Statement of Accounts 2011/12

High Peak Borough Council
working for our community

Contents

Welcome to the 2011/12 Statement of Accounts

It is our pleasure to introduce the Council's Statement of Accounts for 2011/12. The purpose of this document is to provide clear information to readers on how High Peak Borough Council has utilised its financial resources. The Accounts and all relevant documents are subject to review by the Audit Commission; they provide their opinion on Page 108.

The Council provides services for 92,800 residents, and the many visitors to the Borough, including: waste collection; recycling; planning; leisure; recreation; and environmental health. The Council covers a geographical area of 53,915 hectares, which includes 22 parishes. The Council now has 43 councillors and had 310 employees at the end of 2011/12.

2011/12 – enter the age of austerity…..

Our vision: **"Working with our communities to improve the quality of life in the High Peak"**

We have highlighted many successes in the Statement of Accounts in recent years. In 2009/10 we highlighted the outcome of the most recent "Place Survey" results, which showed that – based on independent research – High Peak Borough Council is officially the best performing local authority in Derbyshire for value for money and public satisfaction based on the opinion of local residents. We also reported on the Audit Commission's organisational assessment as part of its Comprehensive Area Assessment (CAA). In awarding the Council 'Level 3', the headline conclusion in the report was…."High Peak Borough Council performs well overall. Services are consistent and the Council invests to improve the quality of life in the area. It is supporting residents and businesses through the recession. It helps improve the living standard of all age groups". We remain immensely proud of these achievements but we now exist in a very different world; a world of public spending cuts, on a scale not experienced for generations. The impact on the finances of High Peak Borough Council is profound and 2011/12 saw a 15.2% reduction in Formula Grant (FG) – our largest source of income. The outlook for the future is equally bleak with a further 12.4% cut in FG to follow in 2012/13 with further cuts in 2013/14, 2014/15 and beyond. Protecting frontline services and continuing to deliver value-for-money becomes hugely challenging in these circumstances but nevertheless remains the overriding aim for both Members and officers alike.

We are acutely aware that austerity is not confined to local government or even the wider public sector. This was uppermost in our mind when setting – for the first time – a '0% increase' in Council Tax for 2011/12.

The Council developed a new Corporate Plan during 2011/12 which reflects the priorities of elected councillors and local communities. The Corporate Plan is underpinned by four Objective Delivery Plans aligned to each of the Council's four Aims. These detail how the Council's objectives will be achieved and contain both Priority Actions and Performance Indicators.

Key Aims:
- **Provide Quality Services in Partnership with Communities**
- **Meet Financial Challenges and Provide Value for Money**
- **Support Economic Development and Regeneration**
- **Protect and Improve the Environment**

The Council collects Council Tax on behalf of the County Council, Police Service, the Fire Authority, Parish and Town Councils. The High Peak element of the average – “Band D” – Council Tax bill in 2012/13 will be £174.42 (the same as 2010/11 and 2011/12) and will be used to fund the services we provide to you. A 0% increase for the second time is particularly pleasing. The following pages show how your Council Tax was spent during 2011/12.

There are still many areas in which the Council is striving to improve. We monitor and manage our performance against a range of performance indicators. In 2008/09 the Audit Commission officially confirmed that performance against 44% of the Council’s performance indicators was in the top 25% nationally with 76% in the top 50%. Further improvement has continued with performance against the majority of indicators continuing to rise. In 2011/12, the Council achieved 80% of its performance targets.

The Council recognises the benefit of working together in partnership for the benefit of our citizens. Consequently a substantial amount of our work is carried out in conjunction with partner organisations such as the County Council, Primary Care Trust, Police and Fire Services and voluntary sector, which ensures that key public services are co-ordinated and delivered in an efficient manner.

In the 2007/08, 2008/09, 2009/10 and 2010/11 Statement of Accounts, we reported the emergence of a “Strategic Alliance” (the Alliance) with our neighbours, Staffordshire Moorlands District Council. The primary aims of the Alliance are, through joint working, to drive through service improvements, whilst reducing costs in order to increase value-for-money and minimise future Council Tax increases. The arrangement – which has featured a fully integrated Joint Senior Management Team and widespread joint service delivery since July 2009 – crosses both county and regional boundaries. It is pioneering in many ways and has continued to rapidly progress. This Council’s share of generated savings from the Alliance amounted to £1.5 million at the end of March 2012.

The wisdom of the Alliance has been brought into sharp focus in the light of the subsequent events. Whilst the Government’s need to reduce a fiscal deficit, which was the largest in peacetime history in 2009/10, is not in dispute, the scale and speed of the associated spending cuts has taken many by surprise.

Building on the earlier successes of the Alliance, the “Efficiency and Rationalisation Strategy” was developed and delivery commenced in 2011/12. The Strategy is projected to save the council £3.5 million over the three year period up to 2013/14. The Alliance sits at the very heart of that Strategy and accounts for around half of the savings.

The successful delivery of the Efficiency and Rationalisation Strategy is contingent on the delivery of substantial staff savings. Due to the Alliance, the Council has so far managed to achieve this through its voluntary redundancy programme, which has seen staff numbers reduce by around 14% during 2011/12; despite such a huge reduction in staff numbers, services have been maintained.

It is very important that residents of the Borough understand the Council's finances. Therefore, we are always looking to improve the way in which we present our financial information for the year. If you have any comments regarding the presentation of the accounts, please do not hesitate to contact us. Please note that the Statement of Accounts is available in large print, Braille or in another language on request.

Thank you for showing an interest in the Council's finances. We trust that you will find this Statement of Accounts both interesting and informative.

Cllr Tim Norton
Executive Member for Corporate Services

Andrew Stokes
Executive Director and Chief Finance Officer

Foreword by the Executive Director *(Chief Finance Officer)*

The Statement of Accounts for the year ended 31st March 2012 has been prepared in accordance with the Accounts and Audit Regulations 2003. The format reflects the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom and the Service Accounting Code of Practice (2011/12), published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts for 2011/12 is the second year to be prepared on an International Financial Reporting Standard (IFRS) basis. International Financial Reporting Standards are a suite of accounting standards used across the world. In the 2007 Budget, the then Chancellor announced that the UK Public Sector would adopt IFRS, as this was seen as best practice and allowed for international comparisons to be made.

The Council's core financial statements, beginning at page 28, are listed below along with a brief explanation of their purpose: -

- ***Movement on Reserves -*** this statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The (Surplus)/Deficit on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund 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 before any discretionary transfers to/from earmarked reserves undertaken by the council.
- ***Comprehensive Income & Expenditure Statement*** – this statement is fundamental to the understanding of the Council's activities, in that it reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers;
- ***Balance Sheet*** - this explains the Council's financial position at the year-end. It provides details of the Council's balances and reserves and its long-term indebtedness. It also includes the fixed and net current assets employed in Council operations together with summarised information on the fixed assets held; and
- ***Cash Flow Statement*** - this illustrates the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

The Council is also required to produce three supplementary financial statements:-

- ***Housing Revenue Account (HRA) -*** This account reflects the statutory requirement for the Authority to maintain a separate revenue account for Council housing provision. It includes the receipt of income and the payment of expenditure associated with that service to determine a surplus or deficit for the year.
- ***Collection Fund Accounts -*** This reflects the statutory requirement for the Authority to maintain a separate account providing details of receipts of Council Tax and Business Rates and the associated payments to precepting authorities and to the National Non-Domestic Rate (NNDR) Pool
- ***Group Accounts -*** These set out the joint financial position for the Council and its wholly owned subsidiary, High Peak Community Housing Limited.

Financial Summary 2011/12

The Financial activities of the Council can be categorised as either Revenue or Capital:

- Revenue spending represents the net cost of consuming supplies and providing services delivered by the Council in its day-to-day business during the year.
- Capital spending results in an asset which will provide benefit to the Borough over a number of years

General Fund Revenue Spending

What we planned to spend

The Council set an original net Revenue budget for 2011/12 of £12,148,860 for spending on services. It was anticipated that financing available from external grants and Council Tax income would be £11,006,750, with a further £1,142,110 contribution from balances and reserves. Subsequent allocations to Services from balances brought forward from 2010/11 and transfers out of earmarked reserves, totalling £71,430 were assigned to support additional activities. This increased the budget to £12,220,290

What we actually spent

The actual spend on activities, after transfers to earmarked reserves, during 2011/12 was £87,931 lower than anticipated. The under spend was due to savings made across the majority of Council services plus some windfall contributions. An example of the latter was a credit of £99,495 resulting from an improved recovery rate on the Authority's Icelandic investments.

	Budget £	Actual £	Variance £
Funding	(11,006,750)	(11,184,514)	177,764
-Activities	12,220,290	12,310,123	(89,833)
- to (from) reserves	(1,213,540)	(1,125,609)	87,931

The cumulative effect of this reduced spend and extra income was that £87,931 of the budgeted use of general reserves was not required. The level of earmarked reserves was increased slightly in the year to support future revenue activities. Overall therefore the Council's Revenue reserves fell by £861,000 to £5.39million, as illustrated below:

Revenue Reserves	Brought Forward £'000	2011/12 Net Change £'000	Carried Forward £'000
Earmarked	3,535	265	3,800
General Revenue	2,712	(1,126)	1,586
	6,247	**(861)**	**5,386**

The capital and earmarked reserves have been built up over a number of years to provide funding for future projects and specific activities in line with the Council's medium-term aims and objectives. The reserves have been reviewed for relevance and adequacy.

The general revenue reserve is primarily held as a contingency to provide the Council with operational funds and as a safeguard against financial risk.

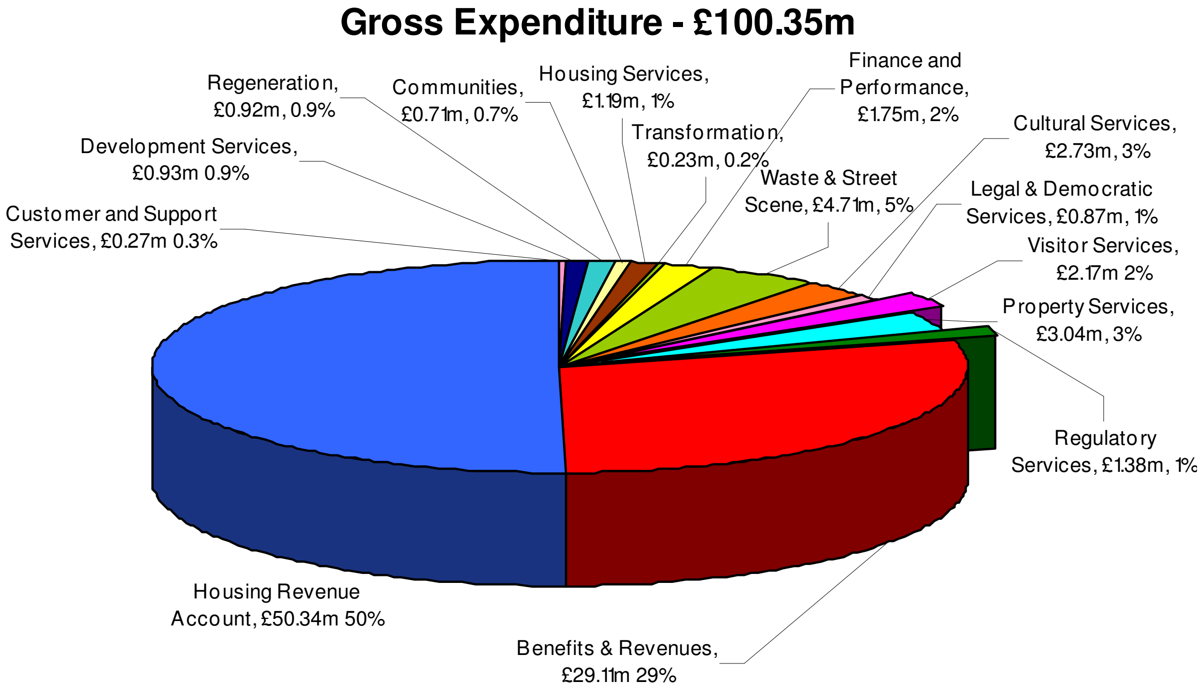
Current risk based assessments set the Council's need for a revenue contingency at £1,200,000. As the reserve stands at £1,586,000, the surplus of £386,000 is potentially available to support future spending plans.

How the money was spent

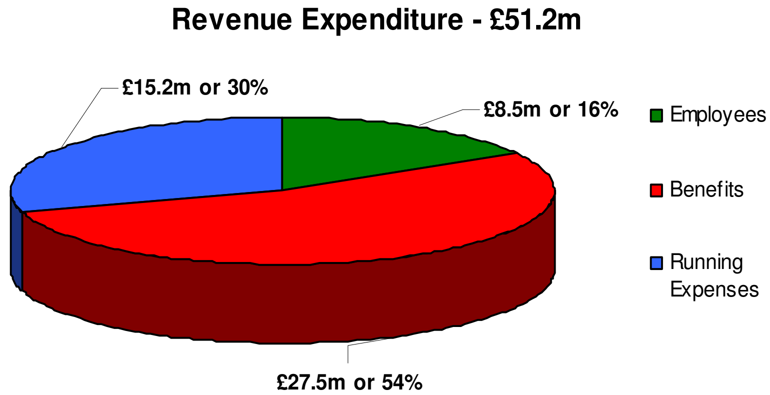
The Income and Expenditure Account *(page 30)* summarises the resources that have been generated and consumed in providing services and managing the Council this year. It shows a Gross Expenditure for the year of £100.35 million across nine defined service areas. These are common to all councils to facilitate comparison, but they do not match the service areas around which this Council is organised. The chart below illustrates the profile of total expenditure based on the structure of this Council.

Gross expenditure includes nominal charges made for the use of capital assets and future pension liabilities. Their inclusion is required to allow comparison between councils as to the true cost of providing services.

Statutory provisions however, require that such charges are excluded from the amount charged to Council Taxpayers. These charges are removed to determine actual revenue expenditure.

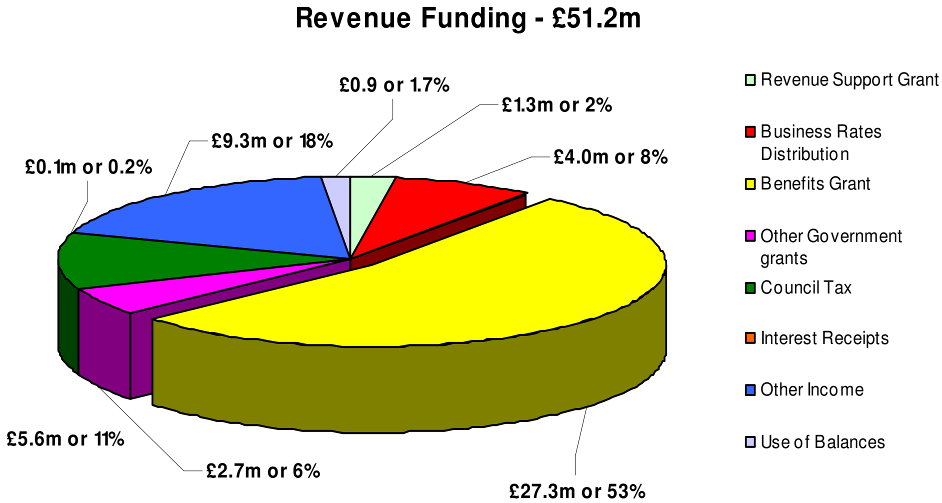


Revenue expenditure for the year was £51.2 million (excluding the Housing Revenue Account). Although this figure is not separately identified in any of the statements, it represents actual revenue resources applied during the year. The three main categories of spending are: employee costs, running expenses and housing benefit payments. Running expenses include the maintenance of buildings, vehicle costs and supplies and services. The chart illustrates the proportion in which expenditure was incurred on these categories of expenditure.



How it was paid for

Central Government provide the majority of funding. It supported general expenditure through the Revenue Support Grant (RSG) and the contribution from the National Non-Domestic Rate (NNDR) Pool. Other Government grants were received to support specific areas, including the largest grant – Housing Benefits – at £27.3 million. A total of £5.6 million was raised from Council Tax, and fees and charges levied by the Council form a substantial part of the £9.3 million in other income generated.

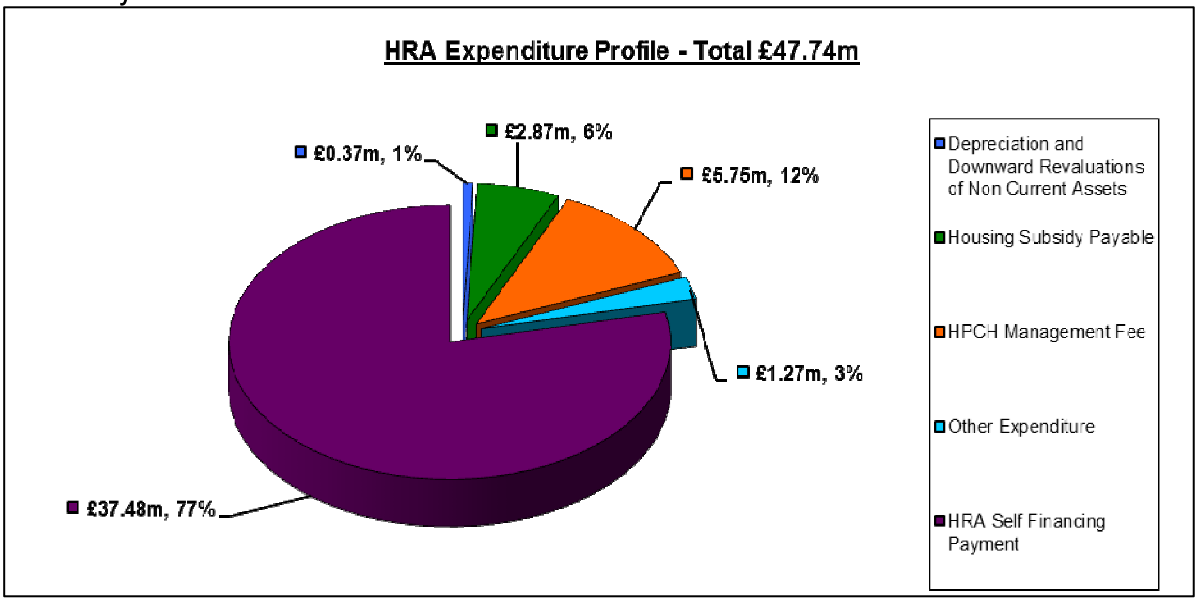


Housing Revenue Account

The Housing Revenue Account (HRA) is a separate account, required by law, which bears the cost of managing, maintaining and improving Council houses.

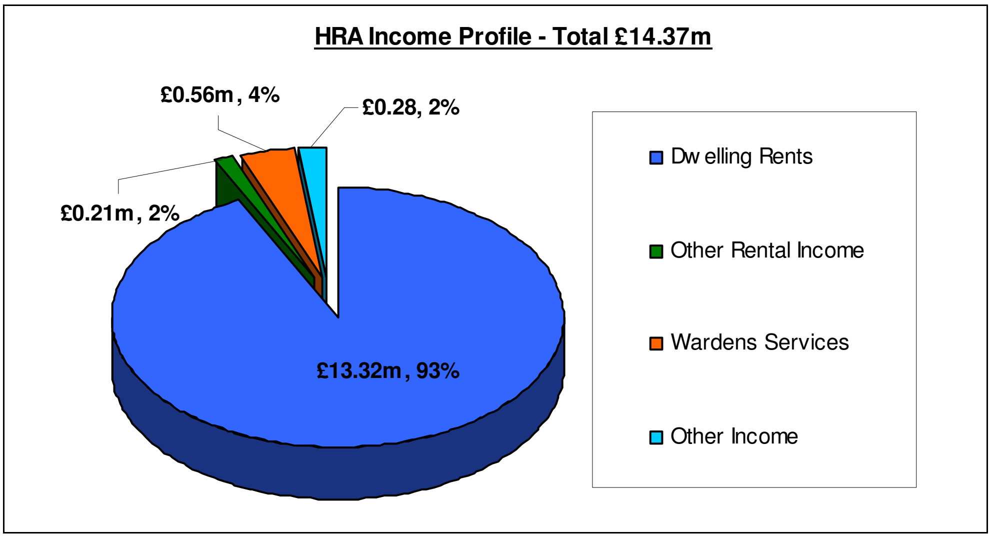
On 1st March 2004 the management of the Council's housing stock was transferred to High Peak Community Housing Ltd for an initial five-year period, although the contract has recently been extended. High Peak Community Housing Ltd is in the main funded from the Housing Revenue Account, receiving a management fee, which was £5.749 million in 2011/12.

Subject to final confirmation by the company's own auditors, High Peak Community Housing Ltd has made an operating loss of £1.003 million for the financial year 2011/12. The company reserves are separate from the Housing Revenue Account reserves. High Peak Community Housing Ltd's own accounts are consolidated with those of the Council to produce the Group Accounts (page 96).
Gross revenue expenditure for the year was £47.74 million (£66.74 million 2010/11) and is analysed below:



The expenditure has fallen since 2010/11 due to two major compensating factors; firstly in 2010/11 there was a significant reduction (from 50% to 34%) of the social housing factor used to determine the value of council housing which gave rise to a one off large impairment charge of £55.6 million, and secondly, during 2011/12, a one off payment of £37.481 million has been made to the Government in respect of the HRA Self Financing Debt Settlement.
The Authority's dwelling stock value increased by £1.359 million. The Gain was credited to the HRA Income and Expenditure account to reverse impairments that had been charged to the HRA in previous years. Revaluation losses of £0.005 million and impairments of £0.318 million have been charged to the HRA Income and Expenditure Account. The charge to the HRA Income and Expenditure Account does not impact on rent levels as it is reversed out in the Movement in Reserves Statement.

Gross revenue income for the year was £14.370 million (£13,651 million 2010/11) and is analysed below:



The overall outturn on the Housing Revenue Account shows a surplus of £686,704 compared to an expected surplus of £624,510. The surplus has been added to the HRA working balance. General HRA reserves therefore increased from £1.367 million to £2.053 million in 2011/12. This level of reserves is maintained to reflect the level of risk within the activities charged to the Housing Revenue Account. The major elements that make up this variance include:

Positive Changes:

- Reduction in debt interest charges £71,000
- No voluntary principal payment of loan debt £93,000
- Reduction in contribution to bad debts provision £20,000
- Miscellaneous Additional Income £17,000

Negative Changes:

- Increase in Housing Subsidy Payment £104,000
- Increased consultancy costs (Housing Reform) £35,000

There were just 5 Council house sales during the year.

Housing Reform – Self Financing

The new 'Self Financing' regime becomes effective from 01 April 2012; this replaces the existing Housing Subsidy system which governs the level of rents, capital charges, capital investment and revenue subsidy each year. Under the current system, the Council makes a net subsidy payment of £2.874 million to the Government annually, however, under Self Financing the Council will instead, take on £37.481 million of the national housing debt in a one off transaction. Once the debt is paid, there is no further commitment for the Council. The debt settlement payment was made in late March 2012 and is identified as an exceptional item within the Housing Revenue Account Income and Expenditure account.

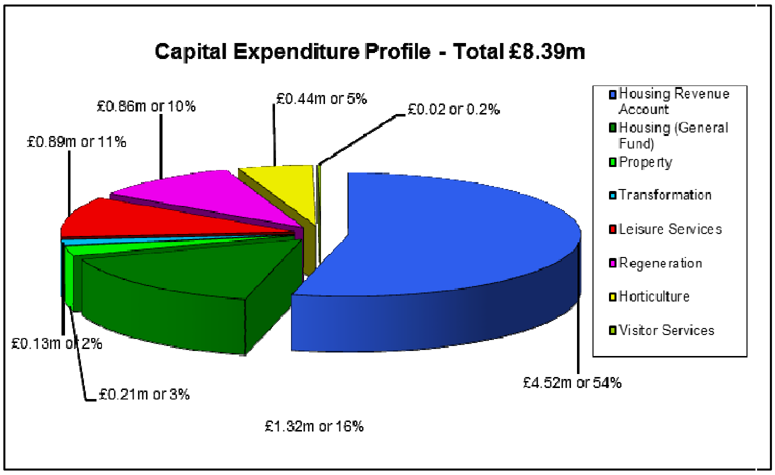
`Capital Spending

Capital spending either maintains or creates new assets that will contribute to the Council's aims and objectives over more than one year. The Council therefore plans and budgets for capital expenditure by means of a three year rolling programme. This programme was last updated in February 2012 and included capital commitments of 29million (including £16million for the Housing Revenue Account) with estimated capital spending in 2011/12 of £8 million (including £3.8 million for the HRA).

How the money was spent?

The actual spending in 2011/12 was £8.39 million. The major areas of capital expenditure and significant individual projects included:

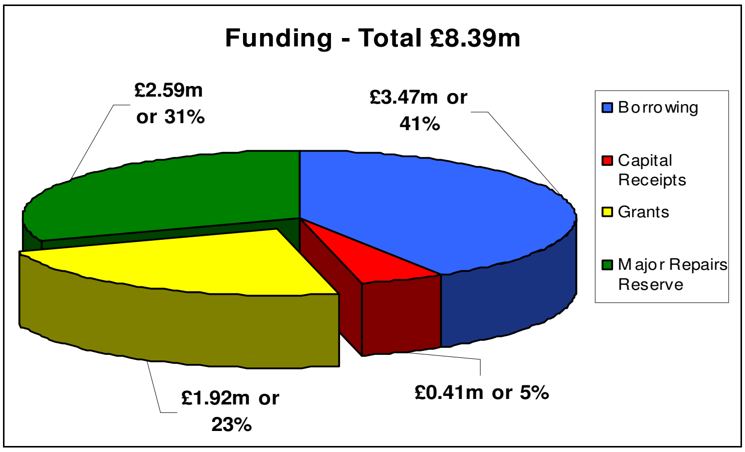
- Housing Revenue Account – General refurbishment of the Council's housing stock including kitchens and bathrooms, heating, rendering and disabled adaptations (£4.5 million).
- Housing – financing of the Council's housing strategy with regard to affordable housing and private sector housing assistance policy targeted at improving the Borough's private sector housing stock – empty properties, decent homes and disabled facilities grants (£1.32 million)
- Leisure Services – investment in upgrading and refurbishment of the Borough's leisure centres (£0.89 million)
- Regeneration – Buxton Crescent & Spa and Glossop town centre improvements (£0.86 million)
- Horticulture – upgrades to play area facilities and extension works at Thornsett Cemetery (£0.44 million)



How was it paid for?

There are a number of sources by which the Council can fund capital expenditure. The funding of the 2011/12 programme is illustrated below:

- Major Repairs Allowance – the Council receives this grant as part of the Housing Subsidy to finance major housing repairs within the Housing Revenue Account
- Grants and Contributions – such as Government grants supporting housing, and Lottery Funding supporting heritage schemes
- Borrowing – borrowing for capital purposes externally (e.g. from Public Works Loan Board or the market) or using internal resources
- Capital Receipts – Cash resources from the sale of capital assets.



So what was achieved for the money?

The Revenue and Capital transactions recorded in these statements supported all Council activities in 2011/12. A wide variety of statutory and non-statutory services were delivered, and numerous Council aims and objectives achieved. Here are just a few examples.

Aim one: Supporting People

Ensure an adequate supply of housing and an increase in decent and affordable housing in the borough: We delivered 40 affordable new homes last year and are on target to deliver an equal number this year. The Council also established a partnership with Peaks and Plains Housing Trust to return long term vacant properties in Buxton back into affordable housing.

Help make High Peak a safer place: 2011/12 saw the repeat of the highly successful Angling Project in Glossop, which is aimed at getting young people involved in positive activities and away from anti-social behaviour. 14 young people took part in the 10 week course last year in conjunction with the Glossop Angling Society and were rewarded with free membership and equipment in order to carry on the sport. As a partner in the High Peak Community Safety Partnership the Council has taken an active role in the Street Safe project in Buxton, which has seen a 35% reduction in assaults, robbery, arson, and sex offences. The project centres on University of Derby students acting as volunteers in the town during mid week ‘student nights’. The project has helped reduce calls for service on these nights for anti-social behaviour and allows local students to give something back to the communities amongst which they are living.

Provide opportunities for young people: During 2011/12 the Council carried out improvements to play areas at Temple Street in Padfield; Harehills Park in Glossop; and at the Pavilion Gardens in Buxton where fitness equipment was also introduced and weekly fitness sessions are hosted by our partners DC Leisure. A multi-use games area was installed at Peak Forest in partnership with the Parish Council and Whaley Bridge Memorial Park saw the installation of a new skate park.

Ensure people’s older years are happy and healthy: The Council has worked with partners in delivering a series of projects aimed at improving the wellbeing of older persons across the Borough including an intergenerational IT project with Saint Thomas More School called the Silver Surfers.

Aim two: Creating Jobs & Prosperity

Ensure our town centres are attractive, vibrant and distinctive places for business and the local community: Work commenced on the £7 million retail and leisure project to revitalise Glossop's redundant Howard Town Mill site. With a Marks and Spencer Simply Food store, 62-room Travelodge hotel and residential apartment block the new-look site should be up and running by Summer 2012.

Considerable progress has also been made on the Crescent Spa project during 2011/12. Most of the remaining documentation relating to the mitigation measures to protect the source of natural mineral water was signed off, allowing the development agreement and the lease to be granted thereby enabling the developer to take possession of the buildings prior to the first of the two main construction contracts starting in the summer of 2012. The programmed completion of the project is late 2014.

Improve the quality and choice of local employment: During 2011/12 the Council along with its Strategic Partner, Staffordshire Moorlands District Council, organised a series of free events targeted at local businesses keen to expand and explore new markets both at home and abroad. The events included one-to-one clinics with business experts; a creative businesses roadshow; and workshops focusing on export markets.

Aim three: Protecting the Environment

Enhance and maintain a clean and attractive public realm: The Council enlisted the help of local schools in a crackdown on Dog Fouling in the Borough called 'Enough is Enough'. Parents in Fairfield, Harpur Hill and Glossop were encouraged to help identify irresponsible dog owners in their local area so that enforcement action could be undertaken against them in an attempt to eradicate the problem.

Limit the amount of waste going to landfill sites: The amount of waste recycled in High Peak rose to 44% in 2011/12. In 2012 the Council will be adding plastics to the list of items available for kerbside recycling in order to improve its recycling rates still further.

To mitigate carbon dioxide emissions of residents, businesses and transport in the High Peak: During 2011/12 households in the Borough saved £49,575 in reduced fuel bills as a result of the Warmstreets project. The project, which was run in conjunction with Apex Carbon Solutions, provided free or discounted loft and cavity wall insulation to improve energy efficiency and shrink High Peak's carbon footprint. As well as the financial savings the scheme has realised a reduction of 262 tonnes of CO_2. Through our arms length management company High Peak Community Housing, the Council has carried out improvements to 507 homes in Gamesley which are expected to save householders £200 per year in fuel costs as well as reducing carbon emissions. The improvements include exterior wall insulation and the installation of upvc windows.

Aim four: Improving the Council

Ensure the Council can demonstrate value for money and remain fit to meet future challenges: In 2011/12, Council Tax was frozen in the High Peak for the first time, which provided some welcome respite to local taxpayers who are feeling the pinch in the current economic climate. One of the main reasons that we were able to avoid an increased bill was our Strategic Alliance with Staffordshire Moorlands District Council, which – once again – has enabled us to save over £1 million in 2011/12 through efficient working while protecting frontline services including waste collection and recycling, street cleaning, leisure centres, benefits, and maintenance of parks and open spaces – all this despite a 15.2% cut in Government funding.

Ensure we are seen to be a Customer First organisation: Despite a smaller workforce the Council processed benefit claims / changes in less than 6 days; answered 91% of calls without referral; answered 94% of all calls received; and replied to 93% of complaints in 10 days.

Invest in our people: Despite major public spending cuts, we were able to avoid compulsory redundancies in 2011/12, thanks to our efficient joint working with Staffordshire Moorlands District Council.

Improving service performance: We hit target on 80% cent of our most important performance indicators.

.... Date: 27th September 2012

Andrew P Stokes BA (Hons), MBA, CPFA, ACIH, MISPAL

Executive Director & Chief Finance Officer

CERTIFICATE OF APPROVAL BY AUDIT & REGULATORY COMMITTEE

I confirm that these accounts were approved by the meeting of the Audit and Regulatory Committee held on 27th September 2012

Councillor John Pritchard

Chair of the Audit & Regulatory Committee

High Peak Borough Council

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

High Peak Borough Council is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Executive Director & Chief Finance Officer.
- To manage its affairs to secure economic, efficient and effective use of resources and to safeguard its assets.
- To approve the Statement of Accounts.

The Executive Director & Chief Finance Officer Responsibilities

The Executive Director (CFO) is responsible for the preparation of the authority's Financial Statements. These, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in United Kingdom ('the Code of Practice'), are required to present the true and fair financial position of the Council at the accounting date and its income and expenditure for the year (ended 31st March 2012).

In preparing this Statement of Accounts the Executive Director (CFO) has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority code of practice.

The Executive Director (CFO) has also:

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

Certificate of the Executive Director (CFO)

I certify that this Statement of Accounts gives a 'true and fair' view of the financial position of the Council at 31st March 2012 and its income and expenditure for the year.

Andrew P Stokes BA (Hons), MBA, CPFA, ACIH, MISPAL

Executive Director & Chief Finance Officer
High Peak Borough Council

Statement of Accounting Policies

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts.

1. Accounting Polices

1. General Principles
The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. Those Regulations require the Statement of 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 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.
The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

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 Authority 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 Authority.
- Revenue from the provision of services is recognised when the Authority 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 Authority.
- 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.

3. Cash and Cash Equivalents
Cash equivalents would usually be classified as investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. However, based on professional advice, the Council currently invests the majority of surplus cash on a short-term basis, up to a maximum of three months. Therefore, any fixed term investments will be classified as short or long term investments.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

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

5. 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, ie in the current and future years affected by the change and do not give rise to a prior period adjustment.
Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance.
Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

6. 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 Authority 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 authority in accordance with statutory guidance.
Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance [MRP or loans fund principal], by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

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

Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.
Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employment Benefits
Employees of the Authority are members of The Local Government Pensions Scheme, administered by Derbyshire County Council.
The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Authority.

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

The liabilities of the Derbyshire pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – ie 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 determined by the actuary (based on the indicative rate of return on high quality corporate bond).

The assets of Derbyshire pension fund attributable to the Authority are included in the Balance Sheet at 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 eight 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 Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve;
- contributions paid to the Derbyshire pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable by the Authority 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 are earned by employees.

Discretionary Benefits

The Authority 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 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.

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 is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect. Events taking place after the date of authorisation for issue are not reflected in the Accounts.

9. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value, carried at amortised cost. Annual charges to the Financing & Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest. 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 Authority 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.

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 & 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/discount is respectively deducted from/added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income & 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 Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable/ discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income & 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 Authority 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 Authority 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 the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-Sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Authority 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 (eg dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

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

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

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

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

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

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

Foreign Currency Translation

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

10. Government Grants and Contributions

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

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

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

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

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

Area Based Grant

Area Based Grant (ABG) is a general grant allocated by central government directly to local authorities as additional revenue funding. ABG is non-ringfenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

11. Intangible Assets

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

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 Authority 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 Authority'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 Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority 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 & 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.

12. Interests in Companies and Other Entities
The Authority has material interests in High Peak Community Housing which is a wholly owned subsidiary. As a result the Council is required to prepare Group Accounts.

13. Inventories and Long Term Contracts
Inventories are included in the Balance Sheet at the lower of cost and net realisable value.
The cost of inventories is assigned using the First In First Out [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.

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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

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

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

The Authority 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 Authority are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability; and
- a finance charge debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (where applicable– may not be a finance charge e.g leases in regard to land)

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 authority at the end of the lease period).

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

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

The Authority as Lessor

Finance Leases

Where the Authority 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 Authority'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 (ie 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 Authority 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 Cost of Services 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 (eg 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.

16. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the Service Reporting Code of Practice 2011/12. 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 Authority's status as a multi functional, democratic organisation;
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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

17. 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

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 Authority 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 (ie repairs and maintenance) is charged as an expense when it is incurred.

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 Authority 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 (ie it will not lead to a variation in the cash flows of the Authority). 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 Authority.

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, but as a minimum every five years.
Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.
Where decreases in value are identified, they are accounted for by:

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

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

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

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

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

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

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 (ie freehold land and certain Community Assets) and assets that are not yet available for use (ie assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer;
- vehicles, plant, furniture and equipment – a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer;
- infrastructure – straight-line allocation over 25 years.

Where a 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. (see Componentisation below)

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

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

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

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (ie 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 Authority'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.

Componentisation
A formal Componentisation policy has been adopted in accordance with the requirements of International Reporting Standards effective from 2010/11. The policy applies to all categories of Property, Plant and Equipment which meet the following criteria:

- Individual assets and groups of similar assets, whether held at historic cost or current cost, with a gross carrying value of £800,000 and above will be considered for the purposes of componentisation.
- Items below this level will be disregarded as the impact upon the total cost of service is not considered material.
- Assets that are above the £800,000 threshold will be 'componentised' where the cost of the component is significant in relation to the overall cost of the asset. A component will be deemed significant where it represents 20% of the total cost of the overall asset at the time of acquisition or construction and where the component element has a significantly different useful life and/or method of depreciation to the main asset.

De-recognition
When a component is replaced or restored the old component should be "de-recognised" (written off) to avoid double counting. Under the Code, de-recognition is required to ensure the asset carrying values are not materially overstated. To this end the following principles will be applied when calculating de-recognition values:

Council Dwellings
For valuation purposes the housing stock has been separated into 90 "Beacon" Groups with each having a property that has been identified as representative of the rest. An annual valuation of the housing stock is performed using the Beacon properties as representative of the entire population. The Council owns around 4,100 such dwellings, representing an average individual NBV of £28,000.

As the average carrying value of housing stock is both small and not calculated by individual property, there is no practical benefit in separately identifying and valuing the components that make up each individual house. Council Dwellings will therefore only be valued with Land and Buildings identified as separate components.

- **General Fund Assets (GF)**
  - The component does not need to have been separately identified under the above policy.
  - All spending on assets valued at over £800,000 will be considered for de-recognition
  - On assets valued at under £800,000, only capital spending greater than £160,000 (20%) will be considered for de-recognition
  - On all assets, capital spending lower than £160,000 will be treated as an enhancement without any de-recognition.

- **Council Dwellings (HRA)**
  - The HRA Capital Programme will be reviewed to identify any instances when all dwellings in a Beacon Group have been modified or enhanced in the year so that de-recognition can be considered.
  - In all other cases, capital spending will be regarded as maintaining the average values across all Beacon Groups and will be 100% de-recognised at cost.

- **Determining De-Recognition Values (GF and HRA)**
  - De-recognition will be based on valuations of the replaced component provided by Property Services; or
  - Where no valuations are readily available, replacement cost will be used, adjusted for appropriate levels of depreciation and impairment.

Note: all assets will be considered separately for an Impairment Review in accordance with the Code.

18. Provisions, Contingent Liabilities and Contingent Assets

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority 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 (eg 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 authority settles the obligation.

Contingent Liabilities
A contingent liability arises where an event has taken place that gives the authority 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 authority. 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 authority 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 authority.
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.

19. Reserves

The Authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure. Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

20. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority 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.

21. 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.

22. Heritage Assets

These are assets with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained for their contribution to knowledge and culture.

The Council holds a range of Heritage Assets;

- Civic Regalia – comprises the various chains of office associated with the ceremonial functions of the Council and the office of Mayor (including deputies and consorts)
- Art Collection - a small collection, which has been donated from various sources over a number of years.
- Civic Memorabilia – items, commemorative in nature, that have been donated to the Council.
- Legal Documents – a number of historical legal documents.
- Monuments, Memorials, Statues and Other Assets – the Council either owns or is custodian for a range items (e.g. fountains, wells etc.) considered significant to the heritage of the borough.

Both the Civic Regalia and Art collections are held on the Balance Sheet on the basis of Insurance Value and it is considered that they have an indefinite life and therefore Depreciation is not charged (Note – the Art Collection is specifically maintained and preserved in its original condition).

In addition, both collections are annually reviewed in order to establish if carrying values remain current and if impairment is required, with a full revaluation undertaken within a maximum period of 10 years in any event.

For security reasons, the Council does not publicly reveal precise details of either its Civic Regalia or the Art Collection.

Information on cost or value is not usually held on the remaining Heritage Assets and the Council considers that the cost of obtaining valuations tend not to be commensurate with the potential benefits to the users of the Statement of Accounts. Therefore these assets are rarely included on the face of the Balance Sheet (appearing instead as a Balance Sheet note). However, an annual review of such assets is undertaken to ensure that this assumption remains valid.

2. Accounting Standards Issued, Not Adopted

International Financial Reporting Standard (IFRS) 7 which was issued in October 2010 will apply to the Authority's statements commencing with the year 2012/13. It sets out the rules under which an Authority should report the transfer of financial assets. It is intended to assist users of the statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the Authority's financial position. An example would be if the Authority was to retain ownership of a financial asset and substantially all the associated risks and rewards but to assign the cash flows it generates to a third party. Transfers such as this are very rare for local authorities and it is unlikely that adoption of IFRS 7 will have any noticeable impact on the Authority's future statements.

3. Critical Judgements in Applying Accounting Policies

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

- The Authority's waste collection service is contracted out to Veolia Environmental Services Ltd. It has been determined that the contract does not contain an embedded lease for the thirty odd vehicles used and therefore they are not included on the Authority's Balance Sheet.

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

- The Authority undertakes an annual assessment for indications of impairment of its assets. This assessment is performed by specialist staff with reference to external advice.

- An exercise is performed to assess whether capital spend restores or enhances an asset. A further judgement is then made as to whether there is a consequent requirement to derecognise any existing value of any component of the asset.

4. Assumptions Made about the Future and Other Major Sources of Estimation Uncertainly

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates. The items in the Authority's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied. A 1% change in the assessed carrying value of the Authority's pension liability equates to £270,630
Asset Valuations	The valuations of property, plant and equipment reported in the Balance Sheet and the related depreciation charges made to the CI&E are based on an estimation of their value and asset life. A firm of qualified valuers is engaged by the Authority to carry out, for the major assets, a programme of physical valuations to ensure that their carrying values are subject to professional and independent assessment. A 1% change in the assessed carrying value of the assets equates to £1,566,450

5. Restatement of Previous Years

Changes in the accounting code and policies, as applied to these Statements, have required judgements to be made concerning the restatement of certain comparative information from previous years. Where such changes have been made the Statement is marked 'restated'. The judgements made relate to:

- Service Reporting Code of Practice; in accordance with the 2011/12 edition the service formerly called Cultural, Environmental, Regulatory and Planning on the Comprehensive Income and expenditure Statement has been split into three:
    - Cultural and Related Services
    - Environmental and Regulatory Services
    - Planning Services.

- Heritage Assets; adoption of Financial Reporting Standard 30 (FRS30) required restatement of the 2010 and 2011 balance sheets to record these assets. However the Authority does not consider the amounts identified as material enough to justify restatement. Instead the associated accounting entries have been treated as 2011/12 transactions and reported as such. This highlights in the year the full impact of these retrospective changes in arriving at the closing statement balances (see Section 7i).

The opportunity has been taken in these statements to correct an historic overstatement of the cumulative Gross Book Value and Accumulated Depreciation & Impairment of Property, Plant & Equipment assets. As reported in Note 7 (page 55), this has no impact on the net carrying value of these assets on the Balance Sheet.

Financial Statements

The core single entity financial statements applicable to all local authorities comprise:

- **Movement in Reserves Statement**
- **Comprehensive Income & Expenditure Statement**
- **Balance Sheet**
- **Cash Flow Statement**

Movement in Reserves Statement

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

	Notes	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Council Reserves £000
Balance at 31 March 2010		**(2,470)**	**(3,841)**	**(1,085)**	**(11)**	**(977)**	**(8,384)**	**(121,443)**	**(129,827)**
(Surplus) or deficit on the provision of Services		(4,258)	0	53,781	0	0	**49,523**	0	**49,523**
Other Comprehensive Income and Expenditure		(3,540)	0	0	0	0	**(3,540)**	0	**(3,540)**
Total Comprehensive Income and Expenditure		**(7,798)**	**0**	**53,781**	**0**	**0**	**45,983**	**0**	**45,983**
Adjustment between accounting basis & funding basis under regulations	6	7,804	58	(54,063)	8	225	**(45,968)**	45,968	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		**6**	**58**	**(282)**	**8**	**225**	**15**	**45,968**	**45,983**
Transfers to/(from) Earmarked Reserves	11	(248)	248	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2010/11		**(242)**	**306**	**(282)**	**8**	**225**	**15**	**45,968**	**45,983**
Balance at 31 March 2011		**(2,712)**	**(3,535)**	**(1,367)**	**(3)**	**(752)**	**(8,369)**	**(75,475)**	**(83,844)**
(Surplus) or deficit on the provision of Services		1,340	0	38,001	0	0	**39,341**	0	**39,341**
Other Comprehensive Income and Expenditure		0	0	0	0	0	**0**	(448)	**(448)**
Total Comprehensive Income and Expenditure		**1,340**	**0**	**38,001**	**0**	**0**	**39,341**	**(448)**	**38,893**
Adjustment between accounting basis & funding basis under regulations	6	(480)	0	(38,687)	3	176	**(38,988)**	38,988	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves		**860**	**0**	**(686)**	**3**	**176**	**353**	**38,540**	**38,893**
Transfers to/ (from) Earmarked Reserves	11	265	(265)	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2011/12		1,125	(265)	(686)	3	176	**353**	**38,540**	**38,893**
Balance at 31 March 2012 carried forward		**(1,587)**	**(3,800)**	**(2,053)**	**0**	**(576)**	**(8,016)**	**(36,935)**	**(44,951)**

Comprehensive Income & Expenditure Statement

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				Notes	2011/12		
Gross Expenditure	Gross Income	Net Expenditure			Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000			£000	£000	£000
1,900	(1,035)	865	Central Services to the Public		1,671	(1,259)	412
5,162	(2,582)	2,580	Cultural and Related Services		4,556	(2,647)	1,909
6,061	(1,887)	4,174	Environment and Regulatory Services		6,760	(1,935)	4,825
3,378	(904)	2,474	Planning Services		4,158	(947)	3,211
2,005	(1,516)	489	Highways and Transport Services		502	(1,219)	(717)
17,964	(16,194)	1,770	Local Council Housing - (HRA)		12,857	(16,971)	(4,114)
28,468	(27,915)	553	Other Housing Services		30,047	(29,323)	724
2,007	(988)	1,019	Corporate and Democratic Core		1,778	(1,170)	608
280	0	280	Non Distributed Costs		543	0	543
0	0	0	Exceptional item - settlement payment to Government for HRA self financing	2g	37,481	0	37,481
51,309	0	51,309	HRA Impairment loss		0	0	0
(4,153)	0	(4,153)	Past Service Gain (Pension)		0	0	0
114,381	**(53,021)**	**61,360**	**Cost of Services**		**100,353**	**(55,471)**	**44,882**
		544	Other Operating Expenditure	3a			5,351
		3,287	Financing and Investment Income and Expenditure	3b			2,631
		0	Lease Re-categorised	7g			(1,153)
		(15,668)	Taxation and Non-Specific Grant Income	3c			(12,370)
		49,523	**Surplus (-) or Deficit on Provision of Services**				**39,341**
		(308)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets				(4,789)
		(3,232)	Actuarial (Gains)/Losses on Pension Assets/Liabilities				4,341
		(3,540)	**Other Comprehensive Income and Expenditure**				**(448)**
		45,983	**Total Comprehensive Income and Expenditure**				**38,893**

Balance Sheet

The Balance Sheet provides an overall summary of the financial position of the Council as at 31st March 2012. It shows the Council's balances and reserves and its long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.

31 March 2011 £000		Notes	31 March 2012 £000
150,979	Property, Plant & Equipment	7a	155,350
0	Heritage Assets	7i	371
822	Investment Properties		841
141	Intangible Assets		83
1,171	Long Term Investments	13a	465
134	Long Term Debtors	9	102
153,247	**TOTAL LONG TERM ASSETS**		**157,212**
4,874	Short Term Investments		2,227
90	Inventories		93
6,372	Short Term Debtors	9	4,305
996	Cash and Cash Equivalents	8	2,807
12,332	**TOTAL CURRENT ASSETS**		**9,432**
(489)	Cash and Cash Equivalents	8	(725)
(10,542)	Short Term Borrowings	13a	(6,032)
(5,968)	Short Term Creditors	10	(4,495)
(100)	Provisions		(87)
(17,099)	**TOTAL CURRENT LIABILITIES**		**(11,339)**
(36,574)	Long Term Borrowing	13a	(78,915)
(27,063)	Pensions Liability	5c	(31,278)
0	Other Long Term Liabilities	13a	0
(999)	Grants Receipts in Advance - Capital		(161)
(64,636)	**TOTAL LONG TERM LIABILITIES**		**(110,354)**
83,844	**TOTAL NET ASSETS**		**44,951**
8,369	Usable Reserves	11	8,016
75,475	Unusable Reserves	12	36,935
83,844	**TOTAL RESERVES**		**44,951**

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2010/11 £000		Notes	2011/12 £000
(49,523)	Net Surplus/(Deficit) on the Provision of Services		(39,341)
103,959	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements		4,747
(48,686)	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities		(2,429)
5,750	Net Cash Flows from Operating Activities	16a	(37,023)
(3,866)	Investing Activities	16c	(1,353)
(1,301)	Financing Activities	16d	39,951
583	Net Increase / (Decrease) in Cash and Cash Equivalents		1,575
(76)	Cash and Cash Equivalents at the Beginning of the Reporting Period		507
507	**Cash and Cash Equivalents at the End of the Reporting Period**		**2,082**

Notes to the Financial Statements

The notes to the core financial statements are shown below. Some are dictated by statute while others are included to add clarity.

1. Service Level Income & Expenditure - *Amounts Reported for Resource Allocation Decisions*

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. The service areas definitions are specified below:-

Central Services to the Public
This includes local tax collection, local land charges and community grants.

Cultural and Related Services
This includes expenditure on the arts and museums, recreation and sport, open spaces, tourism, and Pavilion Gardens.

Environmental and Regulatory Services
This includes expenditure on cemeteries, public conveniences, environmental health, community safety, flood defence, street cleansing, and waste collection

Planning Services
This includes expenditure on building control, development control, planning policy, and economic development.

Highways and Transport Services
This includes expenditure on car parking, engineering services, bus shelters and street naming.

Local Authority Housing
This reports the net cost of the Authority's Housing Revenue Account (HRA), which is a record of the revenue expenditure and income relating to the Council's housing stock. The HRA is reported as a supplementary statement (page 85).

Housing Services
This includes private sector housing, homelessness, housing benefits, and welfare services.

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

Non Distributed Costs
This includes pension costs for added years and early retirements.

Exceptional Item
This category only appears when it is necessary to separately report any items that are significantly outside the definition of normal service activity*:*

HRA Reform
The HRA subsidy system was replaced by the new 'self-financing' system on 28th March 2012. As a consequence of the reforms, HPBC made a debt 'settlement' payment to the DCLG on the 28th March 2012 of £37,481,000. This is charged to the HRA service account, but separately identified within the Comprehensive Income and Expenditure Account due to the magnitude of the payment.

Amounts Reported for Resource Allocation Decisions
However, decisions about resource allocation are taken by the Authority's Executive on the basis of budget reports analysed across a set of Service Areas based on the Authority's internal organisation, and not those defined above. These reports are prepared on a different basis from the accounting policies used in the financial statements:

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

The following tables show these internal service area records and reconcile them to the figures as reported in the statements.

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

Service Income and Expenditure 2011/12	**Departmental Administration** £'000	**Revenues & Benefits** £'000	**Development Services** £'000	**Regeneration** £'000	**Communities** £'000	**Customer Services** £'000	**Housing Services** £'000	**Transformation** £'000	**Fiannce and Performance** £'000	**Waste and Street Scene** £'000	**Cultural Services** £'000	**Human Resources** £'000	**Legal and Democratic Services** £'000	**Visitor Services** £'000	**Regulatory Services** £'000	**Property Services** £'000	**Local Authority Housing** £'000	**Total** £'000
Fees, Charges & other service income	(3)	(448)	(510)	(74)	(12)	(227)	(27)	(218)	(1,478)	(1,454)	(1,046)	0	(172)	(2,927)	(375)	(201)	(16,971)	**(26,143)**
Interest and Interest Income	0	0	0	0	0	0	0	0	(117)	0	0	0	0	0	0	0	0	**(117)**
Government Grants	0	(28,150)	0	(25)	(60)	0	(8)	0	0	0	(82)	0	0	0	(1)	0	0	**(28,326)**
Total Income	**(3)**	**(28,598)**	**(510)**	**(99)**	**(72)**	**(227)**	**(35)**	**(218)**	**(1,595)**	**(1,454)**	**(1,128)**	**0**	**(172)**	**(2,927)**	**(376)**	**(201)**	**(16,971)**	**(54,586)**
Employee Expense	550	574	497	428	265	656	92	222	1,407	468	1,076	300	357	895	648	172	350	**8,957**
Interest and Capital Provisions	0	0	0	0	0	0	0	0	765	0	0	0	0	0	0	0	0	**765**
Other Service Expenses	61	27,730	101	166	271	122	78	662	2,564	3,695	1,473	9	328	968	105	1,965	15,934	**56,232**
Total Expenditure	**611**	**28,304**	**598**	**594**	**536**	**778**	**170**	**884**	**4,736**	**4,163**	**2,549**	**309**	**685**	**1,863**	**753**	**2,137**	**16,284**	**65,954**
Net Expenditure	**608**	**(294)**	**88**	**495**	**464**	**551**	**135**	**666**	**3,141**	**2,709**	**1,421**	**309**	**513**	**(1,064)**	**377**	**1,936**	**(687)**	**11,368**

The information above is based on a revised service structure adopted in 2011/12. The 2010/11 information shown below is as reported last year under the structure in place at that time. While many of the service headings remained the same a number of constituent elements have changed. This means that these tables can not be used for the direct comparison of a service between years.

Service Income and Expenditure 2010/11	Departmental Administration	Organisational Development	Revenues & Benefits	Development Services	Regeneration	Communities	Customer Services	Housing Services	Transformation	Finance and Performance	Waste and Street Scene	Cultural Services	Human Resources	Legal and DemocraticeServices	Visiotr Services	Regulatory Services	Local Authority Housing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges & other service income	(260)	(27)	(722)	(583)	(22)	(1,368)	(208)	(422)	(223)	(63)	(1,565)	(1,043)	(2)	(63)	(1,663)	(378)	(15,731)	**(24,586)**
Interest and Interest Income	0	0	0	0	0	0	0	0	0	(1,542)	0	0	0	0	0	0	0	**(1,542)**
Government Grants	(22)	0	(26,307)	0	0	0	0	0	0	(337)	0	(29)	0	0	0	(34)	(463)	**(27,192)**
Total Income	**(282)**	**(27)**	**(27,029)**	**(583)**	**(22)**	**(1,368)**	**(208)**	**(422)**	**(223)**	**(1,942)**	**(1,565)**	**(1,072)**	**(2)**	**(63)**	**(1,663)**	**(412)**	**(16,194)**	**(53,320)**
Employee Expense	1,508	84	477	647	448	163	657	117	414	1,068	598	1,179	262	235	894	582	336	**9,728**
Interest and Capital Provisions	0	0	0	0	0	0	0	0	0	2,785	0	0	0	0	0	0	0	**2,785**
Other Service Expenses	761	14	26,249	92	203	640	96	419	561	761	3,749	1,400	3	162	709	123	15,577	**52,911**
Total Expenditure	**2,269**	**98**	**26,726**	**739**	**651**	**803**	**753**	**536**	**975**	**4,614**	**4,347**	**2,579**	**265**	**397**	**1,603**	**705**	**15,913**	**65,424**
Net Expenditure	**1,987**	**71**	**(303)**	**156**	**629**	**(565)**	**545**	**114**	**752**	**2,672**	**2,782**	**1,507**	**263**	**334**	**(60)**	**293**	**(281)**	**12,104**

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

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

	2010/11 £000	2011/12 £000
Net expenditure in the Directorate Analysis	12,104	11,368
Net expenditure of services and support services not included in the Analysis	0	0
Amounts in the CIES not reported to management in the Analysis	1,601	732
Amounts included in the Analysis not included in the CIES	47,656	32,782
Cost of Services in CIES	**61,361**	**44,882**

Reconciliation to Subjective Analysis

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

2011/12	Service Analysis £000	Services and Support services not in Analysis £000	Amount not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(26,143)	0	0	0	0	0	**(26,143)**
Surplus or deficit on associates and joint ventures	0	0	0	0	0	0	**0**
Income from Council Tax	0	0	0	0	0	(6,146)	**(6,146)**
Interest and Investment Income	(117)	0	0	0	(18)	0	**(135)**
Government grants and contributions	(28,326)	0	0	0	0	(5,440)	**(33,766)**
Capital Grants and Contributions	0	(1,093)	0	0	0	(636)	**(1,729)**
Total Income	**(54,586)**	**(1,093)**	**0**	**0**	**(18)**	**(12,222)**	**(67,919)**
Employee expenses	8,957	(1,188)	0	0	0	0	**7,769**
Other service expenses	56,232	(184)	0	0	33,692	1,050	**90,790**
Support Service recharges	0	0	0	0	0	0	**0**
Depreciation, amortisation and impairment	0	2,628	0	0	0	(75)	**2,553**
Interest Payments	765	0	115	0	1,070	0	**1,950**
Precepts & Levies	0	0	0	0	0	550	**550**
Payments to Housing Capital Receipts Pool	0	0	0	0	0	295	**295**
(Gain) or Loss on Disposal of Non-current Assets	0	0	0	0	0	4,506	**4,506**
Lease Re-categorised	0	0	0	0	0	(1,153)	**(1,153)**
Total expenditure	**65,954**	**1,256**	**115**	**0**	**34,762**	**5,173**	**107,260**
(Surplus) or deficit on the provision of services	**11,368**	**163**	**115**	**0**	**34,744**	**(7,049)**	**39,341**

2010/11 Comparatives

2010/11 Comparative figures	Directorate Analysis £000	Services and Support services not in Analysis £000	Amount not reported to management for decision making £000	Amounts not included in I&E £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(24,586)	0	0	0	**0**	0	**(24,586)**
Surplus or deficit on associates and joint ventures	0	0	0	0	**0**	0	**0**
Interest and investment income	(1,542)	0	0	1,542	**0**	(373)	**(373)**
Income Tax	0	0	0	0	**0**	(6,142)	**(6,142)**
Government Grants	(27,192)	0	(644)	0	**0**	(7,203)	**(35,039)**
Capital grants and contributions	0	0	0	0	**0**	(2,323)	**(2,323)**
Total Income	**(53,320)**	**0**	**(644)**	**1,542**	**0**	**(16,041)**	**(68,463)**
Employee expenses	9,727	0	(4,632)	0	**0**	0	**5,095**
Other service expenses	49,108	0	0	302	**756**	1,569	**51,735**
Support Service recharges	0	0	0	0	**0**	0	**0**
Depreciation, amortisation and impairment	3,803	0	2,461	0	**52,257**	0	**58,521**
Interest Payments	2,785	0	0	(660)	**0**	(34)	**2,091**
Precepts & Levies	0	0	0	0	**0**	546	**546**
Payments to Housing Capital Receipts Pool	0	0	0	0	**0**	221	**221**
(Gain) or Loss on Disposal of Non-current Assets	0	0	0	0	**0**	(223)	**(223)**
Total expenditure	**65,423**	**0**	**(2,171)**	**(358)**	**53,013**	**2,079**	**117,986**
(Surplus) or deficit on the provision of services	**12,103**	**0**	**(2,815)**	**1,184**	**53,013**	**(13,962)**	**49,523**

2. Net Cost of Services

The following transactions, included in the Cost of Services in the Comprehensive income & Expenditure Statement, are considered in more detail;

a. Trading Operations
b. Member Allowances
c. Officer Remuneration
d. Related Party Transactions
e. Audit Costs
f. Joint Arrangements
g. Exceptional Items

a. Trading Operations

The Council operates the following trading accounts and their financial performance is shown in the table below.

		2010/11		2011/12	
Trade Waste		£000	£000	£000	£000
The provision of commercial waste collection service	Turnover	(622)		(626)	
	Expenditure	681		561	
	Net Deficit/ (Surplus)		59		(65)
Markets					
The cost of operating markets at Buxton, Glossop, New Mills & Chapel -En-Le-Frith	Turnover	(147)		(142)	
	Expenditure	180		122	
	Net Deficit/ (Surplus)		33		(20)
Pavilion Gardens					
Includes café, bar, restaurant, and events provision. The overriding objective is to support the local economy and attract tourism	Turnover	(1,537)		(1,610)	
	Expenditure	1,835		1,713	
	Net Deficit/ (Surplus)		298		103

b. Members' Allowances

The Council paid the following amounts to members of the council during the year

	2011/12	2010/11
Salaries	0	0
Allowances	166,186	182,809
Expenses	17,860	15,231
Total	**184,046**	**198,040**

c. Officer Remuneration

This note details the remuneration paid to the Authority's senior employees.

A further review of the management structure of the Strategic Alliance with High Peak Borough Council (HPBC) resulted in the extension of the cost sharing arrangement, beyond the roles of the Chief Executive, Executive Directors and former Heads of Service, to include Service Managers. Costs and responsibilities for these posts are now shared equally between the two authorities. In line with the regulations, the remuneration of the above officers is included in the disclosure within the Statement of Accounts of the authority to whom they are employed and paid.

Senior Officers with salary between £50,000 and £150,000 during **2011/12**:

2011/12	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to SMDC	Net Charge to HPBC
	£	£	£	£	£	£	£	£
Executive Director	97,401	0	963	98,364	11,104	109,468	54,734	54,734
Assistant Chief Executive Officer*	105,958	0	434	106,392	189,013	295,405	147,703	147,703
Visitor Services Manager	58,701	0	963	59,664	0	59,664	23,866	35,798
Human Resource Manager**	97,175	0	963	98,138	112,093	210,231	105,116	105,116
Environmental Health Manager	54,600	0	2,475	57,075	6,224	63,299	31,650	31,650
Revenues & Benefits Manager	50,202	0	963	51,165	5,723	56,888	28,444	28,444
						794,955	**391,512**	**403,444**

* Assistant Chief Executive remuneration includes a redundancy payment of £70,665 and a sum paid into the Pension Fund of £184,990 in respect of additional pension costs.

** Human Resources Manager remuneration includes a redundancy payment of £38,937 and a sum paid into the Pension Fund of £105,504 in respect of additional pension costs.

As can be seen from the tables above, there is a recharge to Staffordshire Moorlands D.C. of £391,511 for the posts paid by High Peak BC. However, as the Joint Chief Executive and a number of Directors and Senior Officers are employed and paid by Staffordshire Moorlands, there is a recharge back to High Peak BC of £644,017 as detailed below.

2011/12	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Executive Director & Chief Financial Officer	109,219	11,233	3,121	123,573	19,995	143,568	71,784	71,784
Executive Director & Monitoring Officer	104,344	10,722	3,551	118,617	19,101	137,718	68,859	68,859
Finance and Performance Manager	70,800		2,273	73,073	11,753	84,826	42,413	42,413
Transformation Manager	64,742		3,045	67,787	10,747	78,534	39,267	39,267
Customer Services Manager	64,742		2,120	66,862	10,747	77,609	38,805	38,805
Regeneration Manager	64,742		2,502	67,244	10,747	77,991	38,996	38,996
Head of Property *	112,633		2,256	114,889	1,835	116,724	58,362	58,362
Planning Applications Manager	61,200		2,521	63,721	10,159	73,880	36,940	36,940
Housing Strategy Manager	60,971		3,059	64,030	10,120	74,150	37,075	37,075
Head of Legal & Democratic Services **	86,052		2,140	88,192	1,807	89,999	45,000	45,000
Environmental Services Manager	52,401		1,032	53,433	8,699	62,132	31,066	31,066
Community and Cultural Services Manager	51,091		1,032	52,123	8,481	60,604	30,302	30,302
						1,077,735	**538,868**	**538,868**

* Post made redundant during 2011/12 with termination payments of £101,576. A further payment of £70,074 is payable to the Pension Fund, in respect of this redundancy, in the form of additional future contributions, £35,037 of which is payable by High Peak BC.

** Post made redundant during 2011/12 with termination payments of £75,165. A further payment of £71,506 is payable to the Pension Fund, in respect of this redundancy, in the form of additional future contributions, £35,753 of which is payable by High Peak BC

2011/12	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Chief Executive Officer								
S Baker	157,775	0	29,189	186,964	26,191	213,155	105,149	108,006

2010/11 Comparatives

Senior Officers with salary between £50,000 and £150,000 during 2010/11:-

2010/11	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to SMDC	Net Charge to HPBC
	£	£	£	£	£	£	£	£
Executive Director	97,401	0	963	98,364	23,181	121,545	60,773	60,773
Assistant Chief Executive Officer	82,800	8,808	1,059	92,667	21,803	114,470	57,235	57,235
Head of Organisational Development*	84,470	0	1,043	85,513	9,461	94,974	47,487	47,487
Head of Visitor Services	58,701	0	963	59,664	11,642	71,306	6,072	65,234
Head of Human Resource	57,802	0	963	58,765	13,757	72,522	36,261	36,261
Head of Regulatory Services	54,600	0	2,011	56,611	12,995	69,606	34,803	34,803
Head of Housing Benefits	50,952	0	963	51,915	11,948	63,863	31,932	31,932
						608,286	**274,562**	**333,724**

* Post made redundant during 2010/11 with termination payments of £44,720

Recharge from Staffordshire Moorlands D.C:-

2010/11	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Executive Director & S151 Officer	111,812	11,729	2,867	126,408	19,519	145,927	72,964	72,964
Executive Director & Monitoring Officer	106,802	11,214	3,213	121,229	18,646	139,875	69,938	69,938
Head of Finance & Revenues	72,800	0	2,334	75,134	11,502	86,636	43,318	43,318
Head of Transformation	68,902	0	2,857	71,759	10,886	82,645	41,323	41,323
Head of Customer Services	67,449	0	1,945	69,394	10,657	80,051	40,026	40,026
Head of Regeneration	66,402	0	2,328	68,730	10,491	79,221	39,611	39,611
Head of Property Services	64,200	0	1,809	66,009	10,144	76,153	38,077	38,077
Head of Development Services	61,200	0	2,975	64,175	9,670	73,845	36,923	36,923
Head of Housing Services	61,200	0	2,833	64,033	9,670	73,703	36,852	36,852
Head of Legal & Democratic Services	56,802	0	1,945	58,747	8,975	67,722	33,861	33,861
Head of Environmental Services	52,401	0	1,239	53,640	8,281	61,921	30,961	30,961
Head of Communities	52,401	0	1,239	53,640	8,279	61,919	30,960	30,960
						1,029,618	**514,809**	**514,809**

Senior Officer over £150,000 during 2010/11

2010/11	Salary, Fees and Allowances	Bonuses	Expenses Allowances	Total (exec Pension cont)	Pension Contribution	Total(inc Pension cont)	Proportion of Total charged to HPBC	Net Charge to SMDC
	£	£	£	£	£	£	£	£
Chief Executive Officer								
S Baker	151,628	16,244	8,467	176,339	26,524	202,863	99,187	103,675

The Authority, in conjunction with Staffordshire Moorlands DC, entered into a joint Voluntary Redundancy process during 2010/11, whereby the contracts of a number of employees were approved for termination. Many of those affected left the Authority during 2011/12, their costs and numbers reflected in the table below:

(a) Exit package cost band (including special payments)	(b) Number of compulsory redundancies		(c) Number of other departures agreed		(d) Total number of exit packages by cost band [(b)+(c)]		(e) Total cost of exit packages in each band £000	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12
£0-£20,000	0	0	4	14	4	14	21	96
£20,001 - £40,000	0	0	6	6	6	6	63	268
£40,001 - £60,000	0	0	1	0	1	0	14	29
£60,001 - £80,000	0	0	1	1	1	1	53	89
£80,001 - £100,000	0	0	0	1	0	1	0	84
£100,001 - £150,000	0	0	1	0	1	0	31	74
Total	**0**	**0**	**13**	**22**	**13**	**22**	**182**	**640**

Of the total exit package costs referred to above, £205,527 is payable by Staffordshire Moorlands DC, in respect of employees fulfilling shared roles across the Alliance.

Additionally, High Peak BC is also liable for £287,029 in redundancy costs incurred by Staffordshire Moorlands DC involving employees in a shared role.

Two senior officers left the Authority during the year and their costs are detailed as part of the remuneration table and footnote above.

d. Related Party Transactions

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

Related Parties:

Central Government - has effective control over general operations of the Council. It provides the statutory framework, provides the majority of funding and prescribes the terms of many transactions with other parties (such as housing benefit).

Local Authorities – such as Derbyshire County Council, Derbyshire Police and Fire Authority and local Town and Parish Councils issue precepts on the Council which are shown in the Collection Fund. The County administers the authority's pension fund. There are other transactions with these authorities involving service provision and funding.

Subsidiary, associated companies or joint ventures. – the Strategic Alliance with Staffordshire Moorlands District Council involves development of joint working at all levels including shared resources and staff. The two authorities however retain their political and financial independence and accountability.

Members - have direct control over the Council's financial and operating policies. The Council also nominates Members to sit on outside bodies. Several Council Members are also Members of Derbyshire County Council, local parish councils, or various local voluntary organisations, which the Council supports financially such as High Peak Theatre Trust.

Three charitable organisations, where Members have declared an interest, received Authority funding that could be considered a material proportion of their total turnover;

Charity	Funding £000
High Peak Theatre Trust	49
High Peak Citizens Advice Bureau	80
Volunteer Centre Buxton and District	14

Five members of the Council sit on the Board of High Peak Community Housing Ltd. Council members make disclosures of relevant interests to the Council's Monitoring Officer, and also have to make declarations on individual committee decisions. The Register of Member Interests is open to public inspection, subject to prior notice, at The Glossop One Stop Shop at the Municipal Buildings, Glossop.

Officers – have scope, in some circumstances, to influence authority policy. The Chief Executive Officer maintains a record of officer interests, which together with the authority's standards and procedures, acts as a guard against undue influence.

Related Party Transactions:

Material transactions with Central and other Local Government organisations are separately reported throughout the Statements, including the analyses of precepts, grants and pension contributions. There are no material transactions or evidence suggesting undue influence in relation to Members or Officers.

e. External Audit Costs

In 2011/12 the Council incurred the following fees to the Audit Commission in respect of external audit services:

	2011/12 £000	2010/11 £000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	119	101
Fees payable to the Audit Commission in respect of statutory inspections	0	0
Fees payable to the Audit Commission for the certification of grants claims and returns for the year	38	29
Fees payable in respect of other services provided by Audit Commission during the year	5	0
Total	**162**	**130**

f. Joint Arrangements

The Council actively pursues working in partnership with other organisations where this can improve efficiency and effectiveness in achieving key priorities. Some of the more significant joint arrangements are detailed below:

Staffordshire Moorlands District Council - Strategic Alliance

On 11th June 2008, the strategic Alliance between High Peak Borough Council and Staffordshire Moorlands District Council was formally sealed at a signing ceremony in the presence of both Council leaders. The aim of the Alliance is not only to produce savings through joint procurement and working, but to draw on the expertise of both authorities to improve service provision.

Any costs and savings, incurred and accruing in an accounting period, are accounted for by the relevant Authority. The Alliance related expenditure of HPBC amounted to £1,968,457 in 2011/12 (£1,628,051 2010/11). The corresponding income received from SMDC was £1,773,063 (£1,427,060 2010/11).

	Paid by HPBC to SMDC £000	Paid by SMDC to HPBC £000
Contribution to Employee Costs	1,610	1,114
Contribution to Other Costs	358	659
Total	**1,968**	**1,773**

g. Exceptional/Extraordinary Items

HRA Reform

The new 'Self Financing' Housing Revenue System regime becomes effective from 1st April 2012. This replaces the existing Housing Subsidy system which governs the level of rents, capital charges, capital investment and revenue subsidy each year. Under the current system, the Council makes a net subsidy payment of £2.874 million to the Government annually. Under Self Financing, the Council will instead take on a proportion of the national housing debt in a one off transaction. High Peak made a debt settlement payment of £37,481,000 on 28th March 2012 and this is identified as an exceptional item within the Housing Revenue Account Income and Expenditure account.

3. Corporate Income and Expenditure

The following transactions, included in the Comprehensive Income & Expenditure Statement, are considered in more detail:

a. Other Operating Expenditure
b. Financing & Investment Income & Expenditure
c. Taxation and non-specific grant income
d. Grant income

a. Other Operating Expenditure –

2010/11 £'000		2011/12 £'000
546	Parish Council Precepts	550
221	Payments to the Government Housing Capital Receipts Pool	295
(223)	(Gains)/Losses on the disposal of non-current assets	4,506
544	**Total**	**5,351**

b. *Financing and Investment Income and Expenditure –*

2010/11 £'000		2011/12 £'000
2,091	Interest payable and similar charges	1,951
1,569	Pensions interest cost and expected return on pensions assets	1,050
(373)	Interest receivable and similar income	(135)
0	Income and expenditure in relation to investment properties and changes in their fair value	(75)
0	Other investment income	(160)
3,287	**Total**	**2,631**

c. *Taxation and Non-Specific Grant income*

2010/11 £'000		2011/12 £'000
(6,142)	Council Tax income	(6,146)
(6,241)	Non Domestic Rates	(4,026)
(962)	Non ringfenced Government Grants	(1,562)
(2,323)	Capital Grants and Contributions	(636)
(15,668)	**Total**	**(12,370)**

d. Grant Income

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

	2011/12 £000	2010/11 £000
Credited to Taxation and Non-specific Grant Income		
Revenue Support Grant	(1,245)	(906)
Area Based Grant	(17)	(56)
Council Tax Freeze Grant	(140)	0
Local Support Services Support Grant	(148)	0
New Homes Bonus	(12)	0
	(1,562)	**(962)**
Capital Grants		
Pavilion Arts Centre	(50)	(1,038)
Play Projects	(41)	(265)
RIEP	0	(125)
Developers Contributions	(19)	(680)
Whaley Bridge Memorial Park	(142)	(10)
Cromford Court Housing Project	0	(205)
Climate Energy Grant	(383)	0
Total	**(635)**	**(2,323)**
Credited to Services		
Concessionary Fares	0	(277)
Housing Benefits	(27,963)	(27,049)
Glossopdale THI	(54)	(39)
Decent Homes/Private Sector & Disabled Facilities Grant	(223)	(577)
RIEP Funding	0	(60)
Play areas at Chapel en le Frith, Peak Dale, Batham Gate	(6)	(28)
Free Swim	0	(29)
Land Charges- Income from DCC	0	(34)
Homelessness Grant	(49)	(30)
Second Homes Grant	(100)	0
Other Unused Third Party Funds	(811)	(329)
Total	**(29,206)**	**(28,452)**

4. Termination Benefits

Now incorporated note 2c Officer Remuneration above.

5. Retirement Benefits

The impact of accounting for retirement benefits on the Council's Statement of Accounts is considered in the following sections;

- a. Participation in Pension Schemes
- b. Transactions relating to retirement benefits
- c. Assets and Liabilities in relation to retirement benefits
- d. Scheme history
- e. Basis for estimating assets and liabilities
- f. History of Experience Gains and Losses

a. *Participation in Pension Scheme*

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement 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 entitlements. Employees of High Peak Borough Council are admitted to the Derbyshire County Council Pension Fund, which is administered by Derbyshire County Council under the Regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. This means that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The figures disclosed have been derived using approximate methods by Mercer Human Resource Consulting, the Fund Actuaries, from the actuarial valuation of the Fund as at 31st March 2010.

b. *Transactions relating to post-retirement benefits*

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

	Local Government Pension Scheme £000	
	2011/12	**2010/11**
Comprehensive Income and Expenditure Statement		
Cost of Services:		
• current service cost	(757)	(999)
• past service costs	(25)	4,153
• settlements and curtailments	(518)	0
Financing and Investment Income and Expenditure		
• interest cost	(3,607)	(4,083)
• expected return on scheme assets	2,557	2,514
Total Post-employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(2,350)**	**1,585**
Other Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
• actuarial gains and (losses)	(4,341)	3,232
Total Post-employment Benefit Charged to the Comprehensive Income and Expendiure Statement	**(6,691)**	**4,817**
Movements in Reserve 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	2,350	(4,817)
Actual amount charged against the General Fund Balance for pensions in the year:		
• employers contributions payable to scheme	2,476	1,478

c. Assets and Liabilities in Relation to Retirement Benefits

The pension liability reported on the Balance Sheet shows the Council's projected liability on its share of the Derbyshire Pension Fund. This represents the underlying commitment to pay retirement benefits in the long run. It is actually a net figure comprising the following overall assets and liabilities for the Council's share of the Scheme.

High Peak Borough Council share of Pension Fund assets and liabilities:

Year Ended	**31-Mar-12**	**31-Mar-11**
	£'000	**£'000**
Present Value of Defined Benefit Obligation	70,873	66,758
Fair Value of Employer Assets	(39,595)	(39,695)
Net (Asset) / Liability	**31,278**	**27,063**

The £4.215 million increase in the net liability between years can be reconciled by reference to the individual changes in liabilities and assets set out in the following two tables.

Reconciliation of Liabilities (obligations):

Local Government Pension Scheme		
	£000	**£000**
	2011/12	**2010/11**
Opening Defined Benefit Obligation	**66,758**	**73,776**
Current Service Cost	757	999
Interest Cost	3,607	4,083
Contributions by Scheme Employees	293	367
Actuarial Losses / (Gains)	2,333	(5,205)
Estimated Benefit Paid	(3,418)	(3,109)
Past Service Costs / (Gains)	25	(4,153)
Losses / (Gains) on Curtailments	518	0
Closing Balance at 31 March	**70,873**	**66,758**

Reconciliation of fair value of Employer assets:

Local Government Pension Scheme		
	£000	**£000**
	2011/12	**2010/11**
Opening Fair Value of Employer Assets	39,695	40,418
Expected Return on Assets	2,557	2,514
Actuarial (Losses)/ Gains	(1,896)	(2,003)
Contributions by the Employer	2,364	1,508
Contributions by Employees	293	367
Estimated Benefits Paid	(3,418)	(3,109)
Closing balance at 31 March	**39,595**	**39,695**

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed

interest investments are based on gross redemption yields as at Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.
The actual return on scheme assets in the year was a gain of £0.661m (2010/11 gain £3.037 million).

d. Scheme History

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Fair value of assets in the Local Government Pension Scheme	(70,021)	(55,106)	(73,776)	(66,758)	(70,873)
Local Government Pension Scheme Discretionary Benefits	42,593	31,346	40,418	39,695	39,595
Total	**(27,428)**	**(23,760)**	**(33,358)**	**(27,063)**	**(31,278)**

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £31 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, which stands at an overall balance of £44 million.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit in the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the scheme by the Council in the year to 31st March 2013 is £1,780,000.

e. Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about salary levels, mortality rates, etc. It should be particularly noted that, from June 2010, pension increases are linked to the (lower) CPI rather than RPI. This is the single most significant factor behind the actuarial and past service gains, as recorded in the Reconciliation of Liabilities table above, that have resulted in the substantial reduction in pension obligation for the Authority.
The scheme liabilities have been assessed by Mercers, an independent firm of actuaries. Their estimates for the County Council Fund are based on the latest full valuation of the scheme as at 1st April 2010.

The principal assumptions used by the actuary have been:

Financial Assumptions as at	31st March 2011 (% per annum)	31st March 2012 (% per annum)
Inflation Increase Rate - RPI	3.40%	na
Inflation Increase Rate - CPI	2.90%	2.50%
Salary Increase Rate	4.65%	4.25%
Pension Increase Rate	2.90%	2.50%
Discount Rate	5.50%	4.90%
Take-up of option to convert annual pension into retirement lump sum	50.00%	50.00%

Long Term Expected Annual Return on assets in the scheme as at Scheme Assets(Employer Share)	31st March 2011 (% per annum)	31st March 2012 (% per annum)
Equities	7.50%	7.00%
Government Bonds	4.40%	3.10%
Other Bonds	5.10%	4.10%
Property	6.50%	6.00%
Other	7.50%	7.00%
Cash	0.50%	0.50%

	31st March 2011		31st March 2012	
Longevity beyond age 65	Males	Females	Males	Females
Current Pensioners	21.7 Years	24.3 Years	21.8 Years	24.4 Years
Future Pensioners	23.1 Years	25.9 Years	23.2 Years	26.0 Years

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

	31st March 2011		31st March 2012	
	Fund Value £'000	Asset Distribution %	Fund Value £'000	Asset Distribution %
Equities	27,191	68	25,460	64
Government Bonds	2,699	7	6,612	17
Other Bonds	2,223	6	2,099	5
Property	2,024	5	2,138	6
Other	3,057	8	396	1
Cash	2,501	6	2,890	7
Total	**39,695**	**100**	**39,595**	**100**

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

	31st March 2011 (% per annum)	31st March 2012 (% per annum)
Equity Investment	68.50%	64.30%
Debt Instruments	12.40%	22.00%
Other Assets	19.10%	13.70%
	100.00%	**100.00%**

f. History of Experience Gains & Losses

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

Year Ended	31-Mar-08 Restated %	31-Mar-09 Restated %	31-Mar-10 Restated %	31-Mar-11 Restated %	31-Mar-12 %
Differences between the expected and actual return on assets	-9.9%	-30.6%	21.4%	1.3%	-4.8%
Experience gains and (losses) on liabilities	3.2%	0.0%	0.0%	8.3%	0.0%

6. 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 Authority in the year in accordance with proper accounting practice, to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2011/12	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation - GF	(1,463)	0	0	0	0	1,463
Charges for depreciation - HRA	0	(1,402)	0	0	0	1,402
Impairment / Revaluation losses charged to CIES	(1,276)	(323)	0	0	0	1,599
Impairment Written Back - Revaluation Gain	1,447	1,359	0	0	0	(2,806)
Movements in the fair value of Investment Properties	75	0	0	0	0	(75)
Amortisation of intangible assets	(75)	0	0	0	0	75
Capital Grants and contributions applied to capital	1,304	383	0	0	0	(1,687)
Lease Re-categorised	1,153	0	0	0	0	(1,153)
Income in relation to donated assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(1,632)	0	0	0	0	1,632
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES (Including Derocgnition)	(801)	(4,382)	0	0	0	5,183
Reversal of items relating to retirement benefits	(2,350)	0	0	0	0	2,350
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:	0	0	0	0	0	0
Statutory provision for the financing of capital investment	747	0	0	0	0	(747)
Employers Contribution to pension schemes	2,476	0	0	0	0	(2,476)
Adjustments primarily involving the Capital Grants unapplied Account						0
Capital Grants and contributions unapplied credited to the CIES	60	0	0	0	(60)	0
Application of grants to capital financing, transferred to Capital Adjustment Account Adjustment Account	0	0	0	0	236	(236)
Adjustments primarily involving the Capital Receipts Reserve						0
Transfers of cash sale proceeds credited as part of the gain/loss on disposal to the Comprhensive Income and Expenditure Statement	260	422	(682)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	399	0	0	(399)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current assets disposals.	0	(5)	5	0	0	0
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	(295)	0	295	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash.	0	0	(14)	0	0	14
Adjustments primarily involving the Deferred Capital Receipts						0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES.	0	0	0	0	0	0
Reversal of Major Repair Allowance credited to the HRA.	0	2,586	0	(2,586)	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	2,586	0	(2,586)
Adjustments primarily involving the Financial Instruments Adjustment						0
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(122)	156	0	0	0	(34)
Adjustments primarily involving the Collection Fund						0
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	0	0	0	0	0	0
Adjustments primarily involving the Accumulated Absence						0
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	12	0	0	0	0	(12)
HRA Funding	0	(37,481)	0	0	0	37,481
Total Adjustments	**(480)**	**(38,687)**	**3**	**0**	**176**	**38,988**

2010/11 Comparative Figures	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repair Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:						
Charges for depreciation and impairment of non-current assets	(998)	(5,855)	0	0	0	6,853
Revaluation losses on Property Plant and Equipment	38	(51,309)	0	0	0	51,271
Movements in the fair value of Investment Properties	0	0	0	0	0	0
Amortisation of intangible assets	(89)	0	0	0	0	89
Capital Grants and contributions applied	2,118	205	0	0	(39)	(2,284)
Income in relation to donated assets	0	0	0	0	0	0
Revenue expenditure funded from capital under statute	(1,105)	0	0	0	0	1,105
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	223	0	0	0	0	(223)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:						
Statutory provision for the financing of capital investment	659	0	0	0	0	(659)
Capital Expenditure charged against the General Fund and HRA balances	185	0	0	0	0	(185)
Capital grants and contributions unapplied credited to the CIES	645	0	0	0	(83)	(562)
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	347	(347)
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CIES.	(151)	151	(497)	0	0	497
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	287	0	0	(287)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	0	0	4	0	0	(4)
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	(221)	0	221	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	(7)	0	0	7
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES.	0	0	0	0	0	0
Reversal of Major Repair Allowance credited to the HRA.	0	2,541	0	(2,541)	0	0
Use of Major Repairs Reserve to finance new capital expenditure	0	0	0	2,541	0	(2,541)
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	226	204	0	0	0	(430)
Reversal of items relating to retirement benefits debited or credited to the CIES	4,817	0	0	0	0	(4,817)
Employers pension contributions and direct payments to pensioners payable in the year	1,478	0	0	0	0	(1,478)
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	57	0	0	0	0	(57)
Amount by which amounts charged for Equal Pay claims to the CIES are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0
Amount by which officer remuneration charged to CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirement	(20)	0	0	0	0	20
Total Adjustments	**7,862**	**(54,063)**	**8**	**0**	**225**	**45,968**

7. Capital

This note is broken down into a number of sections covering:

a. Property, Plant & Equipment
b. Assets Held for Sale
c. Valuation information
d. Capital expenditure & financing
e. Details of assets held
f. Commitments on capital contracts
g. Assets Held under Leases–Authority as Lessee
h. Assets Held for Leases – Authority as Lessor
i. Heritage Assets

a. Property, Plant & Equipment

The table below analyses capital expenditure, disposals, revaluations and depreciation charged on the fixed assets of the Council.

Movements in 2011/12	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Total Property, Plant & Equipment £000
Cost or Valuation						
At April 2011	120,247	32,442	2,212	1,170	8,181	**164,252**
Additions	4,522	1,093	278	239	591	**6,723**
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	0	718	0	0	(7)	**711**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,455)	661	0	0	(1,445)	**(5,239)**
Derecognition - Disposals	(181)	(241)	0	0	0	**(422)**
Derecognition - Other	(4,203)	(545)	(318)	0	0	**(5,066)**
Other movements in Cost or Valuation	0	(97)	85	12	72	**72**
At 31 March 2012	**115,930**	**34,031**	**2,257**	**1,421**	**7,392**	**161,031**
Accumulated Depreciation & Impairment						
At April 2011	(5,809)	(4,431)	(1,409)	0	(1,622)	**(13,271)**
Depreciation Charge	(1,360)	(1,203)	(260)	0	(45)	**(2,868)**
Depreciation written out to the Revaluation Reserve	0	2,021	0	0	0	**2,021**
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,809	232	0	0	72	**6,113**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	1,685	0	0	0	**1,685**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(318)	286	0	0	366	**334**
Derecognition- Disposals	2	0	0	0	0	**2**
Derecognition- Other	0	3	300	0	0	**303**
Other movements in Depreciation & Impairment	0	6	0	(6)	0	**0**
At 31 March 2012	**(1,676)**	**(1,401)**	**(1,369)**	**(6)**	**(1,229)**	**(5,681)**
Net Book Value						
at 31st March 2012	**114,254**	**32,630**	**888**	**1,415**	**6,163**	**155,350**
at 31st March 2011	**114,438**	**28,011**	**803**	**1,170**	**6,559**	**150,981**

The Property, Plant & Equipment 2010/11 comparative figures are illustrated below:-

Comparative Movements in 2010/11	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Community Assets £000	Surplus Assets £000	Total Property, Plant & Equipment £000
Cost or Valuation						
At April 2010	183,204	32,976	2,743	905	6,860	226,688
Additions	4,417	4,149	119	288	373	9,346
Donations	0	0	0	0	0	0
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(1,087)	1,750	0	0	0	663
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(66,176)	(341)	0	0	0	(66,517)
Derecognition - Disposals	(167)	(106)	0	0	0	(273)
Derecognition - Other	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0
Other movements in Cost or Valuation	56	(56)	0	0	0	0
Asset Register Restatement	0	(5,930)	(650)	(23)	948	(5,655)
At 31 March 2011	**120,247**	**32,442**	**2,212**	**1,170**	**8,181**	**164,252**
Accumulated Depreciation & Impairment						
At April 2010	(14,938)	(9,425)	(1,696)	(23)	(582)	**(26,664)**
Depreciation Charge	(1,361)	(936)	(363)	0	(92)	**(2,752)**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	**0**
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,938	0	0	0	0	**14,938**
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(351)	0	0	0	**(351)**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(4,448)	351	0	0	0	**(4,097)**
Derecognition- Disposals	0	0	0	0	0	**0**
Derecognition- Other	0	0	0	0	0	**0**
Other movements in Depreciation & Impairment	0	0	0	0	0	**0**
Asset Register Restatement	0	5,930	650	23	(948)	5,655
At 31 March 2011	**(5,809)**	**(4,431)**	**(1,409)**	**0**	**(1,622)**	**(13,271)**
Net Book Value						
at 31st March 2011	**114,438**	**28,011**	**803**	**1,170**	**6,559**	**150,981**
at 31st March 2010	**168,266**	**23,551**	**1,047**	**882**	**6,278**	**200,024**

These tables include a restatement of the cumulative values of Property, Plant & Equipment assets held to make corrections to previously overstated Cost/ Valuation Gross Book Value and the Accumulated Depreciation & Impairment. These restatements result in a nil effect on the Net Carrying Value of these Non-Current Assets. Therefore there is no change to the 2010/11 financial statements or their associated closing balances: Balance Sheet, Comprehensive Income & Expenditure Statement or Movement in Reserves Statement as published in the Statement of Accounts 2010/11.

Asset Register Restatement	**Council Dwellings £000**	**Other Lane and Buildings £000**	**Vehicles, Plant, Furniture & Equipment £000**	**Community Assets £000**	**Surplus Assets £000**	**Total Property, Plant & Equipment £000**
Cost or Valuation						
At 31 March 2011 per restated 2011/12 published accounts	120,247	32,442	2,212	1,170	8,181	**164,252**
Asset Register Restatement	0	(5,930)	(650)	(23)	948	**(5,655)**
At 31 March 2011 per original published 2010/11 accounts	120,247	38,372	2,862	1,193	7,233	**169,907**
Accumulated Depreciation & Impairment						
At 31 March 2011 per restated 2011/12 published accounts	(5,809)	(4,431)	(1,409)	0	(1,622)	**(13,271)**
Asset Register Restatement	0	5,930	650	23	(948)	**5,655**
At 31 March 2011 per original published 2010/11 accounts	(5,809)	(10,361)	(2,059)	(23)	(674)	**(18,926)**
Net Book Value						
At 31 March 2011 per restated 2011/12 published accounts	114,438	28,011	803	1,170	6,559	**150,981**
At 31 March 2011 per original published 2010/11 accounts	114,438	28,011	803	1,170	6,559	**150,981**
Variance	0	0	0	0	0	**0**

Depreciation
The following useful lives have been used in the calculation of depreciation:
- Council Dwellings - 50 to 70 years
- Buildings - 30 to 50 years
- Vehicles, Plant, Furniture & Equipment - 3 to 15 years
- Infrastructure - 25 years

b. Assets Held for Sale
The Council does not currently have any fixed assets classified as 'assets held for sale'.

c. Valuation Information

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 are:

- Other Land and Buildings are valued at either Fair Value based on Existing Use Value (where there is adequate evidence of market transactions for that use) or Depreciated Replacement Cost where there is no market evidence.
- Surplus Assets are valued at Fair Value based on Existing Use Value.
- Infrastructure and Community Assets are valued at Historic Cost net of depreciation.
- The revaluation of fixed assets at the time of disposal is not permitted

The valuations have been updated as at 31st March 2012. The 2011/12 valuations were carried out by Stephen Gwatkin MRICS (External Senior Principal Surveyor). Joanne Higgins MRICS (Property Services Manager) oversaw the valuation exercise including the Annual assessment for "indications" of impairment.

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years, the exception being council dwellings, which are revalued every year.

The following table shows the progress of the Council's rolling programme for the revaluation of fixed assets for the last four years.

	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant, Equipment £'000	Surplus Assets £'000	Community Assets £'000	Total £'000
Carried at Historical cost	0	0	1,979	0	0	**1,979**
Valued at Fair Value as at:						
31st March 2012	116,248	19,017	0	969	1,170	**137,404**
31st March 2011	115,941	8,070	0	0	0	**124,011**
31st March 2010	168,797	9,747	0	6,262	0	**184,806**
31st March 2009	185,559	694	0	7,089	0	**193,342**
31st March 2008	195,181	1,292	0	0	0	**196,473**

The value of the Authority's dwelling stock above is net of the nationally set vacant possession discount factor of 34% – see note 4 of the HRA supplementary statement (page 87).

d. Capital Expenditure and Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

	2011/12 £000	2010/11 £000
Opening Capital Financing Requirement	46,889	43,238
Capital Investment		
Property, Plant and Equipment	6,726	9,345
Investment Properties	12	0
Intangible Assets	17	66
Revenue Expenditure Funded from Capital under Statute	1,632	1,105
HRA Debt Financing Settlement	37,481	0
Sources of Finance		
Capital Receipts	(399)	(287)
Government grant and other contributions	(4,508)	(5,733)
Sums set aside from revenue:	0	(59)
Direct revenue contributions	0	(127)
MRP/loans fund principal	(747)	(659)
Other Movements Finance Lease Re-catorgarised	(1,153)	0
Closing Capital Financing requirements	85,950	46,889
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	39,061	3,651
Increase in Capital Financing Requirement	39,061	3,651

Minimum Revenue Provision (MRP)

The Council is obliged to make an annual charge to revenue for un-financed capital expenditure. The charge is known as Minimum Revenue Provision (MRP). With effect from 31st March 2008 detailed rules on the amount of MRP to be charged to the accounts were replaced. The new requirement is based on a simple duty for an authority to make an amount of MRP, which it considers to be "prudent". Therefore, the Council now charges MRP for capital expenditure incurred linked to the useful life of each type of asset.

	2011/12 £000	2010/11 £000
Prudential Borrowing -MRP based on Asset life	222	130
Prudential Borrowing - 4% of notional General Fund Capital borrowing (prior to new Regs)	509	530
Finance Lease (MRP Based on term of lease)	16	0
	747	660
Commutation Adjustment	0	(1)

e. Information on Assets Held

The main assets held by the Council are:

31-Mar 2011 (Number)	Fixed Asset	31-Mar 2012 (Number)
4,103	Council Dwellings	4,097
628	HRA Garages	582
5	Sports Centres and Pools	5
8	Offices and Admin Buildings	8
8	Depots	8
22	Car Parks	22
25	Public Conveniences	25
2	Non-HRA Housing	2
7	Principal Parks	7
29	Recreation / Play Areas	29
4	Cemeteries	4
10	Industrial / Commercial Sites	10
5	Markets	5
4	Historic Buildings	4

f. Commitments Under Capital Contracts

At 31st March 2012, the Authority has entered into one significant contract for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years. There were no similar commitments at 31st March 2011.

Scheme	Contract Value £'000s	Period Investment will Take Place
Provision of Wheeled Bins for Recyclables	794	2012

g. *Authority as the Lessee:*

Finance Leases

In 2011/12 a land and property lease, previously classified as a finance lease has been reassessed as operating. This removed a £1,153m future liability from the Authority's Balance Sheet. The Authority currently has no finance leases.

Operating Leases

As well as some land and property held on operating lease the Authority contract hires its fleet of vehicles and certain items of equipment. The associated Operating Lease and Contract Hire rentals paid in 2011/12 amounted to £0.453m (£0.392m 2010/11). The minimum lease payments due under operating leases in future years are:

	31 March 2012	31 March 2011
	£000	£000
Not later than one year	308	231
Later than one year and not later than five years	157	88
Later than five years	1,125	57
	1,590	**376**

h. Authority as the Lessor:

Operating Leases

The Authority leases out assets under operating leases.

The Council acts as a lessor of commercial property, shops and market stalls. Income from these sources in 2011/12 totalled £0.233m (£0.267m in 2010/11).

The future minimum lease payments receivable under operating leases in future years are:

	31 March 2012	31 March 2011
	£000	£000
Not later than one year	39	39
	60	64
Later than one year and not later than five years		
Later than five years	859	874
	958	**977**

The minimum lease payments receivable are at current rental levels.

i. ***Heritage Assets***

For 2011/12 the Authority is required to change its accounting policy for heritage assets and recognise them at valuation. Previously, heritage assets were either recognised by Local Authorities as community assets (at cost) in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the Assets. Community Assets (that are now to be classified as heritage assets) that were donated to the authority were held at valuation as proxy for historical cost. The Authority's accounting policies for recognition and measurement of heritage assets are set out in the Authority's summary of significant accounting policies (see Note 22 on page 25).

In applying the new accounting policy, the Authority has identified that there were no assets that were previously held as community assets within property, plant and equipment that should now be recognised as heritage assets. However, the Authority will recognise an additional £371,000 for the recognition of heritage assets that were not previously recognised in the Balance Sheet. On the basis of materiality, the Authority has decided not to restate opening balance sheet figures, but to report the recognition of these assets wholly as 2011/12 transactions (Note 4 page 27). Therefore, this increase is recognised in the Revaluation Reserve within year.

Reconciliation of the Carrying Value of Heritage Assets Held by the Authority:

	Art Collection £'000	Civic Regalia £'000	Total Assets £'000
Cost or Valuation			
1 April 2011	0	0	0
Initial Recognition	138	233	371
Disposals	0	0	0
Revaluations	0	0	0
Impairment Losses/(reversals) recognised in the Revaluation Reserve	0	0	0
Impairment Losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	0	0	0
31 March 2012	138	233	371

There were no acquisitions, donations, disposals or impairments of assets during 2011/12.

Further information on Heritage Assets

The Council holds a range of Heritage Assets including civic regalia and memorabilia, works of art, legal documents, monuments, memorials, statues and other miscellaneous items.

Civic Regalia
The Council's Civic Regalia collection comprises the various chains of office associated with the ceremonial functions of the Council and the office of Mayor (including deputies and consorts) in particular i.e. chains and pendants, the mace etc. The collection (when not in use) is held in secure storage within the Borough and additionally includes a number of historic items that pre-date local government reorganisation in 1974 such as the chains of office associated with the former boroughs of Buxton and Glossop.

The Council's Civic Regalia was most recently valued on the basis of Insurance Value by Thomas Fattorini Limited – independent experts in the field of Civic Regalia – in October 2010. It is considered that the collection has an indefinite life and therefore Depreciation has not been charged.

Based on an annual internal review of the collection and its valuation, it is considered that:

- There is no evidence of Impairment; and
- The October 2010 valuation remains current.

There have been no additions or disposals to the Civic Regalia collection during the two-year period 1st April 2010 to 31st March 2012.

Art Collection
The Council also owns a small Art Collection, which has been donated from various sources over a number of years. Some of the Collection is publicly displayed within the Buxton Museum and Art Gallery with other pieces securely stored within the Borough.

Most of the Art Collection was valued on the basis of Insurance Value by Bonhams – independent valuers – in March 2010. It is considered that the collection has (subject to appropriate maintenance) an indefinite life and therefore Depreciation has not been charged. (Note – the Art Collection is specifically maintained and preserved in its original condition).

Based on an annual internal review of the collection and its valuation, it is considered that:

- There is no evidence of Impairment; and
- The latest available Insurance Values remain current.

There have been no additions or disposals to the Art Collection during the two-year period 1st April 2010 to 31st March 2012.

For security reasons, the Council does not publicly reveal precise details of either its Civic Regalia or Art collection.

Both collections are annually reviewed in order to establish if carrying values remain current and if impairment is required, with a full revaluation undertaken within a maximum period of 10 years in any event.

Other Heritage Assets

At the 31st March 2012, the Council also held a number of other Heritage Assets as follows:

- Civic Memorabilia – the Council has accumulated a number of miscellaneous items of a heritage nature over many years; in many cases the items are commemorative in nature and have been donated to the Council (e.g. commemorative plates, vases, trophies, photographs etc.);

- Legal Documents – the Council retains a number of historical legal documents (many dating back to the 19th century) including items such as charters and title deeds; and

- Monuments, Memorials, Statues and Other Assets – the Council either owns or is custodian for a range of monuments, memorials, statues and other miscellaneous assets of a heritage nature (e.g. fountains, wells etc.) throughout the Borough (primarily in cemeteries and parks). The most significant assets are as follows:

  - St. Ann's Well ("Lions Mouth") – the Buxton Water source situated in the Crescent, Buxton; and
  - Melandra Castle – a Roman fort (which is a "Scheduled Ancient Monument") situated in Melandra, Glossop.

No information on cost or value is held on the above Heritage Assets and the Council considers that the cost of obtaining valuations is not commensurate with the potential benefits to the users of the Statement of Accounts. However, an annual review of such assets is undertaken to ensure that this assumption remains valid.

Preservation & Management

The Council has a more detailed policy on acquisitions and disposals of, and the preservation and management of Heritage Assets, which is available on request from the Council's Finance Department at Buxton Town Hall.

8. Cash and Cash Equivalents

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

	31 March 2012	31 March 2011
	£000	**£000**
Cash held by the Council	10	10
Bank Current Accounts	2,796	934
Short-term deposits with building societies	1	52
Cash and Cash Equivalents Current Assets	**2,807**	**996**
Bank Overdraft	(725)	(489)
Cash and Cash Equivalents Current Liabilities	**(725)**	**(489)**
Total Cash and Cash Equivalents	**2,082**	**507**

9. Debtors

An analysis of persons owing the Council money is:

	31 March 2012	31 March 2011
	£000	£000
Central Government bodies	884	2,210
Other Local Authorities	945	1,106
NHS Bodies	14	0
Public corporations and trading funds	316	599
Other entities and individuals	2,724	3,021
Income in Advance	0	6
LESS Bad Debt Provisions	(578)	(570)
Total Short Term Debtors	**4,305**	**6,372**

10. Creditors

An analysis of persons to whom the Council owes money is:

	31 March 2012	31 March 2011
	£000	£000
Central Government bodies	(333)	(305)
Other local authorities	(1,718)	(2,051)
NHS Bodies	0	0
Public corporations and trading funds	(411)	(391)
Other entities and individuals	(2,033)	(3,221)
Short Term Creditors	**(4,495)**	**(5,968)**

11. Usable Reserves

This note sets out the amounts included in Usable Reserves:

	Balance at 1 April 2010 £'000	Transfers out 2010/11 £'000	Transfers In 2010/11 £'000	Balance at 31 March 2011 £'000	Transfers out 2011/12 £'000	Transfers in 2011/12 £'000	Balance at 31 March 2012 £'000
General Fund Contingency Reserve	2,470	(7)	248	2,711	(1,125)	0	1,586
General Fund Earmarked Reserve:							
Capital Investment Reserve	1,461	0	0	1,461	0	0	1,461
Business Grant Incentive - Crescent Contingency	1,190	0	0	1,190	0	0	1,190
Election Reserve	84	0	0	84	0	0	84
Housing Condition Survey	60	0	0	60	(60)	0	0
LDF Inquiry Costs	24	0	0	24	(10)	0	14
Buxton Pool Reserve	100	0	0	100	(100)	0	0
Insurance Reserve	100	0	45	145	0	82	227
Pension	84	0	0	84	0	66	150
Localising CTB	0	0	0	0	0	85	85
Other Earmarked Reserves	680	(624)	331	387	(21)	223	589
Total	**3,783**	**(624)**	**376**	**3,535**	**(191)**	**456**	**3,800**
Other Earmarked Reserves Transfers:							
Use of Earmarked reserves to fund capital	58	(58)	0	0	0	0	0
Total Earmarked	**3,841**	**(682)**	**376**	**3,535**	**(191)**	**456**	**3,800**
HRA Reserves							
Housing Revenue Account	1,085	0	282	1,367	0	686	2,053
Total HRA	**1,085**	**0**	**282**	**1,367**	**0**	**686**	**2,053**
Capital Reserves							
Capital Receipts Reserve	11	(512)	504	3	(699)	696	0
Capital Grants Unapplied	977	(347)	123	753	(236)	60	577
Total Capital Reserves	**988**	**(859)**	**627**	**756**	(935)	756	**577**
Total Usable Reserves	8,384	(1,548)	1,533	8,369	(2,251)	1,898	8,016

The Council's Revenue Reserves are either held as a contingency or are earmarked for specific purposes.

A brief description of the significant reserves is given below:

Reserve	Nature of Reserve
Earmarked Reserves – Other	These are revenue reserves established on a short term basis for Council and Third Party funds to support future initiatives
Capital Investment Fund	To fund the cost of prudential borrowing.
Business Grant Incentive -Crescent Indemnity Fund	To ensure that the Council has adequate funds to support business development and meet any potential liability, such as that arising out of the works at Buxton Crescent.
Insurance Fund	To cover the cost of uninsured losses, to reduce risks, and to smooth out fluctuations in premium costs.
General Fund Contingency	Both as a contingency and to hold temporary balances to be fed back into the short term budgetary process.
Housing Revenue Account	Resources available to meet future running costs for council houses
Pensions Fund	Towards future pension liabilities
Localising Council Tax Benefits	To support the potential costs of localising Council Tax Benefit
Major Repairs Reserve	Resources available to meet capital investment in council housing

12. Unusable Reserves

The total unusable reserves included on the balance sheet are shown in the table below, and each reserve is explained in more detail:

31 March 2011 £000		31 March 2012 £000
2,255	Revaluation Reserve	6,789
0	Available for Sale Financial Instruments Reserve	0
102,798	Capital Adjustment Account	63,906
(2,465)	Financial Instruments Adjustment Account	(2,430)
33	Deferred Capital Receipts Reserve	19
(27,063)	Pensions Reserve	(31,278)
17	Collection Fund Adjustment Account	17
0	Unequal Pay Back Pay Account	0
(100)	Accumulated Absences Account	(88)
75,475	**Total Unusable Reserves**	**36,935**

Revaluation Reserve

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

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

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

2010/11 £000			2011/12 £000
1,972	**Balance at 1 April**		**2,255**
1,399	Upward revaluations of assets	4,796	
(1,086)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(7)	
313	Surplus or (deficit) on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		4,789
(30)	Difference between fair value depreciation and historical cost depreciation	(223)	
0	Accumulated gains on assets sold/scrapped/Other Movements	(32)	
(30)	Amount written off to the Capital Adjustment Account		(255)
2,255	**Balance at 31 March**		**6,789**

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 Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

2010/11 £000			2011/12 £000
155,804	**Balance at 1 April**		102,798
	Reversal of items relating to capital expenditure debited or credited to the CIES		
(6,853)	• Charges for depreciation and impairment of non-current assets	(3,183)	
0	• Impairment Reversal - Revaluation Gain	2,806	
(51,579)	• Revaluation losses on Property, Plant and Equipment	(1,282)	
(89)	• Amortisation of intangible assets	(75)	
(1,105)	• Revenue expenditure funded from capital under statute	(1,632)	
30	• Adjustment amounts written out of Revaluation Reserve		
(274)	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(5,183)	
(59,870)			(8,549)
0	Adjusting amounts written out of the Revaluation Reserve		255
(59,870)	Net written out amount of the cost of non-current assets consumed in the year		(8,294)
	Capital financing applied in the year:		
287	• Use of capital Receipts Reserve to finance new capital expenditure	399	
2,541	• Use of Major Repairs Reserve to finance new capital expenditure	2,586	
2,845	• Capital grants and contributions credited to the CIES that have been applied to capital financing	1,687	
347	• Applications of grants to capital financing from the Capital Grant Unapplied Account	236	
659	• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	747	
185	• Capital expenditure charged against the General Fund and HRA balances	0	
6,864			5,655
0	Movements in the market value of Investment Properties debited or credited to the CIES		75
0	Other Movements (Finance Lease re-catorgarised)		1,153
0	HRA Reform Debt Settlement		(37,481)
102,798	**Balance at 31 March**		63,906

Financial Instruments Adjustment Account

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

The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term outstanding on the new loan.

2010/11 £000			2011/12 £000
(2,895)	**Balance at 1 April**		(2,465)
0	Premiums incurred in the year and charged to the CIES	0	
83	Proporion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	35	
347	Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements		35
(2,465)	**Balance at 31 March**		(2,430)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2010/11 £000		2011/12 £000
(33,358)	**Balance at 1 April**	(27,063)
3,232	Actuarial gains or (losses) on pensions assets and liabilities	(4,341)
1,585	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the CIES	(2,350)
1,478	Employers pensions contributions and direct payments to pensioners payable in the year	2,476
(27,063)	**Balance at 31 March**	(31,278)

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 Authority 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.

2010/11 £000		2011/12 £000
40	**Balance at 1 April**	**33**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the CIES	0
(7)	Transfer to Capital Receipts Reserve upon receipt of cash	(14)
33	**Balance at 31 March**	**19**

Collection Fund Adjustment Account

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

2010/11 £000		2011/12 £000
(40)	**Balance at 1 April**	**17**
57	Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	0
17	**Balance at 31 March**	**17**

Accumulated Absences Account

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

2010/11 £000			2011/12 £000
(80)	**Balance at 1 April**		**(100)**
80	Settlement or cancellation of accrual made at the end of the preceding year	100	
(100)	Amounts accrued at the end of the current year	(88)	
(20)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		12
(100)	**Balance at 31 March**		**(88)**

13. Financial Instruments

The Council has carried out an analysis of all its financial assets and liabilities with regard to the Code and the results are set out in the following sections:

a. Categories of Financial Instruments
b. Re-classification
c. Fair Value of Assets and Liabilities
d. Income, Expense, Gains and Losses
e. Impairment Review
f. Risk Analysis

a. Categories of Financial Instruments

Accounting regulations require the "financial instruments" (investment, lending and borrowing of the Council) shown on the Balance Sheet to be further analysed into various defined categories. The investments, lending and borrowing disclosed in the Balance Sheet are made up of the following categories of "financial instruments".

	Long Term		Current	
	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000	31 March 2011 £000
Investments				
Loans and Receivables				
Fixed Deposits	0	0	1,874	4,874
Cash	0	0	2,807	996
Icelandic Banks	465	1,171	353	0
Total Investments	**465**	**1,171**	**5,034**	**5,870**
Debtors				
Loans and Receivables	102	134	3,562	2,879
Total Debtors	**102**	**134**	**3,562**	**2,879**
Borrowings				
Financial liabilities at amortised cost				
Fixed Loans	78,915	35,405	6,032	10,542
Cash (overdrawn)	0	0	725	489
Total borrowings	**78,915**	**35,405**	**6,757**	**11,031**
Other Long-Term Liabilities				
PFI and finance lease liabilities	0	1,153	0	16
Total other long-term liabilities	**0**	**1,153**	**0**	**16**
Creditors				
Financial liabilities at amortised cost	0	0	4,075	3,099
Total Creditors	**0**	**0**	**4,075**	**3,099**

b. Reclassification

No financial instruments were reclassified during 2011/12

c. *Fair Value of Assets and Liabilities*

The fair value of each class of financial assets and liabilities that are carried in the balance sheet at amortised cost is disclosed below

	31-Mar-12		31-Mar-11	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Loans and Receivables (exc Icelandic Banks)				
Cash	2,807	2,807	996	996
Fixed Term deposits	1,874	1,881	4,874	4,876
Icelandic Investment	819	819	1,171	1,171
Debtors	3,562	3,562	2,899	2,899
Total	**9,062**	**9,069**	**9,940**	**9,942**
Long Term Debtors	102	102	134	134
Available for sale assets	0	0	0	0
Total	**102**	**102**	**134**	**134**
Financial Liabilities at Amortised Cost				
PWLB - maturity	63,897	60,236	32,947	30,957
Market Loans	13,000	13,854	12,998	12,858
Local Authority Loans	8,050	8,041	0	0
Local Bonds	0	0	2	2
Bank overdraft	725	725	489	489
Short Term Borrowing	0	0	0	0
Creditors	4,075	4,075	3,099	3,099
Total	**89,747**	**86,931**	**49,535**	**47,405**
Long Term Creditors	0	0	1,153	1,153
Total	**89,747**	**86,931**	**50,688**	**48,558**

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 net present value (NPV) of the cash flows that will take place over the remaining term of the instruments using assumptions as detailed below. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

Loans and Receivables

The fair value of the Council's investments has been assessed by calculating the NPV of future cash flows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the calculation is equal to the current rate in relation to the same instrument with the same duration from a comparable lender on the date of valuation – 31st March 2012. The rates quoted in this valuation were obtained from Sector Treasury Services Ltd (the Council's Advisors).

The fair value is slightly higher than the carrying amount by £7,390 because the Councils portfolio of investments include 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.

Long-term Debtors
Long-term Debtors include car loans and payments due from mortgaged properties. Interest is charged on the principal outstanding on mortgaged properties. This is set according to the Department of Communities and Local Government Standard National rate, consequently the fair value and carrying value are considered equal.

Financial Liabilities at amortised cost

The discount rate used in the NPV calculation is equal to the current rate in relation to the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation (31st March), for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity.

The rates quoted in this valuation were obtained by our treasury management consultants from the market on 31st March 2012.

The calculations are made with the following assumptions:

- For PWLB debt, the discount rate used is the rate for new borrowing.
- For other market debt and investments the discount rate used is the rate available for an instrument with the same terms from a comparable lender.

Fair value is £2.816m less than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans at the Balance Sheet date.

The Market loans carrying value on the balance sheet includes an adjustment of £56,000. This is in relation to two of the market loans; both included an initial lower interest rate payable for the first two years of the loan period. The adjustment equalises the interest payable over the entire loan period.

d. Income, Expense, Gains and Losses

The total gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are illustrated below. The figures include the interest receivable and payable on investments and borrowings in 2011/12, a partial reversal of the Icelandic investments impairment and recognition of the exchange rate adjustment made on the Landsbanki Icelandic Kroner funds held within an account in Iceland (all Icelandic adjustments are explained within the Risk Analysis section).

	2011/12				2010/11			
	Financial Liabilities	**Financial Assets**			**Financial Liabilities**	**Financial Assets**		
	Liabilities measured at amortised cost **£000**	Loan & receivables **£000**	Available for Sale **£000**	**Total** **£000**	Liabilities measured at amortised cost **£000**	Loan & receivables **£000**	Available for Sale **£000**	**Total** **£000**
Interest Expense	(1,951)	0	0	**(1,951)**	(2,091)	0	0	**(2,091)**
Losses on recognition	0	0	0	**0**	0	(347)	0	**(347)**
Reductions in fair value	0	0	0	**0**	0	0	0	**0**
Impairment losses	0	0	0	**0**	0	0	0	**0**
Fee expense	0	0	0	**0**	0	0	0	**0**
Total expense in Surplus or Deficit on the Provision of Services	**(1,951)**	**0**	**0**	**(1,951)**	**(2,091)**	**(347)**	**0**	**(2,438)**
Interest Income	0	196	0	**196**	0	120	0	**120**
Gains on derecognition	0	0	0	**0**	0	0	0	**0**
Impairment Reversal (Icelandic Banks)	0	99	0	**99**	0	0	0	**0**
Total Income in Surplus or Deficit on the Provision of Services	**0**	**295**	**0**	**295**	**0**	**120**	**0**	**120**
Gains on revaluation	0	0	0	**0**	0	0	0	**0**
Losses on revaluation	0	0	0	**0**	0	0	0	**0**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0	(1)	0	**(1)**	0	0	0	**0**
Surplus/Deficit arising on revaluation of financial assets in Other CIES	0	0	0	**0**	0	0	0	**0**
Net gain/(loss) for the year	**(1,951)**	**295**	**0**	**(1,656)**	**(2,091)**	**(227)**	**0**	**(2,318)**

e. Impairment Review

An impairment review has been carried out on the Authority's financial assets to assess the likelihood of repayment. The only asset category where impairment has been applied is general trade receivables. The result of which is included in the accounts as the bad debt provision (see Note 9) This is based on historical data and an analysis of individual debtors. Current and prior year outstanding debtors are impaired by a determined percentage, except where 100% non-payment is assumed. The provision is allocated to services based on Debtors outstanding at 31st March 2012 and historical write offs.

f. Risk Analysis

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management within the Council is overseen by the Corporate Risk Management team in accordance with the Risk Management Strategy approved by Executive.

The Council has fully adopted the Chartered Institute of Public Finance & Accountancy's Treasury Management revised Code of Practice 2009, which requires the Authority to approve annually in advance within the Treasury Management Strategy Statement:-

- the Council's overall borrowing and investment position
- the setting of Prudential and Treasury indicators (including exposures to fixed and variable rates and investments maturing beyond one year)
- criteria for investing and selecting investment counterparties

On adoption of the revised Code of Practice, the Authority's Audit and Regulatory Committee has now been delegated the role of scrutinising the Treasury function.

The Council's central treasury team implements the approved Treasury Strategy and maintains written Treasury Management Practices (TMP's) covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Council also has a Treasury Management Policy in place, which defines the policies and objectives of its treasury activities. The policy statement refers to the identification, monitoring and control of risk as the prime criteria by which the effectiveness of the Council's treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on the risk implications for the Authority.

Exposure to financial risks are discussed in more detail below:-

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Authority
- **Liquidity risk** – the possibility that the Authority might not have funds available to meet its commitments to make payments
- **Market risk**– the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates
- **Price risk** – the possibility that financial loss may occur from movements in share prices
- **Foreign Exchange risk** – the possibility of exposure to loss arising from movements in exchange rates

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and non-collection, adjusted to reflect current market conditions.

	Amount at 31st March 2012	Historical Experience of Default	Historical Experience adjusted for markets conditions at 31st March 2012	Estimated maximum exposure to default and non-collectability	Estimated maximum exposure at 31st March 2012
	£'000	%	%	£'000	£'000
Deposits with Banks and Financial institutions	4,684	0.09%	0.09%	4	4
Customers (non-statutory sundry debtors)	3,562	11.00%	11.00%	400	400

The Authority's exposure to credit risk in relation to deposits with banks and financial institutions cannot be assessed generally as the risk of any institution failing to make repayments will be specific to individual institutions. As a measure, the average cumulative default rates for the last 20 years relevant to the credit rating of the institutions invested with has been used. A risk of irrecoverability applies to all the Authority's deposits, but there was no evidence at 31st March 2012 that this was likely to crystallise.

Customers are assessed, taking into account their financial position, past experience and other factors such as the downturn in the economy, with individual credit limits being set in accordance with parameters set by the Council. The overdue (greater than 28 days) amount from customers can be analysed by age as follows:-

Period Overdue	£'000	Default Exposure	
Less than three months	39	2%	1
Three to six months	19	17%	3
Six months to one year	139	17%	24
More than one year	217	70%	151
TOTAL	**414**		**179**

Treasury Management – lending criteria

The financial crisis, commonly known as the 'credit crunch' had a profound effect on the Council's treasury activities. As a result of the Icelandic crisis, the in-house team significantly revised the lending criteria, consequently adopting a more cautious approach to investing surplus funds.

The Council uses the creditworthiness methodology recommended by the Council's Treasury advisors. This has been incorporated into the Annual Investment Strategy, which outlines the minimum criteria, as established by three of the main credit ratings agencies also including current market data. Lending limits are also assigned to each category, as illustrated:-

Financial Asset Category	Minimum Criteria	Lending Limits	
		Maximum Period of Investment	Maximum investment
Deposits with credit rated Banks and Building Societies	PURPLE (Sector Creditoworthiness)	2 year	£2.8m
	GOLD (Sector Creditworthiness)	1 year	£2.5m
	RED (Sector Creditworthiness)	6 months	£2.1m
	GREEN (Sector Creditworthiness)	3 month	£1.8m
Deposits with part / fully Nationalised Banks	UK Only	1 year	£3.5m
Money Market Funds / Government Gilts / Bonds	AAA	2 years	£2.6m
Other i.e. Debt Management Agency Deposit Facility, Local Authorities	n/a	n/a	n/a

The Strategy also establishes group limits and recognises only Institutions in Countries with an AAA (the maximum available) sovereignty rating.

All investments as at 31st March 2012 were held with institutions that domicile within the United Kingdom (excluding Icelandic Investments), as shown below:

Institution	Country of Domicile	Group / Parent	Principal Amount Invested
National Westminster Bank	UK	Royal Bank of Scotland Group	2,795,938
Lloyds TSB	UK	Lloyds Banking Group	1,350,000
Cater Allen	UK	Santander	500,000
Total Principal Invested			**4,645,938**
Accrued Interest			***17,917***

Icelandic Bank Defaults

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. At the time, this Council had £2 million deposited in two of these institutions; £1million with Landsbanki Islands HF and £1million with Heritable Bank:

	Date invested	Maturity date	Amount invested £'000	Interest rate %
Landsbanki	24/04/08	23/04/09	1,000	6.00
Heritable	27/11/06	27/11/08	1,000	5.55
Total	**-**	**-**	**2,000**	

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

The current situation with regards to recovery of the sums deposited varies between each institution:

Heritable Bank

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7th October 2008. During 2011/12, Heritable Bank has repaid to the Authority £178,144 of the principal outstanding and £18,420 of interest due. This takes the cumulative total payments received from Heritable Bank to £679,218 in respect of principal and £70,229 in interest.

The latest CIPFA LAAP Bulletin 82 *(update 6)* recommends that the total recoverable amount at 31st March 2012 is increased to 88% of the claim (previously 84.98%). The remaining expected payments are scheduled as below:

April 2012	3.79%	January 2013	3.50%
July 2012	3.50%	April 2013	5.81%
October 2012	3.50%		

Landsbanki

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

The Local Government Association (LGA) co-ordinated legal action through the Icelandic courts and won the case for local authorities to be treated as 'priority' (rather than unsecured – which would result in a lower recovery of funds) under the Icelandic Bankruptcy Act.

This decision was appealed by the Landsbanki unsecured creditors and Winding up Board (WUB). However, on 28th October 2011, the Icelandic Supreme Court announced that it had upheld the decision of the Icelandic District Court.

The Council received the first distribution from the Winding up Board in February 2012, which amounted to approximately 30% of the total claim. The payment was made in a basket of currencies – Sterling, US Dollars, Euros and Icelandic Kroner. The Sterling, US Dollar and Euro amounts were paid direct into the Council's main bank account, the US Dollars and Euros converted by the bank on receipt – the overall total received converted to Sterling was £308,172. Due to currency controls operating in Iceland, the Icelandic Kroner proportion is held in an 'escrow' account until it can be released. On the day of transfer to the account, this totalled £7,866 converted to Sterling, and is treated as a short-term investment on the Council's balance sheet, earning interest of 3.35%.

The Winding up Board announced on 9th March 2012 that it anticipated that total recovery would exceed the book value of recognised priority claims, taking into account the sale of its holding in Iceland Foods.

Therefore, the latest CIPFA LAAP Bulletin 82 *(update 6)* recommends that the total recoverable amount at 31st March 2012 is increased to 100% of the claim (previously 94.85%) subject to potential exchange rate fluctuations. The remaining expected payments are scheduled as below:

May 2012	12.00%	December 2016	7.00%
December 2012	7.00%	December 2017	7.00%
December 2013	7.00%	December 2018	7.00%
December 2014	7.00%	December 2019	8.80%
December 2015	7.00%		

Accounting for Impairment Losses

In accordance with regulations, the Council transferred the remaining impairment loss of £347,211 suffered on Icelandic Investments to the General Fund in 2010/11. This was calculated by discounting the assumed cash flows using the interest rate of the original deposits in order to recognise the loss of interest to the Council until monies are received. However, due to the revised estimated recovery rates applicable to both the Heritable and Landsbanki investment, a total impairment reversal of £99,495 has been credited to the General Fund in 2011/12.

Bank	Impairment Reversal £
Heritable Bank	27,106
Landsbanki Bank	72,389

Therefore, the carrying amounts of the investments included in the balance sheet at 31st March 2012 are shown below:

	Carrying Value at 31st March 2011	Actual Cash Receipts 2011-12	Interest *(accrued interest)*	Impairment Reversal	Carrying Value at 31st March 2012
Heritable	369,278	(196,564)	14,333	27,106	214,153
Landsbanki	801,832	(316,038)	46,287	72,389	604,470
Total	**1,171,110**	**(512,502)**	**60,619**	**99,465**	**818,623**

Liquidity Risk

Investments

The Authority holds £4.6m (exc Icelandic deposits) in investments as at 31st March 2012. The Treasury Management Strategy establishes limits on investments that can be placed greater than one year, based on the core cash flow forecast. This is to ensure there are sufficient funds available to meet future capital commitments should the Council wish to fund using internal resources.

The in-house treasury team also monitor short-term liquidity on a daily basis to ensure there are adequate funds easily accessible to cover in-year payments such as precepts, salaries, payments to suppliers and central government. The Council has access to short-term funds via an overdraft facility with the NatWest. The maturity analysis of investments held at 31st March 2012 was as follows:

	£m
Less than one year	£4.6m
Greater than one year	0
TOTAL	**£4.6m**

Borrowings

The Council has access to a facility to borrow from the Public Works Loans Board and can also borrow from market lenders for longer-term commitments.

The Council has limits in place to ensure that a significant proportion of its borrowing does not mature for repayment at any one time in the future to reduce the financial impact of re-borrowing at a time of unfavourable interest rates. The maturity structure of financial liabilities is as follows (original principal invested):

Loans Outstanding	On 31 March 2011 £'000	On 31 March 2012 £'000
Public Works Loans Board	32,793	63,774
Market Debt/ LOBO's	12,800	12,800
Local Authority Loans	0	8,000
Local bonds	2	0
Total	**45,595**	**84,574**
Maturity Profile:-		
Less than 1 year	10,500	6,000
Between 1 and 5 years	2	11,749
Between 6 and 10 years	2,000	3,748
Between 11 and 20 years	1,000	8,496
Between 21 and 30 years	0	7,496
Between 31 and 40 years	6,590	14,086
Between 41 and 50 years	16,703	24,199
Greater than 50 years	8,800	8,800
Total	**45,595**	**84,574**

Market Risk

The Authority is exposed to significant risk in terms of its exposure to interest rate movements on its investments and borrowings. Movements in interest rates have a significant impact on the Authority. For example, a rise in interest rates would have the following effect:-

- Investments at variable rates – the interest income credited to the Comprehensive Income & Expenditure Statement would increase
- Investment at fixed rates – the fair value of the assets will fall (no impact on the balance sheet as all investments carried at carrying value)
- Borrowing at variable rates – the interest payable charged to the Comprehensive Income & Expenditure Statement would increase
- Borrowing at fixed rates - the fair value of fixed rate financial liabilities will fall (no impact on Balance Sheet as held at amortised cost)

The Council carries out its borrowing and investment function within the parameters set in its Treasury Management Strategy, which establishes interest rate exposure. The Council uses the services of a treasury advisor, who issue regular interest rate forecasts to aid decision making when placing investments, undertaking borrowing, and setting the annual investment income and financing costs budget for the following year. Forecasts are updated and reported to the Audit & Regulatory Committee, which allows any significant changes in interest rates to be reflected in current budget projections.

At 31st March 2012, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£'000
Increase in interest receivable on variable rate investments	(56)
Increase in interest payable on variable rate borrowings	445
Share of overall impact debited to HRA	(247)
Impact on Other Comprehensive Income & Expenditure	**142**
Decrease in Fair Value of Fixed Rate Borrowings	*(10,337)*
Decrease in Fair Value of Fixed Rate Investments	*(7)*

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

Price Risk

The Authority does not invest in equity shares and is therefore not exposed to losses arising from movements in the price of shares.

Foreign Exchange Risk

In 2011/12, the Authority received the first distribution from Icelandic bank Landsbanki, which was paid in four currencies. The Sterling, US Dollars and Euro distributions were paid direct into the Council's main bank account, converted into Sterling on the same day. The Council was therefore subject to the conversion rates offered by NatWest.

The remaining amount was paid in Icelandic Kroner. There are currently strict currency controls operating in Iceland - permission is required from the Central Bank of Iceland in order to release Icelandic Kroner held within the banking system. Therefore, the Icelandic Kroner element of the distribution has been paid into an 'escrow' account until it can be released.

On the day of transfer into the account, this amount converted to £7,866.34 in Sterling, which has been recognised as a new short-term investment on the balance sheet. The balance in the account is earning interest of 3.35%, consequently the interest earned in 2011/12 has been accrued in the Comprehensive Income & Expenditure Account.

The Council is also required to account for the difference between the Icelandic Kroner exchange rate as at the date the funds were paid into the escrow account compared to the exchange rate as at the 31st March 2012. In 2011-12, an exchange rate loss of £658 has been made, this has been accounted for within the Comprehensive Income & Expenditure Account and the value of the short-term investment reduced in the balance sheet.

14. Contingent Assets & Liabilities

The disclosures made here are based on FRS12 definitions of contingent assets and liabilities quoted in the Code:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control, or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that a transfer of economic benefits will be required to settle the obligation, or
  - the amount of the obligation cannot be measured with sufficient reliability

Contingent Liabilities

Municipal Mutual Insurance – Scheme of Arrangement

Prior to the 1990's the Council was insured by Municipal Mutual Insurance (MMI). When MMI ceased accepting new business in 1992/93 the Council was entered into a Scheme of Arrangement under Section 425 of the Companies Act 1985. Under the terms of the Scheme the Council inherited a potential liability for future claims against the residual assets of MMI of £450,000. It was revealed in March 2012 that MMI had finally lost a long running litigation case, which increases the likelihood of the levy being triggered. Updated CIPFA guidance indicates that any initial levy required would be in the range of 10% to 20%. An earmarked Insurance reserve, with a balance of £226,752, is currently available to mitigate the financial pressure potentially created by the MMI levy and any other uninsured losses, which might occur in the future.

Buxton Crescent and Spa

The Crescent and Spa project has now entered the construction phase. Under the terms of the scheme, most of the financial risk associated with the (remote) risk of water contamination has now passed to the developer, Buxton Crescent Hotel & Thermal Spa Co Limited. However, the Council would still be financially liable in the event of water contamination due to works undertaken outside the agreed method statements.

Latest available cost estimates for the overall project indicate a current funding gap of £5.6 million (representing 16% of the estimated total cost of £35.6 million), which is currently the subject of a Regional Growth Fund bid. In the event that the gap funding bid is unsuccessful, the Council have signed a Memorandum of Understanding with Derbyshire County Council, which would require an – as yet unspecified – financial contribution from both parties in order to address the funding gap.

Buxton Pool

The Buxton Pool refurbishment project is still the subject of an ongoing legal dispute. Until the matter is concluded, there is a risk that the original cost estimates within the project will be significantly exceeded.

Town Green Applications

There continues to be a limited number of Town Green applications that are preventing potential development in the Borough and have the potential to trigger (unquantifiable) substantial legal costs in the forthcoming financial year.

Land Charges
The Council formerly made a charge for personal searches; this included providing information regarding environmental issues in the area. With effect from August 2010, the Government has revoked the ability to charge for environmental information as it contradicts a 2003 EU directive. Despite a challenge by a number of local authorities, the ruling remains in statute and it appears increasingly likely that there could be a potential claw back of income (dating back to January 2005).

Contingent Assets

There are no contingent assets.

15. Events After the Balance Sheet Date

This Statement of Accounts was authorised for issue on 27th September 2012 by Andrew Stokes, Executive Director & Chief Finance Officer. Events after the Balance Sheet date have been considered up to this date.

Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Enquiries with the Council's Principal Solicitor, Risk Manager and Head of Customer Services have confirmed that there are no other outstanding legal issues, insurance claims or ombudsman complaints, which are likely to have a significant impact on these financial statements.

16. Notes Relating to the Cash Flow Statement

This note provides further analysis of certain figures used in the Cash Flow Statement;

a. Net Cash Flows from Operating Activities
b. Operating Activities (Interest)
c. Investing Activities
d. Financing Activities

a. Net cash flows from Operating Activities

2010/11 £'000		2011/12 £'000
(49,523)	**Net Surplus or (Deficit) on the Provision of Services**	**(39,341)**
	Adjust net surplus or deficit on the provision of services for non cash movements	
2,404	Depreciation	2,864
56,027	Impairment and downward valuations	(1,206)
89	Amortisation	75
0	Material Impairment losses on Investments debited to surplus or deficit on the provision of services in year	0
0	Adjustment for internal interest charged	0
0	Adjustments for effective interest rates	0
1	Increase/(Decrease) in Interest Creditors	21
1,969	Increase/(Decrease) in Creditors	(1,531)
(46)	(Increase)/Decrease in Interest and Dividend Debtors	25
1,074	(Increase)/Decrease in Debtors	686
(11)	(Increase)/Decrease in Inventories	(3)
(3,063)	Pension Liability	(126)
20	Contributions to/(from) Provisions	(13)
274	Carrying amount of non-current assets sold [property plant and equipment, investment property and intangible assets]	4,030
45,221	Carrying amount of short and long term investments sold	(75)
103,959		**4,747**
	Adjust for items included in the net surplus or deficit on the provision of services that are investing or financing activities	
(2,968)	Capital Grants credited to surplus or deficit on the provision of services	(1,747)
(45,221)	Proceeds from the sale of short and long term investments	0
(497)	Proceeds from the sale of property plant and equipment, investment property and intangible assets	(682)
(48,686)		**(2,429)**
5,750	**Net Cash Flows from Operating Activities**	**(37,023)**

b. Operating Activities (relating to Interest)

The cash flows for operating activities include the following items:-

2010/11 £'000		2011/12 £'000
327	Interest received	235
(2,090)	Interest paid	(1,930)

c. *Investing Activities*

2010/11 £'000		2011/12 £'000
(10,402)	Purchase of property, plant and equipment, investment property and intangible assets	(6,308)
(41,419)	Purchase of short-term and long-term investments	(31,807)
-	Other payments for investing activities	0
504	Proceeds from the sale of property, plant and equipment, investment property and intangible asset	696
45,221	Proceeds from short-term and long-term investments	35,135
2,230	Other receipts from investing activities	931
(3,866)	**Net cash flows from investing activities**	**(1,353)**

d. *Financing Activities*

2010/11 £'000		2011/12 £'000
1,500	Cash receipts or short and long-term borrowing	49,481
(300)	Other receipts from financing activities	0
0	Cash payments for the reduction of the outstanding liabilities relating	(16)
(2,501)	Repayments of short and long-term borrowing	(9,514)
0	Other payments for financing activities	0
(1,301)	**Net cash flows from financing activities**	**39,951**

17. Interest in Companies

High Peak Community Housing Ltd

The Council is the sole shareholder of High Peak Community Housing Ltd. The Council created this Arms Length Management Company on 1st April 2004 for the purpose of managing the Council's 4,000+ dwellings. The accounts for this company have been consolidated into the Group Accounts of the Council. The company has net liabilities of (£2.036 million) as at 31st March 2012 and returned an operating deficit for the year of £1.015 million

The Council is required to meet any trading loss (from the Housing Revenue Account) if this cannot be funded from the company's reserves. Further information about the accounts of High Peak Community Housing Ltd is available from the Chief Executive, High Peak Community Housing Ltd, Units 22-24, Furness Vale Business Centre, Calico Lane, Furness Vale, High Peak, SK23 7SW.

Supplementary Statements

Housing Revenue Account Income and Expenditure Statement

2010/11	HRA Income and Expenditure Statement	2011/12	
£000s		£000s	£000s
	Expenditure		
3,233	Repairs and Maintenance	3,196	
3,331	Supervision and Management	2,870	
239	Rents, Rates, Taxes and Other Charges	269	
2,126	Negative HRA Subsidy payable	2,874	
5,855	Depreciation and impairment of non-current Assets	366	
53	Debt Management Costs	54	
51,309	Exceptional Item – EUV change	0	
0	Exceptional item - settlement payment to Government for HRA self financing	37,481	
27	Movement in the allowance for bad debts	29	
0	Sums directed by the Secretary of State that are expenditure in accordance with the Code	0	
66,173	**Total Expenditure**		**47,139**
	Income		
(12,596)	Dwelling Rents	(13,315)	
(202)	Non dwelling Rents	(214)	
(774)	Charges for Services and Facilities	(762)	
(79)	Contributions towards expenditure	(80)	
0	HRA Subisdy receivable	0	
0	Sums directed by the Secretary of State that are income in accordance with the Code	0	
(13,651)	**Total Income**		**(14,371)**
52,522	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Account		32,768
221	HRA Services share of Corporate and Democratic Core		249
336	HRA share of other amounts included in whole authority Cost of services but not allocated to specific services		350
53,079	**Net (Income)/Cost for HRA Services**		**33,367**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(151)	(Gain) or loss on sale/disposal of HRA non-current assets		3,966
1,071	Interest payable and similar changes		1,070
(13)	Interest and investment income		(18)
0	Pensions interest cost and expected return on pensions assets		0
(205)	Capital grants and contributions receivable		(383)
53,781	**Surplus (-)or deficit for the year on HRA services**		**38,002**

Movement on the HRA Statement

2010/11	Movement on the HRA Statement	2011/12	
£000s		£000s	£000s
1,085	**Balance on the HRA at the end of the previous year**		**1,367**
(53,781)	Surplus or (deficit) for the year on the HRA income and Expenditure Statement	(38,002)	
54,063	Adjustments between accounting basis and funding basis under statute	38,688	
282	Net increase or (decrease) before transfers to or from reserves	**686**	
0	Transfers (to) or from reserves	0	
282	Increase or (decrease) in year on the HRA		**686**
1,367	**Balance on the HRA at the end of the current year**		**2,053**

Notes to the Housing Revenue Account

1. Background

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring-fenced from the rest of the General Fund, so that rents cannot be subsidised from Council Tax (or vice versa).

The ring fence is controlled by Schedule 4 to the Local Government and Housing Act 1989, which specifies the debits and credits to be made to the HRA and excludes any other postings. The schedule is supplemented each year by the Item 8 Determination (which sets out capital accounting and capital finance entries) and the HRA Subsidy Determination (which calculates the annual subsidy receivable or payable by the Council).

The transactions relating to the HRA have been separated into the two statements reported above:

- HRA Income and Expenditure Account – the overall objectives are the same as those for the Council's Comprehensive Income and Expenditure Statement. This includes a subsection that adds additional expenditure to the Net Cost of Services recognised in accordance with SerCOP, so that the HRA receives a complete allocation of support services, including the identifiable share of the Corporate and Democratic Core and Non Distributed Costs.

- Movement on the HRA Statement - the overall objectives are the same as those for the Movement in Reserves Statement. The statement takes the outturn on the HRA Income and Expenditure Account and reconciles it to the surplus or deficit for the year on the HRA Balance, calculated in accordance with the requirements of the Local Government and Housing Act 1989.

2. Reconciling items for the Movement on the HRA Statement

2010/11 £000s	Note to Statement of Movement on HRA Balance	2011/12 £000s
	Items included in HRA Income and Expenditure Account but excluded from the Movement on HRA Balance in the Year	
	Any other items of Income and Expenditure:	
(55,757)	Revaluation Losses/ Impairments of Assets	(323)
0	Impairment Written Back - Revaluation Gain	1,359
204	Deferred Government Grants	383
151	Gain/(Loss) on Disposal Assets	(3,966)
	Items NOT included in HRA Income and Expenditure Account required to be included in the movement on HRA Balance in year	
1,134	Transfer to Major Repairs Reserve	1,184
0	Transfer to Capital Adjustment Account -HRA Self financing Payment	(37,481)
0	Capital Expenditure funded by HRA	0
205	Amortisation of Premiums and Discounts	156
0	Employees Contribution payable to DCC Pension Fund and Retirement benefits payable direct to pensioners	0
(54,063)	**Net additional amount required by statute**	**(38,688)**

3. Housing Stock

Total 2010/11		Pre 1945	1945-1964	1965-1974	After 1974	Total 2011/12
	Traditional					
1,457	Houses and Bungalows	409	854	123	66	**1,452**
	Non Traditional Houses and Bungalows					
1,465	Houses and Bungalows	5	331	989	139	**1,464**
	Flats					
997	Low Rise (1-2 storeys)	46	390	273	288	**997**
184	Medium Rise (3-5 storeys)	27	24	49	84	**184**
4,103	**Total**	**487**	**1,599**	**1,434**	**577**	**4,097**

4. Housing Revenue Account Assets

Movements in 2011/12	Council Dwellings £000	Other Land and Buildings - HRA £000	Surplus Assets -HRA £000	Total HRA
Cost or Valuation				
At April 2011	120,247	1,501	485	122,233
Additions	4,522	0	0	4,522
Donations	0	0	0	0
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	0	99	0	99
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(4,455)	(39)	0	(4,494)
Derecognition - Disposals	(181)	0	0	(181)
Derecognition - Other	(4,203)	0	0	(4,203)
Assets reclassified (to)/from Held for Sale	0	0	0	0
Other movements in Cost or Valuation	0	(241)	0	(241)
At 31 March 2012	**115,930**	**1,320**	**485**	**117,735**
Accumulated Depreciation & Impairment				
At April 2011	(5,809)	(43)	(42)	(5,894)
Depreciation Charge	(1,360)	(42)	0	(1,402)
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	5,809	39	0	5,848
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(318)	0	0	(318)
Derecognition- Disposals	2	0	0	2
Derecognition- Other	0	0	0	0
Other movements in Depreciation & Impairment	0	3	0	3
At 31 March 2012	**(1,676)**	**(43)**	**(42)**	**(1,761)**
Net Book Value				
at 31st March 2012	**114,254**	**1,277**	**443**	115,974
at 31st March 2011	**114,438**	**1,458**	**443**	116,339

Comparative Movements in 2010/11	Council Dwellings	Other Land and Buildings - HRA	Surplus Assets HRA	Total HRA
Cost or Valuation				
At April 2010	183,204	1,550	443	185,197
Additions	4,417	96	0	4,513
Donations	0	0	0	0
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	(1,087)	78	0	(1,009)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(66,176)	0	0	(66,176)
Derecognition - Disposals	(167)	0	0	(167)
Derecognition - Other	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0
Other movements in Cost or Valuation	56	(56)	0	0
Asset Register Restatement	0	(167)	42	(125)
At 31 March 2011	**120,247**	**1,501**	**485**	**122,233**
Accumulated Depreciation & Impairment				
At April 2010	(14,938)	(94)	0	(15,032)
Depreciation Charge	(1,361)	(45)	0	(1,406)
Depreciation written out to the Revaluation Reserve	0	0	0	0
Depreciation written out to the Surplus/Deficit on the Provision of Services	14,938	0	0	14,938
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(4,448)	(71)	0	(4,519)
Derecognition- Disposals	0	0	0	0
Derecognition- Other	0	0	0	0
Other movements in Depreciation & Impairment	0	0	0	0
Asset Register Restatement	0	167	(42)	125
At 31 March 2011	**(5,809)**	**(43)**	**(42)**	**(5,894)**
Net Book Value				
at 31st March 2011	**114,438**	**1,458**	**443**	**116,339**
at 31st March 2010	**168,266**	**1,456**	**443**	**170,165**

The Vacant Possession Value (Open Market Value) of Council dwellings as at 1st April 2011 was £340.578 million (£341.003 at 1st April 2010). From 1st April 2010 the vacant possession discount factor reduced to 34%(1st April 2005 50%). The lower figure of £114.255 million shown in the accounts represents the cost to the Government of providing housing at less than open market rents. The revaluation was in accordance with the Government's resource accounting policy, at Existing Use Value Social Housing.

The balance sheet value reflects sales of dwellings and depreciation. Depreciation of £1.402 million has been charged. This figure is made up of £1.360 million for Council dwellings and £0.042 million is in respect of garages and shops.

2010/11 £000s		2011/12 £000s
1,361	Depreciation on Housing Revenue Account Dwellings	1,360
46	Depreciation on Housing Revenue Account other land and property	42
0	Depreciation on Housing Revenue Account non-operational assets	0
1,407	**Total**	**1,402**

The carrying value of the Authority's dwelling stock reduced in the year owing to an impairment charge of £0.318million which was charged to the HRA. Revaluation gains of £1.359 million were credited to the HRA to reverse impairment losses that had been charged to the HRA in previous years. Under statutory requirements, so as not to impact on the surplus or deficit generated by the Authority, the charges were reversed out of the accounts through the Movement on the HRA Statement.

5. Major Repairs Reserve (MRR)

The movements on the Major Repairs Reserve are shown below:

2010/11 £000s		2011/12 £000s
0	**Balance as at 1 April 2011**	**0**
1,407	Depreciation on HRA Assets	1,402
1,134	Excess of Depreciation above MRA	1,184
(2,541)	Funding of HRA expenditure	(2,586)
0	**Balance as at 31 March 2012**	**0**

6. HRA Capital Expenditure and Financing

2010/11 £000s		2011/12 £000s
	Capital Expenditure	
0	HRA Self Financing Payment	37,481
4,513	Council House Repair & Modernisation	4,522
4,513		**42,003**
	HRA Capital Expenditure Financed by :	
1,533	Borrowing	38,899
205	Grants and Contributions	383
107	Usable Capital Receipts	135
127	Revenue Contributions	0
2,541	Major Repairs Reserve	2,586
4,513	**Total**	**42,003**

7. Housing Capital Receipts

2010/11 £000s		2011/12 £000s
317	Right to Buy Council Sales	406
7	Council Mortgages	13
0	Right to Buy Council Sales - Release of Covenant	15
0	Release of Way leave	0
324	**Total Receipts**	**434**

8. HRA Revenue Funded from capital Under Statute

Revenue Funded from Capital Under Statute is created when expenditure has been incurred on items that are not capitalised as non-current assets and have been financed from capital resources. Revenue Expenditure Funded from Capital Under Statute is written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred.

The total amount of revenue Expenditure Funded from capital Under Statute totals £37.481million which represents the amount paid to government for the HRA subsidy self financing buy out. The Council received approval to finance this amount from borrowing therefore a transfer to the Capital Adjustment Account has been made from the Housing Revenue Account and shown as a reconciling item in the Statement of Movement on the Housing Revenue Account balance, therefore ensuring that there is no impact on the service.

9. Housing Revenue Account Subsidy

The Local Government and Housing Act 1989 introduced a new subsidy for the Housing Revenue Account. The amount receivable or payable is derived as the balance on a notional Housing Revenue Account for the Council, calculated in accordance with statutory determinations prescribing notional levels of increases in costs and rent income. As a result the position on the notional Housing Revenue Account can differ substantially from that on the Council's actual Housing Revenue Account. Included within the subsidy is a Major Repairs Allowance, which reflects the estimated average annual cost of maintaining the condition of the Council's housing stock over a 30-year period.

The figure of £2.874 (£2.126 million 2010/11) is the amount of housing subsidy payable to the Government by the Council. The table below shows the breakdown of the net subsidy payable.

2010/11 £000s	**Subsidy Receivable (Payable)**	2011/12 £000s
5,933	Management and Maintenance	6,013
1,647	Charges for Capital	1,517
0	Admissible Allowance	0
0	Notional Rent	0
(3)	Interest on Receipts	(2)
2,541	Major Repairs Allowance	2,586
(12,244)	Rental Constraint Allowance	(12,988)
0	Housing Defects Subsidy	0
(2,126)	**Total Receivable (Payable)**	**(2,874)**

10. Pensions Reserve

There are no IAS19 pension contributions within the Pension Reserve relating to the Housing Revenue Account. There are no longer any employees within the Housing Revenue Account as the employees were transferred to High Peak Community Housing Ltd when the company was set up in 2004. However, a contribution of £0.350 million (£0.336 million in 2010/11) for past service benefits attributable to previous housing employees has been made from the Housing Revenue Account to the General Fund.

11. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids etc. During the year, void properties equated to 0.95% of the gross rent debit. Average rents were £63.06 (exclusive of other charges) a week in 2011/12, an increase of £3.52 or 5.91% over the previous year.

12. Rent Arrears and Provisions for Bad Debts

During the year 2011/12 gross rent arrears as a proportion of gross debit have decreased from 2.23% of the amount due to 2.05%.

Former tenants' arrears of £38,631 were written off during the year.

Balances at 31 March are as follows:

2010/11 £000s		2011/12 £000s
304	Rent Arrears	296
107	Provision for Bad Debt- Rents	97

13. Exceptional or Prior Year Items

There are no prior year adjustments in 2011/12

HRA Self Financing Settlement

An exceptional item in 2011/12 was the settlement of debt figure of £37.481 million payable to Central Government for HRA Self Financing on 28th March 2012.

Collection Fund Account

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authorities and the Government of council tax and non-domestic rates.

2010/11 £000s	2010/11 £000s	Income/Expenditure	Note	2011/12 £000s	2011/12 £000s
		Income			
		Income due from:			
(20,714)		Buisness Rate Payers		(21,549)	
(39)		Discretionary Rate Relief		(40)	
	(20,753)				(21,589)
(42,231)		Council Tax		(42,252)	
(5,934)		Council Tax Benefit		(5,959)	
	(48,165)				(48,211)
	(331)	Contribution towards previous years Collection Fund Deficit			
	(69,249)	**Total Income**			**(69,800)**
		Expenditure			
		Precepts			
34,425		Derbyshire Count Council		34,470	
5,233		Derbyshire Police Authority		5,240	
2,146		Derbyshire Fire Authority		2,149	
6,120		High Peak Borough Council		6,131	
	47,924				47,990
		Business Rates			
20,617		Payments to pool		21,454	
136		Costs of collections		135	
	20,753				21,589
		Bad Debts & Undoubtful Debts			
(127)		Provision for Uncollectable amounts		72	
186		Bad Debt Written Off		29	
	59				101
		Contribution towards previous years Collection Fund Surplus			134
	68,736	**Total Expenditure**			**69,814**
	(513)	**Movement on Fund Balance in year**			**14**
	369	(Surplus)/ Deficit on Fund Brought forward			(144)
	(144)	**Fund Balance Carried Forward (Surplus)/Deficit**			**(130)**

Notes to the Collection Fund Accounts

1. National Non-Domestic Rates (NNDR)

Non-Domestic Rates are organised on a national basis. The Government specifies an amount, 43.3p in 2011/12 (41.4p in 2010/11) and subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a National Non Domestic Rates Pool administered by the Government. The total Non-Domestic rateable value at 31 March 2012 was £59,973,222 (31 March 2011 £59,737,337).

The Government redistributes the sums paid into the Pool back to local authorities on the basis of a fixed amount per head of population. The amounts collected on behalf of the Government and paid into the Pool are analysed in the table below.

2010/11 £000s	National Non Domestic Rate Income	2011/12 £000s
23,852	Gross Amount Due	25,207
(591)	Charitable Relief etc.	(755)
(90)	Transitional Relief	(94)
(957)	Small Business Rate Relief	(1,606)
(1,122)	Empty and Part Occupation Relief	(713)
21,092	**Net Amount Collectable**	**22,039**
	Less	
(309)	Impairment for Bad Debt	(429)
(30)	Interest on Overpayments	(21)
(136)	Cost of Collection Allowance payable to General Fund	(135)
20,617	**Amount Payable to NNDR Pool**	**21,454**

2. COUNCIL TAX BASE

Council Tax income derives from charges raised according to the value of residential properties that have been classified into 8 bands, based on valuations as at 1 April 1991. Individual charges are calculated by estimating the amount of income required from the Collection Fund by County Council, Police Authority, Fire and Rescue Authority and this Council, and dividing this total figure by the Council Tax Base. The Council Tax base for the year was calculated as follows:

Valuation Band	Proportion of Band D Charge (ninths)	No of Dwellings in Valuation List		Number of Band D Equivalent Dwellings	
		2010/11	2011/12	2010/11	2011/12
Band A	6	8,301	8,347	4,480.7	4,519.9
Band B	7	12,539	12,553	8,518.2	8,522.7
Band C	8	8,567	8,566	6,864.9	6,868.8
Band D	9	4,590	4,626	4,210.0	4,243.8
Band E	11	3,568	3,565	4,095.7	4,064.4
Band F	13	2,030	2,032	2,766.1	2,765.0
Band G	15	823	824	1,281.7	1,273.9
Band H	18	47	46	64.0	64.0
Total		**40,465**	**40,559**	**32,281**	**32,323**
Deduction for non-collection, new build, demolition and other adjustments				(323)	(324)
Additional properties and adjustments during the year				0	0
Council Tax Base (Band D equivalent)				**31,958**	**31,999**

3. THE FUND BALANCE

The year-end surplus or deficit on the Collection Fund is to be shared between billing and precepting authorities on the basis of estimates made on the year-end balance. The calculation has to be made on the 15 January each year. For 2011/12 a surplus of £61,744 was declared.

The accounts record an in-year deficit of £14,617 on the Collection Fund in 2011/12.

The surplus on the Collection Fund at 31 March 2011 was allocated to the District Council, County Council, the Police Authority and the Fire and Rescue Authority debtor accounts in proportion to the value of their respective demands and precepts made on the Collection Fund for 2011/12

The balance at 31 March 2012 has been disaggregated for the purpose of these Accounts to attribute relevant amounts to the precepting Councils' debtor accounts and the billing Council as follows:

Cumulative Surplus/ Deficit £000s		In Year Surplus /Deficit £000s	Cumulative Surplus/ Deficit £000s
17	High Peak Borough Council	0	17
104	Derbyshire County Council	(11)	93
16	Derbyshire Police Authority	(2)	14
7	Derbyshire Fire Authority	(1)	6
144	**Balance at 31 March**	**(14)**	**130**

The amounts attributable to the County Council, Police and Fire and Rescue Authorities above are shown as debtors in the 2011/12 Balance Sheet.

Actual distribution to the precepting authorities during the year:

2010/11 £000s		2011/12 Precept £000s	Share of Balance 31st March 2012 £000s	Total £000s
34,187	Derbyshire County Council	34,470	98	**34,568**
5,193	Derbyshire Police Authority	5,240	15	**5,255**
2,128	Debyshire Fire Authority	2,149	6	**2,155**
41,508	**Precepting Authorirties**	**41,859**	**119**	**41,978**
5,539	High Peak Borough Council	5,581	15	**5,596**
206	New Mills Town Council	203	0	**203**
112	Chapel -en-le-Frith Parish Council	112	0	**112**
228	Parish Councils	235		**235**
6,085		**6,131**	**15**	**6,146**
47,593		**47,990**	**134**	**48,124**

Community Charge: It should be noted that outstanding arrears in respect of Community Charge are still being collected and these amounts are credited directly to the Council's General Fund.

Group Accounts

Group Movement in Reserves Statement

	Total Council Reserves £'000	HPCH Reserves £'000	Total Group Reserves £'000
Balance at 31 March 2010 carried forward	(129,827)	1,667	(128,160)
Movement in reserves during 2010/11			
(Surplus) or deficit on the provision of Services	49,523	(465)	**49,058**
Other Comprehensive Income and Expenditure	(3,540)	(1,283)	**(4,823)**
Total Comprehensive Income and Expenditure	**45,983**	**(1,748)**	**44,235**
Adjustments between group accounts and authority accounts	0	0	**0**
Net (Increase)/decrease before transfers	**45,983**	**(1,748)**	**44,235**
Adjustment between accounting basis & funding basis under regulations	0	0	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**45,983**	**(1,748)**	**44,235**
Transfers to/(from) Earmarked Reserves	0	0	**0**
(Increase)/Decrease in 2011/12	**45,983**	**(1,748)**	**44,235**
Balance at 31 March 2011 carried forward	**(83,844)**	**(81)**	**(83,925)**
Movement in reserves during 2011/12			
Surplus or (deficit) on the provision of Services	39,341	1,003	**40,344**
Other Comprehensive Income and Expenditure	(448)	1,150	**702**
Total Comprehensive Income and Expenditure	**38,893**	**2,153**	**41,046**
Adjustments between group accounts and authority accounts	0	0	**0**
Net (Increase)/decrease before transfers	**38,893**	**2,153**	**41,046**
Adjustment between accounting basis & funding basis under regulations	0	0	**0**
Net (Increase)/Decrease before Transfers to Earmarked Reserves	**38,893**	**2,153**	**41,046**
Transfers to/(from) Earmarked Reserves	0	0	**0**
(Increase)/Decrease in 2011/12	**38,893**	**2,153**	**41,046**
Balance at 31 March 2012 carried forward	**(44,951)**	**2,072**	**(42,879)**

Group Comprehensive Income and Expenditure Account for Year Ended 31st March 2012

Restated 2010/11 Net Total		2011/12 Group Expenditure	Group Income	Group Net Total
£000		£000	£000	£000
1,325	Central Services to the Public	1,659	(832)	827
2,722	Cultural & Related Services	4,465	(2,423)	2,042
4,174	Environmental and Regulatory Services	6,760	(1,935)	4,825
2,474	Planning Services	4,158	(947)	3,211
489	Highways and Transport Services	502	(1,219)	(717)
(4,445)	Local Council Housing - (HRA)	7,108	(16,971)	(9,863)
417	Other Housing Services	29,947	(29,323)	624
1,019	Corporate and Democratic Core	1,778	(1,170)	608
280	Non Distributed Costs	543	0	543
5,203	Operating Loss / (Profit) (HPCH)	9,333	(2,948)	6,385
0	Exceptional item - settlement payment to Government for HRA self financing	37,481	0	37,481
51,309	HRA Impairment loss	0	0	0
(4,153)	Pension past service gains	0	0	**0**
60,814	**Cost of Services**	**103,734**	**(57,768)**	**45,966**
544	Other Operating Expenditure			5,351
3,371	Financing and Investment Income and Expenditure			2,554
	Lease Re-categorised			(1,153)
(15,668)	Taxation and Non-Specific Grant Income			(12,370)
49,061	**Surplus (-) or Deficit on Provision of Services**			**40,348**
(308)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(4,789)
(3)	Taxation Expenses			(4)
(4,515)	Actuarial (Gains)/Losses on Pension Assets/Liabilities			5,491
(4,826)	**Other Comprehensive Income and Expenditure**			**698**
44,235	**Total Comprehensive Income and Expenditure**			**41,046**

Group Balance Sheet as at 31st March 2012

31 March 2011 £'000		31 March 2012 £'000
151,291	Property, Plant & Equipment	155,545
0	Heritage Assets	371
822	Investment Properties	841
141	Intangible Assets	83
0	Assets Held For Sale	0
1,171	Long Term Investments	465
134	Long Term Debtors	102
153,559	**TOTAL LONG TERM ASSETS**	**157,407**
0	Current Held for Sale Investment Properties	0
0	Current Intangible Assets	0
4,874	Short Term Investments	2,227
0	Assets Held For Sale	0
90	Inventories	93
6,543	Short Term Debtors	5,019
2,377	Cash and Cash Equivalents	3,195
13,884	**TOTAL CURRENT ASSETS**	**10,534**
(489)	Cash and Cash Equivalents	(725)
(10,542)	Short Term Borrowings	(6,032)
(6,771)	Short Term Creditors	(5,689)
(148)	Provisions	(123)
(17,950)	**TOTAL CURRENT LIABILITIES**	**(12,569)**
0	Long Term Creditors	0
0	Provisions	0
(36,574)	Long Term Borrowing	(78,915)
(27,966)	Net Pension Liability	(33,417)
0	Other Long Term Liabilities	0
0	Donated Assets Account	0
0	Grants Receipts in Advance - Revenue	0
(1,028)	Grants Receipts in Advance - Capital	(161)
(65,568)	**TOTAL LONG TERM LIABILITIES**	**(112,493)**
83,925	**TOTAL NET ASSETS**	**42,879**
8,369	Useable Reserves	8,016
75,427	Unusable Reserves	36,899
129	HPCH Profit and Loss Reserve	**(2,036)**
83,925	**TOTAL RESERVES**	**42,879**

Group Cash Flow Statement

2010/11 £'000		Council £'000	HPCH £'000	2011/12 £'000
(49,061)	Net Surplus/(Deficit) on the Provision of Services	(39,341)	(1,007)	(40,348)
103,632	Adjustment to Surplus or Deficit on the Provision of Services for Non-Cash Movements	4,747	17	4,764
(48,686)	Adjust for Item Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	(2,429)	0	(2,429)
5,885	Net Cash Flows from Operating Activities	(37,023)	(990)	(38,013)
(4,058)	Investing Activities	(1,353)	(3)	(1,356)
(1,301)	Financing Activities	39,951		39,951
526	Net Increase or (Decrease) in Cash and Cash Equivalents	1,575	(993)	582
1,362	Cash and Cash Equivalents at the Beginning of the Reporting Period	507	1,381	1,888
1,888	**Cash and Cash Equivalents at the End of the Reporting Period**	**2,082**	**388**	**2,470**

Notes to the Group Accounts

1. High Peak Community Housing Ltd

High Peak Borough Council set up a wholly owned subsidiary company, High Peak Community Housing Ltd (HPCH), on 1st March 2004 to manage its housing stock.

2. Retained Surplus / Deficit

For 2011/12 HPCH made a deficit of £1.003 million compared with a surplus of £0.465 million for 2010/11. This is shown on the Group Income and Expenditure Statement on page 97.

3. Assets and Liabilities

At 31st March 2012, High Peak Community Housing Ltd held fixed assets valued at :-

	2011/12	2010/11
Property Plant & Equipment	195	312
Inventory	0	0
Debtors	905	677
Cash & Cash Equivalents	388	1,381
Total Assets	1,488	2,370

The accounts also show current liabilities valued at:-

	2011/12	2010/11
Creditors	1,385	1,309
Pension Liability	2,139	903
Accumulated Absences	36	48
Long Term Creditors	0	29
Total Liabilities	3,560	2,289

4. Inter-organisation Balances (IOB)

The Group Accounts require that inter-organisation balances (IOB) be removed. The table below shows the reconciliation of Balance Sheet debtors and creditors inter-organisation balances (IOB).

	HPBC Balance Sheet £'000	HPCH Balance Sheet £'000	HPBC IOB £'000	HPCH IOB £'000	Total £'000	2010/11
Debtors	4,305	905	(5)	(186)	5,019	6,538
Creditors	(4,495)	(1,385)	186	5	(5,689)	(6,766)
	(190)	(480)	181	(181)	(670)	(228)

The table below shows the reconciliation of Income and Expenditure inter-organisation transactions (IOT)

	HPBC I&E £'000	HPCH I&E £'000	HPBC IOT £'000	HPCH IOT £'000	Total £'000	2010/11
Expenditure	100,353	9,972	(5,940)	(651)	103,734	110,026
Income	(55,471)	(8,888)	651	5,940	(57,768)	(53,629)
	44,882	1,084	(5,289)	5,289	45,966	56,397

5. High Peak Community Housing Ltd. Accounts

The 2011/12 Accounts for High Peak Community Housing Ltd can be obtained from the Chief Executive, High Peak Community Housing Ltd, Units 22-24, Furness Vale Business Centre, Calico Lane, Furness Vale. High Peak SK23 7SW

Glossary of Financial Terms

Accounting Policies

Accounting policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the Council that specify how the effects of transactions and other events are to be reflected in it's financial statement.

Accounting Period

This is the length of time covered by the accounts. It is normally a period of 12 months commencing 1st April. The end of the accounting period is the Balance Sheet date.

Accruals

The accruals basis of accounting requires the non-cash effects of transactions to be reflected in the financial statements for the accounting period in which they were earned or incurred, and not in the period in which any cash is received or paid.

Actuarial Gains and Losses

For a defined benefit scheme, the changes in actuarial deficits or surpluses that arise because:

- Events have not coincided with the actuarial assumptions made for the last valuation; or
- The actuarial assumptions have changed.

Amortisation

The measure of consumption or reduction in the useful life of an asset

Area Based Grant

This grant replaced the Local Area Agreement Grant (LAAG) from 2008/09. Unlike the LAAG this grant is a non-ring-fenced general grant which is paid directly to the benefiting authority. As a general grant it is included in the Income and Expenditure Account.

Asset

An asset is something that the Council owns that has a monetary value. Assets are either 'current' or 'fixed'. A current asset will be used by the end of the next financial year, whereas a fixed asset provides benefits for a period of more than one year.

Balance Sheet

A snapshot of the overall financial position of the Council at the end of the financial year.

Balances

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

Capital Adjustment Account

It provides a balancing mechanism between the cost of fixed assets consumed and the capital financing set aside to pay for them. (Introduced by the 2007 SORP, it replaced the Capital Financing Account.)

Capital Charges

The depreciation charge covering fixed assets used in the provision of services.

Capital Expenditure

Spend on the acquisition of fixed assets or expenditure which adds to and does not merely maintain existing assets.

Capital Receipts

Income received from the sale of capital assets, a specified proportion of which may be used to finance new capital expenditure and the remainder is set-aside and may only be used for paying off debt.

Carrying Value

The value at which an asset or liability is held on the Balance Sheet.

Cash Flow Statement

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Chartered Institute of Public Finance and Accountancy (CIPFA)

The professional body concerned with local authorities and the public sector.

Collection Fund

Fund indicating the level of Council Tax and Non-Domestic Rates received by the Council and the payments which are made from these funds including precepts to other authorities, the Council's own demand and payments to the NNDR pool.

Community Assets

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

Consistency
Accounting concept applied in the preparation of the accounts, ensuring that the accounting treatment of like items within a period and from one period to the next is the same.

Contingent Assets & Liabilities
Possible economic benefit or payment obligation which may arise in the future but which cannot be determined in advance.

Creditors *(Payables)*
Amounts owed by the Council for goods and services, where payments have not been made at the end of the financial year.

Current Assets
Items that can be readily converted into cash.

Current Liabilities
Items that are due immediately or in the short-term.

Debtors *(Receivables)*
Amounts owed to the Council for goods and services, where the income has not been received at the end of the financial year.

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

Deferred Credits
This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, such as mortgages. The balance is reduced by the principal amount repayable in any financial year.

Deferred Grants
Amounts received or receivable that have been used to finance capital expenditure. Under the capital accounting arrangements these amounts will be released to offset depreciation in respect of the fixed assets to which they relate.

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

Depreciation
Measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use over time or obsolescence through technological or other changes.

Derivative
A financial instrument whose value is dependant on future changes. An example relevant to this Authority is where an investment is contracted to take place at a future date at an agreed rate. The derivative is the value of the interest gained or foregone if the rate that would have been obtained at the future date differs from that set in the contract.

Earmarked Reserves
These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

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

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

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

Fees and Charges
Income arising from the provision of services.

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

Financial Reporting Standards (FRSs)

Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

Financial Instrument
These are contracts that give rise to a financial asset of one entity and a financial liability of another. Examples include trade payables and receivables, borrowings, investments, loans and bank deposits. It is only recently that financial instruments have been comprehensively covered by UK financial reporting standards.

Financial Year
A period of time to which a Statement of Accounts relates. The financial year of the Council runs from 1st April to 31st March.

Fitch Ratings
Credit Ratings are a mechanism used to establish credit and investment policies. Fitch is the Council's preferred ratings agency as they use a 4 way approach when rating financial institutions based on:
Issuer Default Rating (IDR) measures the probability of default. 2 types:

- Short-term – time horizon of less than 13 months
- Long-term – time horizon over 13 months

- **Support Rating** – assessment of a potential supporters' (state or Institutional owner) propensity and ability to support a bank; and
- **Individual Rating** – assessment of how a bank would be viewed if it were entirely independent and could not rely on external support.

Fixed Assets
Assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Going Concern
The accounting concept that assumes the Council will remain in operational existence for the foreseeable future. This means in particular that the income & expenditure accounts and balance sheet assume no intention to curtail significantly the scale of operations.

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

Government Grants Deferred
Government Grants received in advance awaiting credit to the Income & Expenditure Account in future years.

Heritage Asset
An asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Impairment
The writing down in the value of an asset, owing to a change in market value use of resource.

Income & Expenditure Account
The Income & Expenditure Account summarises the resources that have been generated and consumed in providing services and managing the Council during the year.

Infrastructure Assets
Inalienable fixed assets, expenditure, which is recoverable only by continued use of the asset created. Examples of such assets are highways and footpaths.

Intangible Assets
Are non-financial fixed assets that do not have physical substance but are identifiable and are controlled by the authority through custom or legal rights. Examples of such assets are software licences.

Investment Properties
Interest in land and/or buildings in respect of which construction work and development have been completed and which is held for its investment potential with any rental income being negotiated at arm's length.

Joint Venture
A contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking.

Leasing
Method of financing the provision of various capital assets, usually in the form of operating leases which tend not to provide for property in the asset to transfer to the authority.

Long-Term Investments

An investment intended to be held for the medium or long-term and will not be capable of realisation within a year of the balance sheet date.

Long-term Debtors

Monies due to the Council that are unlikely to be recovered within a 12-month period, for example mortgage debts.

Minimum Revenue Provision (MRP)

Minimum amount which must be charged to an authority's revenue account each year for the repayment of principal and set aside as a provision for credit liabilities.

National Non-Domestic Rate (NNDR)

Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally and amounts collected by local authorities are pooled and then redistributed by the Government to local authorities based on the local resident population.

Net Book Value

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

Net Current Replacement Cost

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

Net Realisable Value

Open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non-Operational Assets

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale of redevelopment.

Operating Leases

A lease other than a finance lease.

Operational Assets

Tangible fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Post Balance Sheet Events

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

Pension Fund

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

Precept

Demands made upon the collection fund by other authorities (Derbyshire Police, Derbyshire County Council, Derbyshire Fire Authority and Parish Councils) for the services they provide.

Provisions

Amounts set aside to meet liabilities or losses which are likely to be incurred but where the amount remains uncertain.

Prudence

Accounting concept that revenue is not anticipated but is recognised only when realised in the form of either cash or of other assets, the ultimate, cash realisation of which can be assessed with reasonable certainty.

Prudential Framework

The Prudential Framework replaced the credit approval mechanism previously used by central government to control borrowing for capital expenditure. Local authorities are now allowed to determine their own capital programmes according to prudent assessments of affordability. Authorities must set their spending plans in accordance with the CIPFA Prudential Code.

Reserves

Sums set aside to meet future expenditure on specific purposes.

Revaluation Reserve

A capital reserve that records net gains (if any) from revaluations of assets made after 1st April 2007. (introduced by the 2007 SORP, it replaced the Fixed Asset Restatement Account).

Revenue Contributions

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

Revenue Expenditure
Expenditure on the day-to-day running of the Council, including employee costs, running expenses and capital financing costs.

Revenue Expenditure Funded from Capital Resources Under Statute (REFCUS)
Expenditure of a capital nature for which there is no tangible asset acquired by the Council. This would include capital grants or renovation grants to private persons.

Revenue Support Grant (RSG)
Grant paid to local authorities by Central Government to help finance its general expenditure.

Statement of Standard Accounting Practice (SSAP)
A statement of accounting practice issued by the Accounting Standards Board.

Short-term Investments
An investment that is capable of realisation within a year of the balance sheet date.

Soft Loan
Loans made for policy reasons rather than as financial instruments. Commonly, made to local and voluntary sector bodies that undertake activities considered beneficial to the community. They may be interest free or below prevailing market rates.

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

Usable Capital Receipts Reserve
Distinguishes the amounts in the reserve from any capital receipts that have been posted to the Capital Adjustment Account to reduce the Authority's underlying requirement to borrow.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGH PEAK BOROUGH COUNCIL

Opinion on the financial statements

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

This report is made solely to the members of High Peak Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Executive Director & Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

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

Opinion on other matters

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

Matters on which I report by exception

I report to you if:

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

I have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

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

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

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

Conclusion

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

Certificate

I certify that I have completed the audit of the accounts of High Peak Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Sue Sunderland
District Auditor

Westthorpe Business Innovation Centre,
Westthorpe Fields Road
Killamarsh
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September 2012