the Council to identify its share of the underlying liabilities. For the purposes of the Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme.

Performance

In 2011/12 across the Council there were 75 service delivery measures and at the end of the year 68% of these had been achieved or bettered. The Council also recorded a year end underspend of £0.306m.

Key Performance Highlights

Increasing local procurement spend within Warrington was very successful with the year end position surpassing the 40% target set for 2011/12.

On average, households are diverting 44% of the total weight of the household waste they produce into their blue and green recycling, above the all England average and an improvement on the previous year.

Crime rates have fallen across all categories, with significant reductions seen in serious acquisitive crime and assault with injury crime figures.

The Council's Health measures have improved on the previous year's performance. Hospital admissions for alcohol related harm are down from 2,411 to 1,861; smoking cessation has improved from 941 to 1,100; and those participating in leisure, library, sport and physical activities increased by over 80,000.

The percentage of Warrington primary schools now judged to be good or better is 73% against a national average of 69%, whilst the percentage judged outstanding is 28% against a national figure of 17%.

Future Changes in Local Government Finance

Local Government Resource Review

In March 2011, the Government announced the Local Government Resource Review (LGRR). The Review was to "consider the way in which Local Authorities are funded, with a view to giving Local Authorities greater financial autonomy and strengthening the incentives to support growth in the private sector and regeneration of local economies".

The major aim of the LGRR was to return business rates to Local Authority Control. The Government issued some details on the new scheme in May 2012, which incorporated allowing authorities to keep 50% of the business rates they collected with the remaining 50% being allocated via formula grant. Adequate safeguards are to be built into the new system to prevent major swings creating winners and losers. Full details of the new scheme will not be known until the autumn 2012.

Council Tax Localisation

The Government announced in Comprehensive Spending Review 2010 its intention to localise support for Council Tax from 1 April 2013.

The main change for the Council is that a grant will be paid to the General Fund to replace the current Council Tax Benefit paid into the Collection Fund, which will only cover around 90% of the current benefits. Local Authorities are expected to implement a local benefits scheme to address the remaining 10%.

Technical Reforms of Council Tax

Councils from 1 April 2013, under the Local Government Finance Bill 2011 will have the following Council Tax discretion:

- the application of exemptions to Council Tax where, for example, improvement works make the building uninhabitable
- to introduce an empty homes premium
- to abolish the second homes discount

The Council has yet to decide if it will apply local discretion but, if introduced, these measures might increase the level of Council Tax that could be raised.

Localism Act

The Localism Act received royal assent on 16 November 2011. It was intended to give Councils the freedom and flexibility to be creative and entrepreneurial acting directly in the interest of their communities and in their own financial interest. It included wide ranging changes aimed at empowering communities to have more control and involvement in their local areas, including enabling delivery of services at a grass roots level.

The Localism Act gave Councils the following additional extra powers/responsibilities:

- If the Secretary of State considers a proposed Council Tax increase to be excessive the council will have to hold a Council Tax referendum
- General Power of competence – this is a new power that gives Councils the same broad powers as an individual to do anything unless it is prohibited by statute
- Transfer and delegation of functions to Councils – a Local Authority will be eligible to make an application to take over other local public functions that are a high community priority
- Community right to challenge - this gives voluntary and community groups, Parish Councils and Council employees the right to express an interest in taking over the running of a Council service
- New community rights – this will require the Council to maintain an accurate Register of Assets of Community Value (both in private and public ownership) and Communities will have the 'Right to Bid' to purchase assets included within the list of properties should they become vacant. It is anticipated that these provisions will come into force later in 2012

- Neighbourhood Planning – there is a new right for local communities to shape new development by coming together to draw up a neighbourhood plan

Changes to Schools Funding Arrangements

Funding for schools and other pupil related services is provided via the Dedicated Schools Grant (DSG). The Government proposes to introduce a new DSG formula from 2013/14 which will provide funding to Councils, maintained schools and Academies, on what it considers to be a fair and transparent basis. The Government are proposing moving to a national schools formula which will have an impact on the role of the Schools Forum going forward. Any variation in DSG funding might also have an adverse impact on the over all funding position of the Council.

Academies

The government remains committed to the Academies agenda. Although no Warrington Schools transferred to Academy status in 2011/12 a number of High Schools are expected to transfer in 2012/13. The government is currently working on clarifying the funding arrangements of Academies but losses to local authorities are expected and this will be factored into the Council's Medium Term Financial Plan.

Public Health

The Government announced in July 2010 the transfer of Public Health Funding from Primary Care Trusts to Local Authorities. This significant change in organisational responsibilities will be delivered at the same time as reductions in total NHS and Local Government funding. On 7 February 2012 the Department of Health has provided the initial baseline allocations for the Council suggesting that from 2013/14 the Council will receive funding of £8.2m to support the commissioning of public health services.

Troubled Families

The Council have been awarded £1.1m over the next 3 years under the Governments Troubled Families agenda. The Council will work with its partners to develop the initiative so that successful outcomes are jointly achieved. Success will be determined by:

- Getting children back to school
- Reducing criminal and anti social behaviour
- Getting parents on the road back to work
- Reducing the costs to the taxpayer and local authorities

James Review

In April 2011 the Government issued, the James Review which made recommendations for changes to Education Capital Funding.

However, there has been no major announcement yet on the new way forward on Education capital funding. The Government issued interim capital grant funding for

both 2011/12 and 2012/13. It is likely therefore that more substantial changes will be seen from 2013/14 onwards.

Change in External Auditors

New external auditor appointments are due to commence from 1 September 2012. The Audit Commission proposes to appoint Grant Thornton as the Council's auditors.

Future Outlook

The Council is facing a series of challenges in the future the most significant of which will undoubtedly be the cuts in grant funding announced in the 2012/2013 Settlement and implied in the Government's 2010 Comprehensive Spending Review. The budget for 2012/2013 has been set in the context of a council tax freeze and the delivery of £14.094m of savings. In addition the Medium Term Financial Plan highlights the need to £23.114m over the subsequent four years. Work is ongoing to deliver these savings through the Medium Term Financial Planning process.

There are many financial risks facing the Council and Local Government in general over the medium term, the main ones being:

- Uncertainty over future Government funding allocations
- The continued freeze in Public Sector pay leads to a risk of industrial action
- Savings proposals may fail to deliver the required level of savings due to increased risk of litigation
- The risk that inflation is greater than budgeted
- Interest rates, and therefore interest receipts, will be lower than forecast.

A prudent reserves strategy is vital in these times of austerity. The Chief Finance Officer gives an assurance statement to Council each year in setting the annual budget on the adequacy of the Council's reserves. In 2011/12 the Council were able to increase their usable reserves by £0.798m and we plan to make a contribution to reserves of £2.1m in 2012/13.

In addition, although capital grants have also been severely reduced the Council remains committed to continuing investment in its asset base and is proposing to spend £165.872m over the next three years on capital schemes. There will be an increased emphasis on invest to save schemes and greater joint working with private developers in the funding of the capital programme in future years.

Your Comments

The Explanatory Foreword and the Accounts that follow are an important part of the Council's arrangements for financial management and accountability.

A summarised version of the Accounts, which provides a more user-friendly overview of the key figures for 2011/12, will be published in autumn 2012 following completion of the Accounts Audit. This will be available on the Council's website and copies will be available in public places after the conclusion of the audit.

If you have any comments on any aspect of the Statement of Accounts, please contact Danny Mather, Corporate Finance Manager by e-mail at dzmather@warrington.gov.uk or by phone on 01925 442344.

Acknowledgements

The production of the Statement of Accounts would not have been possible without the exceptionally hard work of staff across the Council. I would like to express my gratitude to all colleagues, from the finance team and other services, who have assisted in the preparation of this document.

A handwritten signature in black ink, appearing to read 'Lynton Green', written in a cursive style.

**Lynton Green CPFA
Chief Finance Officer**

Statement of Responsibilities

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 Chief Finance Officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Approve the Statement of Accounts

The Chief Finance Officer's Responsibilities

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

In preparing this Statement of Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

The Statement of Accounts gives a true and fair view of the financial position of the Council at 31 March 2012 and its income and expenditure for the year ended 31 March 2012.

Signed



Dated 27 September 2012

Lynton Green, Chief Finance Officer

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 £000 | Earmarked General Fund Reserves £000 | HRA Balance £000 | Earmarked HRA Reserves £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Reserves of the Authority £000 |
|---|------------------------------|---|---------------------|--------------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|---------------------------------|---|
| Restated Balance as at 1 April 2010 | 976 | 23,307 | 2,421 | 841 | 345 | 1,709 | 11,859 | 41,458 | 379,495 | 420,953 |
| Movement in reserves during the year | | | | | | | | | | |
| Restated Surplus or (deficit) on provision of services | 39,543 | - | (245,580) | - | - | - | - | (206,037) | - | (206,037) |
| Restated Surplus or (deficit) on revaluation of non-current assets | - | - | - | - | - | - | - | - | (3,998) | (3,998) |
| Actuarial gains or (losses) on pensions reserve | - | - | - | - | - | - | - | - | 135,253 | 135,253 |
| Restated Total Comprehensive Income and Expenditure | 39,543 | - | (245,580) | - | - | - | - | (206,037) | 131,255 | (74,782) |
| Restated Adjustments between accounting basis & funding basis under regulations | (36,479) | - | 245,466 | - | 149 | 392 | 1,482 | 211,010 | (211,010) | - |
| Restated Net Increase/Decrease before Transfers to Earmarked Reserves | 3,064 | - | (114) | - | 149 | 392 | 1,482 | 4,973 | (79,755) | (74,782) |
| Restated Transfers to or from earmarked reserves | (3,064) | 2,779 | (1) | 1 | 285 | - | - | - | - | - |
| Restated Increase/Decrease in Year | - | 2,779 | (115) | 1 | 434 | 392 | 1,482 | 4,973 | (79,755) | (74,782) |
| Restated Balance as at 31 March 2011 | 976 | 26,086 | 2,306 | 842 | 779 | 2,101 | 13,341 | 46,431 | 299,740 | 346,171 |
| Movement in reserves during the year | | | | | | | | | | |
| Surplus or (deficit) on provision of services | (18,155) | - | 769 | - | - | - | - | (17,386) | - | (17,386) |
| Surplus or (deficit) on revaluation of non-current assets | - | - | - | - | - | - | - | - | 36,119 | 36,119 |
| Actuarial gains or (losses) on pensions reserve | - | - | - | - | - | - | - | - | (42,015) | (42,015) |
| Total Comprehensive Income and Expenditure | (18,155) | - | 769 | - | - | - | - | (17,386) | (5,896) | (23,282) |
| Adjustments between accounting basis & funding basis under regulations | 20,967 | - | 25 | - | (779) | (80) | (1,949) | 18,184 | (18,184) | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 2,812 | - | 794 | - | (779) | (80) | (1,949) | 798 | (24,080) | (23,282) |
| Transfers to or from earmarked reserves | (2,506) | 6,448 | (3,100) | (842) | - | - | - | - | - | - |
| Increase/Decrease in Year | 306 | 6,448 | (2,306) | (842) | (779) | (80) | (1,949) | 798 | (24,080) | (23,282) |
| Balance Sheet As At 31 March 2012 | 1,282 | 32,534 | - | - | - | 2,021 | 11,392 | 47,229 | 275,660 | 322,889 |

Comprehensive Income and Expenditure Statement as at 31 March 2012

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

| Restated 2010/11 | | | | 2011/12 | | | |
|------------------------------|-------------------------|----------------------------|--|---------|------------------------------|-------------------------|----------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Notes | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 85,241 | (73,882) | 11,359 | Central Services to the Public | | 78,602 | (74,132) | 4,470 |
| 21,872 | (7,000) | 14,872 | Cultural and Related Services | | 20,779 | (7,295) | 13,484 |
| 19,515 | (3,720) | 15,795 | Environment and Regulatory Services | | 20,068 | (4,505) | 15,563 |
| 11,751 | (7,686) | 4,065 | Planning Services | | 7,877 | (3,196) | 4,681 |
| 238,607 | (197,210) | 41,397 | Childrens and Education Services | | 239,754 | (173,571) | 66,183 |
| 20,668 | (4,502) | 16,166 | Highways, Roads and Transport Services | | 19,351 | (3,001) | 16,350 |
| 17,084 | (21,577) | (4,493) | Local Authority Housing (HRA) | | 45 | (814) | (769) |
| | | | Local Authority Housing (HRA) Exceptional Costs - | | | | |
| 309,590 | (62,013) | 247,577 | Stock Transfer | | - | - | - |
| 17,574 | (5,682) | 11,892 | Other Housing Services | | 11,233 | (1,649) | 9,584 |
| 83,727 | (32,834) | 50,893 | Adult Social Care | | 83,191 | (30,288) | 52,903 |
| 6,125 | (220) | 5,905 | Corporate and Democratic Core | | 5,747 | (5) | 5,742 |
| 539 | - | 539 | Non-Distributed Cost | | 2,062 | - | 2,062 |
| | | | Non-Distributed Cost Exceptional Costs - Pensions | | | | |
| (53,858) | - | (53,858) | Past Service Gain | | - | - | - |
| 778,435 | (416,326) | 362,109 | Cost of Services | | 488,709 | (298,456) | 190,253 |
| | | 5,795 | Other Operating Expenditure | Note 9 | | | 2,605 |
| | | 17,291 | Financing & Investment Income & Expenditure | Note 10 | | | 851 |
| | | - | Surplus or Deficit on Discontinued Operations | | | | - |
| | | (179,158) | Taxation and Non-Specific Grant Income | Note 11 | | | (176,323) |
| | | 206,037 | (Surplus) or Deficit on Provision of Services | | | | 17,386 |
| | | | Surplus or Deficit on revaluation of non-current | | | | |
| | | 3,998 | assets | Note 24 | | | (33,779) |
| | | - | Investment properties not previously recognised | Note 13 | | | (2,340) |
| | | - | Surplus or deficit on revaluation of available for | | | | |
| | | - | sale financial assets | | | | - |
| | | (135,253) | Actuarial gains / losses on pension assets / | Note 47 | | | 42,015 |
| | | | liabilities | | | | |
| | | (131,255) | Other Comprehensive Income and Expenditure | | | | 5,896 |
| | | 74,782 | Total Comprehensive Income and Expenditure | | | | 23,282 |

Balance Sheet as at 31 March 2012

The Balance Sheet shows the value 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 is 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'.

| | | Restated 31 March 2010 £000 | Restated 31 March 2011 £000 | 31 March 2012 £000 |
|------------------------------------|---------------|--|--|-----------------------------------|
| | Notes | | | |
| Property, Plant & Equipment | 12/12a | 744,361 | 453,427 | 474,290 |
| Heritage Assets | 52 | 12,338 | 12,867 | 13,260 |
| Investment Property | 13 | 45,729 | 36,472 | 38,439 |
| Intangible Assets | 14 | 3,560 | 2,881 | 2,181 |
| Assets Held for Sale | 20 | 465 | - | 1,909 |
| Long Term Investments | | 1,038 | 2,007 | 3,783 |
| Long Term Debtors | 18 | 33,613 | 33,917 | 36,063 |
| Long Term Assets | | 841,104 | 541,571 | 569,925 |
| Short Term Investments | | 60 | 5,046 | 7,204 |
| Inventories | 16 | 880 | 925 | 831 |
| Short Term Debtors | 18 | 45,416 | 50,014 | 39,128 |
| Cash and Cash Equivalents | 19 | 22,953 | 31,203 | 17,232 |
| Assets Held for Sale | 20 | - | - | - |
| Current Assets | | 69,309 | 87,188 | 64,395 |
| Cash and Cash Equivalents | 19 | (10,528) | (8,366) | (4,079) |
| Short Term Borrowing | | (2,143) | (3,234) | (1,930) |
| Short Term Creditors | 21 | (34,896) | (42,944) | (34,630) |
| Provisions | 22 | (1,127) | (2,016) | (1,889) |
| Liabilities in Disposal Groups | 20 | - | - | - |
| Donated Assets | | - | - | - |
| Grants Receipts in Advance | | - | - | - |
| Current Liabilities | | (48,694) | (56,560) | (42,528) |
| Long Term Creditors | 21 | (5,163) | (5,476) | (5,316) |
| Capital Grants Receipts in Advance | | (1,774) | (1,391) | (506) |
| Revenue Grants Receipts in Advance | | (13,426) | (13,334) | (13,943) |
| Provisions | 22 | (1,105) | (1,531) | (1,287) |
| Long Term Borrowing | | (151,881) | (116,219) | (120,353) |
| Other Long Term Liabilities | 47 | (267,417) | (88,077) | (127,498) |
| Long Term Liabilities | | (440,766) | (226,028) | (268,903) |
| Net Assets | | 420,953 | 346,171 | 322,889 |
| Usable Reserves | 23 | 41,458 | 46,431 | 47,229 |
| Unusable Reserves | 24 | 379,495 | 299,740 | 275,660 |
| Total Reserves | | 420,953 | 346,171 | 322,889 |

Cash Flow Statement as at 31 March 2012

The Cash Flow Statement shows the change in cash and cash equivalents of the Council during the reporting period. It identifies how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. Cash flows from operating activities is a key indicator of how the Council is funded by taxation and grant income or from payment for services provided by the Council. Investing activities identify how 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) by the Council.

| Restated 2010/11 £000 | | Notes | 2011/12 £000 |
|--------------------------------------|---|--------------|-------------------------|
| 206,037 | Net (surplus) or deficit on the provision of services | | 17,386 |
| (317,183) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | | (63,531) |
| 48,671 | Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities | | 44,545 |
| (62,475) | Net cash flows from Operating Activities | | (1,600) |
| 16,145 | Investing Activities | 26 | 12,574 |
| 35,918 | Financing Activities | 27 | (1,290) |
| (10,412) | Net (increase) or decrease in cash and cash equivalents | | 9,684 |
| (12,425) | Cash and cash equivalents at the beginning of the reporting period | | (22,837) |
| (22,837) | Cash and cash equivalents at the end of the reporting period | 19 | (13,153) |

Notes to the Financial Statements

1 Statement of Accounting Policies

1.1 General Principles

The Statement of Accounts summarises 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 an annual Statement of Accounts by the Accounts and Audit Regulations 2011, which require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the code), the 2011/12 Code update and Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Local Government Finance Act.

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

1.2 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.

1.3 Acquisitions and Discontinued Operations

Acquired operations

Acquired operations are the ones that the council has acquired during the accounting period as a result of the reorganisation of local government, or the transfer of services acquired as a consequence of legislation. The council has not acquired any operations during the current financial year.

Discontinued Operations

The results of discontinued operations are shown as a single amount on the face of the Comprehensive Income and Expenditure account comprising the profit or loss of discontinued operations and the gain or loss recognised either on measurement to fair value less costs to sell or on the disposal of the discontinued operation. A discontinued operation is a cash generating unit or a group of cash generating units that has been disposed of, or is classified as held for sale and represents a separate entity within our group accounts.

1.4 Cash and Cash Equivalents

Cash includes all bank credit balances and overdrafts held by the Council as part of its normal cash management, including all deposit accounts accessible without notice.

Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Cash Equivalents include investments with a fixed maturity of three months or less from the date of acquisition and available for sale assets such as cash placed in money market funds.

1.5 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 fixed assets during the year:

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

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

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

1.6 Exceptional Items

When items of income and expenditure 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.

1.7 Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) 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, e.g. 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.

The Council does not award long term employee benefits i.e. those which are not expected to be paid or settled within 12 months of the balance sheet date.

Termination Benefits

Termination benefits, whether they are 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, are charged on an accruals basis to the relevant service line (or in discontinued operations) in the Comprehensive Income and Expenditure Statement.

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 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, known as the Cheshire Pension Fund and administered by Cheshire West and Chester Council.

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

Teachers' Pension Scheme

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 was a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pensions in the year.

The Local Government Pension Scheme

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

- The liabilities of the Cheshire Pension Fund scheme 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 4.8% (based on the indicative rate of return on iBoxx Sterling Corporate Index, AA over 15 years)
- The assets of Cheshire 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 line in the Comprehensive Income and Expenditure Statement
 - 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 to the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- actuarial gains and losses – changes on 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 Cheshire 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 benefits earned by employees.

Employer contribution rates are reviewed every three years. The last review took place at 31 March 2010; effective from 1 April 2010. The employer contribution rate set for the Council was 19.6 % for 2011/12 (19.1% in 2010/11). In accordance with current regulations, the actuary set the rate at a level sufficient to enable the Pension Fund to meet 100% of existing prospective liabilities, including pension increases.

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.

The Council has in place a ground-up insurance policy which covers the majority of injury awards. Any ad-hoc injury claims not covered by the policy and for which the Council are therefore liable are recorded in the Comprehensive Income and Expenditure Account in the financial year in which they occur.

1.8 Events after the Balance Sheet date

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

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

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

1.9 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. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For 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.

The bonds issued by the Council in previous years however are carried at a lower amortised cost than the outstanding principal, and interest is charged at a marginally higher effective rate of interest than the rate payable to bondholders as a material amount of costs incurred in its issue is being financed over the life of the stock.

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.

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. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge

required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. 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 derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

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 the 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 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 as 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).

Statutory debts such as Council Tax and Non Domestic Rates are not deemed to be financial instruments.

1.10 Grants

Revenue, Revenue Expenditure Funded from Capital under Statute (REFCUS) and Capital grants with conditions attached are held as receipts in advance on the Balance Sheet until such time as the condition no longer applies, at which point the grant is recognised as income in the Comprehensive Income & Expenditure Statement. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset or service 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.

Specific revenue and REFCUS grants are accrued and credited to income within service revenue accounts when the conditions regarding their use are met. Any income credited to service revenue accounts in excess of the expenditure they are intended to fund are, subject to approval, appropriated to revenue grants and contributions unapplied earmarked reserves from the General Fund Balance in the Movement in Reserves Statement until the expenditure is incurred. When the expenditure is incurred, the grant is appropriated back to the General Fund in the Movement in Reserves Statement to ensure that there is no adverse impact on the council tax position. REFCUS grants are reversed out of the General fund Balance in the Movement in Reserves Statement to either the Capital Adjustment Account if the grant has been used to finance capital expenditure in the year, or to the Capital Grants Unapplied Account Reserve until it is applied to fund capital expenditure, at which point it is transferred to the Capital Adjustment Account.

Non-specific revenue grants, including Revenue Support Grant are credited to Taxation and Non-Specific Grant Income at the foot of the Comprehensive Income and Expenditure Statement.

General revenue grants are subject to the normal carry-forward processes attributable to General Fund balances.

Grants relating to the funding of non-current asset (capital) expenditure are credited to Taxation and Non-Specific Grant Income at the foot of the Comprehensive Income and Expenditure Statement when the conditions regarding their use are met. These charges are reversed out in the Movement in Reserves Statement to either the Capital Adjustment Account if the grant has been used to finance capital expenditure in the year, or to the Capital Grants Unapplied Account Reserve until it is applied to fund capital expenditure, at which point it is transferred to the Capital Adjustment Account.

1.11 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (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.

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.

1.12 Interest in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and 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.

The Council had interests in two limited companies during the financial year:

- Warrington Borough Transport
- Connexions

Warrington Borough Transport is wholly owned by Warrington Borough Council and is consolidated into the Group Accounts as a subsidiary.

The Council owned 25% of Connexions, which was previously shown in the Group Accounts as a subsidiary. Connexions went into administration on 29th February 2012 and has therefore been derecognised in the Group Accounts in the current year.

Golden Gates Housing (GGH) was a wholly owned subsidiary until the 29 November 2010 and is still included in the comparative figures up to this date.

1.13 Inventories and Long Term Contracts

Inventories are included in the balance sheet at the lower of cost or net realisable value. The cost of inventories is assigned using the FIFO costing formula.

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.

Work in progress is included in the IFRS balance sheet at cost.

1.14 Interest Receivable or Payable

The effective interest rate method is used to measure the carrying value of a financial asset or liability measured at amortised cost, and to allocate associated interest income or expense to the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to equal the amount at initial recognition. The effective interest is adjusted to the actual interest payment or receipt through the Movement in Reserves Statement to ensure only actual interest is charged to Council Tax.

For financial assets and liabilities carried at cost because the effective rate of interest is the same as the carrying rate of interest, the carrying value is adjusted for accrued interest.

1.15 Internal Interest

Interest earned is recorded initially in the Comprehensive Income & Expenditure Account. Subsequent allocations are made to certain other individual funds, based on individual cash flows and an average rate of interest.

1.16 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 balance sheet date (year-end). Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in

Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

1.17 Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other ventures that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

1.18 Leases

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

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

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

The 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 and 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 on 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 in the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the 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)

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

asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

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.

1.19 Minimum Revenue Provision (MRP)

The Council is required to make an annual provision from revenue to contribute towards the repayment of borrowing. This requirement arises under the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008, which simplifies earlier MRP requirements by placing a duty on the Council to determine each year an amount of minimum revenue provision, which it considers to be prudent. In order to assist the Council with this determination, Guidance for assessing what would represent a prudent provision has been issued under S.21(1A) of the Local Government Act 2003 (The Guidance). The Council is required to have regard to the Guidance when considering the amount of their annual "prudent" MRP.

The Council has resolved to have regard to the Guidance when determining the amount of its annual MRP.

The major proportion of MRP for 2009/10 related to the more historic debt liability that was outstanding at the time the Guidance was adopted. This will continue to be charged at the rate of 4 %, in accordance with option 1 of the Guidance.

New capital expenditure for each subsequent year will in general be charged in accordance with Option 3 of the Guidance, which recommends that the annual charge should broadly equate to the anticipated life, or period of benefit, which is reflective of the nature of the expenditure. The annual charge will represent an equal annual instalment relative to the assessed life period.

The determination of which expenditures should be charged under Option 3, and the life periods considered to be applicable to these, will be carried out under delegated powers.

The major proportion of the MRP for 2011/12 will relate to the more historic debt liability, and will continue to be charged at the rate of 4%, in accordance with option 1 of the Guidance.

Certain expenditures reflected within the debt liability at 31 March 2010 will under delegated powers be subject to MRP under Option 3 of the Guidance, and will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment or enhancement of a building, will be related to the estimated life of that building.

The use of this option for certain schemes/expenditures will also result in there being no MRP charge until the year after that in which all expenditures on a scheme, project or other item of capital expenditure have been fully accrued under proper practices, regardless of the extent of such expenditure that has not been accrued at the end of the previous financial year.

Items of capital expenditure will only be considered to represent separate amounts in cases where two or more major components have substantially different useful economic lives. Assets will not be transferred into the asset register and fixed assets account until complete, in accordance with Accounting Code principles.

To the extent that expenditure does not create an asset, and is of a type that is subject to estimated life periods that are referred to in the Guidance, these recommended periods will generally be adopted by the Council. However, in the case of long term debtors arising from loans or other types of capital expenditure made by the Council which will be repaid under separate arrangements, there will be no minimum revenue provision made. The Council are satisfied that a prudent provision will be achieved after exclusion of these capital expenditures.

A similar type of policy will apply in the case of the Golden Square Shopping Centre, except that instead of relying solely upon principal element of repayments to satisfy the MRP liability, the annual MRP charge that will in effect be made will equate to the principal amount that has been assessed by the Council's advisers, Price Waterhouse Coopers, to be included each year within the repayments received by the Council under the lease. Rather than resulting in a fixed annual MRP charge over the period of the lease, the nominal amount of MRP charge each year will be regarded as met by the element of the lease rental which serves to write down the outstanding long term debtor created as a consequence of the lease having been granted. This approach mirrors that which is recommended within paragraph 20 of the MRP Guidance with regard to leases where the council is a lessee.

Other finance leases and PFI assets will have their MRP liability determined according to the life of the financial instrument, which will act as a proxy for asset life. MRP on these instruments will be accounted for with reference to IFRS accounting principles.

For those types of capital expenditure incurred by the Council which are not capable of being related to an individual asset (e.g. capitalising revenue items), asset lives will be assessed on a basis which most reasonably reflects the anticipated period of

benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure, and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.

MRP will not be charged on the Local Authority Mortgage Scheme. This is because any deposit in the scheme is expected to be repaid after a five year period. The capital receipt of which will be used to reduce the CFR by the original deposit amount.

The policy will be reviewed on an annual basis. If it is ever proposed to vary the terms of the original Policy Statement during any year, a revised statement should be put to members at that time.

1.20 Overheads and Support Services

The cost of Overheads and Support Services are charged to those that benefit from the supply of services based on use and in accordance with Chartered Institute of Public Finance and Accountancy (CIPFA) Service Reporting Accounting Code of Practice 2011-12 (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 multifunctional, democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties

These two 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.

1.21 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 the transactions, other events and the conditions on the Council's financial position and financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

A change in accounting policy generally requires the disclosure of three Balance Sheets to reflect the impact on the current period, the end of the preceding period and the impact on the opening Balance Sheet of the previous period. This is the methodology adopted for the 2011/12 change to the policy for accounting for Heritage Assets.

Changes in accounting estimates are accounted for prospectively i.e. in the current and future years affected by the change, there is no prior period adjustment.

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

1.22 Property, Plant and Equipment

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

Recognition

Assets are capitalised in accordance with the Council's capitalisation and componentisation policies.

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.

The Council does not have a formal de minimis level for capital expenditure. In normal circumstances, individual items of expenditure below £10,000 would be treated as revenue expenditure. However, where a specific case can be made for capitalising the expenditure where it relates to a capital grant, where there are many items below the de minimus limit that in aggregate are above the limit or where not capitalising expenditure would present a pressure on the revenue budget, items under £10,000 can be capitalised.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located

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

The cost of assets acquired other than by purchase is deemed to be its fair value, 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
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, although the guidance in the Code suggest that this a minimum of every 5 years, the Council are implementing a three year rolling programme of revaluations.

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

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Examples of events and changes in circumstances that indicate impairment may have incurred include:

- significant decline (i.e. more than expected as a result of the passage of time or normal use) in an asset's carrying amount during the period, that is specific to the asset
- evidence of obsolescence or physical damage of an asset
- a commitment by the Council to undertake a significant reorganisation
- a significant adverse change in the statutory or other regulatory environment in which the Council operates

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 as follows:

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (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 basis:

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

- vehicles, plant, furniture and equipment – straight line allocation over 3 to 10 years, dependant on the initial value of the asset
- infrastructure – straight line allocation over 40 years

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

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

Componentisation Policy

Component accounting is also a new concept and involves the splitting of assets into significant component parts.

The main purpose of component accounting is to produce accurate primary statements with the cost of the use of an asset correctly reflected in the CIES by carrying the correct depreciation associated with fixed assets and also with the correct values of fixed assets presented in the Balance Sheet.

Components have also been depreciated over different lives than the host (main) asset and recognised where they have a significant value when compared to the value of the host assets.

The Council has adopted a policy that recognises that material assets when revalued i.e. assets that have a building value of over £500,000 to be recognised separately. The component has to have a value of at least 20% of the building value and a useful life which is at least 20% lower than the asset as a whole.

In future years the additional information about assets that will be available should enable the Council to gain a better understanding of the asset lives and the useful lives of the component parts. This should enhance the management of the Councils assets and also allow more clarity in the planning of revenue and capital expenditure.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset (or disposal group) 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 (or disposal group) 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 previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets (or disposal group) 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.

A 'disposal group' is a group of assets, possibly with some associated liabilities, which the Council intends to dispose of in a single transaction. The measurement basis required for non-current assets classified as held for sale is applied to the group as a whole, and any resulting loss reduces the carrying amount of the non-current assets in the disposal group in the order of allocation required by IAS 36.

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 fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Heritage Assets

Heritage Assets are tangible assets with historic, artistic, scientific, technological, geographical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

Heritage Assets have been recognised as a separate category of assets for the first time in the 2011/12 financial statements and retrospectively disclosed for 2010/11 and 2009/10. Such assets have not previously been required to be recognised on the Council's balance sheet.

Due to the cost of obtaining valuations for Heritage Assets outweighing the accounting benefit, especially in the current climate of local government funding cuts, the policy adopted is to carry these assets at their insured value.

A de minimis level of £10,000 has been established for inclusion of Heritage Assets on the asset register. Any assets with a value of less than the de-minimis are not significant, e.g. fossils, minor water-colour paintings etc. The Council does not hold any Heritage Assets which have a value in excess of the de minimis which are not disclosed on the Balance Sheet.

Any new Heritage Assets will be recognised and subsequently measured at valuation or cost. For significant Heritage Assets donated to the Council a valuation will be obtained where possible, at which value the asset shall be recognised. If a valuation cannot be obtained, the asset will not be recognised on the Balance Sheet but will be disclosed in the notes to the core financial statements, along with the reason why a valuation cannot be given.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

No depreciation is charged on these assets as they are deemed to have indeterminable lives.

Any disposals will follow the Council's derecognition of Non Current Asset Policy, including the legislative arrangements to ensure no impact on the General Fund for gains and losses on disposal.

Further details on heritage assets can be found in notes 52 to 54 to the accounts.

1.23 Private Finance Initiative (PFI)

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 the PFI schemes, and as ownership of the property, plant and equipment may 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.

The Council has two housing PFI schemes. Anson and Blenheim Close where the operator was responsible for constructing 105 new dwellings for social housing, the maintenance of the properties and tenancy management services, John Morris House is the second scheme where the operator was responsible for constructing 38 new self contained flats for social housing and the maintenance of the properties together with a tenancy management service. These two PFI schemes have been accounted for as in the paragraph above.

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. For John

Morris House the liability was written down by an initial capital contribution of £395k. No applicable contribution was recorded for Anson and Blenheim Close.

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 5.718% for John Morris House and 9.040% for Anson and Blenheim Close 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 is recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out

With both the Council's PFI schemes the operator is allowed to retain third party income (the operator keeps all the rental income from the dwellings). This is accounted for by the credit side of the PFI scheme being pro-rated between a finance lease creditor and a deferred income balance. Essentially, the deferred income balance represents the benefits that the Council is to receive over the life of the contract. This balance is then released to the Comprehensive Income and Expenditure Account over the life of the contract

The MRP charged on the Council's two PFI schemes will be reversed out of the accounts via the Capital Adjustment Account.

1.24 Provisions

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. In accordance with the Code, provisions are made when the Council has a present obligation (either legal or constructive) as a result of a past event; it is probable that a transfer of economic benefit will be required to settle it; and a reliable estimate can be made of the financial obligation. If it becomes probable that a transfer of economic benefit is no longer required to settle the obligation, the provision is reversed.

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.

Landfill Allowance Trading Scheme (LATS)

The Landfill Allowance Trading Scheme (LATS) was introduced in April 2005 and provides the legal framework for the duty placed on local authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. The scheme was originally to run for 15 years but will now end on 31 March 2013. The scheme is a 'cap and trade scheme', which allocates tradable landfill allowances to each Waste Disposal Authority (WDA) up to the amount of the WDA's 'cap' that has been set to ensure that England meets its targets under the EU Landfill Directive.

The LATS scheme gives rise to an asset for allowances held, LATS grant income and a liability for actual BMW usage. The liability is discharged through a combination of allowances allocated either from DEFRA in the form of a grant or purchased from other authorities, or a penalty payable to DEFRA for the amount of landfill for which allowances are not held. Allowances are measured initially at their fair value and thereafter at the lower of cost and net realisable value. There will be no lending or borrowing in the final year (2012/13) as this is a target year.

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.

1.25 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 of 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 on the Reserve 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, and retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

1.26 Self Insurance

The Council maintains an Insurance Fund to meet the excess amount of any insurance claims not covered by its external insurers and to self insure for a number of risks. The Fund consists of an Insurance Provision to cover known actual claims made and an Insurance Reserve which provides an additional contingency to meet further claims.

1.27 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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.

1.28 Revenue Recognition

The revenue recognition policy covers the sale of goods (produced by the Council for the purpose of sale or purchased for resale), the rendering of services (excluding services directly related to construction contracts,), interest, royalties and dividends, non-exchange transactions (i.e. council tax) and where previously a liability had been recognised (i.e. creditor) on satisfying the revenue recognition criteria.

Revenue is recognised and measured at the fair value of the consideration receivable. However, if payment is on deferred terms, the consideration receivable is recognised initially at the cash price equivalent. The difference between this amount and the total payments received is recognised as interest revenue in the Surplus or Deficit on provision of services. Short duration receivables with no stated interest rate are measured at original invoice amount where the effect of discounting is

immaterial. There is no difference between the delivery and payment dates for non-contractual, non-exchange transactions i.e. revenue relating to council tax and general rates, and therefore these transactions are measured at their full amount receivable.

1.29 Trade and Other Creditors

Trade and other creditors are not recognised when the Council becomes committed to purchase the goods or services have been delivered or rendered. With the exception of financial instruments, creditor are recognised and measured in accordance with the revenue recognition policy.

1.30 Trade and Other Debtors

Trade and other debtors are not recognised when the Council becomes committed to supply the goods or services but when the ordered goods or services have been delivered or rendered. With the exception of financial instruments, debtors are recognised and measured in accordance with the revenue recognition policy.

1.31 Value Added Tax (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.

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 effected. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains and losses are recognised in the Financing and Investment and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.32 Accounting for the costs of the carbon reduction commitment scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (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, the price of the allowances being set by DECC, currently at £12 per tonne CO₂ emitted 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.

1.33 Accounting Standards that have been issued but have not yet been adopted

Accounting standards that have been issued before 1 January 2012 but have not yet been adopted by the code include IFRS 7 – Financial Instrument Disclosures (Transfer of Assets).

The 2012/13 Code includes the amendments to IFRS 7 Financial Instrument Disclosures (Transfers of Financial Assets). It replaces the previous requirements with detailed disclosures that are designed to assist users of the financial statements to evaluate the risk of exposures relating to transfers of financial assets. The transfer of such assets is known as securitisation and involves, for example, the transfer of an income stream to another organisation in return for a lump sum up front, similar to the pledging of collateral. This is not expected to be a common transaction for local authorities.

The adoption of IFRS 7 amendments will not have a material impact on the accounts and will not require the publication of a third Balance Sheet at the beginning of the earliest comparative period.

2 Accounting Standards that have been issued but have not yet been adopted

The Council has adopted the amendments to IFRS 7 Financial Instruments: Disclosures Transfers of Financial Assets however there is no impact on the financial statements as the Council has not made any transfers of financial assets.

3 Critical Judgements in Applying Accounting Policies

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

- Based on IAS17 Leases and IFRIC 4 the Council has determined the treatment of its leases into operating and finance leases. These judgements have been decided on the professional opinion of the Council's Valuers. The relevant accounting policy is applied based on the outcome of the assessment. Details of judgement applied to leases can be found in note 41 to the accounts
- The Council is deemed to control the services provided under the Private Finance Initiative (PFI) agreement for 105 social houses in Anson & Blenheim Close and 38 self contained flats at John Morris House. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and are recognised as Property, Plant and Equipment on the Council's Balance Sheet. This judgement was made by Finance staff and Valuers and independently assured by PricewaterhouseCoopers. PFI assets are valued at £5.066m and are recognised as Property, Plant and Equipment on the Council's Balance Sheet. Further details of how this judgement has been applied can be found in note 42 to the accounts

- In accordance with IAS 40, the Council has determined that it holds assets with a value of £38.439m that it judges are held for capital appreciation and/or for the generation of investment income, or both that it classes as investment properties. This judgement has been determined by Finance staff and the Council's Valuers
- The Council has determined that a group relationship exists with Warrington Borough Transport based on CIPFA group accounting guidance
- In deciding whether the Council's exposure to possible losses is to be accounted for as a provision or a contingent liability, a contingent liability decision tree has been used by the Council's professional Finance and Legal staff
- The Council has an investment of 22,222 shares valued at £150,000 representing a 15.7% shareholding in Warrington Sports Holding Ltd. It has been determined that the Council does not have control of the company and it is not a subsidiary of the Council. As the fair value of the shares cannot be easily determined due the shares having no quoted market price in an active market. The cost that would be incurred in independently valuing them would be disproportionate. The investment is carried at cost as a proxy for fair value
- The Council exercises judgement to determine whether the conditions of grant and contribution monies received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where conditions require specified expenditure to have taken place, the grant monies will not be recognised until this happens. Equally, where conditions specify that a grant or contribution must be repaid in the event of non-expenditure, the income is not recognised until the expenditure is incurred
- The Council has determined that there have been no material changes in the value of the Council's property assets from the current carrying values on the Balance Sheet at 31 March 2011 other than those identified in the revaluations that have taken place during the year based on professional research and publication of index of yields. When such a review for impairment is conducted, the recoverable amount is determined based on value in use calculations prepared on the basis of the valuers' assumptions and estimates in accordance with the RICS standards "The Red Book"
- In determining the significant components of property, plant and equipment assets and their related useful lives for depreciation purposes the Componentisation Policy contained within the accounting policies section of the accounts has been used
- 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 carries all non Voluntary Aided High Schools as Property, Plant and Equipment on its Balance Sheet at 31 March 2012. Although a number of High Schools are expected to convert to academy status in 2012/13. At 31 March 2012 no formal transfers had been agreed and as such the Council have not impaired any High Schools down to zero in the 2011/12 accounts
- Heritage Assets have been recognised as a separate category of assets for the first time in the 2011/12 financial statements and retrospectively disclosed

for 2010/11 and 2009/10. Such assets have not previously been recognised on the Council's balance sheet. A de minimis level of £10,000 has been established for inclusion of heritage assets on the asset register and these assets are carried at their Insurance value. Any item valued below the de minimis limit, e.g. fossils, minor water colours paintings etc, are not significant. The Council does not hold and Heritage Assets which have a value in excess of the de-minimus which are not disclosed on the Balance Sheet

Any new Heritage Assets will be recognised and subsequently measured at valuation or cost. For significant Heritage Assets donated to the Council a valuation will be obtained where possible, at which value the asset shall be recognised. If a valuation cannot be obtained, the asset will not be recognised on the Balance Sheet but will be disclosed in the notes to the core financial statements, along with the reason why a valuation cannot be given

The carrying amounts of heritage assets are reviewed where there is evidence of impairment, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment

No depreciation is charged on these assets as they are deemed to have indeterminable lives

Any disposals will follow the Council's derecognition of Non Current Asset Policy, including the legislative arrangements to ensure no impact on the General Fund for gains and losses on disposal

Further details on heritage assets can be found in notes 52 to 54 to the accounts

- Minimum Revenue Provision (MRP) is not charged against the Golden Square lease. A long term debtor has been created with repayments charged against the debtor. The repayments are charged over the 200 year period of the lease, with the largest repayments occurring in the latter years. MRP is also not charged against the Local Authority Mortgage Scheme cash backed deposit. The future debt liability will be met from the capital receipt which will be released after a 5 year period when the deposit matures. Any repossession losses against the scheme will be charged to the LAMs reserve
- The accounting treatment for schools non-current assets is currently open to interpretation. CIPFA/LASAAC consulted on a proposed accounting treatment, however found the results to be inconclusive and the current guidance is to refer back to LAAP 88. LAAP 88 refers to the Code's definition of an asset and this is where the treatment becomes open to interpretation

The Council has 49 Community schools. In accordance with the 2012/13 Code's definition of an asset (para 2.1.2.23) the Council has determined that it would receive future economic benefit from these assets and therefore they have been included in the Council's Balance Sheet as part of Plant, Property and Equipment.

The Council has 34 Voluntary Aided (VA) schools. The Council has determined that it would not receive future economic benefits from these assets and therefore these assets are not included in the Council's Balance Sheet.

The Council also has 1 Voluntary Controlled (VC) school. The Council has determined that it would receive future economic benefit from this asset and therefore it has been included in the Council's Balance Sheet as part of Plant, Property and Equipment.

- Provisions on termination benefits are consistent with current communicated plans. A £2.296m termination benefits contingent liability is recorded in the 2011/12 accounts
- The Council has recorded Local Authority Mortgage Scheme expenditure as capital expenditure in the accounts. This is in accordance with regulation 25 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. Section (1) (c) of the regulation defines that "the giving of a loan, grant or other financial assistance to any person, whether for use by that person or by a third party, towards expenditure which would, if incurred by the Council, be capital expenditure" shall be treated as being capital expenditure

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:

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. Hymans Robertson as actuaries are contracted to provide the Council with the estimate of the net liability.

During 2011/12 the Council's actuaries advised that the net pension liability had increased by £39.421m as a result of updating of the assumptions.

The pension liability and reserve will vary should any of the assumptions prove inaccurate. The table below gives examples of the impact on the Council from changing assumptions.

| Change in assumptions at year ended 31 March 2012: | Approximate % increase to Employer Liability | Approximate monetary amount (£000) |
|---|---|---|
| 0.5% decrease in Real Discount Rate | 10% | 54,621 |
| 1 year increase in member life expectancy | 3% | 16,184 |
| 0.5% increase in the Salary Increase Rate | 3% | 17,658 |
| 0.5% increase in the Pension Increase Rate | 7% | 36,378 |

Accruals and provisions

The accounts of the Council are prepared on an accruals basis meaning that the sums due to or from the Council during the year are included in the accounts, whether or not the cash has actually been received or paid in the year in question. Accruals may be made on exact amounts where invoices, although not received in time to be processed in the correct year, are received in time to inform the amount provided for. Where it is known that amounts are due to or from the Council relating to the current year, but no exact information is available to inform this, an estimate of the amounts has to be made.

If the amount estimated is different to the eventual invoice amount, the value of debtor and creditor balances included in the Balance Sheet will not have been correct and there will be a knock on effect of under or over provision in the following years' Comprehensive Income and Expenditure Statement as the balances are written out. Many of the Council's accruals are based on invoiced amounts, but some are based on estimated data.

A liability that becomes apparent in the financial year as a result of a past event and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation, results in a provision being made rather than an accrual. Provisions are different to accruals in that they are of uncertain timing or amount as to when they will be discharged, but a charge is still made to the Comprehensive Income and Expenditure Statement in the year. Depending on the certainty of the amount provided for, there is a risk that it may be insufficient and further amounts may need to be charged when the actual payment is made. Conversely, if the actual payment is less, the over provided amount is credited back to the Comprehensive Income and Expenditure Statement in the year the liability is discharged.

Details of the provisions, totalling £3.2m at 31 March 2012 are given in Note 22. The best estimate amounts provided for are based on the professional opinion of the officer best placed to make it.

If the outflow of resources is only possible rather than probable, then no estimated charge is made to the accounts until the circumstances change, only narrative disclosure is made in the Contingent Liabilities note.

Valuations and depreciation charges

Professional opinions of the values of land and buildings are made by the Estates Team and estimates of the useful lives of property, plant and equipment are made by the relevant officers who have knowledge of such issues based on their professional judgement e.g. useful lives of properties are provided by in-house RICS qualified valuers.

The present pressure on public sector expenditure could potentially have implications for the useful economic lives of the Council's property due to reduced spending on repairs leading to a decline in the condition of its buildings. There is no evidence that the estimated economic lives are being materially affected at this time, but this issue will be monitored.

The Council revalues its assets on a three year rolling cycle. It is possible that property values could fluctuate considerably within this three year timeframe. A 1% fluctuation in property values would amount to £3.2 million being adjusted to the Non Current Assets held on the Balance Sheet.

Impairment Allowance

At the 31 March the Council provides for impairment of trade receivables (debtors) based on average actual collection rates.

For other debts such as Council Tax, Non Domestic Rates, Housing Rents and Housing Benefit Overpayments, an estimate of the amount of debt likely to be uncollectible is based on an average estimate of previous years' write offs.

The current economic climate will have a major impact on the level of this charge. If collection rates were to deteriorate this would require an estimated additional provision.

At 31 March 2012 the Council had a debtors balance of £79.015m net of a debt impairment figure of £6.762m which has been set aside in the accounts. Should an additional 5% of debtors prove to be uncollectable there would be an additional cost of £4.289m to the Council.

Insurance Reserve

The insurance reserve holds funding set aside to meet the cost of future potential insurance claims. The amount set aside is based on an annual independent review. However, an increase in the anticipated level of insurance claims could result in insufficient funds being set aside to meet the cost of claims.

If the level of increased claims require a 10% increase in the insurance reserve this would amount to an extra £0.320 being needed.

5 Material Items of Income and Expense

The Council considers material items to be those greater than £5m.

There are no material items of income and expenditure other than those which have been disclosed on the face of the Comprehensive Income and Expenditure Statement or notes to the accounts.

6 Events After the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 29 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Where an event occurs after the balance sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the balance sheet date, the amounts recognised in the Statement of Accounts are adjusted to reflect this. Where an event occurs after the balance sheet date that is indicative of conditions that arose after the balance sheet date, the amounts recognised in the Statement of Accounts are not adjusted but are disclosed as a separate note to the accounts.

Events after the balance sheet date are reflected up to the date when the Statement of Accounts are authorised for issue, which is the date they are authenticated by the Chief Finance Officer by signing and dating them before publishing.

On 18 May 2012 the Council transferred its Leisure, Libraries and Wellbeing Services into a Community Interest Company 'Livewire Warrington'. On the same date the Council's Pyramid Theatre, Parr Hall and Museum were transferred to a Charitable Trust 'Culture Warrington'. The effect of this transfer has resulted in full year savings made for the Council of £700k. All Council staff were transferred over to the new Companies under the Transfer of Undertakings for the Protection of Employees (TUPE) arrangements. The Council has not transferred ownership of any properties to the two Companies and has instead entered into 20 peppercorn property leases with them.

7 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

| 2011/12 | Usable Reserves | | | | | Movement in Unusable Reserves £000 |
|--|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|---------------------------------------|
| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | |
| Adjustments involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non current assets | (38,847) | - | - | - | - | 38,847 |
| Amortisation of intangible assets | (722) | - | - | - | - | 722 |
| Movements in the market value of investment properties | (287) | - | - | - | - | 287 |
| Revenue expenditure funded from capital under statute | (8,330) | - | - | - | - | 8,330 |
| Capital grants and contributions applied | 5,940 | - | - | - | - | (5,940) |
| Carrying amount of non current assets sold | (4,223) | - | - | - | - | 4,223 |
| Transfer to Capital Adjustment Accounts - Large Scale Voluntary Transfer | - | - | - | - | - | - |
| Housing Revenue Account Transfers | - | - | - | - | - | - |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 3,211 | - | - | - | - | (3,211) |
| Write off of WBT Realisation Reserve | 831 | - | - | - | - | (831) |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account | 15,261 | - | - | - | (15,261) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | 17,210 | (17,210) |
| Adjustments involving the Capital Receipts Reserve: | | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 4,057 | - | - | (4,057) |
| Proceeds From Sale of Non Current Assets | 3,261 | - | (3,261) | - | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | (10) | - | 10 | - | - | - |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | - | - | (27) | - | - | 27 |
| Adjustment involving the Major Repairs Reserve | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | - | - | - | - | - | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | - | 80 | - | (80) |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | |
| Amounts 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. | (25) | (25) | - | - | - | 50 |
| Adjustments involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47) | (16,169) | - | - | - | - | 16,169 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 18,763 | - | - | - | - | (18,763) |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | |
| 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 | (137) | - | - | - | - | 137 |
| Adjustment involving the Unequal Pay Back Pay Adjustment Account: | | | | | | |
| Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements | - | - | - | - | - | - |
| Adjustment involving the Accumulating Compensated Absences Adjustment Account: | | | | | | |
| Adjustments in relation to Short-term compensated absences | 516 | - | - | - | - | (516) |
| Total Adjustments | (20,967) | (25) | 779 | 80 | 1,949 | 18,184 |

| | Usable Reserves | | | | | Movement in Unusable Reserves £000 |
|--|------------------------------|---------------------------------|----------------------------------|-------------------------------|----------------------------------|---------------------------------------|
| | General Fund Balance £000 | Housing Revenue Account £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | |
| Restated 2010/11 | | | | | | |
| Adjustments involving the Capital Adjustment Account: | | | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Charges for depreciation and impairment of non current assets | (19,425) | (309,595) | - | - | - | 329,020 |
| Amortisation of intangible assets | (715) | - | - | - | - | 715 |
| Movements in the market value of investment properties | (8,566) | - | - | - | - | 8,566 |
| Revenue expenditure funded from capital under statute | (9,593) | - | - | - | - | 9,593 |
| Capital grants and contributions applied | 34,000 | - | - | - | - | (34,000) |
| Carrying amount of non current assets sold | (6,881) | - | - | - | - | 6,881 |
| Transfer to Capital Adjustment Accounts - Large Scale Voluntary Transfer | - | 60,512 | - | - | - | (60,512) |
| Housing Revenue Account Transfers | (242) | 242 | - | - | - | - |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | | | |
| Statutory provision for the financing of capital investment | 336 | - | - | - | - | (336) |
| Write off of WBT Realisation Reserve | - | - | - | - | - | - |
| Adjustments primarily involving the Capital Grants Unapplied Account: | | | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account | 1,482 | - | - | - | (1,482) | - |
| Application of grants to capital financing transferred to the Capital Adjustment Account | - | - | - | - | - | - |
| Adjustments involving the Capital Receipts Reserve: | | | | | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 2,473 | - | - | (2,473) |
| Proceeds From Sale of Non Current Assets | 3,128 | - | (3,128) | - | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | (532) | - | 532 | - | - | - |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | - | - | (26) | - | - | 26 |
| Adjustment involving the Major Repairs Reserve | | | | | | |
| Reversal of Major Repairs Allowance credited to the HRA | - | 3,375 | - | (3,375) | - | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | - | 2,983 | - | (2,983) |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | | | |
| Amounts 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. | 777 | - | - | - | - | (777) |
| Adjustments involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47) | 44,087 | - | - | - | - | (44,087) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | - | - | - | - | - | - |
| Adjustments involving the Collection Fund Adjustment Account: | | | | | | |
| 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 | 300 | - | - | - | - | (300) |
| Adjustment involving the Unequal Pay Back Pay Adjustment Account: | | | | | | |
| Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements | (197) | - | - | - | - | 197 |
| Adjustment involving the Accumulating Compensated Absences Adjustment Account: | | | | | | |
| Adjustments in relation to Short-term compensated absences | (1,480) | - | - | - | - | 1,480 |
| Total Adjustments | 36,479 | (245,466) | (149) | (392) | (1,482) | 211,010 |

The presentation of the note has changed to better reflect Code of Practice guidance. This has resulted in changes in the comparatives from those in the audited 2010/11 statements. The total for 2010/11 comparatives is unchanged.

8 Transfers To/From 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.

| | Balance at 31 March 2010 £'000 | Transfers out 2010/11 £'000 | Transfers in 2010/11 £'000 | Restated Balance at 31 March 2011 £'000 | Transfers out 2011/12 £'000 | Transfers in 2011/12 £'000 | Balance at 31 March 2012 £'000 | Purpose of Reserve |
|---|---|-----------------------------------|----------------------------------|---|-----------------------------------|----------------------------------|---|--|
| General Fund: | | | | | | | | |
| Schools | | | | | | | | |
| Balances held by schools under a scheme of delegation | 1,157 | (1,157) | 1,954 | 1,954 | (1,954) | 5,080 | 5,080 | |
| Local Management of Schools Reserve - School Loans Scheme | (152) | | 40 | (112) | (42) | 45 | (109) | Reserves held by Schools |
| Teachers Pension Reserve | (121) | | | (121) | | 121 | - | |
| Council | | | | | | | | |
| Assistant Chief Executives | - | | | - | | 188 | 188 | To fund future expenditure in Assistant Chief Executives |
| Alexandra Park Trust | 1 | | | 1 | (1) | | - | |
| Anderman Bennet Trust | 20 | | | 20 | (20) | | - | |
| Arpley Street | 40 | | 1 | 41 | | | 41 | Ring fenced for use by the Cultural Non Profit Distributing Organisation |
| Anson & Blenheim PFI Reserve | 172 | (63) | | 109 | (108) | | 1 | Ring fence of PFI credits to mitigate any future liabilities |
| Callands & Hood Manor | - | | 28 | 28 | (28) | | - | To cover the refurbishment of Hood Manor and Callands Shopping Centres |
| Capital Reserve | 1,173 | (285) | | 888 | (888) | | - | To fund future capital programme |
| Cemeteries & Crematorium Reserve | 71 | | | 71 | (71) | | - | To fund improvements relating to the crematorium and revised European Union emissions standards |
| Children's Services | - | | | - | | 2,709 | 2,709 | To fund future expenditure in Children's Services |
| Children's Comfort Funds Reserve | 7 | | | 7 | | | 7 | This reserve is for monies held on behalf of children in care and <u>not available</u> to the Council |
| Colonel Edleston | 51 | | | 51 | | 10 | 61 | Ring fenced for use by the Cultural Non Profit Distributing Organisation |
| Coroners Judicial Review | 10 | | | 10 | | | 10 | To fund any one off costs of future judicial reviews |
| Criminal Injuries Compensation Reserve | 12 | | | 12 | | | 12 | To provide for any criminal injury claims from children in care |
| DEFRA Waste Grant Reserve | 347 | | | 347 | (347) | | - | To fund the purchase of refuse vehicles |
| Early Years | - | | | - | | 254 | 254 | To fund early years provision |
| Environment Services | - | | | - | | 315 | 315 | To fund future expenditure in Environment Services |
| Financial Division Restructure Reserve | 100 | (100) | | - | | | - | To provide temporary cover in relation to financial services restructure |
| Grants Account | 71 | | | 71 | (71) | | - | To fund Neighbourhood & Community Services expenditure including services relating to Motor Neurone Disease (MND) services |
| Homelessness Reserve | 53 | | 54 | 107 | (60) | | 47 | To fund proposals 'to close the gap' on homelessness |
| Industrial Estates & Other Commercial Properties Reserve | 33 | (33) | | - | | | - | To fund maintenance and capital works on Council's industrial units and commercial properties |
| Insurance Fund Reserve | 2,178 | | 21 | 2,199 | | 1,021 | 3,220 | To meet the excess on any insurance claims taken out with third party organisations and self insure certain areas of risk |
| Lease Termination Reserve - Dilapidation | 532 | (286) | | 246 | (246) | | - | To fund future termination of lease agreements |
| Local Land Charges Reserve | 15 | | 65 | 80 | (23) | | 57 | Statutory account to ring fence surpluses/ deficits produced over three year cycle for fee setting purposes |
| Look of the Borough Reserve | 35 | | 47 | 82 | (82) | | - | To fund 'Look of the Borough' initiative |
| Mayor's Charity | 11 | (8) | | 3 | | | 3 | Money's collected by the Mayor on behalf of the mayoral supported charities |
| Members Voluntary Initiative | 8 | | | 8 | | | 8 | To fund 'International Partnerships' initiative |
| MTFP Reserve | 5,974 | (4,655) | 2,679 | 3,998 | | 2,025 | 6,023 | To fund future reductions in government grant levels and mitigate impact to service provision |

| | Balance at 31 March 2010 £'000 | Transfers out 2010/11 £'000 | Transfers in 2010/11 £'000 | Restated Balance at 31 March 2011 £'000 | Transfers out 2011/12 £'000 | Transfers in 2011/12 £'000 | Balance at 31 March 2012 £'000 | Purpose of Reserve |
|--|---|-----------------------------------|----------------------------------|---|-----------------------------------|----------------------------------|---|--|
| Museum Arts | 105 | | | 105 | (12) | | 93 | To fund future museum exhibitions or art acquisitions |
| Neighbourhood & Community Services | - | | | - | | 10 | 10 | To fund future expenditure in Neighbourhood & Community Services |
| Paddington Meadows | 32 | | 16 | 48 | (30) | | 18 | To fund future environmental improvement works |
| Rape Crisis Centre | - | | 28 | 28 | (28) | | - | To aid rape crisis centre. |
| Revenue Grants Unapplied | 3,249 | (3,249) | 8,593 | 8,593 | (8,593) | 4,121 | 4,121 | Revenue Grants carried forward for earmarked schemes |
| SALIX Revolving Fund | - | | | - | | 33 | 33 | To fund energy efficiency schemes |
| Second Home Discount Funding | - | | | - | | | - | To fund extra Police Community Support Officer's as part of Community Safety priorities |
| Police Community Support Officer's Reserve | 35 | (15) | | 20 | (20) | | - | Ring fence of Section 74 fees for use on transportation |
| Section 74 Fees (Bus Station) | 50 | | | 50 | (50) | | - | To fund serious case reviews conducted by the Local Safeguarding Board |
| Serious Case Review Reserve | 19 | | | 19 | (19) | | - | To fund 'Safer Neighbourhoods' initiative |
| Stronger Together Grant Reserve | 47 | (47) | | - | | | - | To cover emergency events such as unforeseen financial liabilities or natural disasters |
| Strategic Reserve | 4,760 | | | 4,760 | | | 4,760 | |
| Supporting People | 2,044 | (1,361) | | 683 | | 905 | 1,588 | To fund future grant reductions on welfare services |
| Taxi Surplus | - | | 20 | 20 | | 24 | 44 | The taxi account is a ringfenced account with any surpluses or losses being earmarked for use in respect of this service |
| Time Square Reserve | 488 | | 238 | 726 | (97) | | 629 | To fund the regeneration of area surrounding Time Square in accordance with the 'Bridge Street Quarter' master plan |
| Town Centre Security | 2 | | | 2 | (2) | | - | To fund town centre security initiatives |
| Town Centre Sinking Fund | 390 | | | 390 | | | 390 | To offset any future overspending relating to the town centre |
| Union Learner Reps | - | | 20 | 20 | (20) | 20 | 20 | Monies set aside to increase participation in union training services |
| Under Age Alcohol Reserve | 39 | | | 39 | (39) | | - | To fund 'Under Age Alcohol' initiative |
| Unitary Development Reserve | 15 | | | 15 | | | 15 | To part fund costs borne by the creation of the new Unitary Development Plan |
| Walton Hall Reserve | 50 | | | 50 | | | 50 | To fund the refurbishment of Walton Hall |
| Winwick Road | - | | 30 | 30 | | | 30 | To contribute towards the costs of demolition of 30 and 36/8 Winwick Street |
| Woolston High School | - | | | - | | 2,350 | 2,350 | To contribute to the school deficit upon closure |
| Youth Offending Team Reserve | 184 | | 204 | 388 | (193) | 261 | 456 | A joint fund between Warrington and Halton Council's for the provision of Youth Offending services |
| TOTAL | 23,307 | (11,259) | 14,038 | 26,086 | (13,044) | 19,492 | 32,534 | |
| HRA: | | | | | | | | |
| Strategic Reserve | 750 | | | 750 | (750) | | - | |
| Deferred Capital Receipts - Mortgages | - | | | - | (39) | 39 | - | |
| Earmarked Reserve | 91 | | 1 | 92 | (92) | | - | |
| TOTAL | 841 | - | 1 | 842 | (881) | 39 | - | |
| TOTAL EARMARKED RESERVES | 24,148 | (11,259) | 14,039 | 26,928 | (13,925) | 19,531 | 32,534 | |

9 Other Operating Expenditure

| 2010/11 £000 | 2011/12 £000 |
|--|-----------------|
| 1,510 Parish council precepts | 1,521 |
| Payments to the Government Housing Capital | |
| 532 Receipts Pool | 10 |
| 3,753 Gains/losses on the disposal of non current assets | 963 |
| - Levies | 111 |
| - Other | - |
| 5,795 | 2,605 |

10 Financing and Investment Income and Expenditure

| Restated 2010/11 £000 | 2011/12 £000 |
|---|-----------------|
| 10,577 Interest payable and similar charges | 5,462 |
| Pensions interest cost and expected return on | |
| 6,793 pensions assets | (363) |
| (2,893) Interest receivable and similar income | (2,408) |
| Income and expenditure in relation to investment | |
| 6,207 properties and changes in their fair value | (1,840) |
| (3,393) GF Proportion of Stock Transfer OHD Calculation | |
| - Other investment income | - |
| 17,291 Total | 851 |

11 Taxation and Non Specific Grant Incomes

| 2010/11 £000 | 2011/12 £000 |
|---|------------------|
| (80,981) Council Tax Income | (81,464) |
| (47,188) NNDR Redistribution | (43,813) |
| (21,032) Non-ringfenced government grants | (30,225) |
| (29,957) Capital Grants | (20,821) |
| (179,158) Total Taxation and Non-Specific Grant Income | (176,323) |

12 Property, Plant and Equipment (PPE)

Movements on Balances

Movements in 2011/12:

| | Council Dwellings £000 | Land & Buildings £000 | Infrastructure Assets £000 | Vehicles, Plant & Equipment £000 | Community Assets £000 | PP&E Under Construction £000 | Surplus Assets £000 | Total PP&E £000 | PFI Assets Included in PP&E £000 |
|--|---------------------------|--------------------------|-------------------------------|-------------------------------------|--------------------------|---------------------------------|------------------------|--------------------|-------------------------------------|
| Cost or Valuation | | | | | | | | | |
| Balance as at 1 April 2011 | 321,982 | 314,229 | 114,621 | 21,499 | 10,135 | 18,619 | - | 801,085 | 11,062 |
| Adjustments between cost/value & depreciation/impairment | (315,599) | (14,245) | - | - | - | - | - | (329,844) | (5,637) |
| Adjusted opening balance | 6,383 | 299,984 | 114,621 | 21,499 | 10,135 | 18,619 | - | 471,241 | 5,425 |
| Additions (Note 40) | - | 6,623 | 7,235 | 3,872 | 299 | 14,341 | - | 32,370 | - |
| Donations | - | - | - | - | - | - | - | - | - |
| Revaluation increases/decreases to Revaluation Reserve | 854 | 23,088 | - | - | - | - | - | 23,942 | (158) |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | - | - | - | - | - | - | - | - | - |
| Derecognition - Disposals | - | (978) | - | - | - | - | - | (978) | - |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Reclassifications & Transfers | - | (12,474) | 734 | 18,563 | - | (6,823) | - | - | - |
| Reclassified to Held for Sale | - | (5,398) | - | - | - | - | - | (5,398) | - |
| Adjustments between cost/value & depreciation/impairment | (1,062) | (26,021) | - | - | - | - | - | (27,083) | (201) |
| Reclassified from Held for Sale | - | - | - | - | - | - | - | - | - |
| Balance as at 31 March 2012 | 6,175 | 284,824 | 122,590 | 43,934 | 10,434 | 26,137 | - | 494,094 | 5,066 |
| Depreciation and Impairment | | | | | | | | | |
| Balance as at 1 April 2011 | 316,673 | 23,803 | 5,180 | 2,002 | - | - | - | 347,658 | 5,637 |
| Adjustments between cost/value & depreciation/impairment | (315,599) | (14,245) | - | - | - | - | - | (329,844) | (5,637) |
| Adjusted opening balance | 1,074 | 9,558 | 5,180 | 2,002 | - | - | - | 17,814 | - |
| Depreciation Charge | 193 | 4,996 | 2,876 | 3,698 | - | - | - | 11,763 | 32 |
| Depreciation written out on Revaluation Reserve | (158) | (8,838) | - | - | - | - | - | (8,996) | (32) |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | - | - | - | - | - | - | - | - | - |
| Impairment losses/reversals to Revaluation Reserve | - | - | - | - | - | - | - | - | - |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services | 1,062 | 26,021 | - | - | - | - | - | 27,083 | 201 |
| Derecognition - Disposals | - | (777) | - | - | - | - | - | (777) | - |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Reclassifications & Transfers | - | - | - | - | - | - | - | - | - |
| Adjustments between cost/value & depreciation/impairment | (1,062) | (26,021) | - | - | - | - | - | (27,083) | (201) |
| Eliminated on reclassification to Held for Sale | - | - | - | - | - | - | - | - | - |
| Balance as at 31 March 2012 | 1,109 | 4,939 | 8,056 | 5,700 | - | - | - | 19,804 | - |
| Net Book Value | | | | | | | | | |
| Balance as at 31 March 2012 | 5,066 | 279,885 | 114,534 | 38,234 | 10,434 | 26,137 | - | 474,290 | 5,066 |
| Balance as at 31 March 2011 | 5,309 | 290,426 | 109,441 | 19,497 | 10,135 | 18,619 | - | 453,427 | 5,425 |

PFI Assets are those relating to Private Finance Initiatives

Comparative Movements in 2010/11:

| | Council Dwellings £000 | Land & Buildings £000 | Infrastructure Assets £000 | Vehicles, Plant & Equipment £000 | Community Assets £000 | PP&E Under Construction £000 | Surplus Assets £000 | Total PP&E £000 | PFI Assets Included in PP&E £000 |
|--|------------------------------|-----------------------------|----------------------------------|---|-----------------------------|------------------------------------|---------------------------|--------------------|---|
| Cost or Valuation | | | | | | | | | |
| Balance as at 1 April 2010 | 323,377 | 287,824 | 106,836 | 7,501 | 8,009 | 26,860 | - | 760,407 | 9,688 |
| Adjustments between cost/value & depreciation/impairment | - | - | - | - | - | - | - | - | - |
| Adjusted opening balance | 323,377 | 287,824 | 106,836 | 7,501 | 8,009 | 26,860 | - | 760,407 | 9,688 |
| Additions (Note 40) | 2,512 | 16,582 | 7,785 | 4,813 | 2,126 | 14,353 | - | 48,171 | - |
| Donations | - | - | - | - | - | - | - | - | - |
| Restated Revaluation increases/decreases to Revaluation Reserve | - | 3,088 | - | - | - | - | - | 3,088 | - |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | - | (231) | - | - | - | - | - | (231) | - |
| Derecognition - Disposals | - | (6,639) | - | (24) | - | - | - | (6,663) | - |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Reclassifications & Transfers | - | 13,385 | - | 9,209 | - | (22,594) | - | - | - |
| Reclassified to Held for Sale | (3,907) | 220 | - | - | - | - | - | (3,687) | - |
| Reclassified from Held for Sale | - | - | - | - | - | - | - | - | - |
| Restated Balance as at 31 March 2011 | 321,982 | 314,229 | 114,621 | 21,499 | 10,135 | 18,619 | - | 801,085 | 9,688 |
| Depreciation and Impairment | | | | | | | | | |
| Balance as at 1 April 2010 | 5,107 | 7,480 | 2,505 | 954 | - | - | - | 16,046 | 266 |
| Adjustments between cost/value & depreciation/impairment | - | - | - | - | - | - | - | - | - |
| Adjusted opening balance | 5,107 | 7,480 | 2,505 | 954 | - | - | - | 16,046 | 266 |
| Restated Depreciation Charge | 1,074 | 4,785 | 2,675 | 748 | - | - | 5 | 9,287 | 141 |
| Restated Depreciation written out on Revaluation Reserve | (5,107) | (1,334) | - | - | - | - | - | (6,441) | (266) |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | - | - | - | - | - | - | - | - | - |
| Impairment losses/reversals to Revaluation Reserve | 11,435 | 1,748 | - | - | - | - | - | 13,183 | - |
| Restated Impairment losses/reversals to Surplus or Deficit on the Provision of Services | 304,164 | 12,497 | - | - | - | - | - | 316,661 | 4,262 |
| Derecognition - Disposals | - | (1,064) | - | (9) | - | - | - | (1,073) | - |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Reclassifications & Transfers | - | (309) | - | 309 | - | - | (5) | (5) | - |
| Eliminated on reclassification to Held for Sale | - | - | - | - | - | - | - | - | - |
| Restated Balance as at 31 March 2011 | 316,673 | 23,803 | 5,180 | 2,002 | - | - | - | 347,658 | 4,403 |
| Net Book Value | | | | | | | | | |
| Restated Balance as at 31 March 2011 | 5,309 | 290,426 | 109,441 | 19,497 | 10,135 | 18,619 | - | 453,427 | 5,285 |
| Balance as at 31 March 2010 | 318,270 | 280,344 | 104,331 | 6,547 | 8,009 | 26,860 | - | 744,361 | 9,422 |

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 basis:

- dwellings and other buildings – straight line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight line allocation over 3 to 10 years, dependant on the initial value of the asset
- plant & services components from other buildings (included in vehicles, plant, furniture and equipment) – straight line allocation over the useful life of the property as estimated by the valuer
- infrastructure – straight line allocation over 40 years

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

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

Capital Commitments

The total capital commitments as at 31 March 2012 were £10,007k. This includes the following major projects:

- Orford Sports Village £1,004k
- New Primary School at Chapelford £3,065k
- Great Sankey Primary Replacement £2,739k
- Solar Panels for Golden Gates Housing Trust Properties £1,467k

Similar commitments at 31 March 2011 were £13.2m relating to the construction of Orford Park Sports Village

Effects of Changes in Estimates

In 2011/12, the Council did not make any material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Council carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every three years. If material capital expenditure takes place on a capital scheme, the scheme in question will be revalued upon completion of the additional capital expenditure. Valuations were carried out internally as at 1 April 2011. 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.

The significant assumptions applied in estimating the fair values of the PPE property assets were for those assets valued on the Depreciated Replacement Cost method whereby they were valued by adopting the "instant build" approach as set in the Government Financial Reporting Manual. The Council carries out a revaluation of property assets classed as investment assets every year.

13 Investment Properties

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

| | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 |
|--|-----------------|-----------------|-----------------|
| Rental income from investment property | (2,927) | (3,013) | (2,904) |
| Direct operating expenses arising from investment property | 658 | 654 | 653 |
| Net (gain)/loss | (2,269) | (2,359) | (2,251) |

There are no restrictions on the Council's ability to realise the value inherent in its investment property or 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 for repairs, maintenance or enhancement of these assets.

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

| | 31/03/2010 £000 | 31/03/2011 £000 | 31/03/2012 £000 |
|--|--------------------|--------------------|--------------------|
| Restated Balance at start of the year | 44,499 | 45,729 | 36,472 |
| Additions: | | | |
| - Purchases | 417 | - | - |
| - Assets Not Previously Recognised | - | - | 2,340 |
| - Construction | - | - | - |
| - Subsequent expenditure | (36) | - | - |
| Disposals | 849 | (691) | (86) |
| Net gains/(losses) from fair value adjustments | - | (8,566) | (287) |
| Transfers: | | | |
| - (to)/from Inventories | - | - | - |
| - (to)/from Property, Plant and Equipment | - | - | - |
| Other Changes | - | - | - |
| Balance at end of the year | 45,729 | 36,472 | 38,439 |

14 Intangible Assets

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licences and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites used by the Council are 5 years straight line.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £722k charged to revenue in 2011/12 was charged to the IT Administration cost centre and then absorbed as overhead across all the service headings in the Net Expenditure of Services.

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

| | 2009/10 | | | 2010/11 | | | 2011/12 | | |
|--|-------------------------------------|----------------------|---------------|-------------------------------------|----------------------|---------------|-------------------------------------|----------------------|---------------|
| | Internally Generated Assets £000 | Other Assets £000 | Total £000 | Internally Generated Assets £000 | Other Assets £000 | Total £000 | Internally Generated Assets £000 | Other Assets £000 | Total £000 |
| Balance at start of year: | | | | | | | | | |
| - Gross carrying amounts | - | 24 | 24 | - | 3,575 | 3,575 | - | 3,610 | 3,610 |
| - Accumulated amortisation | - | (10) | (10) | - | (15) | (15) | - | (729) | (729) |
| Net carrying amount at start of year | - | 14 | 14 | - | 3,560 | 3,560 | - | 2,881 | 2,881 |
| Additions: | | | | | | | | | |
| - Internal development | - | - | - | - | - | - | - | - | - |
| - Purchases | - | 3,551 | 3,551 | - | 36 | 36 | - | 22 | 22 |
| - Acquired through business combinations | - | - | - | - | - | - | - | - | - |
| | - | 3,565 | 3,565 | - | 3,596 | 3,596 | - | 2,903 | 2,903 |
| Assets reclassified as held for sale | - | - | - | - | - | - | - | - | - |
| Other disposals | - | - | - | - | - | - | - | - | - |
| Revaluation increases/decreases to Revaluation Reserve | - | - | - | - | - | - | - | - | - |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | - | - | - | - | - | - | - | - | - |
| Impairment losses recognised or reversed directly in the Revaluation Reserve | - | - | - | - | - | - | - | - | - |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services | - | - | - | - | - | - | - | - | - |
| Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services | - | - | - | - | - | - | - | - | - |
| Amortisation for the period | - | (5) | (5) | - | (715) | (715) | - | (722) | (722) |
| Other changes | - | - | - | - | - | - | - | - | - |
| Net carrying amount at end of year | - | 3,560 | 3,560 | - | 2,881 | 2,881 | - | 2,181 | 2,181 |
| Comprising: | | | | | | | | | |
| - Gross carrying amounts | - | 3,575 | 3,575 | - | 3,611 | 3,611 | - | 3,632 | 3,632 |
| - Accumulated amortisation | - | (15) | (15) | - | (730) | (730) | - | (1,451) | (1,451) |
| | - | 3,560 | 3,560 | - | 2,881 | 2,881 | - | 2,181 | 2,181 |

There is one item of capitalised software that is individually material to the financial statements:

| | Carrying Amount | | | Remaining Amortisation Period |
|---|--------------------|--------------------|--------------------|-------------------------------|
| | 31/03/2010 £000 | 31/03/2011 £000 | 31/03/2012 £000 | |
| Financial Information Management System | 3551 | 2,840 | 2,130 | 3 Years |

The Council purchased IT software licences totalling £22k during the year.

The Council does not revalue its software assets due to the short lifespan of these assets.

15 Financial Instruments

Categories of Financial Instruments

The Council's financial instruments include financial assets (cash and cash equivalents and loans and receivables) and financial liabilities (trade payables arising from day-to-day operations and borrowings). The main purposes of the Council's financial instruments are to raise finance to support the Council's day-to-day operations (by investing surplus cash balances where appropriate) and finance investment undertaken through the capital programme.

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

| | Long-term | | | Short-term | | |
|---|--------------------------------|--------------------------------|--------------------|--------------------|--------------------|--------------------|
| | Restated 31/03/2010 £000 | Restated 31/03/2011 £000 | 31/03/2012 £000 | 31/03/2010 £000 | 31/03/2011 £000 | 31/03/2012 £000 |
| Investments | | | | | | |
| Loans and receivables | - | 969 | 2,745 | 12,425 | 27,883 | 20,357 |
| Available-for-sale financial assets | - | - | - | - | - | - |
| Unquoted equity investment at cost | 150 | 150 | 150 | - | - | - |
| Financial assets at fair value through profit and loss | - | - | - | - | - | - |
| Total investments | 150 | 1,119 | 2,895 | 12,425 | 27,883 | 20,357 |
| Debtors | | | | | | |
| Loans and receivables | 33,456 | 33,917 | 34,093 | - | - | - |
| Financial assets carried at contract amounts | - | - | - | 15,589 | 13,316 | 13,537 |
| Total debtors | 33,456 | 33,917 | 34,093 | 15,589 | 13,316 | 13,537 |
| Borrowings | | | | | | |
| Financial liabilities at amortised cost | 148,507 | 112,636 | 115,765 | 1,000 | 1,980 | 1,863 |
| Financial liabilities at fair value through profit and loss | - | - | - | - | - | - |
| Total borrowings | 148,507 | 112,636 | 115,765 | 1,000 | 1,980 | 1,863 |
| Other Long Term Liabilities | | | | | | |
| PFI and finance lease liabilities | 5,062 | 5,620 | 5,622 | 145 | 272 | 192 |
| Total other long term liabilities | 153,569 | 118,256 | 121,388 | 1,145 | 2,252 | 2,055 |
| Creditors | | | | | | |
| Financial liabilities at amortised cost | - | - | - | - | - | - |
| Financial liabilities carried at contract amount | - | 179 | - | 18,720 | 11,223 | 13,993 |
| Total creditors | - | 179 | - | 18,720 | 11,223 | 13,993 |

The value for long term PFI and finance lease liability has changed from the audited 2010/11 accounts. Deferred income of £4,318k was included in the original 2010/11 figures however this has been removed in the restated version as deferred income is not classed as financial instrument and has not been included in the 2011/12 figures

Long Term Equity Investments

The Council has an investment of 22,222 shares valued at £150,000 representing a 15.7% shareholding in Warrington Sports Holding Ltd. It has been determined that the Council does not have control of the company and it is not a subsidiary of the Council. As the fair value of the shares cannot be easily determined due the shares having no quoted market price in an active market the cost that would be incurred in independently valuing them would be disproportionate. The investment is carried at cost as a proxy for fair value.

Reclassifications

In 2011/12 the Council has not made any reclassifications.

Income, Expense, Gains and Losses

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

| | Liabilities measured at amortised cost £000 | Loans and receivables £000 | Available-for-sale assets £000 | Assets and Liabilities at Fair Value through Profit and Loss £000 | 2010/11 Total £000 | Liabilities measured at amortised cost £000 | Loans and receivables £000 | Available-for-sale assets £000 | Assets and Liabilities at Fair Value through Profit and Loss £000 | 2011/12 Total £000 |
|---|--|-------------------------------|-----------------------------------|--|-----------------------|--|-------------------------------|-----------------------------------|--|-----------------------|
| Interest expense | (7,184) | - | - | - | (7,184) | (5,462) | - | - | - | (5,462) |
| Losses on derecognition | - | - | - | - | - | - | - | - | - | - |
| Reductions in fair value | - | - | - | - | - | - | - | - | - | - |
| Impairment losses | - | (463) | - | - | (463) | - | (547) | - | - | (547) |
| Fee expense | (13) | - | - | - | (13) | - | - | - | - | - |
| Total expense in Surplus or Deficit on the Provision of Services | (7,197) | (463) | - | - | (7,660) | (5,462) | (547) | - | - | (6,009) |
| Interest income | - | 2,893 | - | - | 2,893 | - | 2,408 | - | - | 2,408 |
| Interest income accrued on impaired financial assets | - | - | - | - | - | - | - | - | - | - |
| Increases in fair value | - | - | - | - | - | - | - | - | - | - |
| Gains on derecognition | - | - | - | - | - | - | - | - | - | - |
| Fee income | - | - | - | - | - | - | - | - | - | - |
| Total income in Surplus or Deficit on the Provision of Services | - | 2,893 | - | - | 2,893 | - | 2,408 | - | - | 2,408 |
| Gains on revaluation | - | - | - | - | - | - | - | - | - | - |
| Losses on revaluation | - | - | - | - | - | - | - | - | - | - |
| 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 | - | - | - | - | - | - | - | - | - | - |
| Net gain/(loss) for the year: Income & Expenditure Account | (7,197) | 2,430 | - | - | (4,767) | (5,462) | 1,861 | - | - | (3,601) |
| Below the line adjustments of write off of premiums and discounts in 2010/11 | 810 | - | - | - | 810 | - | - | - | - | - |
| Net gain/(loss) for the year: General Fund | (6,387) | 2,430 | - | - | (3,957) | (5,462) | 1,861 | - | - | (3,601) |

The value of Loans and Receivables Impairment Losses has changed from the audited 2010/11 accounts. Housing Benefit Overpayment of £401k was included in the original 2010/11 figures however this has been removed in the restated version as

housing benefit is not classed as financial instrument and has not been included in the 2011/12 figures

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 rates at 31 March 2012 of 1.41% to 4.39% for loans from the PWLB and 4.29% and 4.65% 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

The fair values calculated are as follows:

| | 31/03/2010 | | Restated 31/03/2011 | | 31/03/2012 | |
|-----------------------|-------------------------|--------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| Financial liabilities | 149,507 | 160,304 | 114,616 | 121,791 | 117,628 | 122,461 |
| Long-term creditors | - | - | - | - | - | - |

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 at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 2012).

| | 31/03/2010 | | 31/03/2011 | | 31/03/2012 | |
|-----------------------|-------------------------|--------------------|-------------------------|--------------------|-------------------------|--------------------|
| | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 | Carrying amount £000 | Fair value £000 |
| Loans and receivables | 12,575 | 12,575 | 28,852 | 27,831 | 23,102 | 23,215 |
| Long-term debtors | 33,456 | 33,456 | 33,917 | 33,917 | 34,093 | 34,093 |

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 shows a notional future gain (based on economic conditions at 31 March 2012) attributable to the commitment to receive interest below current market rates. The Loans and Receivables figures have been restated from the audited 2010/11 accounts for the inclusion of a long term investment of Warrington Wolves shares that was not previously disclosed in the table

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

For information on the collateral held by the Council please see note 58 to the statement of accounts.

16 Inventories

| | Consumable Stores | | | Client Services in Work in Progress | | | Totals | | |
|---|-------------------|-----------------|-----------------|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 |
| Balance Outstanding at Start of Year | 632 | 872 | 925 | 8 | 8 | - | 640 | 880 | 925 |
| Other Movement in Year | - | 58 | (4) | - | - | - | - | 58 | (4) |
| Purchases | 240 | 115 | 3 | - | - | - | 240 | 115 | 3 |
| Recognised as an Expense in Year | - | (25) | (93) | - | (8) | - | - | (33) | (93) |
| Written Off Balances | - | (95) | - | - | - | - | - | (95) | - |
| Reversals of Write Offs in Previous Years | - | - | - | - | - | - | - | - | - |
| Balance Outstanding at Year End | 872 | 925 | 831 | 8 | - | - | 880 | 925 | 831 |

17 Construction Contracts

The Council did not carry out any construction contracts for customers during the financial year.

18 Debtors

The Council has reanalysed the comparative year short term debtors figures in order to provide further clarity and comparison between the two financial years, however the bottom line figure remains unchanged.

The Councils debtors are as follows:

| | Long Term Debtors | | | Short Term Debtors | | |
|---------------------------------------|-------------------|------------------|------------------|------------------------------|------------------------------|------------------|
| | 31/03/10 £000 | 31/03/11 £000 | 31/03/12 £000 | Restated 31/03/10 £000 | Restated 31/03/11 £000 | 31/03/12 £000 |
| Central government bodies | - | - | - | 29,555 | 24,892 | 10,611 |
| Other local authorities | - | - | - | 1,426 | 3,476 | 1,432 |
| NHS bodies | - | - | - | - | 1,538 | 3,837 |
| Public corporations and trading funds | - | - | - | 1,085 | - | - |
| Other entities and individuals | 33,613 | 33,917 | 36,063 | 13,350 | 20,108 | 23,248 |
| Total | 33,613 | 33,917 | 36,063 | 45,416 | 50,014 | 39,128 |

19 Cash and Cash Equivalents

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

| | 31/03/10 £000 | 31/03/11 £000 | 31/03/12 £000 |
|--------------------------------------|------------------|------------------|------------------|
| Cash on hand and balances with banks | 4,250 | 9,359 | 2,694 |
| Short Term Deposits | 18,703 | 21,844 | 14,538 |
| Total | 22,953 | 31,203 | 17,232 |

| | 31/03/10 £000 | 31/03/11 £000 | 31/03/12 £000 |
|--------------------------------------|------------------|------------------|------------------|
| Cash on hand and balances with banks | (10,528) | (8,366) | (4,079) |

| | | | |
|---------------------|---------------|---------------|---------------|
| Net Position | 12,425 | 22,837 | 13,153 |
|---------------------|---------------|---------------|---------------|

20 Assets Held for Sale

Where the Council expects to sell assets within twelve months of the balance sheet date and is actively marketing their sale they are shown under Assets Held for Sale which is classified as a current asset.

As the true value of these assets to the Council will now be their disposal value they are held at Market Value less any costs of disposal rather than a value based on their continuing use by the Council.

| | Current | | | Non Current | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 |
| Balance Outstanding at Start of Year | - | - | - | 465 | 465 | - |
| <u>Assets Newly Classified as Held for Sale:</u> | | | | | | |
| - Property, Plant and Equipment | - | - | - | - | 3,682 | 5,398 |
| - Assets not previously recognised | - | - | - | - | - | 446 |
| Revaluation losses | - | - | - | - | - | - |
| Revaluation gains | - | - | - | - | - | - |
| Impairment losses | - | - | - | 0 | (3,545) | - |
| Assets Sold | - | - | - | 0 | (602) | (3,935) |
| Transfers from Non Current to Current | - | - | - | - | - | - |
| Balance Outstanding at Year End | - | - | - | 465 | - | 1,909.00 |

21 Creditors

The Council's creditors are as follows:

| | Long Term Creditors | | | Short Term Creditors | | |
|---------------------------------------|---------------------|------------------|------------------|----------------------|------------------|------------------|
| | 31/03/10 £000 | 31/03/11 £000 | 31/03/12 £000 | Restated | Restated | |
| | | | | 31/03/10 £000 | 31/03/11 £000 | 31/03/12 £000 |
| Central Government Bodies | - | - | - | 4,567 | 7,939 | 7,089 |
| Other Local Authorities | - | - | - | 708 | 2,292 | 2,152 |
| NHS Bodies | - | - | - | - | 7 | 1,035 |
| Public Corporations and Trading Funds | - | - | - | 2,184 | 120 | 44 |
| Other Entities and Individuals | 5,163 | 5,476 | 5,316 | 27,437 | 32,586 | 24,310 |
| Total | 5,163 | 5,476 | 5,316 | 34,896 | 42,944 | 34,630 |

22 Provisions

| | Outstanding Legal Cases £000 | Injury and Damage Compensation Claims £000 | Other Provisions £000 | Total £000 |
|---------------------------------------|------------------------------------|--|-----------------------------|---------------|
| Balance at 1 April 2010 | - | 1,105 | 1,127 | 2,232 |
| Additional Provisions Made in 2010/11 | - | 446 | 1,858 | 2,304 |
| Amounts Used in 2010/11 | - | (20) | (816) | (836) |
| Unused Amounts Reversed in 2010/11 | - | - | (153) | (153) |
| Unwinding of Discounts in 2010/11 | - | - | - | - |
| Balance at 31 March 2011 | - | 1,531 | 2,016 | 3,547 |
| Additional Provisions Made in 2011/12 | - | 777 | 858 | 1,635 |
| Amounts Used in 2011/12 | - | - | (864) | (864) |
| Unused Amounts Reversed in 2011/12 | - | (1,021) | (121) | (1,142) |
| Unwinding of Discounts in 2011/12 | - | - | - | - |
| Balance at 31 March 2011 | - | 1,287 | 1,889 | 3,176 |

| | 31/3/2010 | 31/3/2011 | 31/3/2012 |
|----------------------|--------------|--------------|--------------|
| Current Provisions | 1,105 | 1,531 | 1,287 |
| Long Term Provisions | 1,127 | 2,016 | 1,889 |
| Total | 2,232 | 3,547 | 3,176 |

The table has been restated from the 2010/11 audited accounts to reflect the disclosure required within the Code of Practice guidance notes

Injury and Damage Compensation Claims relate to the insurance fund which is set up to meet the unmet excess amount on any insurance claims taken out with third party organisations and to self insure certain areas of risk. In addition the estimated cost of external insurance premiums is credited to the Insurance Fund prior to payment to external insurers. The fund is reviewed on an annual basis, taking into account the level of both known claims and also the IBNR (incurred but not reported) accrual figure, which is the estimated cost of claims that have been incurred but not yet reported to the Council. Both these figures are obtained from third party consultants on an annual basis. The Insurance Fund transactions result in both a provision (to meet known claims) and a useable revenue reserve (additional contingency to meet further claims) on the Balance Sheet as well as a Comprehensive Income and Expenditure Statement impact.

The Other Provisions relate to:

- Staff provisions for potential future payments for redundancy and job evaluation claims
- Property provisions for future compulsory purchase order on a property

- The Carbon Reduction Commitment (CRC) Provision for future obligation to purchase and surrender CRC Allowances in relation to carbon dioxide emissions. The provision arises at the point at which the energy is consumed and carbon dioxide is emitted

23 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 8.

| | Restated | |
|----------------------------------|-----------------|-----------------|
| | 31/03/11 | 31/03/12 |
| | £000 | £000 |
| Held for Revenue Purposes | | |
| General Fund (see MiRS) | 976 | 1,282 |
| HRA (see MiRS) | 2,306 | 0 |
| Earmarked Reserves (see Note 8) | | |
| - GF | 26,086 | 32,534 |
| - HRA | 842 | 0 |
| | 30,210 | 33,816 |
| Held for Capital Purposes | | |
| Capital Receipts Reserve | 779 | 0 |
| Major Repairs Reserve | 2,101 | 2,021 |
| Capital Grants Unapplied | 13,341 | 11,392 |
| | 16,221 | 13,413 |
| Total Usable Reserves | 46,431 | 47,229 |

Capital Receipts Reserve

The Capital Receipts Reserve contains cash receipts from the sale of Council assets, which have not yet been used to finance capital expenditure.

| | 31/03/11 | 31/03/12 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Balance 1 April | 345 | 779 |
| Transferred from Deferred Capital receipts | 26 | 27 |
| Capital Receipts in year | 3,413 | 3,261 |
| | 3,784 | 4,067 |
| Less: | | |
| Capital Receipts Pooled | (532) | (10) |
| Capital Receipts used for financing | (2,473) | (4,057) |
| Balance 31 March | 779 | - |

Major Repairs Reserve

The Major Repairs Reserve details the Major Repairs Allowance (MRA) received by the Council. The MRA is based on national average unit costs for each of the property

types and represents the estimated long-term average amount of capital spending required to maintain a Council's stock in its current condition.

| | 31/03/11 £000 | 31/03/12 £000 |
|---------------------------------|------------------|------------------|
| Balance on 1 April | 1,709 | 2,101 |
| Amount transferred from the HRA | - | |
| Depreciation: | | |
| Dwellings | 3,375 | |
| Other Assets | - | |
| | 3,375 | 0 |
| HRA Capital Expenditure | - | |
| Appropriations to HRA | (2,983) | (80) |
| | (2,983) | (80) |
| Balance on 31 March | 2,101 | 2,021 |

Capital Grants Unapplied

| | Restated 31/03/11 £000 | 31/03/12 £000 |
|---|------------------------------|------------------|
| Balance on 1 April | 11,859 | 13,341 |
| Unapplied Capital Grants received in year | 8,339 | 15,261 |
| Unapplied Capital Grants transferred to CAA in year | (6,857) | (17,210) |
| Balance on 31 March | 13,341 | 11,392 |

24 Unusable Reserves

| | Restated 31/03/2011 £000 | 31/03/2012 £000 |
|---|--------------------------------|--------------------|
| Capital Adjustment Account | 281,008 | 263,860 |
| Financial Instruments Adjustment Account | (28) | (78) |
| Revaluation Reserve | 80,159 | 112,345 |
| Available for Sale Financial Instruments Reserve | - | - |
| Pensions Reserve | (88,077) | (127,498) |
| Deferred Capital Receipts Reserve (England and Wales) | 32,117 | 32,090 |
| Collection Fund Adjustment Account | 301 | 164 |
| Unequal Pay Back Pay Account | (197) | (197) |
| Accumulating Compensated Absences Adjustment | (5,542) | (5,026) |
| Total Unusable Reserves | 299,741 | 275,660 |

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.

| | Restated | |
|--|----------------|----------------|
| | 31/03/2011 | 31/03/2012 |
| | £000 | £000 |
| Balance at 1 April | 83,340 | 80,159 |
| Upward revaluation of assets | - | 33,779 |
| Downward revaluation of assets and impairment losses not charged to the Surplus on the Provision of Services | (3,998) | - |
| Surplus or deficit on revaluation of non-current assets not posted to the Surplus on the Provision of Services | (3,998) | 33,779 |
| Disposal of assets | - | (447) |
| Difference between fair value depreciation and historical cost depreciation | 817 | (1,146) |
| Balance at 31 March | 80,159 | 112,345 |

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

The Council did not have an Available for Sale Financial Instruments Reserve as at 31 March 2012.

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 also contains accumulates gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

| | Restated 31/03/2011 £000 | 31/03/2012 £000 |
|--|--------------------------------|--------------------|
| Balance at 1 April | 536,295 | 281,008 |
| 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 | (329,019) | (38,848) |
| Amortisation of intangible assets | (715) | (722) |
| Revaluation losses on Property, Plant and Equipment | - | - |
| Revenue expenditure funded from capital under statute | (9,593) | (8,330) |
| 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 | (6,881) | (3,776) |
| | (346,208) | (51,676) |
| Adjusting amounts written out of the Revaluation Reserve | (817) | 1,146 |
| Net written out amount of the cost of non current assets consumed in the year | (347,025) | (50,530) |
| Capital financing applied in the year: | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 2,473 | 4,057 |
| Use of the Major Repairs Reserve to finance new capital expenditure | 2,983 | 80 |
| Loans Lease principal repayments | 60,512 | - |
| Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 27,143 | 5,940 |
| Application of grants to capital financing from the Capital Grants Unapplied Account | 6,857 | 17,210 |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | 336 | 3,211 |
| Write off of Warrington Borough Transport Limited Realisation Reserve | | 831 |
| Capital expenditure charged against the General Fund and HRA balances | - | - |
| | 100,304 | 31,329 |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement | (8,566) | (287) |
| Investment Properties Not Previously Recognised | | 2,340 |
| Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement | - | - |
| Balance at 31 March | 281,008 | 263,860 |

The Accounts 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 7 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

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 benefitting from gains per statutory provisions. Warrington Borough Council use the Account to manage amounts that are charged to the Comprehensive Income and Expenditure Account, but reversed out of the General Fund Balance to the Account in the Movement in reserves Statement. Over time the income or expense is posted back to the General Fund Balance in accordance with statutory arrangements. This account includes amounts relating to a discount on the early redemption of loans and interest adjustments relating to two step loans, and two soft loans.

| | 31/03/2011 £000 | 31/03/2012 £000 |
|---|--------------------|--------------------|
| Balance at 1 April | (805) | (28) |
| Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement | 752 | |
| Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements | - | - |
| 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 | 25 | (50) |
| Balance at 31 March | (28) | (78) |

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 pay 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.

| | 31/03/2011 | 31/03/2012 |
|--|------------------|------------------|
| | £000 | £000 |
| Balance at 1 April | (267,417) | (88,077) |
| Actuarial gains or losses on pensions assets and liabilities | 135,253 | (42,015) |
| 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 | 44,087 | 2,594 |
| Balance at 31 March | (88,077) | (127,498) |

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.

| | 31/03/2011 | 31/03/2012 |
|--------------------------------------|---------------|---------------|
| | £000 | £000 |
| Balance at 1 April | 32,143 | 32,117 |
| Transfer to Capital Receipts Reserve | (26) | (27) |
| Balance at 31 March | 32,117 | 32,090 |

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 amount to the General Fund from the Collection Fund.

| | 31/03/2011 | 31/03/2012 |
|--|------------|------------|
| | £000 | £000 |
| Balance at 1 April | 1 | 301 |
| 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 | 300 | (137) |
| Balance at 31 March | 301 | 164 |

Unequal Pay Back Account

The Unequal Pay Back Account compensates for the differences between the rate at which the Council provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability to understand statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

| | 31/03/2011 £000 | 31/03/2012 £000 |
|--|--------------------|--------------------|
| Balance at 1 April | - | (197) |
| Increase in provision for back pay in relation to Equal Pay cases | (197) | - |
| Cash settlements paid in the year | - | - |
| Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements | - | - |
| Balance at 31 March | (197) | (197) |

Accumulated Absences Account

The Accumulates 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.

| | 31/03/2011 £000 | 31/03/2012 £000 |
|---|--------------------|--------------------|
| Balance at 1 April | (4,062) | (5,542) |
| Settlement or cancellation of accrual made at the end of the preceding year | 4,062 | 5,542 |
| Amounts accrued at the end of the current year | (5,542) | (5,026) |
| 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 | - | - |
| Balance at 31 March | (5,542) | (5,026) |

25 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| 2010/11 £000 | 2011/12 £000 |
|---------------------------|-----------------|
| (6,289) Interest received | (2,254) |
| 10,715 Interest paid | 5,422 |
| - Dividends received | - |
| 4,426 | 3,168 |

26 Cash Flow Statement – Investing Activities

| 2010/11 £000 | 2011/12 £000 |
|--|-----------------|
| Purchase of property, plant and equipment, 44,406 investment property and intangible assets | 36,857 |
| Purchase of short-term and long-term 16,033 investments | 23,863 |
| - Other payments for investing activities | - |
| Proceeds from the sale of property, plant and equipment, investment property and intangible (3,128) assets | (3,261) |
| Proceeds from short-term and long-term (10,060) investments | (20,083) |
| (31,106) Other receipts from investing activities | (24,802) |
| 16,145 Net Cash Flows from Investing Activities | 12,574 |

27 Cash Flow Statement – Financing Activities

| 2010/11 £000 | 2011/12 £000 |
|--|-----------------|
| Cash receipts of short-term and long-term (36,217) borrowing | (5,898) |
| - Other receipts from financing activities | - |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases 166 and on-balance sheet PFI contracts | (15) |
| Repayments of short-term and long-term 71,969 borrowing | 4,623 |
| - Other payments for financing activities | - |
| 35,918 Net Cash Flows from Financing Activities | (1,290) |

28 Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service in 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 Executive Board 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. Including:

- 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
- no Income or Expenditure relating to Revenue Expenditure Funded From Capital Under Statute (REFCUS) is included, however this is included on the Comprehensive Income and Expenditure Statement

- no charges relating to the IFRS Employee Accrual have been included in the budget reports, however these do appear on the Comprehensive Income and Expenditure Statement

The 2010/11 figures in the tables have been amended from the figures reported in the audited 2010/11 accounts to reflect changes made to the carry forward amounts on Government Grants

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

| 2011/12 | | | | | | | |
|---|--------------------------|----------------------------|-------------------------------|------------------------------|------------------------|-------------|--------------------|
| | Assistant Chief Execs | Children & Young People | Environment & Regeneration | Neighbourhood & Community | Corporate Financing | HRA | Net Expenditure |
| Income | | | | | | | |
| Fees, charges & Other Service Income | (71,907) | (19,232) | (16,162) | (35,908) | (260) | (45) | (143,514) |
| Government Grants | (2,849) | (153,798) | (1,254) | (463) | 0 | 0 | (158,364) |
| Interest and investment income | | | | | (590) | | (590) |
| Internal Recharges | (15,502) | (136,834) | (32,407) | (2,793) | (1) | 0 | (187,537) |
| | (90,258) | (309,864) | (49,823) | (39,164) | (851) | (45) | (490,005) |
| Expenditure | | | | | | | |
| Employee expenses | 16,890 | 139,031 | 25,070 | 30,514 | 360 | 0 | 211,865 |
| Other Service Expenditure | 71,570 | 58,153 | 32,090 | 67,483 | 7,555 | 45 | 236,896 |
| Depreciation, amortisation and impairment | 16 | 30,931 | 6,862 | 1,519 | -39,328 | 0 | 0 |
| Interest Payable | | | | | 5,016 | | 5,016 |
| Internal Recharges | 9,605 | 146,951 | 19,297 | 10,313 | 1,371 | 0 | 187,537 |
| | 98,081 | 375,066 | 83,319 | 109,829 | (25,026) | 45 | 641,314 |
| Net | 7,823 | 65,202 | 33,496 | 70,665 | (25,877) | 0 | 151,309 |

| Restated 2010/11 | | | | | | | | |
|-------------------------------|--------------------------|----------------------------|-------------------------------|------------------------------|-------------------------|------------------------|-----------------|--------------------|
| | Assistant Chief Execs | Children & Young People | Environment & Regeneration | Neighbourhood & Community | People & Improvement | Corporate Financing | HRA | Net Expenditure |
| Income | | | | | | | | |
| Fees, charges & Other Serv | (3,228) | (173,997) | (19,071) | (41,702) | (2,610) | (1,021) | (16,772) | (258,401) |
| Government Grants | (66,367) | (18,379) | 129 | (877) | (86) | - | - | (85,580) |
| Interest and investment incon | - | - | - | - | - | (1,048) | - | (1,048) |
| Internal Recharges | (9,247) | (139,022) | (31,231) | (3,370) | (6,924) | (1,334) | (167) | (191,295) |
| | (78,842) | (331,398) | (50,173) | (45,949) | (9,620) | (3,403) | (16,939) | (536,324) |
| Expenditure | | | | | | | | |
| Employee expenses | 11,364 | 145,594 | 28,166 | 31,963 | 6,732 | 4,526 | - | 228,345 |
| Other Service Expenditure | 67,488 | 65,669 | 30,197 | 70,599 | 2,897 | 3,899 | 14,435 | 255,184 |
| Depreciation, amortisation an | 3 | 11,177 | 6,735 | 1,707 | 756 | (20,385) | 2 | (5) |
| Interest Payable | - | - | 0 | - | - | 5,247 | - | 5,247 |
| Internal Recharges | 8,138 | 147,423 | 20,345 | 11,087 | 1,494 | 307 | 2,501 | 191,295 |
| | 86,993 | 369,863 | 85,443 | 115,356 | 11,879 | (6,406) | 16,938 | 680,066 |
| Net | 8,151 | 38,465 | 35,270 | 69,407 | 2,259 | (9,809) | (1) | 143,742 |

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

The reconciliation shows how the figures in the analysis of directorate income and expenditure (which are produced for management information purposes) relate to the amounts included in the Comprehensive Income and Expenditure Statement.

| | Restated | |
|---|-----------------|----------------|
| | 2010/11 | 2011/12 |
| | £000 | £000 |
| Net expenditure in the Directorate Analysis | 143,742 | 151,309 |
| Net expenditure of services and support services not included in the Analysis | 220,207 | 6,670 |
| Amounts included in Directorate Analysis but not in Cost of Services | (1,840) | 32,274 |
| Cost of services in CI&E | 362,109 | 190,253 |

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure (which are produced for management information purposes) relate to the subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

| 2011/12 | Directorate Analysis | Amounts not reported to management for decision making | Amounts reported but not included in Cost of Services | Allocation of Recharges | Cost of Services | Corporate Amounts | Total |
|--|-------------------------|--|---|----------------------------|---------------------|----------------------|------------------|
| Income | | | | | | | |
| Fees, charges & Other Service Income | (143,514) | 1,287 | (768) | | (142,995) | | (142,995) |
| Government Grants | (158,364) | | | | (158,364) | (94,859) | (253,223) |
| Interest and investment income | (590) | | 584 | | (6) | (2,408) | (2,414) |
| Internal Recharges | (187,537) | | | 187,537 | - | | - |
| Income in relation to Investment Properties | 0 | | 2,909 | | 2,909 | (2,756) | 153 |
| Income from Council Tax | 0 | | | | - | (81,464) | (81,464) |
| | (490,005) | 1,287 | 2,725 | 187,537 | (298,456) | (181,487) | (479,943) |
| Expenditure | | | | | | | |
| Employee expenses | 211,865 | (2,749) | | | 209,116 | | 209,116 |
| Other Service Expenditure | 236,896 | 8,132 | (4,046) | | 240,982 | | 240,982 |
| Depreciation, amortisation and impairment | 0 | | 39,377 | | 39,377 | | 39,377 |
| Interest Payable | 5,016 | | (5,016) | | - | 5,463 | 5,463 |
| Internal Recharges | 187,537 | | | (187,537) | - | | - |
| Parish Precepts | | | | | - | 1,521 | 1,521 |
| Precepts & Levies | | | (111) | | (111) | 111 | - |
| Payments to Housing Capital Receipts Pool | | | | | - | 10 | 10 |
| Gain / Loss on disposal of Non-Current Assets | | | | | - | 963 | 963 |
| Pension Interest Cost and return on assets | | | | | - | (363) | (363) |
| Expenditure in relation to Investment Properties | | | (655) | | (655) | 915 | 260 |
| | 641,314 | 5,383 | 29,549 | (187,537) | 488,709 | 8,620 | 497,329 |
| Net | 151,309 | 6,670 | 32,274 | - | 190,253 | (172,867) | 17,386 |

| Restated 2010/11 | Directorate Analysis | Amounts not reported to management for decision making | Amounts reported but not included in Cost of Services | Allocation of Recharges | Cost of Services | Corporate Amounts | Total |
|---|----------------------|--|---|-------------------------|------------------|-------------------|------------------|
| Income | | | | | | | |
| Fees, Charges & Other Service Income | (258,401) | - | - | - | (258,401) | - | (258,401) |
| Interest & Investment Income | (1,048) | - | 1,048 | - | - | (2,893) | (2,893) |
| Government Grants | (85,580) | (4,772) | - | - | (90,352) | (98,177) | (188,529) |
| Internal Recharges | (191,295) | - | - | 189,871 | (1,424) | - | (1,424) |
| Income & Expenditure in Relation to Investment Properties | - | (3,825) | 3,013 | - | (812) | 812 | - |
| Income from Council Tax | - | - | - | - | - | (80,981) | (80,981) |
| Transfer to Capital Adjustment Account - Large Scale Voluntary Transfer | - | (65,337) | - | - | (65,337) | - | (65,337) |
| | (536,324) | (73,934) | 4,061 | 189,871 | (416,326) | (181,239) | (597,565) |
| Expenditure | | | | | | | |
| Employee Expenses | 228,345 | (49,394) | - | - | 178,951 | - | 178,951 |
| Other Service Expenditure | 255,184 | 7,574 | - | - | 262,758 | - | 262,758 |
| Depreciation, Amortisation and Impairment | (5) | 339,848 | - | - | 339,843 | - | 339,843 |
| Interest Payable | 5,247 | - | (5,247) | - | - | 7,184 | 7,184 |
| Internal Recharges | 191,295 | - | - | (189,871) | 1,424 | - | 1,424 |
| Parish Precepts | - | - | - | - | - | 1,510 | 1,510 |
| Housing Capital Receipts Pool | - | - | - | - | - | 532 | 532 |
| Gain / Loss on disposal of Fixed Assets | - | - | - | - | - | 4,112 | 4,112 |
| Pension Interest Cost and Return on Assets | - | - | - | - | - | 6,793 | 6,793 |
| Income and Expenditure in Relation to Investment Properties | - | (7,211) | (654) | - | (7,865) | 5,036 | (2,829) |
| Transfer to Capital Adjustment Account - Large Scale Voluntary Transfer | - | 3,324 | - | - | 3,324 | - | 3,324 |
| | 680,066 | 294,141 | (5,901) | (189,871) | 778,435 | 25,167 | 803,602 |
| Net | 143,742 | 220,207 | (1,840) | - | 362,109 | (156,072) | 206,037 |

29 Acquired and Discontinued Operations

The Housing Revenue Account (HRA) was closed as of 31 March 2012 after receiving formal consent from the Secretary of State, and the balances of £3,942k were transferred to the General Fund (GF) Balance (£3,824k) and into GF Earmarked Reserves (£118k).

30 Trading Operations

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Council's services to the public (e.g. refuse collection), whilst other are support services to the Council's services to the public (e.g. schools catering). The income and expenditure relating to the trading accounts are included in the Net Cost of Services, with the exception of Commercial Properties and Industrial Estates which are shown in Financing and Investment Income and Expenditure (see Investment Properties in note 10).

| 2010/11 £000 | | | 2011/12 £000 | |
|---------------------|----------|--|---------------------|----------|
| Turnover | (3,013) | Commercial Properties and Industrial Estates The Council manages the land and buildings owned for the purposes of a property investment portfolio. The tenants are predominantly local business. All work is undertaken by the Council to ensure professional guidelines are met. The majority of lettings are at Market Value, with a limited number granting concessions to Charitable or Community Groups. | Turnover | (2,904) |
| Expenditure | 654 | | Expenditure | 653 |
| (Surplus) / Deficit | (2,359) | | (Surplus) / Deficit | (2,251) |
| Turnover | (1,324) | Retail Market The Council owns and operates Warrington Market. This includes the management, letting, cleaning, maintenance, security of over 200 market stalls and additional store rooms. We provide enterprise opportunities to the Market Traders and support to enable them to run their businesses. | Turnover | (1,285) |
| Expenditure | 1,300 | | Expenditure | 1,201 |
| (Surplus) / Deficit | (24) | | (Surplus) / Deficit | (84) |
| Turnover | (815) | Car Parks This is the day to day management of the Warrington Borough Council parking contract which includes the operational activity of the council owned 'off street' car parks and the issuance of penalty charge notices both on and off street. The activity is not carried out on a commercial basis as under the Traffic Management Act the service is expected to be cost neutral. | Turnover | (833) |
| Expenditure | 1,050 | | Expenditure | 982 |
| (Surplus) / Deficit | 235 | | (Surplus) / Deficit | 149 |
| Turnover | (3,108) | Leisure & Wellbeing The purpose of the Leisure & Wellbeing service is to provide our communities with opportunities to develop healthier and more active lifestyles. They operate 7 facilities across the town including 4 partnership facilities. The service has a balanced approach, dealing with commercial activity at peak times and health inequalities across our communities at off peak times. | Turnover | (2,566) |
| Expenditure | 5,563 | | Expenditure | 5,801 |
| (Surplus) / Deficit | 2,454 | | (Surplus) / Deficit | 3,235 |
| Turnover | (604) | Arts Centre & Pyramid Pyramid and Parr Hall are the town's key cultural and performance venues, offering varied programme of arts and cultural performances and also opportunities for local people to engage in activities and classes. The activities of Pyramid and Parr Hall are based on an agreed business plan which requires the delivery of a balanced budget which does not exceed the subsidy provided by the local authority and the venues operate commercially in order to make the most effective use of resources. | Turnover | (655) |
| Expenditure | 1,401 | | Expenditure | 1,520 |
| (Surplus) / Deficit | 797 | | (Surplus) / Deficit | 865 |
| Turnover | (3,392) | School Meals The service provides school meals to school children at 70 primary, 2 special and 2 high schools and aims to deliver a quality value for money service which meets legislative standards. There is a commercially driven approach to the service and any deficit would need to be recharged to the Dedicated Schools Grant. | Turnover | (3,745) |
| Expenditure | 3,979 | | Expenditure | 3,597 |
| (Surplus) / Deficit | 588 | | (Surplus) / Deficit | (148) |
| - | | Impairment Adjustment & Exceptional Costs | - | |
| Total Turnover | (12,255) | (Surplus) / Deficit on Trading Accounts All the above Trading Accounts have been removed from Cost of Services and moved to Financing & Investment Income and Expenditure as detailed in Note 10. | Total Turnover | (11,988) |
| Total Expenditure | 13,946 | | Total Expenditure | 13,754 |
| (Surplus)/Deficit | 1,691 | | (Surplus)/Deficit | 1,766 |

31 Agency Services

The Council is the lead authority for the Cheshire Coroner's service and recharges these services to Cheshire East, Cheshire West and Chester and Halton Borough Council.

| | 2010/11 £000 | 2011/12 £000 |
|---|-----------------|-----------------|
| Recharge to Cheshire West & Chester | 444 | 430 |
| Recharge to Cheshire East | 488 | 473 |
| Recharge to Halton | 161 | 158 |
| Cost of Service to Warrington Borough Council | 294 | 276 |
| Total Cost of Coroner's Service | 1,387 | 1,337 |

32 Road Charging Scheme Under The Transport Act 2000

The Council does not operate any road charging schemes under The Transport Act 2000.

33 Pooled Budgets

The Council's pooled budget arrangement with NHS Warrington ceased on 31 March 2011. There are no other pooled budget arrangements in place.

34 Members' Allowances

During the year Members allowances, including Employer's costs totalled £800k (2010/11 £805k) and are as follows:

| | 2010/11 £000 | 2011/12 £000 |
|--------------|-----------------|-----------------|
| Allowances | 676 | 677 |
| Expenses | 129 | 123 |
| Total | 805 | 800 |

Disclosure has been made in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12. This differs from the detail disclosed in the 2010/11 audited accounts for comparative purposes, however the total expenses has not changed.

35 Officers' Remuneration

The remuneration paid to the Council's senior employees who form part of the Corporate Development Forum (CDF) is included in the table below. In the 2010/11 audited accounts one post – Assistant Director Mental Health & Learning Disabilities was included however this has been excluded from the 2010/11 restated figures as this post was not part of CDF membership

Positions held by agency staff are not included within this disclosure as it relates to employees only.

Further analysis of the 2010/11 remuneration figures has been provided in these accounts in order to provide more clarity on the different remuneration types. The

further detail provided for 2011/12 was not disclosed in the original Audited 2010/11 accounts however as the disclosure requirement has changed for 2011/12 the 2010/11 figures have been restated for comparative purposes

Some of the audited 2010/11 figures have been restated as information regarding Expenses Allowances was disclosed imprecisely within the salary, fees and allowances column. This has been rectified in the 2010/11 figures in the table below

| | | Restated | | | | | | Pension Contribution £ | Total £ |
|---|---------|----------------------------------|--------------------------|-----------------------|------------------------------|--------------------------------------|---------|---------------------------|------------|
| | | Salary, Fees and Allowances £ | Expenses Allowances £ | Taxable Benefits £ | Other Non-Cash Benefits £ | Compensation for Loss of Office £ | | | |
| Diana Terris Chief Executive Note 1 | 2011/12 | 154,248 | 2,754 | | | - | 30,208 | 187,210 | |
| | 2010/11 | 164,474 | 2,631 | | | - | 31,414 | 198,519 | |
| Rachel Robins Director Of People & Improvement (leaving date 11/12/2011) | 2011/12 | 70,009 | 334 | 1,152 | | - | 155,164 | 309,450 | |
| | 2010/11 | 103,632 | 351 | 291 | | - | 19,794 | 124,068 | |
| Executive Director Neighbourhoods & Community Services | 2011/12 | 118,100 | 2,754 | | | - | 23,123 | 143,977 | |
| | 2010/11 | 120,453 | 2,631 | | | - | 23,007 | 146,091 | |
| Executive Director of Children and Young People's Services | 2011/12 | 117,575 | 656 | 1,727 | | - | 23,133 | 143,091 | |
| | 2010/11 | 113,026 | 1,987 | 874 | | - | 21,588 | 137,475 | |
| Executive Director Environment & Regeneration | 2011/12 | 117,150 | 2,754 | | | - | 22,643 | 142,547 | |
| | 2010/11 | 120,634 | 351 | | | - | 23,041 | 144,026 | |
| Assistant Chief Executive | 2011/12 | 113,085 | 411 | 1,562 | | - | 22,153 | 137,211 | |
| | 2010/11 | 110,378 | 351 | 1,882 | | - | 21,082 | 133,693 | |
| Solicitor to the Council | 2011/12 | 87,338 | 1,239 | | | - | 17,118 | 105,695 | |
| | 2010/11 | 85,087 | 1,239 | | | - | 16,252 | 102,578 | |
| Chief Finance Officer | 2011/12 | 84,255 | 1,239 | | 2,615 | - | 17,053 | 105,162 | |
| | 2010/11 | 83,426 | 1,270 | | 2,746 | - | 16,884 | 104,326 | |
| Assistant Director Targeted Services (start date 23/08/2010) | 2011/12 | 93,971 | 1,239 | | | - | 18,090 | 113,300 | |
| | 2010/11 | 56,098 | 753 | | | - | 10,715 | 67,566 | |
| Assistant Director Neighbourhood & Cultural Services | 2011/12 | 88,379 | 1,239 | | | - | 17,118 | 106,736 | |
| | 2010/11 | 84,769 | 1,239 | | | - | 16,191 | 102,199 | |
| Assistant Director Regeneration Development & Housing | 2011/12 | 84,424 | - | 1,727 | 2,916 | - | 17,088 | 106,155 | |
| | 2010/11 | 84,628 | - | 1,748 | 2,916 | - | 16,721 | 106,013 | |
| Assistant Director Transportation, Engineering and Operations Note 2 | 2011/12 | 87,338 | - | 1,574 | | - | 17,118 | 106,030 | |
| | 2010/11 | 86,512 | - | 1,594 | | - | 16,524 | 104,630 | |
| Assistant Director Integrated Adult Health & SCC (start date 04/10/2010) Note 3 | 2011/12 | 86,717 | - | 1,575 | 600 | - | 17,114 | 106,006 | |
| | 2010/11 | 41,701 | 10 | 798 | | - | 7,965 | 50,474 | |
| Assistant Director Business Planning & Resources | 2011/12 | 87,437 | 1,239 | | | - | 17,118 | 105,794 | |
| | 2010/11 | 89,083 | 266 | | | - | 17,015 | 106,364 | |
| Assistant Director Universal Services | 2011/12 | 87,410 | 1,239 | | | - | 17,118 | 105,767 | |
| | 2010/11 | 89,036 | 1,239 | | | - | 16,990 | 107,265 | |
| Assistant Director Organisational Change | 2011/12 | 72,236 | 1,239 | | 2,916 | - | 14,601 | 90,992 | |
| | 2010/11 | 75,227 | 1,005 | | 2,851 | - | 14,645 | 93,728 | |
| Assistant Director Partnerships & Performance (start date 15/11/2010) | 2011/12 | 74,183 | 1,239 | | | - | 14,540 | 89,962 | |
| | 2010/11 | 21,717 | 468 | | | - | 5,190 | 27,375 | |
| Assistant Director Adult and Social Care (start date 03/08/2010) | 2011/12 | 86,395 | - | 1,727 | | - | - | 88,122 | |
| | 2010/11 | 54,359 | 246 | 874 | | - | - | 55,479 | |
| Assistant Director HR Advisory Service (start date 02/08/2010) | 2011/12 | 68,019 | 17 | 1,555 | 2,301 | - | 13,943 | 85,835 | |
| | 2010/11 | 46,086 | 823 | - | 1,701 | - | 9,121 | 57,731 | |
| Head of Strategic Communications | 2011/12 | 62,267 | 1,239 | | | - | 12,204 | 75,710 | |
| | 2010/11 | 62,266 | 1,239 | | | - | 11,893 | 75,398 | |
| Assistant Director Older People & People with a Physical Disability (leaving date 11/05/2011) | 2011/12 | 5,719 | - | - | - | 59,114 | 1,121 | 65,954 | |
| | 2010/11 | 64,058 | - | - | - | - | 12,182 | 76,240 | |
| Chief Customer Access & Technology Officer (start date 17/10/2011) | 2011/12 | 34,277 | 566 | | | - | 6,718 | 41,561 | |
| | 2010/11 | - | - | - | - | - | - | - | |
| Former Assistant Director Community Support (leaving date 12/04/2010) | 2010/11 | 19,732 | 516 | | | 84,049 | 889 | 3,365,952 | |
| Assistant Director Customer Contacts & Business Change (leaving date 12/09/2010) | 2010/11 | 36,612 | 703 | | | | 7,133 | 44,448 | |
| Former Assistant Director Environment & Public Protection Services (leaving date 30/11/2010) | 2010/11 | 81,725 | 826 | | | 84,754 | 11,436 | 178,741 | |

- Note 1: The table above excludes the sum of £19k paid to the Chief Executive for Returning Officer duties
- Note 2: Assistant Director, Transportation, Engineering & Operations has been entitled Assistant Director, Sustainable Transportation in the 2010/11 audited accounts
- Note 3: The remuneration for the Assistant Director Integrated Adult Health & SCC is 50% funded by Warrington PCT

The number of Council employees including teachers and senior employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) was as follows:

| 2010/11 No. Of Employees | 2010/11 No. Of Agency Staff | Bandings | 2011/12 No. Of Employees | 2011/12 No. Of Agency Staff |
|--------------------------------|-----------------------------------|----------------------|--------------------------------|-----------------------------------|
| 70 | 8 | £50,000 to £54,999 | 59 | 2 |
| 62 | 8 | £55,000 to £59,999 | 52 | 2 |
| 43 | 1 | £60,000 to £64,999 | 20 | 3 |
| 16 | 1 | £65,000 to £69,999 | 9 | 0 |
| 8 | 1 | £70,000 to £74,999 | 6 | 1 |
| 7 | 2 | £75,000 to £79,999 | 4 | 0 |
| 5 | 0 | £80,000 to £84,999 | 2 | 0 |
| 7 | 1 | £85,001 to £89,999 | 9 | 0 |
| 5 | 1 | £90,000 to £94,999 | 2 | 0 |
| 1 | 1 | £95,000 to £99,999 | 2 | 0 |
| 4 | 4 | £100,000 to £104,999 | 1 | 0 |
| 0 | 0 | £105,000 to £109,999 | 1 | 0 |
| 3 | 1 | £110,000 to £114,999 | 0 | 0 |
| 2 | 0 | £115,000 to £119,999 | 3 | 0 |
| 2 | 0 | £120,000 to £124,999 | 1 | 1 |
| 0 | 0 | £125,000 to £129,999 | 0 | 0 |
| 0 | 0 | £130,000 to £134,999 | 0 | 0 |
| 0 | 1 | £135,000 to £139,999 | 0 | 0 |
| 0 | 0 | £140,000 to £144,999 | 0 | 0 |
| 0 | 0 | £145,000 to £149,999 | 0 | 0 |
| 0 | 0 | £150,000 to £154,999 | 0 | 0 |
| 0 | 0 | £155,000 to £169,999 | 1 | 0 |
| 0 | 0 | £159,999 to £164,999 | 0 | 0 |
| 2 | 0 | £165,000 to £169,999 | 0 | 0 |
| 0 | 0 | £170,000 to £174,999 | 0 | 0 |
| 0 | 0 | £175,000 to £179,999 | 0 | 0 |
| 0 | 0 | £180,000 to £184,999 | 0 | 0 |
| 0 | 0 | £185,000 to £189,999 | 0 | 0 |
| 0 | 0 | £190,000 to £194,999 | 0 | 0 |
| 0 | 0 | £195,000 to £199,999 | 0 | 0 |
| 0 | 0 | £200,000 to £204,999 | 0 | 0 |
| 0 | 0 | £205,000 to £209,999 | 0 | 0 |
| 0 | 0 | £210,000 to £214,999 | 0 | 0 |
| 0 | 0 | £215,000 to £219,999 | 0 | 0 |
| 0 | 0 | £220,000 to £224,999 | 0 | 0 |
| 0 | 0 | £225,000 to £229,999 | 1 | 0 |
| 237 | 30 | | 173 | 9 |

The £60,000 to £64,999 agency staff band has been restated from the audited 2010/11 accounts to reflect a post that was originally included that did not meet the relevant criteria. This has been removed from the table above

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

| 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 | |
|---|-----------------------------------|-----------|-----------------------------------|------------|--|------------|--|------------------|
| | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 |
| | £0 - £20,000 | 27 | 56 | 57 | 94 | 84 | 150 | 581,100 |
| £20,000 - £40,000 | 17 | 10 | 40 | 40 | 57 | 50 | 1,677,256 | 1,374,706 |
| £40,001 - £60,000 | 5 | 1 | 18 | 9 | 23 | 10 | 1,174,869 | 493,185 |
| £60,001 - £80,000 | 1 | - | 1 | 3 | 2 | 3 | 148,558 | 187,450 |
| £80,001 - £100,000 | - | - | 1 | - | 1 | - | 99,125 | - |
| £100,001 - £150,000 | - | - | 1 | - | 1 | - | 106,529 | - |
| £150,001 - £200,000 | - | - | - | 1 | - | 1 | - | 155,164 |
| Total | 50 | 67 | 118 | 147 | 168 | 214 | 3,787,437 | 3,334,648 |

36 External Audit Costs

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

| | 2010/11 £000 | 2011/12 £000 |
|--|-----------------|-----------------|
| Fees payable to external auditors with regard to external audit services carried out by the appointed auditor for the year | 308 | 258 |
| Fees payable to external auditors in respect of statutory inspections | - | - |
| Fees payable to external auditors for the certification of grant claims and returns for the year | 71 | 79 |
| Fees payable in respect of others services provided by external auditors during the year | - | - |
| Total | 379 | 337 |

The change between years is due to a change in methodology. The 2010/11 figures are based on the actual fees paid to the external auditors. This was found not to follow the Code, but as it was not a material change did not qualify to make a prior period adjustment in line with IAS8 (see note 57). The 2011/12 has been correctly presented in line with the Code and shows the fees charged by the external auditors.

37 Dedicated Schools Grant (DSG)

| | Central Expenditure £000 | Individual Schools Budget £000 | Total £000 |
|--|--------------------------------|--------------------------------------|----------------|
| Final Dedicated Schools Grant for 2011/12 | 12,481 | 129,445 | 141,926 |
| Brought forward from 2010/11 | 228 | | 228 |
| Carry forward to 2012/13 (agreed in advance) | (985) | | (985) |
| Sub Total | | | <u>141,168</u> |
| Agreed budgeted distribution in 2011/12 | 12,331 | 129,445 | 141,776 |
| In-year adjustments | (608) | | (608) |
| Final budget distribution for 2011/12 | | | <u>141,168</u> |
| Actual central expenditure | 11,722 | | 11,722 |
| Actual Individual Schools Budget deployed to schools | | 129,445 | 129,445 |
| Local Authority contribution for 2011/12 | | | - |
| Carry forward to 2012/13 (agreed in advance) | | | 1 |

38 Grant Income

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

| | 2010/11 £000 | 2011/12 £000 |
|---|-----------------|-----------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Council Tax Income | 80,981 | 81,464 |
| National Non Domestic Rates Redistribution | 47,188 | 43,813 |
| Revenue Support Grant | 6,852 | 13,543 |
| Local Services Support Grant | - | 610 |
| Early Intervention Grant | - | 8,392 |
| New Homes Bonus | - | 808 |
| Council Tax Freeze Grant | - | 1,994 |
| Preventing Homelessness Fund | - | 96 |
| Learning Disability and Health Reform | - | 4,784 |
| Area Based Grant | 14,180 | - |
| Capital Grants | 29,957 | 20,821 |
| Total | 179,158 | 176,325 |

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 Council has reanalysed the 2010/11 year grants credited to services in order to provide further detailed analysis and clarity and comparison between the two financial years, however the 'total' 2010/11 figure remains unchanged. Some grants have ceased in 2011/12 e.g. Learning Skills Council and some have been re-categorised e.g. Surestart Grant now forms part of the Early Intervention Grant. The figures for 2010/11 have been restated to include the £6.3m of grant income as detailed in the Prior Period Adjustment Note (Note 57)

The grants credited to Services during the year are as follows:

| Credited to Services | Restated | |
|--|-----------------|----------------|
| | 2010/11 | 2011/12 |
| | £000 | £000 |
| Grants | | |
| Dedicated Schools Grant | 124,671 | 141,926 |
| Rent Allowance Subsidy | 35,163 | 51,645 |
| Council Tax Benefit | 13,435 | 13,462 |
| Schools Sixth Form | 6,300 | 6,781 |
| Pupil Premium | - | 1,720 |
| Admin Subsidy | 1,361 | 1,371 |
| Devolved Standards Fund | 2,750 | 1,184 |
| Youth Justice Grant | - | 638 |
| 10-11 Pothole grant | - | 555 |
| Special Educational Need Post-16 | - | 482 |
| Private Funding Initiative Premium - Anson & Blenheim | - | 333 |
| National Non Domestic Rates Admin Subsidy | 312 | 305 |
| Future Jobs Fund | - | 285 |
| Federation of Music Services | - | 254 |
| Teachers Pay Grant | - | 245 |
| 11/12 Family Learning | - | 224 |
| Child Welfare Development Centre - Social Work Improvement Fund | - | 195 |
| 10/11 Family Learning | - | 190 |
| Altervate Vote Referendum Election Grant | - | 176 |
| Private Finance Initiative - Government Support - Anson & Blenheim | 155 | 155 |
| Physical Education Teacher Release | - | 122 |
| Housing Revenue Account Rent Rebate Subsidy | 13,296 | 58 |
| Assistant Director Targeted Services | 127 | - |
| Birchwood High School Build | 1,930 | - |
| Department of Transport | 265 | - |
| Department for Education and Schools | 167 | - |
| Drug Intervention Programme | 145 | - |
| Diplomas | 121 | - |
| Family Pathfinder | 315 | - |
| Housing & Planning Development | 661 | - |
| Landfill Allowance Training Scheme | 489 | - |
| Learning Skills Council | 7,605 | - |
| Public Service Agreement Reward Grant | 310 | - |
| School grant income | 2,347 | - |
| SureStart Childcare | 137 | - |
| SureStart Holding Account | 6,962 | - |
| Targeted Mental Health Services | 223 | - |
| Transforming Adult Social Care | 816 | - |
| Teacher Development Agency - Child Workforce in Schools | 157 | - |
| Think Family Reforms | 176 | - |
| Volunteer V Project | 176 | - |
| War Pension | 100 | - |
| Waste Recycling and Environmental | 235 | - |
| Xtra Options & Diploma's | 498 | - |
| Youth Opportunity Fund | 107 | - |
| Young Person's Learning Agency - Work-related learning | 161 | - |
| Concessionary Travel | 1,195 | - |
| Parliamentary Funding | 188 | - |
| Capital Grant Income to fund REFCUS | - | 380 |
| Other Grants | 4,049 | 1,225 |
| Contributions | | |
| Extended Services | 200 | 1,357 |
| High Costs Care Packages Contributions | - | 1,157 |
| Warrington PrimaryCare Trust - Joint Funding | - | 865 |
| Contribution from NHS Warrington - Running costs for Lifestyles team | - | 695 |
| Staff contributions - Childcare Vouchers | - | 651 |
| Specialism Funding | - | 603 |
| Programme Office contributions | - | 535 |
| NHS - Support People through Interventions | - | 520 |
| Transforming Adult Social Care - Brought Forward | - | 493 |
| Contribution to Coroners Service - Cheshire East | - | 473 |
| Contribution to Coroners Service - Cheshire West | - | 430 |
| 5 Borough Partnership NHS Trust | - | 176 |
| Contribution to Coroners Service - Halton Borough Council | - | 158 |
| Funding from Primary Care Trust for Wellbeing Services | - | 128 |
| WBC Contribution to Alcohol Strategy & Rehabilitation | - | 110 |
| Other Contributions | 794 | 3,019 |
| Total | 228,098 | 235,281 |

| | Restated | |
|--|-----------------|----------------|
| | 2010/11 | 2011/12 |
| Grants Receipts in Advance (Capital Grants - Short & Long term) | £000 | £000 |
| Partnerships for Schools | 136 | 113 |
| Department for Children Schools and Families | 545 | 357 |
| Department of Health | 135 | - |
| Other Capital Grant Receipts in Advance | 576 | 36 |
| Total | 1,391 | 506 |

| | 2010/11 | 2011/12 |
|--|----------------|----------------|
| | £000 | £000 |
| Grants Receipts in Advance (Revenue Grants - Short & Long term) | | |
| Commutated Sums - Chapelford/Landscape/Highways | 9,673 | 9,549 |
| S106 Agreements | 3,661 | 4,394 |
| Devolved Standards Funds | 1184 | |
| Pot Holes Funding 11-12 | 555 | - |
| Transforming Adult Social Care Funding | 493 | - |
| Dedicated Schools Grant | 227 | - |
| Big Lottery Grant | - | 267 |
| Skills Funding Agency | 102 | - |
| Other Revenue Grant Receipts in Advance | 338 | 148 |
| Total | 16,233 | 14,359 |

The grants and contributions recording and identification process has been improved in the current year via the implementation of a full grant register and reconciliation process – no adjustments have been made to the 2010/11 figures in respect of this, except for the material prior period adjustments in relation to receipts in advance.

39 Related Parties

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. In this context, related parties include:

- Central Government
- Members
- Officers
- Other Public Bodies
- Entities controlled or significantly influenced by the Council

Materiality

Materiality has been assessed with regards to the Council and the related party.

Central Government

Central government has significant influence 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 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2012 are shown in Note 38. Any debtors and creditors relating to Central Government are shown in Notes 18 and 21, respectively.

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 34.

Members are required to complete a declaration of interests, disclosing any party where they, or their close family, have control or influence.

The register of Members' interests is available for public inspection at the Town Hall upon request.

Members also have to declare interests in any matter on Committee/Executive Board agendas, and if the interest is prejudicial, to remove themselves from the meeting.

Business Activities

In 2011-12 seven Members held material interests in the following organisations with whom the Council carried out business.

| Payments to Organisations where Members or their close relatives hold a personal interest | Expenditure 2010-11 £ | Expenditure 2011-12 £ | Creditors 2011-12 £ |
|---|--------------------------|--------------------------|------------------------|
| Keate House Residential Home | 750,978 | 745,992 | 0 |
| Golden Gates Housing Trust | 785,761 | 601,617 | 80,250 |
| Warrington Wolves Foundation | 133,197 | 69,594 | 0 |
| Forshaws Davies Ridgeway Solicitors | 45,418 | 13,545 | 0 |
| Warrington Housing Association | 580,637 | 831,534 | 7,257 |

| Receipts from Organisations where Members or their close relatives hold a personal interest | Income 2010-11 £ | Income 2011-12 £ | Debtors 2011-12 £ |
|---|---------------------|---------------------|----------------------|
| Keate House Residential Home | 4,455 | 4,892 | 0 |
| Golden Gates Housing Trust | 482,402 | 724,268 | 882,538 |
| Warrington Wolves Foundation | 16,754 | 13,785 | 343 |
| Forshaws Davies Ridgeway Solicitors | 3,975 | 1,200 | 0 |
| Stepping Stones Project | 0 | 0 | 1,532 |
| Warrington Housing Association | 28,445 | 36,733 | 991 |

In each of these cases, Members are not involved in the commissioning of services from these organisations, and the level of activity with each party is not unusual.

Also Golden Gates Housing Trust and Warrington Housing Association have loans with Warrington Borough Council, which are detailed in Note 15, Financial Instruments.

Grants Made

The following grants were made to local voluntary groups where nine Members have a level of influence; however, grants were not awarded by Members directly, except in the case of St. Rocco's Hospice where the grant was awarded from the Mayor's Charity Fund.

| Grants to Organisations where Members or their close relatives hold a personal interest | Expenditure 2010-11 £ | Expenditure 2011-12 £ | Creditors 2011-12 £ |
|--|----------------------------------|----------------------------------|--------------------------------|
| Stepping Stones Project | 361,670 | 363,226 | 24,342 |
| Latchford Baptist Church | 0 | 1,000 | 0 |
| Friends of Oakwood Park | 760 | 4,000 | 0 |
| St Rocco's Hospice | 1,152 | 2,895 | 0 |
| Foundation for Peace | 10,256 | 2,915 | 0 |
| Lumb Brook Millennium Green | 0 | 400 | 0 |
| Westy Credit Union | 1000 | 500 | 0 |
| Latchford East Community Ward Forum | 0 | 6,000 | 0 |

Officers

All Executive Directors of the Council, plus Assistant Directors were required to complete a declaration of interests. Individual Departmental Management Teams also had discretion to cascade the forms down to lower levels of budget holder if deemed appropriate.

Most of the officers' declarations were immaterial, or it could not be demonstrated that the officer had influence over the transactions.

There were two material declarations, but neither were pecuniary interests.

| Payments to Organisations where Officers or their close relatives hold a personal interest | Expenditure 2010-11 £ | Expenditure 2011-12 £ | Creditors 2011-12 £ |
|---|----------------------------------|----------------------------------|--------------------------------|
| Warrington Wolves Foundation | 133,197 | 69,594 | 0 |
| Marketing Cheshire | 12,295 | 201,635 | 0 |

The Chief Executive is a Director of the Warrington Wolves Rugby League Club and the associated charitable Foundation, but plays no part in the commissioning of services or awarding of grants.

The Assistant Director for Development and Public Protection is also a Director of Marketing Cheshire – the Cheshire and Warrington Tourist Board.

| Receipts from Organisations where Officers or their close relatives hold a personal interest | Income 2010-11 £ | Income 2011-12 £ | Debtors 2011-12 £ |
|---|-----------------------------|-----------------------------|------------------------------|
| Warrington Wolves Foundation | 16,754 | 13,785 | 343 |

Officers' remunerations are detailed in Note 35.

Other Public Bodies

The Council had Pooled Budget Arrangements with NHS Warrington in relation to health and social care needs of the learning disability client group – these ceased on 31 March 2011.

The following table shows the precepts and levies during the year 2011/12.

| Precepting & Levying Bodies | Precepts/Levies 2010 11 £ | Precepts/Levies 2011-12 £ |
|--|--|--|
| Cheshire Police Authority | 10,671,090 | 10,184,666 |
| Cheshire Fire Authority | 4,629,586 | 4,680,248 |
| Town and Parish Councils | 1,510,102 | 1,520,682 |
| Cheshire West and Chester Council | 883,292 | 801,768 |
| Environment Agency | 111,267 | 111,243 |

The precepts paid to the Cheshire Fire Authority, Cheshire Police Authority and the Town and Parish Councils are to distribute Council Tax collected on behalf of the related party.

The payment to Cheshire West and Chester Council is with regard to historic Pension costs. The payment to the Environment Agency is the Flood Defence levy.

The Council's Section 151 Officer, also undertook the same role for Cheshire Fire Authority for part of 2011/12 on a temporary basis.

Five Council Members sit on the Board for Cheshire Fire Authority, and two Members sit on the Board for Cheshire Police Authority.

The Council also provided Treasury Management services to both Cheshire Fire Authority and Cheshire Police Authority during 2011/12. The total income received was £18,000 split as follows:

- Cheshire Police Authority - £12,600
- Cheshire Fire Authority - £5,400

This was the same level as 2010/11.

During 2011/12 the Council made payments of £1.812m to charities and voluntary organisations, who work in areas which are complementary to the Council's objectives.

Entities Controlled or Significantly Influenced by the Council

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and 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. The Council had interests in two limited companies during the financial year:

- Warrington Borough Transport
- Connexions

Warrington Borough Transport is wholly owned by Warrington Borough Council and is consolidated into the Group Accounts as a subsidiary. Members of the WBT Board are also required to complete a related parties declaration, and no other related parties existed in 2011/12.

Warrington Borough Council owned 33% of Connexions, but the entity ceased to exist during the year. The decision to wind up the entity was discussed in Council meetings and there was one Member with influence over Connexions who withdrew from the discussion.

Pension fund

WBC is a member of the Cheshire Pensions Fund but is not an administering council.

One Member sits on the Board of Cheshire Pension Fund, and though no Councillors pay into the fund, one Member receives a pension from the fund.

Details of the fund can be found in Note 47.

40 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and Public Finance Initiative (PFI) 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.

| Capital Expenditure and Capital Financing | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 |
|---|-------------------------|-------------------------|-------------------------|
| Opening Capital Financing Requirement | 165,961 | 181,875 | 139,370 |
| Capital investment | | | |
| Property, Plant and Equipment | 45,803 | 48,170 | 32,370 |
| Investment Properties | 417 | - | - |
| Intangible Assets | 3,551 | 36 | 22 |
| Long Term Debtor - Loal Authority Mortgage Scheme (LAMS) | | | 2,000 |
| Revenue Expenditure Funded from Capital under Statute | 7,934 | 9,593 | 8,331 |
| | 57,705 | 57,799 | 42,723 |
| Sources of finance | | | |
| Capital receipts | (1,039) | (2,473) | (4,056) |
| Government grants and other contributions | (33,967) | (32,620) | (22,950) |
| Other Contributions | - | (60,512) | |
| Major Repairs Allowance | (5,846) | (2,983) | (80) |
| Sums set aside from revenue: | | | |
| Direct revenue contributions: | | | |
| General | - | - | |
| Housing Revenue Account (HRA) | - | - | |
| Developers Contributions S106 | (939) | (1,380) | (203) |
| Minimum Revenue Provision (MRP) | - | (336) | (3,211) |
| | (41,791) | (100,304) | (30,500) |
| Closing Capital Finance Requirement | 181,875 | 139,370 | 151,593 |
| Explanation of movements in year | | | |
| Increase in underlying need to borrowing (supported by government financial assistance) | 7,377 | 6,412 | - |
| Increase in underlying need to borrowing (unsupported by government financial assistance) | 8,537 | 10,958 | 12,223 |
| Repayment of Public Works Loan Broad (PWLB) relating to Large Scale Voluntary Transfer (LSVT) | - | (60,512) | - |
| Assets acquired under finance leases | - | 637 | - |
| Assets acquired under Private Finance Initiative (PFI) | - | - | - |
| Increase/(decrease) in Capital Financing | 15,914 | (42,505) | 12,223 |

41 Leases

Council as Lessee

Finance Leases

The Council has acquired various land and buildings under finance leases.

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

| | 2010/11 | 2011/12 |
|---|-------------|-------------|
| Assets Acquired Under Finance Leases | £000 | £000 |
| Other Land and Buildings | - | - |
| Vehicles, Plant, Furniture and Equipment | 637 | - |
| Net book value of assets acquired under finance leases | 637 | - |

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

| | 2010/11 | 2011/12 |
|--|--------------|--------------|
| Minimum Lease Payments | £000 | £000 |
| Finance lease liabilities (net present value of minimum lease payments): | | |
| Current | 127 | 125 |
| Non-current | 1,158 | 1,027 |
| Finance costs payable in future years | 8,126 | 8,030 |
| Minimum lease payments | 9,411 | 9,182 |

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

| | Minimum Lease Payments | | Finance Lease Liabilities | |
|---|------------------------|--------------|---------------------------|--------------|
| | 2010/11 | 2011/12 | 2010/11 | 2011/12 |
| | £000 | £000 | £000 | £000 |
| Not later than one year | 224 | 222 | 127 | 125 |
| Later than one year and not later than five years | 853 | 722 | 468 | 337 |
| Later than five years | 8,334 | 8,238 | 690 | 690 |
| | 9,411 | 9,182 | 1,285 | 1,152 |

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £83,975 contingent rents were payable by the Council (2010/11 £83,975).

The Council has sub-let some of the retail accommodation held under these finance leases. The above disclosure shows the net result of the lessee and lessor finance leases in relation to this accommodation. The Council currently incurs a rental charge of £109k and receives rental income of £14k in relation to these properties.

The council also sub-let other property resulting in total sub-lease rental income of £231k (2010/11 £174k).

Operating Leases

The Council has acquired numerous vehicles, plant and equipment and land and buildings by entering into operating leases, with a range of typical lives.

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

| | 2010/11 £000 | 2011/12 £000 |
|---|-----------------|-----------------|
| Leases rolling over regularly | 704 | 300 |
| Not later than one year | 210 | 560 |
| Later than one year and not later than five years | 1,586 | 838 |
| Later than five years | 1,047 | 1,773 |
| | 3,547 | 3,471 |

The expenditure charged to each directorate line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

| | 2010/11 £000 | 2011/12 £000 |
|---------------------------------------|-----------------|-----------------|
| Environment & Regeneration | | |
| Minimum lease payments | 2,013 | 2,601 |
| Contingent rents | - | - |
| Sublease payments receivable | (229) | (198) |
| | 1,784 | 2,403 |

| | 2010/11 £000 | 2011/12 £000 |
|------------------------------------|-----------------|-----------------|
| Children & Young People | | |
| Minimum lease payments | 1,035 | 827 |
| Contingent rents | - | - |
| Sublease payments receivable | - | - |
| | 1,035 | 827 |

| | 2010/11 £000 | 2011/12 £000 |
|--------------------------------------|-----------------|-----------------|
| Neighbourhood & Community | | |
| Minimum lease payments | 443 | 41 |
| Contingent rents | - | - |
| Sublease payments receivable | - | - |
| | 443 | 41 |

| | 2010/11 £000 | 2011/12 £000 |
|----------------------------------|-----------------|-----------------|
| Assistant Chief Executive | | |
| Minimum lease payments | 55 | 3 |
| Contingent rents | - | - |
| Sublease payments receivable | - | - |
| | 55 | 3 |

Note that during 2011/12 the former People & Improvement Directorate was merged into Assistant Chief Executive’s Directorate. The 2010/11 figure includes an amount of £21k relating to the former People and Improvement Directorate of which the comparable figures in 2011/12 is £3k

Council as Lessor

Finance Leases

The Council has leased out land and buildings at various locations on finance leases with remaining terms of 7 to 193 years.

Included within these leases is a material lease relating to Golden Square Shopping Centre Development. As at 31 March 2012, the total outstanding receivable amount remaining on this lease was £30.615m, repayable over a 193 year period. The Council has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term, and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

| | 2010/11 | 2011/12 |
|--|----------------|----------------|
| | £000 | £000 |
| Gross Investment | | |
| Finance lease debtors (net present value of minimum lease payments): | | |
| Current | 29 | 32 |
| Non-current | 32,089 | 32,057 |
| Unearned finance income | 304,353 | 302,531 |
| Unguaranteed residual value of property | - | - |
| Gross investment in the lease | 336,471 | 334,620 |

The unearned finance income relates to future income due from tenants over the term of the leases. The longest of these leases will be running for the next 193 years.

Due to the length of the leases the unguaranteed residual value of the land and buildings are assumed to be insignificant.

The gross investment in the lease and minimum lease payments will be received over the following periods:

| | Gross Investment in the Lease | | Minimum Lease Payments | |
|---|-------------------------------|---------------|------------------------|----------------|
| | 2010/11 | 2011/12 | 2010/11 | 2011/12 |
| | £000 | £000 | £000 | £000 |
| Not later than one year | 29 | 32 | 1,851 | 1,851 |
| Later than one year and not later than five years | 149 | 164 | 7,403 | 7,403 |
| Later than five years | 31,940 | 31,893 | 327,217 | 325,366 |
| | 32,118 | 32,089 | 336,471 | 334,620 |

As there is a possibility that worsening financial circumstances might result in lease payments not being made, the Council has set aside an allowance for uncollectable amounts as part of its sundry debtor impairment which includes rental income debtors raised by the Estates Department. The level of debtor impairment required is reviewed on an annual basis and is based on average actual collection rates.

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £502,425 contingent rents were receivable by the Council (2010/11 £502,425).

Operating Leases

The Council leases out land and buildings under operating leases. The future minimum lease payments receivable under non-cancellable leases in future years are:

| | 2010/11 £000 | 2011/12 £000 |
|---|-----------------|-----------------|
| Vacant | 43 | 20 |
| Holding Over | 917 | 888 |
| Not later than one year | 245 | 348 |
| Later than one year and not later than five years | 902 | 721 |
| Later than five years | 1,703 | 1,870 |
| | 3,810 | 3,847 |

The minimum lease payments receivable include rents that were contingent on events taking place after the lease was entered into up until 31 March 2012, such as adjustments following rent reviews. The minimum lease payments do not include future contingent rents such as adjustments following rent reviews from 1 April 2012 onwards.

42 Private Finance Initiatives and Similar Contracts

Anson Close and Blenheim Close PFI Scheme

2011/12 was the 5th year of a 30 year PFI contract for the construction, maintenance and tenancy management of 105 social houses. The Council has nomination rights over all of the social dwellings.

At the end of the Term, the Council has the following options:

- Purchase the dwellings at their open market value at existing use for social housing purposes (an option that the Operator will not be able to turn down should the Council choose to exercise it)
- Retender the provision of the services
- Do neither of the above and walk away

In return for this combined construction and operations contract, the Council will make quarterly unitary charge payments to the Operator. The payments may vary according to the quality/performance of the service and availability of dwellings, but in substance, it is not expected there would be any significant unavailability of the dwellings. This means that the Council is in substance committed to a fixed payment stream independent of the demand for the assets. The payments are not subject to any indexation. The Operator is also able to charge rents to the tenants. These are set in accordance with the Warrington Area Target Registered Social Landlord (RSL) rent.

Property, Plant and Equipment

The assets used to provide services at Anson Close & Blenheim Close are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

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

| Total at 01/04/2010 £000 | Total at 31/03/2011 £000 | | Payment for Services £000 | Reimbursement of Capital Expenditure £000 | Interest £000 | Total at 31/03/2012 £000 |
|--------------------------------|--------------------------------|---|---------------------------------|--|------------------|--------------------------------|
| 305 | 305 | Payable within 1 year | 39 | 35 | 231 | 305 |
| 1,218 | 1,218 | Payable within two to five years | 157 | 171 | 890 | 1,218 |
| 1,523 | 1,523 | Payable within six to ten years | 202 | 311 | 1,010 | 1,523 |
| 1,523 | 1,523 | Payable within eleven to fifteen years | 208 | 471 | 843 | 1,522 |
| 1,523 | 1,523 | Payable within sixteen to twenty years | 216 | 716 | 590 | 1,522 |
| 1,523 | 1,523 | Payable within twenty one to twenty five years | 172 | 916 | 206 | 1,294 |
| 609 | 305 | Payable within twenty five to thirty years | - | - | - | - |
| 8,224 | 7,920 | Total | 994 | 2,620 | 3,770 | 7,384 |

The payments made to the operator have been calculated to compensate the operator for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay to the operator for capital expenditure incurred is as follows:

| | 2010/11 £000 | 2011/12 £000 |
|--|-----------------|-----------------|
| Balance outstanding at start of year | (2,683) | (2,652) |
| Payments during the year | 31 | 32 |
| Capital expenditure incurred in the year | - | - |
| Other movements | | |
| Balance outstanding at year end | (2,652) | (2,620) |

John Morris House

2011/12 was the 5th year of a 30 year PFI contract for the construction, maintenance and tenancy management of 38 self contained flats for social housing. The scheme is focused on providing supported housing for 16 to 25 year olds with short to medium term housing needs. The Council has nomination rights over all of the social dwellings.

At the end of the 30 year contract, the Council has the option to purchase the dwellings at its open market value at existing use for social housing purposes. If the Council does not exercise this option, the dwellings shall remain with the operator.

In return for this combined construction and operations contract, the Council will make quarterly unitary charge payments to the Operator. The payments may vary according to the quality/performance of the service and availability of dwellings, but in substance, it is not expected there would be any significant unavailability of the dwellings. This means that the Council is in substance committed to a fixed payment stream independent of the demand for the assets. The payments are not subject to any indexation. The Operator is also able to charge rents to the tenants. These are set in accordance with the Warrington Area Target Registered Social Landlord (RSL) rent.

Property, Plant and Equipment

The assets used to provide services at John Morris House are recognised on the Council's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 12.

Payments

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

| Total at 01/04/2010 £000 | Total at 31/03/2011 £000 | | Payment for Services £000 | Reimbursement of Capital Expenditure £000 | Interest £000 | Total at 31/03/2012 £000 |
|--------------------------------|--------------------------------|---|---------------------------------|--|------------------|--------------------------------|
| 181 | 187 | Payable within 1 year | 34 | 39 | 114 | 187 |
| 750 | 750 | Payable within two to five years | 138 | 178 | 433 | 749 |
| 937 | 937 | Payable within six to ten years | 177 | 282 | 478 | 937 |
| 937 | 937 | Payable within eleven to fifteen years | 182 | 366 | 389 | 937 |
| 937 | 937 | Payable within sixteen to twenty years | 188 | 477 | 272 | 937 |
| 937 | 937 | Payable within twenty one to twenty five years | 195 | 622 | 121 | 938 |
| 562 | 375 | Payable within twenty five to thirty years | 60 | 70 | 2 | 132 |
| 5,241 | 5,060 | Total | 974 | 2,034 | 1,809 | 4,817 |

The payments made to the operator have been calculated to compensate the operator for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the operator for capital expenditure incurred is as follows:

| | 2010/11 £000 | 2011/12 £000 |
|--|-----------------|-----------------|
| Balance outstanding at start of year | (2,099) | (2,070) |
| Payments during the year | 29 | 36 |
| Capital expenditure incurred in the year | - | - |
| Other movements | | |
| Balance outstanding at year end | (2,070) | (2,034) |

43 Impairment Losses

| | 2010/11 | | | | 2011/12 | | |
|---|------------------------------|-----------------------------------|------------------------------------|---------------|------------------------------|-----------------------------------|---------------|
| | Council Dwellings £000 | Other Land & Buildings £000 | Assets Held for Sale £000 | Total £000 | Council Dwellings £000 | Other Land & Buildings £000 | Total £000 |
| Impairment losses and impairments reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure | 315,476 | 13,299 | 3,545 | 332,320 | 331 | 34,864 | 35,195 |

During 2011/12 the Council has recognised an impairment loss of £25,582k. Of this, £0.07m relates to the Modern Equivalent Asset valuation approach to land assets and £0.18m relates to change in property values as a result of the current economic climate. These assets are mainly within the Children & Young People Directorate

44 Capitalisation of Borrowing Costs

The Council has not capitalised any of its borrowing costs during the year.

45 Termination Benefits

The Council terminated the contracts of 214 employees in 2011/12, incurring redundancy liabilities of £3,334,648. The equivalent liability in 2010/11 was

£3,787,437 which has been restated from the audited 2010/11 accounts to include schools staff totalling £253,679. Pension fund liabilities incurred in 2011/12 were £2,339,588 (2010/11 £1,311,573). These terminations were planned as part of the Council's budget savings.

In addition to these costs the Council has created a provision of £675,318 and a contingent liability of £2,296,081 (see note 22) for potential future payments for redundancy and pension costs.

The total redundancy liability shown may also include costs relating to early retirement that would ordinarily be excluded and shown as part of the post employee benefits note to the accounts (note 47).

46 Defined Contribution Pension Schemes

Teachers 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 the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12, the Council paid £8,962,258 to Teachers' Pensions in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £9,151,619 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 teacher's scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

NHS Pensions Schemes Accounted for as Defined Contribution Schemes

In March 2011, the 27 lifestyle professionals transferred to the Council from the NHS, as part of the transfer of responsibility for Public Health. In November 2011, the Council formally took over the responsibility for contributing to the NHS Pension Scheme for these staff.

Lifestyle professionals employed by the Council are members of the NHS Pension Scheme administered by the Department of Health. The Scheme provides lifestyle professionals 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 of Health 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 the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12, the Council paid £25,585 to NHS Pensions in respect of lifestyle professionals' retirement benefits, representing 14% of pensionable pay. There were no contributions remaining payable at the year end.

47 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 two post employment schemes:

- The Local Government Pension Scheme, administered locally by Cheshire Pension Fund by Cheshire West and Chester Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Transactions Relating to Post-employment Benefits

The cost of retirement benefits is recognised 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 required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year.

The disclosure in the table differs from that in 2010/11 slightly due to the format being brought in line with the requirements of the Code of Practice on Local Authority

Accounting in the United Kingdom. The 2010/11 figures have been restated to provide meaningful comparators with the 2011/12 figures

| | Restated 2010/11 £000 | 2011/12 £000 |
|---|--------------------------------------|-------------------------|
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services: | | |
| Current service cost | 19,043 | 14,470 |
| Past service costs/(gain) | (53,858) | 56 |
| (Gains) and losses on settlements and curtailments | 539 | 2,006 |
| Financing and Investment Income and Expenditure | | |
| Interest cost | 32,285 | 26,564 |
| Expected return on scheme assets | (25,492) | (26,927) |
| Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services | (27,483) | 16,169 |
| Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement | | |
| Actuarial gains and losses | (135,253) | 42,015 |
| Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure | (162,736) | 58,184 |
| 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 | 44,087 | 2,594 |
| Actual amount charged against the general fund balance for pensions in the year: | | |
| Employers' contributions payable to scheme | (16,604) | (18,763) |

The Current Service Cost for 2010/11 includes £1.828m relating to assets required in a business combination. This was omitted from the audited 2010/11 accounts and has been included above to reflect a more accurate position

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 £111,168k (£69,153k 2010/11).

Assets and Liabilities in Relation to Post-Employment Benefits

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

| | 2010/11 £000 | 2011/12 £000 |
|--------------------------------------|-----------------|-----------------|
| Balance as at 1 April | 623,688 | 481,823 |
| Current service cost | 17,214 | 14,470 |
| Interest cost | 32,285 | 26,564 |
| Contributions by scheme participants | 5,358 | 5,154 |
| Actuarial gains and losses | (130,285) | 28,743 |
| Benefits paid | (17,259) | (19,353) |
| Past service costs | (53,858) | 56 |
| Entity combinations | 4,141 | - |
| Curtailments | 539 | 2,006 |
| Settlements | - | - |
| Balance as at 31 March | 481,823 | 539,463 |

Reconciliation of fair value of the scheme (plan) assets:

| | 2010/11 £000 | 2011/12 £000 |
|--------------------------------------|-----------------|-----------------|
| Balance as at 1 April | 356,271 | 393,746 |
| Expected rate of return | 25,492 | 26,927 |
| Actuarial gains and losses | 4,968 | (13,272) |
| Employer contributions | 16,604 | 18,763 |
| Contributions by scheme participants | 5,358 | 5,154 |
| Benefits paid | (17,259) | (19,353) |
| Entity combinations | 2,312 | - |
| Settlements | - | - |
| Balance as at 31 March | 393,746 | 411,965 |

The expected return in 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 £13,654k (2010/11 £30,561k).

Scheme History

| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12 |
|---|-----------------|------------------|------------------|-----------------|------------------|
| | £000 | £000 | £000 | £000 | £000 |
| Fair Value of Assets in pension scheme | 318,058 | 254,613 | 356,271 | 393,746 | 411,965 |
| Present Value of Defined Benefit Obligation | (376,583) | (372,371) | (623,688) | (481,823) | (539,463) |
| Surplus/(deficit) in the Scheme | (58,525) | (117,758) | (267,417) | (88,077) | (127,498) |

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £127,498k has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. 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
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid

The total contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2013 is £15,398k. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 is £9,400k.

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 Hymans Robertson LLP an independent firm of actuaries, estimates for the Council Fund being based on the latest full valuation of the scheme as a 31 March 2010.

The principal assumptions used by the actuary have been:

| | 2010/11 | 2011/12 |
|--|------------|------------|
| Long-term expected rate of return on assets in the scheme: | | |
| Equity investments | 7.5% | 6.2% |
| Bonds | 4.9% | 3.3% |
| Property | 5.5% | 4.4% |
| Cash | 4.6% | 3.5% |
| Mortality assumptions: | | |
| <i>Longevity at 65 current pensioners:</i> | | |
| Men | 22.9 years | 22.9 years |
| Women | 25.7 years | 25.7 years |
| <i>Longevity at 65 for future pensioners:</i> | | |
| Men | 24.9 years | 24.9 years |
| Women | 27.7 years | 27.7 years |
| Inflation/Pension Increase Rate | 2.8% | 2.5% |
| Salary Increase Rate | 5.1% | 4.8% |
| Rate of increase in pensions | 6.8% | 5.5% |
| Rate for discounting scheme liabilities | 5.5% | 4.8% |
| Take-up of option to convert annual pension into retirement lump sum: | | |
| Service to April 2008 | 50.0% | 50.0% |
| Service post April 2008 | 75.0% | 75.0% |

The Discretionary Benefit arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

| | 31/03/2011 £000 | 31/03/2012 £000 |
|--------------------|--------------------|--------------------|
| Equity investments | 72% | 72% |
| Bonds | 15% | 14% |
| Property | 6% | 7% |
| Cash | 7% | 7% |
| | 100% | 100% |

History of Experience Gains and Losses

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

| | 31/03/2008 | 31/03/2009 | 31/03/2010 | 31/03/2011 | 31/03/2012 |
|--|------------|------------|------------|------------|------------|
| | % | % | % | % | % |
| Experience gains and (losses) on Assets | -11.8% | -36.2% | 21.7% | 1.3% | -4.9% |
| Experience gains and (losses) on liabilities | 3.5% | 0.0% | 0.0% | -15.2% | 1.1% |

48 Contingent Liabilities

A Contingent Liability is a potential liability which depends on the occurrence or non-occurrence of one or more uncertain future events. The Council has identified the following contingent liabilities as at 31 March 2012.

- A Contingent Liability of £2.546m has been recognised in relation to future termination costs. £2.296m relates to service redesign options that are contained within the 2012/13 – 2015/16 Medium Term Financial Plan and a further £0.250m had been recognised in relation to the proposed redesign of the Aspire service
- A Contingent Liability of £1.708m has been created to reflect a guarantee issued by the Council to Warrington Borough Transport (WBT), to underwrite WBT's pension fund deficit for a period of 15 years
- Land Charges legislation changed in 2010 and the fee paid to Councils was revoked. Clients are able to apply for a refund for personal searches of the local land charges register they had paid for going back to January 2005. Refund requests totalling £0.02m have been received by the Council to date and further requests are expected
- A number of agreements in accordance with Section 106 of the Town and Country Planning Act 1990 exist between the Council and developers associated with the planning conditions attached to new developments. In respect of contributions received to date, should the conditions in the agreement not be met by the Council then amounts would become repayable to developers. Should developments proceed then the estimated value of contributions the Council will receive is £9.7m
- In January 1994 the Council's former insurer, Municipal Mutual Insurance (MMI), made a scheme of agreement with its creditors. Under this scheme, claims are initially paid out in full, but if the eventual winding up of the company results in insufficient assets to meet all liabilities a claw back clause will be triggered which could affect claims already paid. As at 31 March 2012 £0.557m of claims had already been paid with outstanding claims estimated at £0.03m

The current estimated potential liability is £0.507m

MMI have indicated that they are likely to start claw back sometime in 2012/13, due to a recent judgement on asbestos claims making it unlikely that they will achieve a solvent run-off. It is not known what percentage they will require paying back initially. Any liability will be met from the insurance reserve

49 Contingent Assets

A contingent asset is an asset that may be received but only if a certain future event occurs. The Council has identified the following contingent assets as at 31 March 2012.

- Following the transfer of its Housing Stock to GOLDEN GATES HOUSING TRUST the Council entered into an agreement to reclaim the VAT on Improvement Works to dwellings. The estimated value of these works is £276m over the next 25 years and so it is expected that £55m of VAT would be recoverable. The agreement put in place means that WBC would expect to receive up to £28m
- The Council has entered into an agreement with GOLDEN GATES HOUSING TRUST relating to the future sales under the Prescribed Right to Buy (PRTB) regulations. This relates to any future sales of the transferred stock to existing tenants until November 2040
- The Council will receive capital receipts at the end of each financial year for any dwellings sold within the year. The only exclusion to this agreement are former Commission for New Town dwellings where the sale proceeds must be passed onto the Homes and Community Agency. The Council will receive 100% of the receipt generated net of administrative costs and net income foregone that is detailed in Schedule 13 of the Transfer Agreement.
- The Council received £623,403.99 of right to buy receipts in 2011/12
- The Council has contingent assets in relation to Section 106 Agreements (note 48 d)
- The Council has made claims where either policy of Her Majesty's Revenue and Customs (HRMC) has changed or where legal judgements have changed the Value Added Tax (VAT) treatment of a service

At 31 March 2012 the Council had contingent assets relating to the following VAT claims:

- | | |
|---------------------------|---------|
| • Trade Waste | £0.280m |
| • Cultural Exemption | £0.258m |
| • Disabled Facility Grant | £0.329m |
| • Car Parking | £2.0m |

The claims are subject to litigation and therefore the timing and amounts that may be paid to the Council are uncertain

50 Nature and Extent of Risks Arising from Financial Instruments

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

- credit risk – the possibility that other parties might fail to pay amounts due to the Council
- liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments

- market risk – the possibility that financial loss might arise for the Council as a result of changes in measures such as interest rates and stock market movements

Overall procedures for managing risk

The Council has adopted the CIPFA Code of Practice for Treasury Management in Public Services. It maintains and operates a Treasury Management Policy comprising an overview of the principles and practices to which the activity will comply. Alongside this Policy, the Department for Communities and Local Government has issued guidance under section 15(1) (a) of the Local Government Act 2003, to which local authorities must have regard. Annually the Council approves a Treasury Management Strategy for the forthcoming year. A yearly outturn report is also reported to Full Council. The Council's Audit and Corporate Governance Committee is also charged with the Governance of treasury management and receive quarterly update reports on its activities.

The annual Treasury Management Strategy for 2011/12 which incorporates the prudential indicators (treasury management governing indicators) was approved by Council on 7 March 2011.

The key issues within the strategy were:

- the Authorised Limit for 2011/12 was set at £186.687m This is the maximum limit of external borrowings or other long term liabilities
- the Operational Boundary was set at £170.106m. 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 40%
- The use of investments to fund the capital programme, thus reducing borrowing costs

The Council operated within its 2011/12 Treasury Management Strategy during 2011/12 and a full 2011/12 Treasury Management Outturn Report will be reported to full Council in September 2012.

All Treasury Management Policies and strategies are implemented by the Council's Treasury Management Team. The Council maintains written principles for overall operation of Treasury Management (Treasury Management Practices Statement TMPS) which are annually reported to the Audit and Corporate Governance Committee.

The Council also employ Treasury Management Advisors (Sector), who advise on risk mitigation strategies and keep the Council up to date daily on treasury market developments.

Credit Risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, as laid down by Fitch, Moody's and Standard and Poors Rating Services. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The Council uses the creditworthiness service provided by our Treasury Management Consultants (Sector). This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- Credit Default Swap (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

Institutions are split into colour bandings. The Council is able to deposit the following:

- yellow: highest rated – Government unlimited funds; AAA rated up to £20m for up to 5 years
- purple: Nationalised Banks and Government support – Investment of up to £18m for up to 2 years
- blue: nationalised or semi nationalised UK banks – Initially investment of up to £10m for up to 1 year, then increased to £15m for up to 1 year
- orange: Coop Bank £10m for up to 1 year
- red: £10m for up to 6 months
- green £5m for up to 3 months
- no colour - not to be used

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 and parameters set by the Council.

The Council had a total of £21.539m deposited with a number of banks and financial institutions at 31 March 2012, the full amount is potentially exposed to credit risk, there is a specific risk attached to amounts deposited with the individual institutions based on their ability to make interest payments and repay the principal outstanding, it is however more difficult to assess the risk in general terms. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non recoverability 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 its financial assets, based on experience of default and uncollectability over the last three financial years.

| Counterparties | Sector Credit Rating | Amount at 31 March 2011 £000 | Amount at 31 March 2012 £000 | Historical experience of Default £000 | Adjustment for Market Conditions at 31 March 2012 % | Estimated Maximum Exposure to Default at 31 March 2012 £000 | Estimated Maximum Exposure to Default at 31 March 2011 £000 |
|---|------------------------|---------------------------------|---------------------------------|--|--|--|--|
| Deposits with banks and financial institutions: | | | | | | | |
| Prime Rate Money Market Fund | Yellow - up to 5 years | 2,000 | 4,597 | 0.00% | 0.00% | - | - |
| Legal & General Money Market Fund | Yellow - up to 5 years | - | 5,443 | 0.00% | 0.00% | - | - |
| Handelsbanken | Green - up to 3 months | - | 1 | 0.00% | 0.00% | - | - |
| Barclays | Green - up to 3 months | 2,500 | - | 0.00% | 0.00% | - | - |
| Santander | No Colour - 0 months | 7,143 | - | 0.00% | 0.00% | - | - |
| Yorkshire Bank | No Colour - 0 months | 54 | - | 0.00% | 0.00% | - | - |
| Bank of Scotland | Blue - up to 12 months | 7,507 | 907 | 0.00% | 0.00% | - | - |
| National Westminster | Blue - up to 12 months | 5,141 | 3,591 | 0.00% | 0.00% | - | - |
| Bank of Scotland | Blue - up to 12 months | - | 4,000 | 0.00% | 0.00% | - | - |
| Lloyds | Blue - up to 12 months | 2,500 | 3,000 | 0.00% | 0.00% | - | - |
| Other Investments: | | | | | | | |
| Warrington Housing Association | Yellow - up to 5 years | 990 | 969 | 0.00% | 0.00% | - | - |
| Golden Gates Housing Trust | Yellow - up to 5 years | - | 1,819 | 0.00% | 0.00% | - | - |
| Trade Debtors | | 10,641 | 10,422 | 1.05% | 1.05% | 109 | 336 |
| Other Debtors | | 55,703 | 37,043 | 1.05% | 1.05% | 389 | 1,760 |
| Mortgage Scheme Debtors | | - | 2,000 | 0.00% | 0.003% | 0 | 0 |
| Total | | 94,179 | 73,792 | | | 498 | 2,096 |

The 2010/11 amounts have been restated to reflect the new Counterparty Credit Rating to provide more detailed information. Credit ratings for Santander and Yorkshire Bank were downgraded in 2011/12 and as a result these Counterparties are no longer used

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

The Council does not generally allow any credit for customers, such that whole of the £11,429k trade debtor balance (before impairments) is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:

| | 31/03/2011 £000 | 31/03/2012 £000 |
|------------------------------------|--------------------|--------------------|
| Less than three months | 5,765 | 6,090 |
| Three to six months | 1,274 | 421 |
| Six months to one year | (569) | 1,682 |
| More than one year | 4,171 | 3,236 |
| Non-system generated trade debtors | 2,730 | - |
| | 13,371 | 11,429 |

Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. To this extent rates are monitored to ensure that limits are

adhered to regarding the maturity structure of Fixed Rate Debt to negate against a significant proportion of the debt portfolio being repayable at any one time. The maturity analysis of financial liabilities is as follows:

| | 31/03/2011 | 31/03/2012 |
|-------------------------|----------------|----------------|
| | £000 | £000 |
| Less than 1 year | 1,451 | 211 |
| Between 1 and 2 years | 166 | 519 |
| Between 2 and 5 years | 1,033 | 2,714 |
| Between 5 and 10 years | 9 | 301 |
| Between 10 and 20 years | 302 | 1,078 |
| Between 20 and 30 years | 452 | 5,960 |
| Between 30 and 40 years | 40,000 | 35,000 |
| Between 40 and 50 years | 778 | 778 |
| More Than 50 Years | 68,500 | 68,500 |
| | 112,691 | 115,061 |

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

Market Risk

The Council is exposed to market risk in terms of the value that an instrument will fluctuate due to changes in:

Interest Rate Risk

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

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

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

The Council has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 40% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rates loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the Council’s cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated. The analysis will also advise whether new borrowing taken out is fixed or variable.

According to the assessment strategy, at 31 March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

| | 31/03/2011 £000 | 31/03/2012 £000 |
|---|--------------------|--------------------|
| Increase in interest payable on variable rate borrowings | 700 | 700 |
| Increase in interest receivable on variable rate investments | - | - |
| Increase in government grant receivable for financing costs | - | - |
| Impact on Surplus or Deficit on the Provision of Services | 700 | 700 |
| Share of overall impact debited to the HRA | - | - |
| Decrease in fair value of fixed rate investment assets | - | - |
| Impact on Other Comprehensive Income and Expenditure | - | - |
| Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure) | (20,495) | (20,495) |

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

Price Risk

The Council does not generally invest in equity shareholding but does have a £150k investment in Warrington Sports Holdings Limited, an unquoted long term investment. Consequently the Council is exposed to losses arising from movements in share prices.

Foreign Exchange Risk

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

51 Landfill Allowance Trading Scheme (LATS)

The Council has received allowances for 2011/12 for 34,215 tonnes. The estimated Bio Municipal Waste (BMW) landfill usage is 49,570 tonnes. It did not buy or sell any allowance in the year or during the reconciliation period.

On 23 April, DEFRA announced that after the 2012/13 scheme year, the Landfill Allowance Trading Scheme would end. This coupled with the fact that the 2012/13 is a target year and no allowances can be carried forward, the Council has taken the view that the value of the assets should be written down to zero value.

52 Heritage Assets

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

| | Museum Exhibits & Artworks £000 | Civic Regalia £000 | Ornamental Gates £000 | Statues & Town Centre Artwork £000 | Total Assets £000 |
|---|------------------------------------|-----------------------|--------------------------|---------------------------------------|----------------------|
| Cost or Valuation | | | | | |
| 1 April 2010 | 7,447 | 236 | 2,105 | 2,550 | 12,338 |
| Additions | | | | | - |
| Disposals | | | | | - |
| Revaluations | 339 | 11 | 52 | 126 | 528 |
| Impairment Losses/(reversals) recognised in the Revaluation Reserve | | | | | - |
| Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services | | | | | - |
| Depreciation | | | | | - |
| 31 March 2011 | 7,786 | 247 | 2,157 | 2,676 | 12,866 |
| Cost or Valuation | | | | | |
| 1 April 2011 | 7,786 | 247 | 2,157 | 2,676 | 12,866 |
| Additions | | | | | - |
| Disposals | | | | | - |
| Revaluations | 266 | 8 | 54 | 66 | 394 |
| Impairment Losses/(reversals) recognised in the Revaluation Reserve | | | | | - |
| Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services | | | | | - |
| Depreciation | | | | | - |
| 31 March 2012 | 8,052 | 255 | 2,211 | 2,742 | 13,260 |

Museum Exhibits and Artworks

The Council's collection of artworks and museum exhibits is reported in the Balance Sheet at insurance valuation which is based on market value. These insurance values are updated annually.

Warrington Museum and Art Gallery does not consider that reliable cost or valuation information can be obtained for the vast majority of items held in the museum collection. This is because of the diverse nature of the assets held, the number of assets held and the lack of comparable market values. The Museum does not, therefore, recognise these heritage assets on a balance sheet other than as a total insurance value for the museum collection which is subject to an annual 5% increase to reflect new acquisitions, inflation, reappraisal, effects of conservation etc. Only in exceptional circumstances would this be adjusted to reflect individual acquisitions.

At present the Museum's collections consist of over 170,000 objects covering natural sciences, antiquities, social and industrial history, numismatics, ethnology, fine and

decorative arts and an extensive local photographic archive. Some of the items are undoubtedly of national significance, but the majority relate to Warrington and the surrounding area.

Civic Regalia

The Council's civic regalia collection is reported in the Balance Sheet at insurance valuation which is based on market value. These insurance valuations are updated annually.

Ornamental Gates

The Council's ornamental gates are reported in the Balance Sheet at insurance valuation which is based on market value. These insurance values are updated annually.

Statues and Town Centre Artwork

The Council's collection of statues and town centre artwork is reported in the Balance Sheet at insurance value which is based on market value. These insurance values are updated annually.

Any heritage assets not included in the above insurance categories have not been individually valued/insured or are below the de-minimis level of £10,000, for example:

Organ

The organ was built in 1870 and has been owned by the Council since 1926 – it has both historical and artistic qualities and is the only one which still exists in this country. The organ is housed at Parr Hall theatre.

Transporter Bridge

The transporter bridge is grade 2 listed and is leased to the Council on a 40 year peppercorn lease.

Archival Material

The Council has a collection of historical documents in its archives.

Additions/Disposals of Heritage Assets

There were no additions of heritage assets during 2011/12 or 2010/11.

53 Heritage Assets: Five Year Summary of Transactions

All heritage assets reported have been owned by the Council in excess of 5 years with none being acquired or donated during the period below.

No disposals were made during the 5 year period below.

| | 2007/08 £000 | 2008/09 £000 | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Cost of Acquisition of Heritage Assets | | | | | |
| Cost of Acquisition | - | - | - | - | - |
| Total Cost of Purchases | - | - | - | - | - |
| Value of Heritage Assets Acquired by Donation | | | | | |
| Value of Donations | - | - | - | - | - |
| Total Donations | - | - | - | - | - |
| Disposals of Heritage Assets | | | | | |
| Carrying Value | - | - | - | - | - |
| Proceeds | - | - | - | - | - |

54 Heritage Assets: Further Information on the Museum's Collections

The Museum's heritage assets are the museum's collection which are held in support of the Museum's objective to inspire, challenge and stimulate its visitors. The collections are accounted for as follows:

Collections

At present the Museum's collections consist of over 170,000 objects covering natural sciences, antiquities, social and industrial history, numismatics, ethnology, fine and decorative arts and an extensive local photographic archive. Some of the items are undoubtedly of national significance, but the majority relate to Warrington and the surrounding area.

Archaeology/Antiquities

The archaeology collection consists of circa 23,800 objects including circa 490 Egyptology items. Most objects are prehistoric to medieval in date, with particular focus on the following:

- Stone Age and Bronze Age objects from Lancashire and Cheshire
- Roman objects from Wilderspool, Warrington and elsewhere
- Medieval objects, largely from Warrington friary

The museum makes archaeological objects available to other accredited museums and also accepts archaeological objects on loan. At any given time approximately 10 percent of the archaeology collections are on display. The remaining objects are held in storage but public access is encouraged.

Natural History

The Natural History collection consists of the following:

- Circa 9,250 Botany specimens, including gifts or bequests from William Wilson, notably his herbarium of British plants and mosses
- Circa 2,300 Geology specimens including T.G. Ryland's worldwide mineral collection
- Circa 6,700 Palaeontology specimens including G.A. Dunlop's collection of fossils and fossil footprints on local Triassic slabs

- Circa 55,300 Invertebrate specimens including Linnaeus Greening's collection of British and foreign spiders and Colonel J A Edelsten's collection of British and foreign molluscs
- Circa 4,300 vertebrate specimens including Linnaeus Greening's worldwide collection of reptiles, amphibians and snakes

The museum makes Natural History objects available to loan to other accredited museums and also accepts objects on loan. At any time approximately 50 percent of the Natural History collections are on display. The remaining objects are held in storage but public access is encouraged.

Decorative Art

The decorative art collection includes the following:

- Circa 1,720 ceramic pieces including the Edelsten Bequest of British 19th century pottery, British 19th century porcelain, British 18th century wares, European 19th century porcelain and Satsuma Ware
- Circa 880 pieces of costume, mainly early 19th century to 20th century middle class (female) dress, baby clothes, hats, shoes and accessories as well as ceremonial outfits and uniforms
- Circa 110 pieces of furniture including the L.J. Gibson gift and 17th or 19th century provincial chairs and long case clocks
- Circa 1,720 items of glassware including mainly 19th century or 20th century ordinary table ware by local manufacturers
- Circa 1,080 miscellaneous decorative arts items including metalwork (local interest and electroplate replicas of items in National museums) and 19th century samplers

The museum makes decorative art objects available to loan to other accredited museums and also accepts objects on loan. At any time approximately 20 percent of the Decorative Art collections are on display. The remaining objects are held in storage but public access is encouraged.

The amount of decorative art on display in the gallery has increased significantly as a result of the 2010/2011 redisplay.

Ethnology

The ethnology collection includes circa 2,800 objects from Africa, North and South America, Asia and Oceania. Of particular note is the Smithies collection of ancient Peruvian artefacts which include some rare examples of Peruvian pottery.

The museum makes ethnographic objects available on loan to other accredited museums and also accepts objects on loan. At any time approximately 60 percent of the Ethnology collections are on display. The remaining objects are held in storage but public access is encouraged.

Fine Art

The fine art collection features circa 400 oil paintings, circa 570 watercolours, circa 500 prints and circa 330 drawings. The collection focuses largely on 19th century paintings and includes works by Luke Fildes RA, Henry Woods RA, James Charles, Hamlet Winstanley, Oswald Garside, George Sheffield, James Fitton, Evelyn Buckton, Jan Van Os, Frank Brangwyn.

The sculpture collection includes some 60 pieces, mainly marble statuary by John "Warrington" Wood.

There is a current emphasis on collecting modern works in order to expand the museum's collection of contemporary art.

The museum makes Fine Art objects available on loan to other accredited museums and also accepts objects on loan. At any time approximately 25 percent of the Fine art collections are on display. The remaining objects are held in storage but are rotated regularly and public access is encouraged.

Social History

The social history collection includes circa 6,600 items with an emphasis on domestic, community, work and leisure history including circa 100 items of ephemera such as public notices and greetings cards; circa 500 items of industrial history with an emphasis on local industries; circa 130 objects of transport history; circa 20 objects of maritime history and circa 100 objects of Scientific history.

The museum has a small collection of firearms and military items although most of these have been on loan to the Queen's Lancashire Regiment Museum since the 1930s.

The museum makes social history objects available to loan to other accredited museums and also accepts objects on loan. At any time approximately 45 percent of the social history collections are on display. The remaining objects are held in storage but public access is encouraged.

Numismatics

The numismatic collection feature circa 6,390 numismatic items including coins (Roman, British and foreign), tokens (British trade tokens and 17th century Lancashire trade tokens) and medals (including military medals).

The museum makes numismatic objects available on loan to other accredited museums and also accepts objects on loan. At any time approximately 1 percent of the numismatic collections are on display. The remaining objects are held in storage but public access is encouraged.

Photography

The photograph collection consists of circa 46,500 photographs. Of these around 6500 are original glass negatives, ambrotypes, lantern slides, daguerreotypes, tintypes, sheet film negatives, roll film negatives, transparencies, cine film, calotypes, postcards, monochrome prints or colour prints. The remainder are photographic copies of social history interest.

Featured photographers include Thomas Davies, John Longshaw, Samuel Mather, Webster, William Fell, Thomas Birtles, Walter, Crompton, James Parkinson, J.E. Birtles and Oswald Garside.

The museum makes photographic objects from the collection available to loan to other accredited museums and also accepts objects on loan. At any given time approximately 1 percent of the photograph collections are on display but a great deal more are available through the website or can be requested and provided in the form of digital or printed versions. The remaining objects are held in storage but public access is encouraged.

Heritage assets of particular importance

Although the museum carries out valuations for their own internal management processes, such as insurance and acquisition, the museum aims to encourage public appreciation of the cultural and historical value, rather than financial value, of items.

Preservation and management

Since 2004 the Museum has a rolling conservation programme developed from an ongoing review of the condition of the collections for documentation purposes. The review was commissioned by the Collections Access Officer after establishing that existing documentation of the collection was very poor.

The collection is managed by a Collections Access Officer who reports to the Principal Museum Manager. The Collections Access Team (comprising the Collections Access Officer, Assistant Collections Access Officer and Documentation Access Officer) manage the collections in accordance with policies that are approved by the Council. Further information is provided in the Museum's Collections Management Plan which is currently under revision.

Assets in the collection are only disposed of where, in the opinion of the Collections Access Officer, an item does not contribute to the interest and diversity of the Museum's collection, or is damaged beyond use, or is dangerous, or is being returned to its place of origin or rightful owner. There is a strong presumption in favour of the retention of items within the public domain and so the museum gives priority to transferring objects, preferably by gift, to registered or accredited museums and other public institutions.

The Museum maintains a register and catalogue for its collections of heritage assets which records the nature, provenance and current location of each asset. Due to the

large volume of items received annually, the register is not currently complete. It is expected that it will be fully comprehensive by the end of December 2015.

Expenditure which, in the Collection Access Officer's view, is required to preserve or clearly prevent further deterioration of individual collection items is recognised in the Income and Expenditure account when it is incurred. The museum also has a conservation budget, the costs of which are charged to the Income and Expenditure Account.

55 Heritage Assets: Change in Accounting Policy

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in the 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 either recognised as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community assets (that are now to be classified as heritage assets) that were donated to the Council were held at valuation as a proxy for historical cost. 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 1).

In applying the new accounting policy, the Council has not identified any assets previously held as community assets within property, plant and equipment that should now be recognised as heritage assets. The Council will show an additional £12.3 million for the recognition of heritage assets that were not previously included in the Balance Sheet. This increase is also recognised in the Revaluation Reserve. 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 restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £12.3 million. The revaluation reserve has increased by £12.3 million.
- A fully restated 1 April 2010 Balance Sheet is provided. The adjustments that have been made to the balance sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet as at April 2010

| | Opening Balances as at 1 April 2010 £000 | Restatement £000 | Restatement Required to Opening Balances as at 1 April 2010 £000 |
|---------------------------------|--|---------------------|---|
| Property, Plant and Equipment | 744,361 | 744,361 | - |
| Heritage Assets | - | 12,338 | 12,338 |
| Long Term Assets | 828,766 | 841,104 | 12,338 |
| Total Net Assets | 408,615 | 420,953 | 12,338 |
| Unusable Reserves | 367,157 | 379,495 | 12,338 |
| Net Worth/Total Reserves | 408,615 | 420,953 | 12,338 |

Comprehensive Income and Expenditure Statement

There were no impairments during the period.

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, as a result of 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 as at the end of the previous reporting period - 31 March 2010 | 408,615 | 420,953 | 12,338 |
| Surplus or Deficit on the Provision of Services | (212,352) | (212,352) | - |
| Other Comprehensive Income and Expenditure | 130,726 | 130,726 | - |
| Adjustments between the accounting basis and the funding basis under regulations | - | 528 | 528 |
| Increase/(Decrease) in the Year | (81,626) | (81,098) | 528 |
| Balance at the End of the Current Reporting Period 31 March 2011 | 326,989 | 339,855 | 12,866 |

The resulting restated Balance Sheet for 31 March 2011 is provided. The adjustments that have been made to the 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 |
|-------------------------------|---|---|-----------------------------|
| Property, Plant and Equipment | 453,428 | 453,625 | 197 |
| Heritage Assets | - | 12,867 | 12,867 |
| Long Term Assets | 528,705 | 541,769 | 13,064 |
| Total Net Assets | 326,989 | 346,369 | 19,380 |
| Unusable Reserves | 286,874 | 299,938 | 13,064 |
| Net Worth | 326,989 | 346,369 | 19,380 |

The effect of the change in accounting policy in 2010/11 has been that heritage assets are at recognised at £12.9 million on the Balance Sheet resulting in an increase to the Revaluation Reserve of £12.9 million. For other restatements see Note 57.

56 Trust funds

The Council acts a sole trustee for one trust fund (The Colonel Edelston Bequest), and as one of several trustees for a further one trust fund (The Alderman Bennett Trust).

Funds for which Council acts as a trustee:

| | Income £000 | Expenditure £000 | Assets £000 | Liabilities £000 |
|--|----------------|---------------------|----------------|---------------------|
| 2011/12 | | | | |
| The Alderman Bennett Trust Purpose: To conserve, preserve, protect improve and enhance the amenities of the town of Warrington. | - | - | 20 | - |
| The Colonel Edelston Bequest Purpose: To purchase works of art | 10 | - | 61 | - |
| Total | 10 | - | 81 | - |

| | Income £000 | Expenditure £000 | Assets £000 | Liabilities £000 |
|--|----------------|---------------------|----------------|---------------------|
| 2010/11 | | | | |
| The Alderman Bennett Trust Purpose: To conserve, preserve, protect improve and enhance the amenities of the town of Warrington. | - | - | 20 | - |
| The Colonel Edelston Bequest Purpose: To purchase works of art | - | - | 51 | - |
| Total | - | - | 71 | - |

The Council also holds monies on behalf of residents who are unable to manage their own affairs. For 2011/12 these funds amounted to £3.112m, £3.100m of which is managed in an independent client account outside of the Council's main bank account.

57 Prior Period Adjustments

In preparing the 2011/12 Statement of Accounts, the Council has had to make a number of prior period adjustments (PPA).

Two of which were mandatory; the 2011/12 Accounting Code of Practice (The Code) adopted FRS 30 Heritage Assets for the first time and CIPFA introduced changes to the Service Reporting Code of Practice (SeRCOP) that was adopted in The Code update. Both of which are to be treated as changes in accounting policy in line with IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The Council also chose to revise its accounting treatment for trading accounts to bring it in line with the Code and the SeRCOP.

Four material errors that would misstate the accounts were found, both of which were restated in line with IAS 8.

The first material error was in the treatment of grant income; £6.3m of grant income had been treated in the 2010/11 Statement of Accounts as receipts in advance. This income had been believed to have had conditions of usage attached to them and should be treated as short-term creditors under the Code (and the adaptations of IAS 20 Government Grants). However, during the preparation of the 2011/12 Statement of Accounts no evidence of conditions of usage could be found and the accounts were restated to show the grant income correctly, as part of an earmarked reserve.

The second material error surrounds the categorisation of Section 106 agreements and commuted sums. In the 2010/11 Statement of Accounts these amounts had been categorised as short-term revenue creditors. However, during the preparation of the 2011/12 Statement of Accounts the contracts were reviewed and it was decided that a more correct categorisation was as long-term capital creditors (in line with the adaptations of IAS 20 Government Grants). This has resulted in £7.2m of creditors being re-categorised from short-term creditors to revenue grants receipts in advance, as well as £6.1m of grants from capital grants receipts in advance to revenue grants receipts in advance.

The remaining two material errors were relating to debtors and creditors that could individually or collectively influence the decisions of users and as a result have been corrected from the audited 2010/11 accounts. In reviewing the debtors and creditors categorisations for 2011/12 it was found that that categorisation of the 2010/11 figures in last years audited accounts were misstated. As a result the 2010/11 figures have been restated to reflect the correct values and are shown in the tables below:

2010/11 Debtors Restatement

Restatement refers to both long term and short term debtors

| | Long Term Debtors | | | | Short Term Debtors | | | |
|---------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | Original 31/03/10 £000 | Restated 31/03/10 £000 | Original 31/03/11 £000 | Restated 31/03/11 £000 | Original 31/03/10 £000 | Restated 31/03/10 £000 | Original 31/03/11 £000 | Restated 31/03/11 £000 |
| Central Government Bodies | | | | | 274 | 29,555 | 2,615 | 24,892 |
| NNDR & Council Tax | | | | | 17,745 | | 14,494 | |
| Other local authorities | | | | | 1,426 | 1,426 | 157 | 3,476 |
| Rents | | | | | 5,950 | | 509 | |
| Public corporations and trading funds | | | | | 1,085 | 1,085 | 439 | |
| Bodies external to general government | | | | | 76 | | 177 | |
| Employee Car Loans | 23 | | 32 | | 10 | | 49 | |
| Grants | | | | | 5,536 | | 11,950 | |
| Value Added Tax | | | | | 6,000 | | 4,628 | |
| Loans & Advances | 7 | | 7 | | 147 | | 80 | |
| Prepayments | | | | | 2,733 | | 2,993 | |
| Finance lease debtors | 32,144 | | 32,118 | | 49 | | 212 | |
| Trade debtors | | | | | 9,406 | | 13,371 | |
| Other entities and individuals | 1,438 | 33,613 | 1,761 | 33,917 | 3,843 | 13,350 | 4,336 | 20,108 |
| Impairments of loans and receiveables | | | | | (8,864) | | (5,997) | |
| NHS Bodies | | | | | | | | 1,538 |
| Total | 33,613 | 33,613 | 33,917 | 33,917 | 45,416 | 45,416 | 50,014 | 50,014 |

2010/11 Creditors Restatement

Restatement refers to short term creditors only

| | Long Term Creditors | | | | Short Term Creditors | | | |
|---------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | Original 31/03/10 £000 | Restated 31/03/10 £000 | Original 31/03/11 £000 | Restated 31/03/11 £000 | Original 31/03/10 £000 | Restated 31/03/10 £000 | Original 31/03/11 £000 | Restated 31/03/11 £000 |
| Central Government Bodies | | | | | 3,422 | 4,567 | 3,577 | 7,939 |
| NNDR & Council Tax | | | | | 1,145 | | 1,183 | |
| Other local authorities | | | | | 708 | 708 | 587 | 2,292 |
| Public corporations and trading funds | | | | | 2,184 | 2,184 | 1,429 | 120 |
| Bodies external to general government | | | | | 6 | | 244 | |
| HRA | | | | | 56 | | 0 | |
| Remuneration due to employees | | | | | 6,267 | | 1,947 | |
| Accumulated absences | | | | | 4,062 | | 5,541 | |
| Receipts in advance | | | | | 6,132 | | 7,501 | |
| Trade Creditors | | | | | 5,411 | | 14,793 | |
| Capital contributions unapplied | | | | | 8,576 | | 11,741 | |
| Other entities and individuals | 5,163 | 5,163 | 5,476 | 5,476 | 4,123 | 27,437 | 7,914 | 32,586 |
| NHS Bodies | | | | | | | | 7 |
| Total | 5,163 | 5,163 | 5,476 | 5,476 | 42,092 | 34,896 | 56,457 | 42,944 |

The changes reflect the reclassifications of various categories of debtors and creditors to provide a more accurate reflection of the values in each category as the total values have not changed (other than that described previously for Section 106 and Commuted Sums). The number of categories have decreased in the 2011/12 accounts to reflect the disclosures required in the Code i.e. less categorisation.

The Council has also made changes to 26 notes in the Statement of Accounts under International Accounting Standard 1 – Presentation of Financial Statements. The changes made all relate to the disclosure of the 2010/11 figures which have been

restated to provide more meaningful comparison to the 2011/12 accounts; to correct anomalies reported in the audited copy of the 2010/11 accounts or to provide further detailed disclosure. Where these changes have been made, a statement has been included within the individual note.

The changes to the each of the main statements by the prior period adjustments outlined above are as follows:

Movement in Reserves Statement

| | General Fund Balance £000 | Earmarked General Fund Reserves £000 | HRA Balance £000 | Earmarked HRA Reserves £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Reserves of the Authority £000 |
|--|------------------------------------|--|------------------------|--------------------------------------|--|-------------------------------------|--|-------------------------------------|---------------------------------------|--|
| Balance as at 1 April 2010 (per 2010/11 Statement of Accounts) | 976 | 23,307 | 2,421 | 841 | 345 | 1,709 | 11,859 | 41,458 | 367,157 | 408,615 |
| Change in Accounting Policy - Creation of Heritage Assets | - | - | - | - | - | - | - | - | 12,338 | 12,338 |
| Restated Balance as at 1 April 2010 | 976 | 23,307 | 2,421 | 841 | 345 | 1,709 | 11,859 | 41,458 | 379,495 | 420,953 |
| Movement in reserves during the year | | | | | | | | | | |
| Surplus or (deficit) on provision of services (per 2010/11 Statement of Accounts) | 33,228 | - | (245,580) | | | | | (212,352) | | (212,352) |
| Prior Period Error - Correction of treatment of grant income | 6,316 | | | | | | | 6,316 | | 6,316 |
| <i>Restated Surplus or (deficit) on provision of services</i> | 39,544 | - | (245,580) | - | - | - | - | (206,036) | - | (206,036) |
| Other Comprehensive Income and Expenditure (per 2010/11 Statement of Accounts) | - | - | - | - | - | - | - | - | 130,726 | 130,726 |
| Change in Accounting Policy - Revaluation of Heritage Assets | - | - | - | - | - | - | - | - | 529 | 529 |
| <i>Restated Other Comprehensive Income and Expenditure</i> | - | - | - | - | - | - | - | - | 131,255 | 131,255 |
| Total Comprehensive Income and Expenditure | 39,544 | - | (245,580) | - | - | - | - | (206,036) | 131,255 | (74,781) |
| Adjustments between accounting basis & funding basis under regulations | (36,480) | | 245,466 | | 149 | 392 | 1,482 | 211,009 | (211,009) | - |
| <i>Restated Adjustments between accounting basis & funding basis under regulations</i> | (36,480) | - | 245,466 | - | 149 | 392 | 1,482 | 211,009 | (211,009) | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 3,064 | - | (114) | - | 149 | 392 | 1,482 | 4,973 | (79,754) | (74,781) |
| Transfer to or from earmarked reserves (per 2010/11 Statement of Accounts) | 3,252 | (3,537) | (1) | 1 | 285 | - | - | - | - | - |
| Prior Period Error - Correction of treatment of grant income | (6,316) | 6,316 | - | - | - | - | - | - | - | - |
| <i>Restated Transfers to or from earmarked reserves</i> | (3,064) | 2,779 | (1) | 1 | 285 | - | - | - | - | - |
| Restated Increase/Decrease in Year | - | 2,779 | (115) | 1 | 434 | 392 | 1,482 | 4,973 | (79,754) | (74,781) |
| Restated Balance as at 31 March 2011 | 976 | 26,086 | 2,306 | 842 | 779 | 2,101 | 13,341 | 46,431 | 299,741 | 346,172 |

Comprehensive Income and Expenditure Statement

| | 2010/11 | | | Change in Service Expenditure Code of Practice | | | Change in Accountancy Policy Revaluation of Heritage Assets | | | Prior Period Error Correction of treatment of grant income | | | Change in Accounting Treatment Recategorisation of Trading Accounts | | | Restated 2010/11 | | |
|--|------------------------|-------------------|----------------------|--|-------------------|----------------------|---|-------------------|----------------------|--|-------------------|----------------------|---|-------------------|----------------------|------------------------|-------------------|----------------------|
| | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| Central Services to the Public | 85,241 | (74,674) | 10,567 | - | - | - | - | - | - | 792 | 792 | - | - | - | 85,241 | (73,882) | 11,359 | |
| Cultural and Related Services | 44,874 | (13,199) | 31,675 | (29,966) | 10,312 | (19,654) | - | - | - | (401) | (401) | 6,963 | (3,712) | 3,251 | 21,871 | (7,000) | 14,871 | |
| Environment and Regulatory Services | - | - | - | 19,515 | (4,173) | 15,342 | - | - | - | 453 | 453 | - | - | - | 19,515 | (3,720) | 15,795 | |
| Planning Services | - | - | - | 10,451 | (6,139) | 4,312 | - | - | - | (223) | (223) | 1,300 | (1,324) | (24) | 11,751 | (7,686) | 4,065 | |
| Childrens and Education Services | 234,628 | (187,798) | 46,830 | - | - | - | - | - | - | (6,020) | (6,020) | 3,979 | (3,391) | 588 | 238,607 | (197,209) | 41,398 | |
| Highways, Roads and Transport Services | 19,618 | (3,656) | 15,962 | - | - | - | - | - | - | (31) | (31) | 1,050 | (815) | 235 | 20,668 | (4,502) | 16,166 | |
| Local Authority Housing (Housing Revenue Account) | 17,084 | (21,577) | (4,493) | - | - | - | - | - | - | - | - | - | - | - | 17,084 | (21,577) | (4,493) | |
| Local Authority Housing (Housing Revenue Account) Exceptional Costs - Stock Transfer | 309,590 | (62,013) | 247,577 | - | - | - | - | - | - | - | - | - | - | - | 309,590 | (62,013) | 247,577 | |
| Other Housing Services | 17,574 | (5,682) | 11,892 | - | - | - | - | - | - | - | - | - | - | - | 17,574 | (5,682) | 11,892 | |
| Adult Social Care | 83,727 | (31,948) | 51,779 | - | - | - | - | - | - | (886) | (886) | - | - | - | 83,727 | (32,834) | 50,893 | |
| Corporate and Democratic Core | 6,125 | (220) | 5,905 | - | - | - | - | - | - | - | - | - | - | - | 6,125 | (220) | 5,905 | |
| Non-Distributed Cost | 539 | - | 539 | - | - | - | - | - | - | - | - | - | - | - | 539 | - | 539 | |
| Non-Distributed Cost Exceptional Costs - Pensions Past Service Gain | (53,858) | - | (53,858) | - | - | - | - | - | - | - | - | - | - | - | (53,858) | - | (53,858) | |
| Cost of Services | 765,142 | (400,767) | 364,375 | - | - | - | - | - | - | (6,316) | (6,316) | 13,292 | (9,242) | 4,050 | 778,434 | (416,325) | 362,109 | |
| Other Operating Expenditure | - | - | 5,795 | - | - | - | - | - | - | - | - | - | - | - | - | - | 5,795 | |
| Financing & Investment Income & Expenditure | - | - | 21,341 | - | - | - | - | - | - | - | - | - | (4,050) | - | - | - | 17,291 | |
| Surplus or Deficit on Discontinued Operations | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Taxation and Non-Specific Grant Income | - | - | (179,158) | - | - | - | - | - | - | - | - | - | - | - | - | - | (179,158) | |
| (Surplus) or Deficit on Provision of Services | - | - | 212,353 | - | - | - | - | - | - | - | - | (6,316) | - | - | - | - | 206,037 | |
| Surplus or Deficit on revaluation of non-current assets | - | - | 4,527 | - | - | - | - | - | - | - | - | (529) | - | - | - | - | 3,998 | |
| Surplus or deficit on revaluation of available for sale financial assets | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | |
| Actuarial gains / losses on pension assets / liabilities | - | - | (135,253) | - | - | - | - | - | - | - | - | - | - | - | - | - | (135,253) | |
| Other Comprehensive Income and Expenditure | - | - | (130,726) | - | - | - | - | - | - | - | - | (529) | - | - | - | - | (131,255) | |
| Total Comprehensive Income and Expenditure | - | - | 81,627 | - | - | - | - | - | - | - | - | (6,316) | - | - | - | - | 74,782 | |

Balance Sheet As At 31 March 2010

| | Notes | 31 March 2010 £000 | Change in Accountancy Policy for Heritage Assets £000 | Prior Period Error Recategorisation of S106 & Commutated Sums £000 | Restated 31 March 2010 £000 |
|------------------------------------|--------|--------------------------|--|--|--------------------------------------|
| Property, Plant & Equipment | 12/12a | 744,361 | - | - | 744,361 |
| Heritage Assets | | | 12,338 | - | 12,338 |
| Investment Property | 13 | 45,729 | - | - | 45,729 |
| Intangible Assets | 14 | 3,560 | - | - | 3,560 |
| Assets Held for Sale | 20 | 465 | - | - | 465 |
| Long Term Investments | 15 | 1,038 | - | - | 1,038 |
| Long Term Debtors | 18 | 33,613 | - | - | 33,613 |
| Long Term Assets | | 828,766 | 12,338 | - | 841,104 |
| Short Term Investments | 15 | 60 | - | - | 60 |
| Inventories | 16 | 880 | - | - | 880 |
| Short Term Debtors | 18 | 45,416 | - | - | 45,416 |
| Cash and Cash Equivalents | 19 | 22,953 | - | - | 22,953 |
| Assets Held for Sale | 20 | - | - | - | - |
| Current Assets | | 69,309 | - | - | 69,309 |
| Cash and Cash Equivalents | 19 | (10,528) | - | - | (10,528) |
| Short Term Borrowing | 15 | (2,143) | - | - | (2,143) |
| Short Term Creditors | 21 | (42,092) | - | 7,196 | (34,896) |
| Provisions | 22 | (1,127) | - | - | (1,127) |
| Liabilities in Disposal Groups | 20 | - | - | - | - |
| Donated Assets | | - | - | - | - |
| Grants Receipts in Advance | | - | - | - | - |
| Current Liabilities | | (55,890) | - | 7,196 | (48,694) |
| Long Term Creditors | 21 | (5,163) | - | - | (5,163) |
| Capital Grants Receipts in Advance | | (8,004) | - | 6,230 | (1,774) |
| Revenue Grants Receipts in Advance | | - | - | (13,426) | (13,426) |
| Provisions | 22 | (1,105) | - | - | (1,105) |
| Long Term Borrowing | 15 | (151,881) | - | - | (151,881) |
| Other Long Term Liabilities | 47 | (267,417) | - | - | (267,417) |
| Long Term Liabilities | | (433,570) | - | (7,196) | (440,766) |
| Net Assets | | 408,615 | 12,338 | - | 420,953 |
| Usable Reserves | 23 | 41,458 | - | - | 41,458 |
| Unusable Reserves | 24 | 367,157 | 12,338 | - | 379,495 |
| Total Reserves | | 408,615 | 12,338 | - | 420,953 |

Balance Sheet As At 31 March 2011

| | Notes | 31 March 2011 £000 | Prior Period Error Correction of Treatment of Grants £000 | Change in Accountancy Policy for Heritage Assets £000 | Prior Period Error Recategorisation of S106 & Commutated Sums £000 | Restated 31 March 2011 £000 |
|------------------------------------|--------|--------------------------|--|--|--|--------------------------------------|
| Property, Plant & Equipment | 12/12a | 453,428 | - | - | - | 453,428 |
| Heritage Assets | | - | - | 12,867 | - | 12,867 |
| Investment Property | 13 | 36,472 | - | - | - | 36,472 |
| Intangible Assets | 14 | 2,881 | - | - | - | 2,881 |
| Assets Held for Sale | 20 | - | - | - | - | - |
| Long Term Investments | 15 | 2,007 | - | - | - | 2,007 |
| Long Term Debtors | 18 | 33,917 | - | - | - | 33,917 |
| Long Term Assets | | 528,705 | - | 12,867 | - | 541,572 |
| Short Term Investments | 15 | 5,046 | - | - | - | 5,046 |
| Inventories | 16 | 925 | - | - | - | 925 |
| Short Term Debtors | 18 | 50,014 | - | - | - | 50,014 |
| Cash and Cash Equivalents | 19 | 31,203 | - | - | - | 31,203 |
| Assets Held for Sale | 20 | - | - | - | - | - |
| Current Assets | | 87,188 | - | - | - | 87,188 |
| Cash and Cash Equivalents | 19 | (8,366) | - | - | - | (8,366) |
| Short Term Borrowing | 15 | (3,234) | - | - | - | (3,234) |
| Short Term Creditors | 21 | (56,456) | 6,316 | - | 7,196 | (42,944) |
| Provisions | 22 | (2,016) | - | - | - | (2,016) |
| Liabilities in Disposal Groups | 20 | - | - | - | - | - |
| Donated Assets | | - | - | - | - | - |
| Grants Receipts in Advance | | - | - | - | - | - |
| Current Liabilities | | (70,072) | 6,316 | - | 7,196 | (56,560) |
| Long Term Creditors | 21 | (5,476) | - | - | - | (5,476) |
| Capital Grants Receipts in Advance | | (7,529) | - | - | 6,138 | (1,391) |
| Revenue Grants Receipts in Advance | | - | - | - | (13,334) | (13,334) |
| Provisions | 22 | (1,531) | - | - | - | (1,531) |
| Long Term Borrowing | 15 | (116,219) | - | - | - | (116,219) |
| Other Long Term Liabilities | 47 | (88,077) | - | - | - | (88,077) |
| Long Term Liabilities | | (218,832) | - | - | (7,196) | (226,028) |
| Net Assets | | 326,989 | 6,316 | 12,867 | - | 346,172 |
| Usable Reserves | 23 | 40,115 | 6,316 | - | - | 46,431 |
| Unusable Reserves | 24 | 286,874 | - | 12,867 | - | 299,741 |
| Total Reserves | | 326,989 | 6,316 | 12,867 | - | 346,172 |

Cash Flow Statement

| | 2010/11 £000 | Prior Period Error Correction of Treatment of Grants £000 | Restated 2010/11 £000 |
|---|-----------------|--|-----------------------------|
| Net (surplus) or deficit on the provision of services | 212,353 | (6,316) | 206,037 |
| Adjustments to net surplus or deficit on the provision of services for non-cash movements | (323,499) | 6,316 | (317,183) |
| Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 48,670 | | 48,670 |
| Net cash flows from Operating Activities | (62,476) | - | (62,476) |
| Investing Activities | 16,145 | | 16,145 |
| Financing Activities | 35,918 | | 35,918 |
| Net (increase) or decrease in cash and cash equivalents | (10,413) | - | (10,413) |
| Cash and cash equivalents at the beginning of the reporting period | (12,425) | | (12,425) |
| Cash and cash equivalents at the end of the reporting period | (22,838) | | (22,838) |

58 Collateral

Collateral pledged

The Council has not pledged any financial assets as collateral for liabilities or contingent liabilities in 2011/12 as this is not permitted under Section 13 of the Local Government Act 2003.

Collateral held

Where the Council is permitted to sell or re-pledge collateral in the absence of default by the owner of the collateral, the Code requires its fair value to be disclosed. At 31 March this was £12.581m, a breakdown of which is given in the table below. The figures exclude collateral held for council tax and non-domestic rates as permitted by the Code. Collateral held for Right to Buy Discounts is also excluded because the amount receivable is determined by the selling price of properties.

| Details | | £000 |
|--------------------------------------|--|------------|
| Deferred Care Charges | These are charges against peoples properties for receiving adult social care packages. The Council meets the cost of the care package and the costs are met by the eventual sale of the clients property. | 9,423,327 |
| Loans to Registered Social Landlords | The Council have given two loans to Registered Social Landlords to promote housing development in the borough. A loan of £1m exists with with Warrington Housing Association and £1.8m with Golden Gates Housing Trust. Collateral is held against the organisations properties to the value of the loan plus 10%. | 3,101,327 |
| Legal Case - bankruptcy charges | This is a claim against the estate of a bankrupt person. | 52,000 |
| Debtors | This is a charge on the properties of numerous people for miscellaneous debtor payments. | 4,833 |
| Total | | 12,581,487 |

The Council holds collateral by way of security on property for Social Services Residential Charges, legal charges loans, held by the Council, and general credit debts. The Council chooses not to sell or repledge the collateral it holds on the basis of the vulnerability of many of the parties concerned, the time-expiry of the discounts, loans and grants, and the considered opinion that the categories are thought to be of such little commercial value that it is unlikely that they would be an attractive proposition for a third party.

Collateral obtained

During 2011/12 the Council took possession of collateral with a value of £5.832m from deferred care charges.

Housing Revenue Account

| | 2010/11 £000 | 2011/12 £000 |
|---|-----------------|-----------------|
| Expenditure | | |
| Repairs and maintenance | 4,710 | - |
| Supervision and management | 5,773 | - |
| Rents, rates, taxes and other charges | 1,970 | - |
| Negative Housing Revenue Account Subsidy payable | 3,844 | - |
| Depreciation of non-current assets | 1,081 | - |
| Impairment of non-current assets | 309,590 | - |
| Debt management costs | 26 | - |
| Movement in the allowance for bad debts | 534 | - |
| Sums directed by the Secretary of State that are expenditure in accordance with the Code | 392 | 45 |
| Total Expenditure | 327,920 | 45 |
| Income | | |
| Dwelling Rents | (18,430) | - |
| Non-dwelling rents | (164) | - |
| Charges for services and facilities | (3,008) | - |
| Contributions towards expenditure | (144) | - |
| Housing Revenue Account Subsidy receivable | - | (813) |
| Sums Directed by the Secretary of State that are income in accordance with the Code | (62,013) | - |
| Total Income | (83,759) | (813) |
| Net Cost of Housing Revenue Account Services as included in the Comprehensive Income and Expenditure Statement | 244,161 | (768) |
| Housing Revenue Account service's share of Corporate & Democratic Core | 22 | - |
| Housing Revenue Account services share of other amounts included in the whole authority Cost of Services but not allocated to specific services | - | - |
| Net Cost of Housing Revenue Account Services | 244,183 | (768) |
| Housing Revenue Account Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement: | | |
| (Gain) or loss on sale of Housing Revenue Account non-current assets | (341) | - |
| Interest payable and similar charges | 2,802 | - |
| Interest and investment income | - | - |
| Pensions interest cost and expected return on pensions assets | - | - |
| Capital grants and contributions receivable | - | - |
| Deficit for Year on Housing Revenue Account Services | 246,644 | (768) |

Sums directed by the Secretary of State that are expenditure in accordance with the Code relate to costs associated with backdated housing benefit payments that remained following the housing stock transfer in 2010-11 and have now been concluded.

| | 2010/11 £000 | 2011/12 £000 |
|---|------------------|-----------------|
| Movement on Housing Revenue Account Statement: | | |
| Balance on the Housing Revenue Account at the end of the previous year | (3,169) | (3,056) |
| (Surplus) or deficit for the year on the Housing Revenue Account Income and Expenditure Statement | 246,644 | (768) |
| Adjustments between Accounting basis and funding basis under statute | | |
| Difference between interest payable and similar charges including amortisation of premiums and discounts determined in accordance with the Code and those determined in accordance with statute | (26) | (26) |
| Difference between any other items of income and expenditure determined in accordance with the Code and determined in accordance with statutory Housing Revenue Account requirements | - | - |
| Gain or loss on sale of Housing Revenue Account non-current assets | 341 | - |
| Net share of contributions to or from the Pensions Reserve | - | - |
| Capital expenditure funded by the Housing Revenue Account | - | - |
| Sums directed by the Secretary of State to be debited or credited to the Housing Revenue Account that are not income and expenditure in accordance with the Code | - | - |
| Capital Expenditure funded by Housing Revenue Account | - | - |
| Transfers to/from Major Repairs Reserve | 3,375 | - |
| Transfer to/from Capital Adjustment Account | (250,463) | - |
| Transfer to/from Housing Repairs Account | - | - |
| Total Adjustments between Accounting basis and funding basis under statute | (246,773) | (26) |
| Net increase or decrease before transfers to or from reserves | (129) | (794) |
| Transfers to General Fund | 242 | 3,056 |
| Transfers to/from reserves | - | 794 |
| Decrease in year on Housing Revenue Account | 113 | 3,056 |
| Balance on the Housing Revenue Account at the end of the current year | (3,056) | (0) |

Explanatory Notes to the Housing Revenue Account

1 Housing Revenue Account

The Housing Revenue Account is a record of expenditure on, and income from, the provision of Local Authority housing, and the form and content of the Account is prescribed by statute. The Housing Revenue Account is “ring-fenced” and must be self-supporting. Contributions both to and from the Housing Revenue Account (e.g. from the General Fund) are limited to special circumstances.

2 Housing Stock

The number of dwellings in the Council's housing stock as at 31 March 2012, totalled 0 properties. Following the Large Scale Voluntary Transfer (LSVT) to Golden Gates Housing Trust in 2010/11, the Council transferred the remaining 28 properties into the General Fund with effect from 1 April 2011.

3 Major Repairs Reserve

The Major Repairs Reserve Allowance is an element of Housing Revenue Account Subsidy. The movement on the Major Repairs Reserve during the year ended 31 March 2012 is summarised below:

| | 2010/11 £000 | 2011/12 £000 |
|--|-----------------|-----------------|
| Balance on Major Repairs Reserve at 1 April | (1,709) | (2,101) |
| Depreciation: | | |
| Dwelling Houses | (3,375) | - |
| Other | - | - |
| Total | (5,084) | (2,101) |
| Dwelling Houses | 2,442 | 80 |
| Other Land and Buildings | 40 | - |
| Community Assets | 219 | - |
| REFCUS | 282 | - |
| Amount transferred from the Major Repairs Reserve for capital expenditure on HRA Land, Houses and Other Property | - | - |
| Balance on Major Repairs Reserve at 31 March | (2,101) | (2,021) |

With the closure of the HRA the Major Repairs Reserve, which is a capital reserve will be spent upon capital expenditure relating to housing.

4 Housing Revenue Account Capital Expenditure

| | 2010/11 £000 | 2011/12 £000 |
|---|-----------------|-----------------|
| Capital investment | | |
| Land & Buildings | 448 | - |
| Dwellings | 2,512 | 80 |
| Other | - | - |
| Revenue Expenditure funded from Capital under Statute | 306 | - |
| | 3,266 | 80 |
| Sources of funding | | |
| Supported Borrowing | 283 | - |
| Capital Receipts | - | - |
| Major Repairs Reserve | 2,983 | 80 |
| Government grants and other contributions | - | - |
| Direct Revenue Financing | - | - |
| | 3,266 | 80 |

During 2011/12 the Council had to fund extensive work to dwellings that were previously part of the HRA. This work was undertaken in 2010/11 prior to the stock transfer but was not invoiced until 2011/12.

5 Capital Receipts from Disposal of Land, Houses and Other Property within the Housing Revenue Account

| | 2010/11 £000 | 2011/12 £000 |
|--|-----------------|-----------------|
| Council Dwellings | | |
| Right to Buy | 732 | - |
| Discounts repaid | 23 | 14 |
| Non-Right to Buy | - | - |
| Other Receipts | | |
| Land sales | - | - |
| Other property sales | - | - |
| Mortgage Property | - | - |
| | 755 | 14 |
| Less Pooled (Paid to Central Government) | (532) | (11) |
| | 223 | 3 |

6 Housing Revenue Account Subsidy

Government Subsidy on the Housing Revenue Account is calculated based upon a notional account, which takes into account the housing stock numbers and local influences. The elements of expenditure are calculated for items such as management, day to day maintenance, capital financing charges etc. Offset against these costs is an element for notional income calculated on stock numbers and guideline rents.

Following the closure of the 2010/11 accounts that final housing subsidy claim was submitted for audit verification. This work subsequently indentified an overpayment of £813k this was repaid to the Council in 2011/12.

| | 2010/11 £000 | 2011/12 £000 |
|--|-----------------|-----------------|
| Management and Maintenance | 8,993 | - |
| Major Repairs Allowance | 3,375 | - |
| Charges For Capital | 1,823 | - |
| Other Items of Reckonable Expenditure | - | - |
| Interest on Receipts | - | - |
| Guideline Rent Income | (18,047) | - |
| Total In year HRA Subsidy Payable | (3,856) | - |
| Previous years Adjustment | 12 | 813 |
| Total HRA Subsidy (Due to)/from CLG | (3,844) | 813 |

7 Depreciation and Impairment of Fixed Assets

| | 2010/11 | | 2011/12 | |
|-------------------------------------|----------------------|--------------------|----------------------|--------------------|
| | Depreciation £000 | Impairment £000 | Depreciation £000 | Impairment £000 |
| Land | - | - | - | - |
| Houses | 1,081 | 309,590 | - | - |
| Other Property - Operational Assets | - | - | - | - |
| Non Operational | - | - | - | - |
| | 1,081 | 309,590 | - | - |

8 Vacant Possession Value of dwellings within the HRA

The vacant possession value and balance sheet value of dwellings within the HRA show the economic cost to the Government of the providing council housing at less than open market rents.

| | 2010/11 £000 | 2011/12 £000 |
|--|-----------------|-----------------|
| Vacant Possession value (open market value) | 674 | - |
| Existing Use Value of Dwellings | (236) | - |
| Difference between Vacant Possession and Existing Use Value | 438 | - |

9 Housing Stock Valuation

The total balance sheet value of the land, houses and other property within the Council's Housing Revenue Account:

| | 2010/11 £000 | 2011/12 £000 |
|----------------------------------|-----------------|-----------------|
| Dwellings | 738 | - |
| Other Land & Buildings | 2,610 | - |
| Total Operational Assets | 3,348 | - |
| Non Operational Assets | - | - |
| Total Value of HRA assets | 3,348 | - |

Collection Fund

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

| 2010/11 £000 | | 2011/12 £000 |
|------------------|---|------------------|
| (1) | Balance Brought Forward | (356) |
| | Income | |
| (83,219) | Income from Council Tax | (83,701) |
| | Transfers from General Fund | |
| (13,307) | Council tax benefits | (13,361) |
| - | Transitional relief | - |
| - | Discounts for prompt payment | - |
| (92,004) | Income collectable from business ratepayers | (97,005) |
| | Contributions | |
| - | Towards previous year's Collection Fund deficit | - |
| - | Adjustment of previous year's community charges | - |
| (188,530) | Total Income | (194,067) |
| | Expenditure | |
| | Precepts | |
| 10,067 | Cheshire Police Authority | 10,140 |
| 4,627 | Cheshire Fire Service | 4,661 |
| 80,679 | Warrington Borough Council and Parishes | 81,264 |
| | Business rate | |
| 90,922 | Payment to national pool | 96,699 |
| 302 | Costs of collection | 305 |
| | Bad and doubtful debts | |
| 1,745 | Write-offs | (6) |
| (167) | Provisions | 766 |
| | Contributions | |
| - | Towards previous year's estimated Collection Fund surplus | 400 |
| - | Adjustment of previous years' community charges | - |
| 188,175 | Total Expenditure | 194,229 |
| (355) | Movement on fund balance | 162 |
| (356) | Balance Carried Forward | (194) |

Notes to the Collection Fund Statement

1 Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands by estimating 1 April 1991 values. Individual charges are set by calculating the amount of income to be achieved from Council Tax and dividing this by the Council Tax Base (the total number of properties in each band converted to an equivalent number of Band D properties). The tax for a Band D property is multiplied by the appropriate ratio to give an amount due for properties in each band.

| Band | Value Range | Number of Dwellings after Discounts and Exemptions | Ratio | Band D Equivalents |
|---------------|---------------------|--|-------|--------------------|
| Disabled | - | 38 | 5/9 | 21 |
| A | Up to £40,000 | 22,159 | 6/9 | 14,772 |
| B | £40,000 - £52,000 | 16,696 | 7/9 | 12,986 |
| C | £52,000 - £68,000 | 16,785 | 8/9 | 14,920 |
| D | £68,000 - £88,000 | 10,275 | 9/9 | 10,275 |
| E | £88,000 - £120,000 | 6,123 | 11/9 | 7,484 |
| F | £120,000 - £160,000 | 4,052 | 13/9 | 5,853 |
| G | £160,000 - £320,000 | 2,401 | 15/9 | 4,002 |
| H | £320,000 and over | 151 | 18/9 | 302 |
| 78,680 | | | | 70,615 |

The total number of Band D Equivalents is then adjusted for non-collection, new properties and other adjustments to produce the Council Tax Base.

| Calculation of Tax Base | |
|--|---------------|
| Total properties converted to Band D equivalent | 70,615 |
| Changes in assumptions | 87 |
| | 70,702 |
| Less allowance for non-collection | (706) |
| Increase due to decrease of second home discount | 161 |
| Council Tax Base for Tax Setting | 70,157 |

2 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies a rate in the pound (43.3p for 2011/12; 42.6p for small businesses) which is then multiplied by the rateable value to produce a charge to each business. The aggregate rateable value or total value of properties for Warrington is £256,882,927. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to Local Authorities on the basis of a fixed amount per head of population.

3 Collection Fund Surplus

An estimate is made on 15 January each year of the Surplus/Deficit on the Collection Fund which is then distributed between the billing authorities in the following year. Warrington Borough Council predicted a surplus of £400,000 in 2010/11 which was distributed as shown below:

| 2010/11 £000 | 2011/12 £000 |
|------------------------------|-----------------|
| - Warrington Borough Council | 337 |
| - Cheshire Police Authority | 43 |
| - Cheshire Fire Authority | 20 |
| - Total | 400 |

4. Movement on Collection Fund Adjustment Account

The Collection Fund contains monies collected on behalf of Warrington Borough Council, Cheshire Police Authority and Cheshire Fire Authority. The table below shows how the movement in the Collection Fund balance is split between the three precepting bodies. Only the Council's share of the movement is shown in the Comprehensive Income and Expenditure Account, and the corresponding entry is shown in Note 7 (Adjustments Between Accounting Basis and Funding Basis under Regulations).

| 2010/11 £000 | 2011/12 £000 |
|---|-----------------|
| (355) Movement on Collection Fund Balance | 162 |
| Less adjustments for: | |
| 37 - Cheshire Police Authority | (16) |
| 17 - Cheshire Fire Authority | (7) |
| (301) Total | 139 |

Group Accounts

Introduction

The CIPFA Code of Practice requires that where a Council has material financial interests and a significant level of control over one or more entities, it should prepare Group Accounts. The aim of these accounts is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities. Before group accounts can be produced, the following actions need to be carried out:

- Determine whether the Council has any form of interest in an entity
- Assess the nature of the relationship between the Council and the entity

Inclusion within the Group Accounts

The Council has relationships with a number of entities over which it has varying degrees of control or influence. The Code of Practice requires these to be classified into the categories of subsidiaries, associates and joint ventures. The meanings of these are outlined below.

Subsidiary

“An entity is a subsidiary of the reporting Council if the Council is able to exercise control over the operating and financial policies of the entity and the Council is able to gain benefits from the entity or is exposed to the risk of potential losses arising from this control.”

The following entities are classified as subsidiaries of the Council and have been consolidated:

Warrington Borough Transport (WBT)

Warrington Borough Transport is a company set up in accordance with the provision of the Transport Act 1985 to take over the Council's passenger transport undertaking. Warrington Borough Council wholly owns WBT but is not liable for any losses that it may make.

Copies of the audited accounts can be obtained from the following address:

Ann Marie Slavin
Warrington Borough Transport Ltd
Wilderspool Causeway
Warrington
WA4 6PT

Golden Gates Housing (GGH) – until 28 November 2010

Golden Gates Housing Ltd (GGH) was an Arms Length Management Organisation, established by Warrington Borough Council. The company was derecognised as a subsidiary of Warrington Borough Council in the 2010/11 accounts.

Associate

“An entity other than a subsidiary or joint venture in which the reporting Council has a participating interest and over whose operating and financial policies the reporting Council is able to exercise significant influence.”

The following entities are classified as an associate of the Council and will be consolidated:

- **Connexions**

In October 2007 the former Cheshire County Council and Warrington Borough Council transferred its Youth Service to Connexions Cheshire and Warrington. As at 31 March 2011, WBC owned 25% of Connexions and the remaining 75% was owned by Cheshire West & Chester Council and Cheshire East Council

Connexions entered administration on 29th February 2012 and Warrington Borough Council was liable for approximately £70,000.

Connexions has been derecognised from the Group Accounts in 2011/12.

Joint Venture

“An entity in which the reporting Council has an interest on a long term basis and which is jointly controlled by the reporting Council and one or more other entities under a contractual or other binding arrangement.”

The Council currently has no Joint Venture arrangements with any other entities.

Determining the Group Boundary

To ensure that the Group entities incorporated into the Group Accounts are correct, a detailed exercise was carried out, but no companies, other than those detailed above, were determined to be a Group Entity.

Please note that although Warrington Borough Council does have an investment in Warrington Wolves, it was determined that there is no Group Relationship as WBC does not have a significant influence over the organisation as our shareholding is less than 14% and we only have one board member who has a connection with the Council.

Main Statements

The Group Accounts replicate the main statements in the single entity accounts, and narrative explanations are given on the single entity main statements.

Group Movement in Reserves Statement

This statement shows the movement in the reserves of the Group entities, and shows how the reserves have been adjusted from the single entity accounts to those shown on the Group Balance Sheet. A full breakdown of the single entity statement is shown in Notes 7, 8, 23 and 24 of the main statements.

| | General Fund Balance £000 | Earmarked General Fund Reserves £000 | HRA Balance £000 | Earmarked HRA Reserves £000 | Capital Receipts Reserve £000 | Major Repairs Reserve £000 | Capital Grants Unapplied £000 | Total Usable Reserves £000 | Total Unusable Reserves £000 | Total Reserves of the Authority £000 | Authority's share of Reserves of Subsidiaries, Associates and Joint Ventures £000 | Total Reserves of the Group £000 |
|---|------------------------------|---|---------------------|--------------------------------|----------------------------------|-------------------------------|----------------------------------|-------------------------------|---------------------------------|---|--|-------------------------------------|
| Restated Balance as At 1 April 2010 | 976 | 23,307 | 2,421 | 841 | 345 | 1,709 | 11,859 | 41,458 | 379,495 | 420,953 | (14,562) | 406,391 |
| Movement in reserves during the year | | | | | | | | | | | | |
| Restated surplus or (deficit) on the provision of services | 39,543 | | (245,580) | | | | | (206,037) | | (206,037) | 4,051 | (201,986) |
| Restated surplus of (deficit) on revaluation of non-current assets | - | | | | - | | | - | (3,998) | (3,998) | (24) | (4,022) |
| Actuarial gains or (losses) on pensions reserve | - | | | | | | | | 135,253 | 135,253 | 11,374 | 146,627 |
| Share of other comprehensive income and expenditure of associates | | | | | | | | | | - | 2,301 | 2,301 |
| Total Comprehensive Income and Expenditure | 39,543 | - | (245,580) | - | - | - | - | (206,037) | 131,255 | (74,782) | 17,702 | (57,080) |
| Restated adjustments between accounting basis & funding basis under regulations | (36,479) | | 245,466 | | 149 | 392 | 1,482 | 211,010 | (211,010) | - | - | - |
| Restated Net Increase/Decrease before Transfers to Earmarked Reserves | 3,064 | - | (114) | - | 149 | 392 | 1,482 | 4,973 | (79,755) | (74,782) | 17,702 | (57,080) |
| Restated transfers to or from earmarked reserves | (3,064) | 2,779 | (1) | 1 | 285 | | | - | - | - | - | - |
| Restated Increase/Decrease in Year | - | 2,779 | (115) | 1 | 434 | 392 | 1,482 | 4,973 | (79,755) | (74,782) | 17,702 | (57,080) |
| Restated Balance as at 31 March 2011 | 976 | 26,086 | 2,306 | 842 | 779 | 2,101 | 13,341 | 46,431 | 299,740 | 346,171 | 3,140 | 349,311 |
| Movement in reserves during the year | | | | | | | | | | | | |
| Surplus or (deficit) on provision of services | (18,155) | | 769 | | | | | (17,386) | | (17,386) | 24 | (17,362) |
| Surplus of (deficit) on revaluation of non-current assets | - | | | | | | | | 36,119 | 36,119 | - | 36,119 |
| Actuarial gains or (losses) on pensions reserve | - | | | | | | | | (42,015) | (42,015) | (635) | (42,650) |
| Share of other comprehensive income and expenditure of associates | | | | | | | | | | - | - | - |
| Total Comprehensive Income and Expenditure | (18,155) | - | 769 | - | - | - | - | (17,386) | (5,896) | (23,282) | (611) | (23,893) |
| Adjustments between accounting basis & funding basis under regulations | 20,967 | | 25 | | (779) | (80) | (1,949) | 18,184 | (18,184) | - | - | - |
| Net Increase/Decrease before Transfers to Earmarked Reserves | 2,812 | - | 794 | - | (779) | (80) | (1,949) | 798 | (24,080) | (23,282) | (611) | (23,893) |
| Transfers to or from earmarked reserves | (2,506) | 6,448 | (3,100) | (842) | - | | | - | - | - | - | - |
| Increase/Decrease in Year | 306 | 6,448 | 2,306.00 | (842) | (779) | (80) | (1,949) | 798 | (24,080) | (23,282) | (611) | (23,893) |
| Balance Sheet As At 31 March 2012 | 1,282 | 32,534 | - | - | - | 2,021 | 11,392 | 47,229 | 275,660 | 322,889 | 2,529 | 325,418 |

Group Comprehensive Income and Expenditure Account

This statement shows the accounting cost in the year of providing services provided by the Group entities in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The taxation position is shown in the Group Movement in Reserves Statement.

| Restated 2010/11 | | | | 2011/12 | | |
|------------------------------|-------------------------|----------------------------|---|------------------------------|-------------------------|----------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 85,241 | (73,882) | 11,359 | Central Services to the Public | 78,602 | (74,132) | 4,470 |
| 21,872 | (7,000) | 14,872 | Cultural & Related Services | 20,779 | (7,295) | 13,484 |
| 19,515 | (3,720) | 15,795 | Environment & Regulatory Services | 20,068 | (4,505) | 15,563 |
| 11,751 | (7,686) | 4,065 | Planning Services | 7,877 | (3,196) | 4,681 |
| 238,607 | (197,210) | 41,397 | Childrens and Education Services | 239,754 | (173,571) | 66,183 |
| 30,300 | (14,630) | 15,670 | Highways, Roads and Transport Services | 29,280 | (12,917) | 16,363 |
| 17,084 | (21,577) | (4,493) | Local Authority Housing (HRA) | 45 | (814) | (769) |
| 309,590 | (62,013) | 247,577 | HRA Exceptional Costs - Stock Transfer | - | - | - |
| 17,818 | (5,820) | 11,998 | Other Housing Services | 11,233 | (1,649) | 9,584 |
| 83,727 | (32,834) | 50,893 | Adult Social Care | 83,191 | (30,288) | 52,903 |
| 6,125 | (220) | 5,905 | Corporate and Democratic Core | 5,747 | (5) | 5,742 |
| (2,767) | - | (2,767) | Non-Distributed Cost | 2,062 | - | 2,062 |
| (53,858) | - | (53,858) | Non-Distributed Costs Exceptional Cots - Pensions Past Service Gain | | | |
| 785,005 | (426,592) | 358,413 | Surplus / Deficit on Continuing Operations | 498,638 | (308,372) | 190,266 |
| | | 5,279 | Other Operating Expenditure | | | 2,646 |
| | | 17,702 | Financing & Investment Income & Expenditure | | | 927 |
| | | - | Surplus or Deficit on Discontinued Operations | | | - |
| | | (179,158) | Taxation and Non-Specific Grant Income | | | (176,323) |
| | | 202,236 | (Surplus) or Deficit on Provision of Services | | | 17,516 |
| | | (601) | Share of the surplus or deficit on the provision of services by associates | | | - |
| | | - | Deregognition of associates | | | (225) |
| | | 352 | Tax expenses of subsidiaries | | | 71.00 |
| | | (1) | Tax expenses of associates | | | - |
| | | 201,986 | Group (Surplus) / Deficit | | | 17,362 |
| | | 4,022 | Surplus or Deficit on revaluation of non-current assets | | | (33,779) |
| | | - | Investment properties not previously recognised | | | (2,340) |
| | | - | Surplus or deficit on revaluation of available for sale financial assets | | | - |
| | | (146,627) | Actuarial gains / losses on pension assets / liabilities | | | 42,650 |
| | | (2,301) | Share of other comprehensive income and expenditure of associates | | | - |
| | | (144,906) | Other Comprehensive Income and Expenditure | | | 6,531 |
| | | 57,080 | Total Comprehensive Income and Expenditure | | | 23,893 |

Group Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Group entities.

| | | Restated 31 March 2010 £000 | Restated 31 March 2011 £000 | 31 March 2012 £000 |
|--|------------|--------------------------------------|--------------------------------------|--------------------------|
| Property, Plant and Equipment | G10 | 752,415 | 461,348 | 481,913 |
| Heritage Assets | | 12,338 | 12,867 | 13,260 |
| Investment Property | | 45,730 | 36,472 | 38,439 |
| Intangible Assets | G11 | 3,868 | 2,881 | 2,181 |
| Assets Held for Sale | | 465 | - | 1,909.00 |
| Long-term Investments | | 150 | 1,119 | 2,895 |
| Investments in Associates and Joint Ventures | | - | - | - |
| Long-term Debtors | G13 | 33,544 | 33,917 | 36,063 |
| Deferred Tax Asset | | - | - | - |
| Long-term Assets | | 848,510 | 548,604 | 576,660 |
| Short-term Investments | | - | 5,046 | 7,204 |
| Inventories | G12 | 1,122 | 1,055 | 984 |
| Short-term Debtors | G13 | 46,040 | 50,584 | 39,753 |
| Cash and Cash Equivalents | G14 | 24,319 | 31,744 | 17,392 |
| Assets Held for Sale | | - | - | 0 |
| Current Tax Asset | | - | - | - |
| Current Assets | | 71,481 | 88,429 | 65,333 |
| Cash and Cash Equivalents | | (10,528) | (8,366) | (4,079) |
| Short Term Borrowing | | (2,143) | (3,234) | (1,930) |
| Short-term Creditors | G15 | (37,196) | (44,644) | (36,204) |
| Provisions | G16 | (1,127) | (2,016) | (1,889) |
| Liabilities in Disposal Groups | | - | - | - |
| Donated Assets | | - | - | - |
| Group receipts in advance | | - | - | - |
| Current Liabilities | | (50,994) | (58,260) | (44,102) |
| Long-term Creditors | G15 | (6,355) | (6,736) | (6,357) |
| Capital Grants Receipts in Advance | | (1,774) | (1,391) | (506) |
| Revenue Grants Receipts in Advance | | (13,426) | (13,334) | (13,943) |
| Provisions | G16 | (1,354) | (1,643) | (1,441) |
| Long-term Borrowing | | (151,947) | (116,219) | (120,353) |
| Other Long Term Liabilities | | (287,285) | (89,670) | (129,414) |
| Deferred Tax Liability | | (465) | (469) | (459) |
| Long-term Liabilities | | (462,606) | (229,462) | (272,473) |
| Net Assets | | 406,391 | 349,311 | 325,418 |
| Usable Reserves | | 45,559 | 48,945 | 48,924 |
| Unusable Reserves | | 360,832 | 300,366 | 276,494 |
| Total Reserves | | 406,391 | 349,311 | 325,418 |

Group Cashflow

The Cash Flow Statement shows the changes on cash and cash equivalents of the Group entities during the reporting period. The statement shows how the Group entities generate and use cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

| Restated 2010/11 £000 | | 2011/12 £000 |
|-----------------------------|---|-----------------|
| 203,421 | Net (surplus) or deficit on the provision of services | 17,516 |
| (314,795) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | (64,312) |
| 48,351 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities | 44,641 |
| (63,023) | Net cash flows from Operating Activities | (2,155) |
| 16,424 | Investing Activities | 12,770 |
| 36,834 | Financing Activities | (606) |
| 114 | Corporation tax (received) / paid | 56 |
| (9,651) | Net (increase) or decrease in cash and cash equivalents | 10,065 |
| 64 | Derecognition of Golden Gate Housing as a Group Entity | - |
| (13,791) | Cash and cash equivalents at the beginning of the reporting period | (23,378) |
| (23,378) | Cash and cash equivalents at the end of the reporting period (Note G14) | (13,313) |

Explanatory Notes to the Group Accounts

The notes below are specific to the Group Accounts.

G1 De-recognition of Connexions as an Associate

Connexions entered Administration on 29th February 2012 and Warrington Borough Council was liable for approximately £70,000 though these figures have not yet been finalised.

As a result of entering Administration Connexions has been derecognised as an associate of Warrington Borough Council. No financial details have been produced for Connexions and as a result no current accounts information has been included in the 2011/12 Group Accounts.

The total value of liabilities for Connexions in 2010/11 was £898k. Warrington Borough Council's share of this was 25% which amounts to £225k. As a result of Connexions entering Administration these liabilities need to be written out of the balance sheet. This has been completed by recording the proportion of the liability of Connexions included in the 2010/11 accounts as a surplus of £225k within the Group (Surplus) or Deficit on the CIES in 2011/12.

G2 Reconciliation of Single Entity Deficit for the Year to the Group Deficit

| Restated 2010/11 £000 | | 2011/12 £000 |
|-----------------------------|---|-----------------|
| 206,037 | (Surplus)/Deficit on the authority's single entity Income and Expenditure Account for the year | 17,386 |
| | Less: | |
| - | Subsidiary dividend income and any other distributions from group entities included in the single entity surplus or deficit on the Income and Expenditure Account | - |
| | Add: | |
| | Surplus or deficit arising from other entities included in the group accounts analysed into the amounts attributable to subsidiaries: | |
| (1,128) | WBT (Surplus)/Deficit | 201 |
| (2,539) | GGH (Surplus)/Deficit | |
| 217 | Derecognition of Golden Gates Housing as a group entity | |
| | Add: | |
| | Percentage of Surplus or deficit arising from Associates | |
| (601) | Connexions (25%) | (225) |
| 201,986 | Group Account (Surplus)/Deficit for the year | 17,362 |

G3 Summarised Financial Information of Associate

Connexions was previously included in the Group Accounts using the equity method. Under the equity method, only the Council's share of net assets and results are included. The table below shows the historic Income and Expenditure Account for Connexions. The column entitled 'Connexions' relates to the full share of Connexions and is provided for information purposes only. Warrington Borough Council's 25% share is the only value included within these accounts

| Connexions 2010/11 £000 | WBC 25% 2010/11 £000 | | Connexions 2011/12 £000 | WBC 25% 2011/12 £000 |
|-------------------------------|----------------------------|--|-------------------------------|----------------------------|
| (11,218) | (2,805) | Turnover | | |
| 8,761 | 2,190 | Administrative expenses | | |
| (2,457) | (614) | | - | - |
| (139) | (35) | Other operating income | | |
| (2,596) | (649) | Operating Profit | - | - |
| (16) | (4) | Interest receivable and similar income | | |
| 5 | 1 | Interest payable and similar charges | | |
| 205 | 51 | Other finance costs | | |
| 194 | 49 | | - | - |
| (2,402) | (601) | Profit on ordinary activities before taxation | - | - |
| (3) | (1) | Tax on profit on ordinary activities | | |
| (2,405) | (601) | Profit for the financial year | - | - |
| (9,266) | (2,317) | Actuarial (gain) / loss | | |
| 62 | 16 | Revaluation of Fixed assets | | |
| (11,609) | (2,902) | Total Recognised Gains and Losses | - | - |

These are incorporated into the Group Comprehensive Income and Expenditure as shown below:

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|--|-----------------|
| (600) | Share of the surplus of deficit on the provision of services of associates | |
| | Derecognition of associates | (225) |
| (1) | Tax Expenses on associates | |
| (601) | Group (Surplus) / Deficit | (225) |
| (2,301) | Share of other comprehensive income and expenditure of associates | - |
| (2,902) | Total Adjustment to Group Account | (225) |

The table below shows the Net Assets position of Connexions of which there were none for 2011/12.

| Connexions 2010/11 £000 | WBC 25% 2010/11 £000 | | Connexions 2011/12 £000 | WBC 25% 2011/12 £000 |
|-------------------------------|----------------------------|-----------------------|-------------------------------|----------------------------|
| 374 | 94 | Long Term Assets | - | - |
| 956 | 239 | Current Assets | - | - |
| (1,314) | (329) | Current Liabilities | - | - |
| (914) | (229) | Long Term Liabilities | - | - |
| (898) | (225) | Net Assets | - | - |

G4 The recognised share of losses of an associate

At 31 March 2011 Connexions had a negative balance sheet position of £898k. To recognise that Warrington Borough Council is responsible for 25% of any gains or losses in Connexions this was reported in Other Long Term

Liabilities in the Group Accounts in 2010/11. Following the company entering into Administration in February 2012, this has been derecognised in the 2011/12 accounts

G5 Financial Position of Subsidiaries

The table below shows the financial positions of WBT and GGH.

| 2010/11 £000 | Warrington Borough Transport | 2011/12 £000 |
|-------------------------|-------------------------------------|-------------------------|
| (1,126) | (Surplus) / Deficit in Year | 201 |
| | | |
| 7,085 | Long Term Assets | 6,789 |
| 1,422 | Current Assets | 1,299 |
| (1,880) | Current Liabilities | (1,934) |
| (3,209) | Long Term Liabilities | (3,571) |
| 3,418 | Net Assets | 2,583 |

| 2010/11 £000 | Golden Gates Housing | 2011/12 £000 |
|-------------------------|------------------------------------|-------------------------|
| (2,459) | (Surplus) / Deficit in Year | - |
| | | |
| - | Long Term Assets | - |
| - | Current Assets | - |
| - | Current Liabilities | - |
| - | Long Term Liabilities | - |
| - | Net Assets | - |

Notes to the Group Financial Statements

Where figures in the group accounts differ materially from the Council's accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the group entities into the Council's accounts.

G6 Group Accounting Policies

The Accounting Policies of Subsidiary and Associate companies have been aligned with the Council's Accounting Policies. The Council's Accounting Policies are contained in Note 1 - Accounting Policies of the Council's Explanatory Notes to the Core Financial Statements, where applicable.

Any statutory adjustments between accounting basis and funding basis included in the Council's Accounting Policies do not apply to Subsidiary and Associated Companies.

Notes to the Group Accounts have not been provided except where there are material differences to the single entity accounts.

Subsidiaries are consolidated on a 'line-by line' basis.

Associates are consolidated using the equity method.

G7 Other Operating Expenditure

| 2010/11 £000 | | 2011/12 £000 |
|-----------------|--|-----------------|
| 1,510 | Parish council precepts | 1,521 |
| 532 | Payments to the Government Housing Capital Receipts Pool | 10 |
| 3,237 | Gains/losses on the disposal of non current assets | 1,004 |
| - | - Levies | 111 |
| - | - Other | - |
| 5,279 | | 2,646 |

G8 Financing and Investment Income and Expenditure

| Restated 2010/11 £000 | | 2011/12 £000 |
|--------------------------------------|---|-------------------------|
| 10,669 | Interest payable and similar charges | 5,558 |
| 7,113 | Pensions interest cost and expected return on pensions assets | (383) |
| (2,894) | Interest receivable and similar income | (2,408) |
| 6,207 | Income and expenditure in relation to investment properties and changes in their fair value | (1,840) |
| (3,393) | GF Proportion of Stock Transfer OHD Calculation | - |
| - | Other investment income | - |
| 17,702 | Total | 927 |

G9 Taxation and Non Specific Grant Income

| 2010/11 £000 | | 2011/12 £000 |
|-------------------------|---|-------------------------|
| (80,981) | Council Tax Income | (81,464) |
| (47,188) | NNDR Redistribution | (43,813) |
| (21,032) | Non-ringfenced government grants | (30,225) |
| (29,957) | Capital Grants | (20,821) |
| (179,158) | Total Taxation and Non-Specific Grant Income | (176,323) |

G10 Property, Plant & Equipment

| | Council Dwellings £000 | Land & Buildings £000 | Infrastructu re Assets £000 | Vehicles, Plant & Equipment £000 | Community Assets £000 | PP&E Under Construction £000 | Surplus Assets £000 | Total PP&E £000 | PFI Assets Included in PP&E £000 |
|--|------------------------------|-----------------------------|-----------------------------------|---|-----------------------------|------------------------------------|---------------------------|--------------------|---|
| Cost or Valuation | | | | | | | | | |
| Balance as at 1 April 2011 | 321,982 | 315,537 | 114,621 | 33,670 | 10,135 | 18,619 | - | 814,564 | 11,062 |
| Adjustments between cost/value & depreciation/impairment | (315,599) | (14,245) | - | - | - | - | - | (329,844) | (5,637) |
| Adjusted opening balance | 6,383 | 301,292 | 114,621 | 33,670 | 10,135 | 18,619 | - | 484,720 | 5,425 |
| Additions (Note 40) | - | 6,756 | 7,235 | 4,521 | 299 | 14,341 | - | 33,152 | - |
| Donations | - | - | - | - | - | - | - | - | - |
| Revaluation increases/decreases to Revaluation Reserve | 854 | 23,092 | - | - | - | - | - | 23,946 | (158) |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | - | - | - | - | - | - | - | - | - |
| Derecognition - Disposals | - | (1,033) | - | (1,103) | - | - | - | (2,136) | - |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Reclassifications & Transfers | - | (12,474) | 734 | 18,563 | - | (6,823) | - | - | - |
| Reclassified to Held for Sale | - | (5,398) | - | - | - | - | - | (5,398) | - |
| Adjustments between cost/value & depreciation/impairment | (1,062) | (26,021) | - | - | - | - | - | (27,083) | (201) |
| Reclassified from Held for Sale | - | - | - | - | - | - | - | - | - |
| Balance as at 31 March 2012 | 6,175 | 286,214 | 122,590 | 55,651 | 10,434 | 26,137 | - | 507,201 | 5,066 |
| Depreciation and Impairment | | | | | | | | | |
| Balance as at 1 April 2011 | 316,672 | 23,864 | 5,180 | 7,500 | - | - | - | 353,216 | 5,637 |
| Adjustments between cost/value & depreciation/impairment | (315,599) | (14,245) | - | - | - | - | - | (329,844) | (5,637) |
| Adjusted opening balance | 1,073 | 9,619 | 5,180 | 7,500 | - | - | - | 23,372 | 0 |
| Depreciation Charge | 195 | 5,047 | 2,877 | 4,631 | - | - | - | 12,750 | 32 |
| Depreciation written out on Revaluation Reserve | (158) | (8,838) | - | - | - | - | - | (8,996) | (32) |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | - | - | - | - | - | - | - | - | - |
| Impairment losses/reversals to Revaluation Reserve | - | - | - | - | - | - | - | - | - |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services | 1,062 | 26,021 | - | - | - | - | - | 27,083 | 201 |
| Derecognition - Disposals | - | (832) | - | (1,006) | - | - | - | (1,838) | - |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Reclassifications & Transfers | - | - | - | - | - | - | - | - | - |
| Adjustments between cost/value & depreciation/impairment | (1,062) | (26,021) | - | - | - | - | - | (27,083) | (201) |
| Eliminated on reclassification to Held for Sale | - | - | - | - | - | - | - | - | - |
| Balance as at 31 March 2012 | 1,110 | 4,996 | 8,057 | 11,125 | - | - | - | 25,288 | 0 |
| Net Book Value | | | | | | | | | |
| Balance as at 31 March 2012 | 5,065 | 281,218 | 114,533 | 44,526 | 10,434 | 26,137 | - | 481,913 | 5,066 |
| Balance as at 31 March 2011 | 5,310 | 291,673 | 109,441 | 26,170 | 10,135 | 18,619 | - | 461,348 | 5,425 |

| | Council Dwellings £000 | Land & Buildings £000 | Infrastructu re Assets £000 | Vehicles, Plant & Equipment £000 | Community Assets £000 | PP&E Under Construction £000 | Surplus Assets £000 | Total PP&E £000 | PFI Assets Included in PP&E £000 |
|--|------------------------------|-----------------------------|-----------------------------------|---|-----------------------------|------------------------------------|---------------------------|--------------------|---|
| Cost or Valuation | | | | | | | | | |
| Balance as at 1 April 2010 | 323,377 | 289,057 | 106,836 | 19,462 | 8,009 | 26,860 | - | 773,601 | 9,688 |
| Adjustments between cost/value & depreciation/impairment | - | - | - | - | - | - | - | - | - |
| Adjusted opening balance | 323,377 | 289,057 | 106,836 | 19,462 | 8,009 | 26,860 | - | 773,601 | 9,688 |
| Additions (Note 40) | 2,512 | 16,657 | 7,785 | 5,645 | 2,126 | 14,353 | - | 49,078 | - |
| Donations | - | - | - | - | - | - | - | - | - |
| Revaluation increases/decreases to Revaluation Reserve | - | 3,088 | - | - | - | - | - | 3,088 | - |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | - | (231) | - | - | - | - | - | (231) | - |
| Derecognition - Disposals | - | (6,639) | - | (645) | - | - | - | (7,284) | - |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Reclassifications & Transfers | - | 13,385 | - | 9,209 | - | (22,594) | - | - | - |
| Reclassified to Held for Sale | (3,907) | 220 | - | - | - | - | - | (3,687) | - |
| Reclassified from Held for Sale | - | - | - | - | - | - | - | - | - |
| Balance as at 31 March 2011 | 321,982 | 315,537 | 114,621 | 33,671 | 10,135 | 18,619 | - | 814,565 | 9,688 |
| Depreciation and Impairment | | | | | | | | | |
| Balance as at 1 April 2010 | 5,107 | 7,480 | 2,505 | 6,094 | - | - | - | 21,186 | 266 |
| Adjustments between cost/value & depreciation/impairment | - | - | - | - | - | - | - | - | - |
| Adjusted opening balance | 5,107 | 7,480 | 2,505 | 6,094 | - | - | - | 21,186 | 266 |
| Depreciation Charge | 1,073 | 4,846 | 2,675 | 1,608 | - | - | 5 | 10,207 | 141 |
| Depreciation written out on Revaluation Reserve | (5,107) | (1,334) | - | 31 | - | - | - | (6,410) | (266) |
| Depreciation written out on Revaluation taken to Surplus or Deficit on the Provision of Services | - | - | - | - | - | - | - | - | - |
| Impairment losses/reversals to Revaluation Reserve | 11,435 | 1,748 | - | - | - | - | - | 13,183 | - |
| Impairment losses/reversals to Surplus or Deficit on the Provision of Services | 304,164 | 12,497 | - | - | - | - | - | 316,661 | 4,262 |
| Derecognition - Disposals | - | (1,064) | - | (542) | - | - | - | (1,606) | - |
| Derecognition - Other | - | - | - | - | - | - | - | - | - |
| Reclassifications & Transfers | - | (309) | - | 309 | - | - | (5) | (5) | - |
| Eliminated on reclassification to Held for Sale | - | - | - | - | - | - | - | - | - |
| Balance as at 31 March 2011 | 316,672 | 23,864 | 5,180 | 7,500 | - | - | - | 353,216 | 4,403 |
| Net Book Value | | | | | | | | | |
| Balance as at 31 March 2011 | 5,310 | 291,673 | 109,441 | 26,171 | 10,135 | 18,619 | - | 461,349 | 5,285 |
| Balance as at 31 March 2010 | 318,270 | 281,577 | 104,331 | 13,368 | 8,009 | 26,860 | - | 752,415 | 9,422 |

As part of the production of the Statement of accounts 2011/12 it was found that the Plant, Property and Equipment table for 2010/11 had not been updated in line with the single entity accounts and was incorrect. In line with IAS8 – Accounting Policies, Changes in Accounting Estimates and Errors this table has now been corrected.

G11 Intangible Assets

| | 2010/11 | | | 2011/12 | | |
|--|----------------------|----------------------|---------------|----------------------|----------------------|---------------|
| | Internally Generated | | | Internally Generated | | |
| | Assets £000 | Other Assets £000 | Total £000 | Assets £000 | Other Assets £000 | Total £000 |
| Balance at start of year: | | | | | | |
| · Gross carrying amounts | | 4,494 | 4,494 | 4,222 | | 4,222 |
| · Accumulated amortisation | | (626) | (626) | (1,341) | | (1,341) |
| Net carrying amount at start of year | | 3,868 | 3,868 | 2,881 | | 2,881 |
| Additions: | | | | | | |
| · Internal development | | | | | | |
| · Purchases | | 36 | 36 | 22 | | 22 |
| · Acquired through business combinations | | | | | | |
| | | 3,904 | 3,904 | 2,903 | | 2,903 |
| Assets reclassified as held for sale | | | | | | |
| Other disposals | | (308) | (308) | | | |
| Revaluation increases/decreases to Revaluation Reserve | | | | | | |
| Revaluation increases/decreases to Surplus or Deficit on the Provision of Services | | | | | | |
| Impairment losses recognised or reversed directly in the Revaluation Reserve | | | | | | |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services | | | | | | |
| Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services | | | | | | |
| Amortisation for the period | | (715) | (715) | (722) | | (722) |
| Other changes | | | | | | |
| Net carrying amount at end of year | | 2,881 | 2,881 | 2,181 | | 2,181 |
| Comprising: | | | | | | |
| · Gross carrying amounts | | 4,222 | 4,222 | 4,244 | | 4,244 |
| · Accumulated amortisation | | (1,341) | (1,341) | (2,063) | | (2,063) |
| | | 2,881 | 2,881 | 2,181 | | 2,181 |

G12 Inventories

| | Consumable Stores | | Client Services in Work in Progress | | Totals | |
|---|-------------------|--------------|-------------------------------------|----------|--------------|--------------|
| | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 |
| | £00 | £000 | £00 | £000 | £000 | £000 |
| Balance Outstanding at Start of Year | 1,114 | 1,055 | 8 | - | 1,122 | 1,055 |
| Other Movement in Year | (54) | 19 | - | - | (54) | 19 |
| Purchases | 115 | 3 | - | - | 115 | 3 |
| Recognised as an Expense in Year | (25) | (93) | (8) | - | (33) | (93) |
| Written Off Balances | (95) | - | - | - | (95) | - |
| Reversals of Write Offs in Previous Years | - | - | - | - | - | - |
| Balance Outstanding at Year End | 1,055 | 984 | - | - | 1,055 | 984 |

G13 Debtors

| | Long Term Debtors | | | Short Term Debtors | | |
|---------------------------------------|-------------------|-----------------|-----------------|--------------------|-----------------|-----------------|
| | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 | Restated | Restated | |
| | | | | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 |
| Central Government Bodies | - | - | - | 29,652 | 25,133 | 10,728 |
| Other Local Authorities | - | - | - | 1,426 | 3,476 | 1,432 |
| NHS Bodies | - | - | - | - | 1,538 | 3,837 |
| Public corporations and trading funds | - | - | - | 1,085 | - | - |
| Other entities and individuals | 33,544 | 33,917 | 36,063 | 13,877 | 20,437 | 23,756 |
| Total | 33,544 | 33,917 | 36,063 | 46,040 | 50,584 | 39,753 |

G14 Cash and Cash Equivalents

| | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 |
|--------------------------------------|-----------------|-----------------|-----------------|
| Cash on hand and balances with banks | 5,616 | 9,900 | 2,854 |
| Short Term Deposits | 18,703 | 21,844 | 14,538 |
| Total | 24,319 | 31,744 | 17,392 |

| | 2009/10 £000 | 2010/11 £000 | 2011/12 £000 |
|--------------------------------------|-----------------|-----------------|-----------------|
| Cash on hand and balances with banks | (10,528) | (8,366) | (4,079) |

G15 Creditors

| | Long Term Creditors | | | Short Term Creditors | | |
|---------------------------------------|---------------------|------------------|------------------|----------------------|------------------|------------------|
| | 31/03/10 £000 | 31/03/11 £000 | 31/03/12 £000 | Restated | Restated | |
| | | | | 31/03/10 £000 | 31/03/11 £000 | 31/03/12 £000 |
| Central Government Bodies | - | - | - | 5,150 | 7,995 | 7,099 |
| Other Local Authorities | - | - | - | 708 | 2,292 | 2,152 |
| NHS Bodies | - | - | - | - | 7 | 1,035 |
| Public Corporations and Trading Funds | - | - | - | 2,184 | 120 | 44 |
| Other Entities and Individuals | 6,355 | 6,736 | 6,357 | 29,154 | 34,230 | 25,874 |
| Total | 6,355 | 6,736 | 6,357 | 37,196 | 44,644 | 36,204 |

G16 Provisions

| | Outstanding Legal Cases £000 | Injury and Damage Compensation | | Other Provisions £000 | Total £000 |
|---------------------------------------|------------------------------------|--------------------------------------|--|--------------------------|---------------|
| | | Claims £000 | | | |
| Balance at 1 April 2011 | - | 1,530 | | 2,129 | 3,659 |
| Additional Provisions Made in 2011/12 | - | 777 | | 858 | 1,635 |
| Amounts Used in 2011/12 | - | - | | (822) | (822) |
| Unused Amounts Reversed in 2011/12 | - | (1,021) | | (121) | (1,142) |
| Unwinding of Discounts in 2011/12 | - | - | | - | - |
| Balance at 31 March 2012 | - | 1,286 | | 2,044 | 3,330 |

G17 Cash Flow Statement – Operating Activities

| 2010/11 | 2011/12 |
|---------------------------|----------------|
| £000 | £000 |
| (6,291) Interest received | (2,254) |
| 10,807 Interest paid | 5,489 |
| - Dividends received | - |
| 4,516 | 3,235 |

G18 Cash Flow Statement – Investing Activities

| 2010/11 | 2011/12 |
|---|----------------|
| £000 | £000 |
| Purchase of property, plant and equipment, 44,698 investment property and intangible assets | 37,109 |
| 16,033 Purchase of short-term and long-term investments | 23,863 |
| - Other payments for investing activities | - |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (3,317) |
| (3,141) | |
| Proceeds from short-term and long-term investments | (20,083) |
| (10,060) | |
| (31,106) Other receipts from investing activities | (24,802) |
| 16,424 | 12,770 |

G19 Cash Flow Statement – Financing Activities

| 2010/11 | 2011/12 |
|--|----------------|
| £000 | £000 |
| (36,217) Cash receipts of short-term and long-term borrowing | (5,898) |
| - Other receipts from financing activities | - |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance 166 sheet PFI contracts | (15) |
| 72,165 Repayments of short-term and long-term borrowing | 4,623 |
| 720 Other payments for financing activities | 684 |
| 36,834 | (606) |

G20 Reconciliation to Subjective Analysis

As the results of the subsidiaries and associates are not reported as part of the Council's management reporting, the income and expenditure relating to the Group Entities are shown in amounts not reported to management for decision making in the table below. For details of the directorate reporting see note 28.

| 2011/12 | Directorate Analysis | Amounts not reported to management for decision making | Amounts reported but not included in Cost of Services | Allocation of Recharges | Cost of Services | Corporate Amounts | Total |
|---|----------------------|--|---|-------------------------|------------------|-------------------|------------------|
| Income | | | | | | | |
| Fees, charges & Other Service Income | (143,514) | (8,629) | (768) | - | (152,911) | - | (152,911) |
| Government Grants | (158,364) | - | - | - | (158,364) | (94,859) | (253,223) |
| Interest and investment income | (590) | - | 584 | - | (6) | (2,408) | (2,414) |
| Internal Recharges | (187,537) | - | - | 187,537 | - | - | - |
| Income and Expenditure in relation to investment properties | - | - | 2,909 | - | 2,909 | (2,756) | 153 |
| Income from Council Tax | - | - | - | - | - | (81,464) | (81,464) |
| | (490,005) | (8,629) | 2,725 | 187,537 | (308,372) | (181,487) | (489,859) |
| Expenditure | | | | | | | |
| Employee expenses | 211,865 | 3,729 | - | - | 215,593 | - | 215,593 |
| Other Service Expenditure | 236,896 | 10,702 | (4,046) | - | 243,552 | - | 243,552 |
| Depreciation, amortisation and impairment | - | 882 | 39,377 | - | 40,259 | - | 40,259 |
| Interest Payable | 5,016 | - | (5,016) | - | - | 5,559 | 5,559 |
| Internal Recharges | 187,537 | - | - | (187,537) | - | - | - |
| Parish Precepts | - | - | - | - | - | 1,521 | 1,521 |
| Precepts & Levies | - | - | (111) | - | (111) | 111 | - |
| Housing Capital Receipts Pool | - | - | - | - | - | 10 | 10 |
| Gain / Loss on disposal of Fixed Assets | - | - | - | - | - | 1,004 | 1,004 |
| Pension Interest Cost and return on assets | - | - | - | - | - | (383) | (383) |
| Income and Expenditure in relation to investment properties | - | - | (655) | - | (655) | 915 | 260 |
| Derecognition of associates | - | - | - | - | - | (225) | (225) |
| Tax expenses of subsidiaries | - | - | - | - | - | 71 | 71 |
| Tax expenses of associates | - | - | - | - | - | 0 | 0 |
| | 641,314 | 15,313 | 29,549 | (187,537) | 498,638 | 8,583 | 507,221 |
| Net | 151,309 | 6,684 | 32,274 | - | 190,266 | (172,904) | 17,362 |

| Restated 2010/11 | Directorate Analysis | Amounts not reported to management for decision making | Amounts reported but not included in Cost of Services | Allocation of Recharges | Cost of Services | Corporate Amounts | Total |
|--|----------------------|--|---|-------------------------|------------------|-------------------|------------------|
| Income | | | | | | | |
| Fees, Charges & Other Service Income | (258,401) | (10,266) | - | - | (268,667) | - | (268,667) |
| Interest & Investment Income | (1,048) | - | 1,048 | - | - | - | - |
| Government Grants | (85,580) | (6,273) | - | - | (91,853) | (2,895) | (94,748) |
| Internal Recharges | (191,295) | - | - | 189,871 | (1,424) | (98,177) | (99,601) |
| Income & Expenditure in Relation to Investment Properties | - | (3,825) | 3,013.00 | - | (812) | - | (812) |
| Income from Council Tax | - | - | - | - | - | 812 | 812 |
| Transfer to Capital Adjustment Account - LSVT | - | (63,836) | - | - | (63,836) | (80,981) | (144,817) |
| | (536,324) | (84,200) | 4,061 | 189,871 | (426,592) | (181,240) | (607,832) |
| Expenditure | | | | | | | |
| Employee Expenses | 228,345 | (37,246) | - | - | 191,099 | - | 191,099 |
| Other Service Expenditure | 255,184 | 927 | - | - | 256,111 | - | 256,111 |
| Depreciation, Amortisation and Impairment | (5) | 340,917 | - | - | 340,912 | - | 340,912 |
| Interest Payable | 5,247 | - | (5,247) | - | - | 7,277 | 7,277 |
| Internal Recharges | 191,295 | - | - | (189,871) | 1,424 | - | 1,424 |
| Parish Precepts | - | - | - | - | 0 | 1,510 | 1,510 |
| Housing Capital Receipts Pool | - | - | - | - | 0 | 532 | 532 |
| Gain / Loss on disposal of Fixed Assets | - | - | - | - | 0 | 3,595 | 3,595 |
| Pension Interest Cost and Return on Assets | - | - | - | - | 0 | 7,113 | 7,113 |
| Income and Expenditure in Relation to Investment Properties | - | (7,211) | (654) | - | (7,865) | 5,036 | (2,829) |
| Transfer to Capital Adjustment Account - LSVT | - | 3,324 | - | - | 3,324 | - | 3,324 |
| Share of the surplus or deficit on the provision of services by associates | - | - | - | - | - | (600) | (600) |
| Tax expenses of subsidiaries | - | - | - | - | - | 352 | 352 |
| Tax expenses of associates | - | - | - | - | - | (1) | (1) |
| | 680,066 | 300,711 | (5,901) | (189,871) | 785,005 | 24,814 | 809,819 |
| Net | 143,742 | 216,511 | (1,840) | - | 358,413 | (156,426) | 201,987 |

G21 Defined Benefit Pension Schemes

The tables below show the effect of the pension scheme on the Group Comprehensive Income & Expenditure and Group Balance Sheet:

| | TOTAL | |
|---|-----------------|-----------------|
| | 2010/11 £000 | 2011/12 £000 |
| Comprehensive Income and Expenditure Statement | | |
| <i>Cost of Services:</i> | | |
| - current service cost | 20,087 | 14,601 |
| - past service costs | (57,164) | 56 |
| - settlements and curtailments | 539 | 2,070 |
| <i>Financing and Investment Income and Expenditure:</i> | | |
| - interest cost | 33,970 | 27,163 |
| - expected return on scheme assets | (26,857) | (26,927) |
| <i>Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i> | (29,425) | 16,963 |
| <i>Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i> | | |
| - actuarial gains and losses | (127,141) | 42,848 |
| <i>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i> | (156,566) | 59,811 |
| <i>Movement in Reserves Statement</i> | | |
| - reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code | 45,653 | 2,135 |
| <i>Actual amount charged against the General Fund Balance for pensions in the year:</i> | | |
| - employers' contributions payable to scheme | (16,228) | (19,098) |

| | 2010/11 £000 | 2011/12 £000 |
|--|------------------|------------------|
| Pension (Liability)/ Asset Bfwd | (284,158) | (89,445) |
| Current Service Cost | (18,258) | (14,601) |
| Past Service Cost | 57,164 | (56) |
| Gains/(losses) on Settlements & Curtailments | (539) | (2,070) |
| Interest Cost | (33,970) | (27,163) |
| Expected Return on Assets | 26,857 | 27,546 |
| Assets Acquired in a Business Combination | (1,829) | - |
| Payment of Pensions | 17,390 | 19,098 |
| LSVT Disposal of Pension | 1,554 | - |
| Movement in Deferred Tax Asset | (883) | 125 |
| Actuarial Gains/ (Losses) | 147,227 | (42,848) |
| Pension (Liability)/ Asset Cfw | (89,445) | (129,414) |

Glossary of Terms

AAA FITCH RATING

Highest credit quality - 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

AA FITCH RATING

Very high credit quality - 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

A FITCH RATING

High credit quality - 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

ACCOUNTING PERIOD

The period of time covered by the accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

ACCRUALS

Sums included in the final accounts to recognise revenue and capital income and expenditure earned or incurred in the financial year, but for which actual payment had not been received or made as at 31 March.

ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial surpluses or deficits that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses); or
- The actuarial assumptions have changed

ASSET

An item having value to the Council in monetary terms. Assets are categorised as either current or fixed:

- A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock);
- A non-current asset provides benefits to the Council and to the services it provides for a period of more than one year and may be tangible e.g. a community centre, or intangible, e.g. computer software licences.

AUDIT OF ACCOUNTS

An independent examination of the Council's financial affairs.

BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

BORROWING

Government support for capital investment is described as either Supported Capital Expenditure (Revenue) known as SCE(R) or Supported Capital Expenditure (Capital Grant) known as SCE(C). SCE can be further classified as either Single Capital Pot (SCP) or ring-fenced.

BUDGET

The forecast of net revenue and capital expenditure over the accounting period.

CAPITAL EXPENDITURE

Expenditure on the acquisition of a non-current asset, which will be used in providing services beyond the current accounting period, or expenditure which adds to and not merely maintains the value of an existing non-current asset.

CAPITAL FINANCING

Funds raised to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, leasing, direct revenue financing, usable capital receipts, capital grants, capital contributions, revenue reserves and earmarked reserves.

CAPITAL PROGRAMME

The capital schemes the Council intends to carry out over a specific period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other non-current assets. Proportions of capital receipts can be used to finance new capital expenditure, within rules set down by the Government but they cannot be used to finance revenue expenditure.

CLAW-BACK

Where average council house rents are set higher than the Government's prescribed average limit rent, used in the calculation of rent rebates, the percentage difference reduces the amount of rent rebate subsidy due to the Council, i.e. it is "clawed-back" by the Government.

CIPFA

The Chartered Institute of Public Finance and Accountancy

COLLECTION FUND

A separate fund that records the income and expenditure relating to Council Tax and non-domestic rates.

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 historical buildings.

CONSISTENCY

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

CORPORATE AND DEMOCRATIC CORE

The corporate and democratic core comprises all activities that Local Authorities engage in specifically because they are elected, multi-purpose Authorities . The cost of these activities are thus over and above those which would 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.

CREDITOR

Amount owed by the Council for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

CURRENT SERVICE COST (PENSIONS)

The increase in the present value of a defined benefits pension scheme's liabilities, expected to arise from employee service in the current period.

DEBTOR

Amount owed to the Council for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

DEFERRED CHARGES

Expenditure which can be properly deferred (i.e. treated as capital in nature), but which does not result in, or remain matched with, a tangible asset. Examples of deferred charges are grants of a capital nature to voluntary organisations.

DEFINED BENEFIT PENSION SCHEME

Pension schemes in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

DEPRECIATION

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the Council's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

DISCRETIONARY BENEFITS (PENSIONS)

Retirement benefits, which the employer has no legal, contractual or constructive obligation to award and are awarded under the Council's discretionary powers such as the Local Government (Discretionary Payments) Regulations 1996.

EQUITY

The Council's value of total assets less total liabilities.

EVENTS AFTER THE BALANCE SHEET DATE

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

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.

EXPECTED RETURN ON PENSION ASSETS

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

EXTRAORDINARY ITEMS

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the 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 of the risks and rewards of ownership of a non-current asset to the lessee.

GOING CONCERN

The concept that the Statement of Accounts is prepared on the assumption that the Council will continue in operational existence for the foreseeable future.

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of

the Council. These grants may be specific to a particular scheme or may support the revenue spend of the Council in general.

HOUSING BENEFITS

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

HOUSING REVENUE ACCOUNT (HRA)

A separate account to the General Fund, which includes the income and expenditure arising from the provision of housing accommodation by the Council.

IMPAIRMENT

A reduction in the value of a non-current asset to below its carrying amount on the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT

The revenue account of the Council that reports the net cost for the year of the functions for which it is responsible and demonstrates how that cost has been financed from precepts, grants and other income.

INFRASTRUCTURE ASSETS

Non-current assets belonging to the Council that cannot be transferred or sold, on which expenditure is only recoverable by the continued use of the asset created. Examples are highways, footpaths and bridges.

INTANGIBLE ASSETS

An intangible (non-physical) item may be defined as an asset when access to the future economic benefits it represents is controlled by the reporting entity. This Council's intangible assets comprise computer software licences.

INTEREST COST (PENSIONS)

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

INVENTORIES

Items of raw materials and stores an Council has procured and holds in expectation of future use. Examples are consumable stores, raw materials and products and services in intermediate stages of completion.

INVESTMENTS (PENSION FUND)

The investments of the Pension Fund will be accounted for in the statements of that fund. However, Authorities are also required to disclose, as part of the disclosure requirements relating to retirement benefits, the attributable share of the pension scheme assets associated with their underlying obligations.

LIABILITY

A liability is where the Council owes payment to an individual or another organisation.

- A current liability is an amount which will become payable or could be called in within the next accounting period, e.g. creditors or cash overdrawn.
- A deferred liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time.

LIQUID RESOURCES

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

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

LONG-TERM CONTRACT

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into more than one accounting period.

MATERIALITY

The concept that the Statement of Accounts should include all amounts which, if omitted, or misstated, could be expected to lead to a distortion of the financial statements and ultimately mislead a user of the accounts.

MINIMUM REVENUE PROVISION (MRP)

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

NEGATIVE SUBSIDY

If the Subsidy Housing Revenue Account produces a result, which assumes that the Council's income is higher than its expenditure, a "negative subsidy" situation arises. In this case the Council must pay an amount equivalent to the deficit, from its Housing Revenue Account to the Government.

NET BOOK VALUE

The amount at which non-current assets are included in the Balance Sheet, i.e. their historical costs or current value less the cumulative amounts provided for depreciation.

NET DEBT

The Council's borrowings less cash and liquid resources.

NON-DISTRIBUTED COSTS

These are overheads for which no user now benefits and as such are not apportioned to services

NATIONAL NON-DOMESTIC RATES (NNDR)

The National Non-Domestic Rate is a levy on businesses, based on a national rate in the pound set by the Government and multiplied by the assessed rateable value of the premises they occupy. It is collected by the Council on behalf of central Government and then redistributed back to support the cost of services.

NON-OPERATIONAL ASSETS

Non-current assets held by the Council but not directly occupied, used or consumed in the delivery of services. Examples are investment properties, assets under construction or assets surplus to requirements pending sale or redevelopment.

OPERATING LEASE

A lease where the ownership of the non-current asset remains with the lessor.

OPERATIONAL ASSETS

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

PAST SERVICE COST (PENSIONS)

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

PENSION SCHEME LIABILITIES

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured during the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

PRECEPT

The levy made by precepting Authorities by billing Authorities, requiring the latter to collect income from Council Tax on their behalf.

PRIOR YEAR ADJUSTMENT

Material adjustments applicable to previous years arising from changes in accounting policies or from the correction of fundamental errors. This does not include normal recurring corrections or adjustments of accounting estimates made in prior years.

PROVISION

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

PUBLIC WORKS LOAN BOARD (PWLB)

A Central Government Agency, which provides loans for one year and above to Authorities at interest rates only slightly higher than those at which the Government can borrow itself.

RATEABLE VALUE

The annual assumed rental of a hereditament, which is used for NNDR purposes.

RELATED PARTIES

There is a detailed definition of related parties in IAS 24. For the Council's purposes related parties are deemed to include the Council's members, the Chief Executive, its Directors and their close family and household members.

RELATED PARTY TRANSACTIONS

The Statement of Recommended Practice requires the disclosure of any material transactions between the Council and related parties to ensure that stakeholders are aware when these transactions occur and the amount and implications of such.

REMUNERATION

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits. Received other than in cash. Pension contributions payable by the employer are excluded.

RESERVES

The accumulation of surpluses, deficits and appropriations over past years. Reserves are split into usable, those available to be spent on either capital or revenue items; and unusable reserves, which are technical adjustments or specific capital reserves.

RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life.

RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE SUPPORT GRANT

A grant paid by Central Government to Authorities , contributing towards the general cost of their services.

TEMPORARY BORROWING

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Council for such purposes as prizes, charities, specific projects and on behalf of minors.

USEFUL ECONOMIC LIFE (UEL)

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

WORK IN PROGRESS (WIP)

The cost of work performed on an uncompleted project at the year end.