

# Example Financial Statements and Notes to the Accounts for Local Authorities 2010/11

This document has been prepared to illustrate the requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11*. It is not guaranteed to provide a definite interpretation of the Code's provisions or to contain all the disclosures that individual authorities might need to make in order to give a true and fair view of their own financial position and performance. This document should not be treated as a template for the preparation of the Statement of Accounts.

The following points should be noted by practitioners:

- The Example has been prepared to meet the minimum requirements of the Code – no supplementary disclosures are included.
- No consideration has been made of materiality – the Code requirements only apply where disclosure would be material and omissions or summaries might be possible for individual authorities in areas where the Example has detailed analyses.
- For the purposes of providing comprehensive illustrations of the individual notes required, the Example is not fully consistent internally. The narrative in several of the notes may be contradictory or contain mutually exclusive statements when compared with other notes, but with the objective of providing the fullest effective disclosure for that particular note.
- The Example does not cover the following:
  - prior period adjustments
  - correction of errors
  - machinery of government changes.
- Disclosure of the effect of changes in accounting estimates potentially applies to all estimated figures but is covered in the Example only by illustration in the note for Property, Plant and Equipment.
- No notes have been included about the transition to IFRS – illustrations are provided of the disclosures that may be required are provided in Module 10 of the Code Practitioners' Guidance Notes.
- The Example does not include an HRA, Collection Fund or Pension Fund Accounts – illustrations are provided in the relevant sections of the Guidance Notes.
- The Example does not include Group Accounts – an update of the Practitioners' Workbook for Group Accounts is planned.
- The ordering of the contents is not definitive. The four main financial statements are required to be given equal prominence ([paragraph 3.4.2.18 of the Code](#)) and the notes

are to be presented in a systematic manner ([paragraph 3.4.2.76 of the Code](#)). In this illustration, the notes have been ordered firstly to the extent that they illustrate lines in the financial statements and then to follow the order in which the disclosure requirement is included in the Code. This is for ease of reference to the source material in the Code and may not be appropriate for individual authorities.

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## Movement in Reserves Statement<sup>1,2</sup>

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (ie 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.<sup>3</sup>

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 20X0</b>	X	X	X	X	X	X	X	X	X	X
<b>Movement in reserves during 20X0/X1</b>										
Surplus or (deficit) on the provision of services	X	X	X	X	X	X	X	X	X	X
Other Comprehensive Income and Expenditure	X	X	X	X	X	X	X	X	X	X
<b>Total Comprehensive Income and Expenditure</b>	X	X	X	X	X	X	X	X	X	X
Adjustments between accounting basis & funding basis under regulations (Note 7)	X	X	X	X	X	X	X	X	X	X
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	X	X	X	X	X	X	X	X	X	X
Transfers to/from Earmarked Reserves (Note 8)	X	X	X	X	X	X	X	X	X	X
<b>Increase/Decrease in 20X0/X1</b>	X	X	X	X	X	X	X	X	X	X

1. Presentational requirements are contained in [paragraphs 3.4.2.36 to 3.4.2.40 of the Code](#). These paragraphs give authorities options to include more detail on the face of the Statement – this example shows only the minimum requirements.
2. Authorities in Scotland will omit the columns for Earmarked Reserves and the Major Repairs Reserve and substitute a column or columns for statutory funds.
3. Recommended text per [paragraph 3.4.2.37 of the Code](#). The Code allows this introductory paragraph to be included in the Explanatory Foreword rather than on the face of the Statement.

	General Fund Balance £000	Earmarked General Fund Reserves £000	Housing Revenue Account £000	Earmarked HRA Reserves £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 20X1 carried forward</b>	X	X	X	X	X	X	X	X	X	X
<b>Movement in Reserves during 20X1/X2</b>										
Surplus or (deficit) on provision of services	X	-	X	-	-	-	-	X	-	X
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	-	X	X
<b>Total Comprehensive Income and Expenditure</b>	X	-	X	-	-	-	-	X	X	X
Adjustments between accounting basis & funding basis under regulations (Note 7)	X	-	X	-	X	X	X	X	X	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	X	-	X	-	X	X	X	X	X	X
Transfers to/from Earmarked Reserves (Note 8)	X	X	X	X	-	X	X	-	-	-
<b>Increase/Decrease in Year</b>	X	X	X	X	X	X	X	X	X	X
<b>Balance at 31 March 20X2 carried forward</b>	X	X	X	X	X	X	X	X	X	X



20X0/X1			20X1/X2		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000	£000	£000	£000
		x			x
		Surplus or deficit on revaluation of Property, Plant and Equipment assets			
		x			x
		Surplus or deficit on revaluation of available for sale financial assets			
		x			x
		Actuarial gains/losses on pension assets / liabilities			
		<b>x</b>			<b>x</b>
		<b>Other Comprehensive Income and Expenditure</b>			
		<b>x</b>			<b>x</b>
		<b>Total Comprehensive Income and Expenditure</b>			

\* *Material item disclosed separately per paragraph 3.4.2.51 of the Code.*

## Balance Sheet<sup>6</sup>

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line ‘Adjustments between accounting basis and funding basis under regulations’.<sup>7</sup>

1 April 20X0*	31 March 20X1		Notes	31 March 20X2
£000	£000			£000
x	x	Property, Plant & Equipment	12	x
x	x	Investment Property	13	x
x	x	Intangible Assets	14	x
x	x	Assets Held for Sale	20	x
x	x	Long Term Investments	15	x
x	x	Long Term Debtors	15	x
x	x	<b>Long Term Assets</b>		<b>x</b>
x	x	Short Term Investments	15	x
x	x	Assets Held for Sale	20	x
x	x	Inventories	16	x
x	x	Short Term Debtors	18	x
x	x	Cash and Cash Equivalents	19	x
x	x	<b>Current Assets</b>		<b>x</b>
x	x	Cash and Cash Equivalents**	19	x
x	x	Short Term Borrowing	15	x
x	x	Short Term Creditors	21	x

6. Presentational requirements are contained in [paragraphs 3.4.2.53 to 3.4.2.56 of the Code](#). These paragraphs give authorities options to include more detail on the face of the statement – this example shows only the minimum requirements.

7. Recommended text per [paragraph 3.4.2.52 of the Code](#). The Code allows this introductory paragraph to be included in the Explanatory Foreword rather than on the face of the statement.

1 April 20X0*	31 March 20X1		Notes	31 March 20X2
£000	£000			£000
x	x	Provisions	22	x
x	x	Liabilities in Disposal Groups	20	x
x	x	<b>Current Liabilities</b>		<b>x</b>
x	x	Long Term Creditors	15	x
x	x	Provisions	22	x
x	x	Long Term Borrowing	15	x
x	x	Other Long Term Liabilities	15	x
x	x	Donated Assets Account	38	x
x	x	Capital Grants Receipts in Advance	38	x
x	x	<b>Long Term Liabilities</b>		<b>x</b>
x	x	<b>Net Assets</b>		<b>x</b>
x	x	Usable Reserves	23	x
x	x	Unusable Reserves	24	x
x	x	<b>Total Reserves</b>		<b>x</b>

\* *Opening Balance Sheet for comparative year only required where there have been prior period adjustments. This Opening Balance Sheet will be covered by the requirements of paragraph 3.4.2.59 of the Code to disclose further sub-classifications of the line items. Many of the supporting notes already require this information in comparative figures for reconciliations of opening and closing balances (eg paragraph 4.1.4.3(e) of the Code in relation to Property, Plant and Equipment). However, where this is not the case, notes supporting the Balance Sheet may require an additional comparative column in order to disclose the breakdown of balances at 1 April of the comparative year.*

\*\* *This line has the description Cash and Cash Equivalents as it represents a net deficit on cash; it would have the description Bank Overdrafts if it contained the gross deficit of cash overdrawn on bank accounts for which there were no offsetting arrangements with the bank*

## Cash Flow Statement<sup>8</sup>

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.<sup>9</sup>

20X0/X1	20X1/X2
£000	£000
x Net (surplus) or deficit on the provision of services	x
Adjustments to net surplus or deficit on the provision of services for non-cash	
x movements	x
Adjustments for items included in the net surplus or deficit on the provision of	
x services that are investing and financing activities	x
<hr/>	<hr/>
x Net cash flows from Operating Activities (Note 25)	x
x Investing Activities (Note 26)	x
x Financing Activities (Note 27)	x
<hr/>	<hr/>
x Net increase or decrease in cash and cash equivalents	x
x Cash and cash equivalents at the beginning of the reporting period	x
<hr/>	<hr/>
x <b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>x</b>
<hr/>	<hr/>

8. This example presumes that the indirect method of preparing the Statement has been used. Presentational requirements are contained in [paragraphs 3.4.2.67 to 3.4.2.69 of the Code](#). These paragraphs give authorities options to include more detail on the face of the Statement – this example shows only the minimum requirements. Where the direct method is used, [paragraphs 3.4.2.63 to 3.4.2.65 of the Code](#) set out the presentational requirements.
9. Recommended text per [paragraph 3.4.2.61 of the Code](#). The Code allows this introductory paragraph to be included in the Explanatory Foreword rather than on the face of the statement.

# NOTES TO THE ACCOUNTS

## 1. ACCOUNTING POLICIES

**In paragraph 3.4.2.79 from the *Code of Practice on Local Authority Accounting in the United Kingdom 2010/11: Based on International Financial Reporting Standards***

The summary of significant accounting policies shall include the following items where they have a significant effect on the amounts recognised in the financial statements:

- a) accruals of expenditure and income
- b) acquired operations
- c) Area Based Grant (England only)
- d) back pay arising from unequal pay claims
- e) Business Improvement District schemes (England, Scotland and Wales)
- f) cash and cash equivalents
- g) contingent assets
- h) contingent liabilities
- i) discontinued operations
- j) employee benefits
- k) events after the Balance Sheet date
- l) exceptional items and prior period adjustments
- m) financial instruments
- n) foreign currency translation
- o) government grants and other contributions
- p) intangible assets
- q) inventories and long-term contracts
- r) investment property
- s) landfill allowances schemes
- t) leases (separate policies required for operating and finance leases)
- u) non-current assets held for sale
- v) overheads
- w) PFI schemes
- x) property, plant and equipment
- y) provisions
- z) reserves
- aa) revenue expenditure funded from capital under statute, and
- ab) Value Added Tax.

## 2. ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

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For 2010/11 the only accounting policy change that needs to be reported relates to FRS 30 *Heritage Assets*. [Appendix C of the 2011/12 Code](#) will provide details of the disclosures required.<sup>10</sup>

## 3. CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES<sup>11</sup>

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Authority has £x deposited with Southern Soul Bank which is in administration. A decision by the courts is being sought as to whether the Authority will have the status of a preferred creditor or whether the amount will have to be written off. Legal advice has been obtained to support a judgement that this status will be secured and that the full amount of the deposit will be repaid.
- The Authority is the sole trustee of the Hanham on Tanner Leisure Trust, a charitable organisation that owns and operates the leisure centres previously owned by the Authority. It has been determined that the Authority does not have control of the Trust and it is not a subsidiary of the Authority.
- The Authority is deemed to control the services provided under the outsourcing agreement for social care provision in six residential homes and also to control the residual value of the homes at the end of the agreement. The accounting policies for PFI schemes and similar contracts have been applied to the arrangement and the homes (valued at £x) are recognised as Property, Plant and Equipment on the Authority's Balance Sheet.
- A claim has been made against the Authority in relation to the cancellation of a major procurement contract. With the support of the Authority's legal advisors, it has been assessed that the Authority was entitled to cancel the contract and no provision for possible damages has been made in relation to the claim.
- etc ...

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10. Required by [paragraph 3.3.4.3 of the Code](#). Disclosure requirements for 2010/11 are expected to be included in the 2011/12 Code.

11. Required by [paragraph 3.4.2.78 of the Code](#).

#### 4. ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY<sup>12</sup>

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 20X2 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Property, Plant and Equipment</b>	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.  It is estimated that the annual depreciation charge for buildings would increase by £x for every year that useful lives had to be reduced.
<b>Provisions</b>	The Authority has made a provision of £x for the settlement of claims for back pay arising from the Equal Pay initiative, based on the number of claims received and an average settlement amount. It is not certain that all valid claims have yet been received by the Authority or that precedents set by other authorities in the settlement of claims will be applicable.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £x to the provision needed.

12. Required by [paragraph 3.4.2.80 of the Code](#). These disclosures can be made either as a separate note or in the individual notes about relevant items (eg provisions).

<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £x.  However, the assumptions interact in complex ways. During 20X1/X2, the Authority's actuaries advised that the net pensions liability had increased by £x as a result of estimates being corrected as a result of experience and decreased by £x attributable to updating of the assumptions.
<b>Arrears</b>	At 31 March 20X2, the Authority had a balance of sundry debtors for £x. A review of significant balances suggested that an impairment of doubtful debts of 5% (£x) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £x to set aside as an allowance.

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etc ...

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

## 5. MATERIAL ITEMS OF INCOME AND EXPENSE<sup>13</sup>

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[Where items are not disclosed on the face of the Comprehensive Income and Expenditure Statement, the nature and amount of material items should be set out in a note. Examples cited by the Code include disposals of items of property, plant and equipment, disposals of investments and reversals of provisions.]

## 6. EVENTS AFTER THE BALANCE SHEET DATE<sup>14</sup>

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The Statement of Accounts was authorised for issue by the Director of Finance on 20 September 20X2. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 20X2, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 20X2 as they provide information that is relevant to an

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13. Required by [paragraph 3.4.2.51 of the Code](#).

14. Required by [paragraph 3.8.4.1 of the Code](#).

understanding of the Authority's financial position but do not relate to conditions at that date:

- The Property, Plant and Equipment line in the Balance Sheet contains valuations totalling £x for three secondary schools in the Witney Hughestown ward of the city. On the night of 10 June 20X2 the three schools were destroyed by a series of arson attacks that required the demolition of the main buildings on each site. The council was not insured for the loss.
- On 11 July 20X2, the red squirrels kept in the Authority's Conservation Centre escaped from their paddock and gnawed through protective coverings at the neighbouring nuclear waste treatment plant, releasing toxic materials across a small area of the Authority. Legal proceedings for negligence have been started against the Authority. The Authority's potential liability cannot be estimated reliably, but the litigants assess the overall cost of clearing up the contamination as upwards of £x.

[note specifically required where an authority has been informed by government of an intention to transfer services from the authority]

## 7. ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS<sup>15</sup>

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.<sup>16</sup>

20X1/X2	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	x	x				x
Revaluation losses on Property Plant and Equipment	x					x
Movements in the market value of Investment Properties	x					x
Amortisation of intangible assets	x					x
Capital grants and contributions applied	x	x				x
Movement in the Donated Assets Account	x					x
Revenue expenditure funded from capital under statute	x	x				x
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	x	x				x
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	x	x				x
Capital expenditure charged against the General Fund and HRA balances	x	x				x

15. Required by [paragraph 3.4.2.39 of the Code](#).

16. The example includes gross figures for all the statutory adjustments (eg reversing out IAS 19 retirement benefits charges and inserting employer's contributions). Practitioners have scope to determine whether this detail is necessary or whether the adjustments can be fairly presented as net transactions).

20X1/X2	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						
Application of grants to capital financing transferred to the Capital Adjustment Account						
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
	X	X	X			
Use of the Capital Receipts Reserve to finance new capital expenditure						
			X			X
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals						
	X	X	X			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.						
	X	X	X			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						
			X			X
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement						
	X					X
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA						
		X		X		
Use of the Major Repairs Reserve to finance new capital expenditure						
				X		X

20X1/X2	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	X					X
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	X	X				X
Employer's pensions contributions and direct payments to pensioners payable in the year	X	X				X
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	X					X
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	X	X				X
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	X	X				X
<b>Total Adjustments</b>	X	X	X	X	X	X

20X0/X1 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and impairment of non-current assets	x	x				x
Revaluation losses on Property Plant and Equipment	x					x
Movements in the market value of Investment Properties	x					x
Amortisation of intangible assets	x					x
Capital grants and contributions applied	x	x				x
Movement in the Donated Assets Account	x					x
Revenue expenditure funded from capital under statute	x	x				x
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	x	x				x
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Statutory provision for the financing of capital investment	x	x				x
Capital expenditure charged against the General Fund and HRA balances	x	x				x
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	x				x	
Application of grants to capital financing transferred to the Capital Adjustment Account					x	x

20X0/X1 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	X	X	X			
Use of the Capital Receipts Reserve to finance new capital expenditure						X
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	X	X	X			
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool.	X	X	X			
Transfer from Deferred Capital Receipts Reserve upon receipt of cash						X
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve (England and Wales):</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	X					X
<b>Adjustment primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA		X		X		
Use of the Major Repairs Reserve to finance new capital expenditure				X		X
<b>Adjustments primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	X					X

20X0/X1 Comparative Figures	Usable Reserves					
	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	X	X				X
Employer's pensions contributions and direct payments to pensioners payable in the year	X	X				X
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	X					X
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	X	X				X
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	X	X				X
<b>Total Adjustments</b>	X	X	X	X	X	X

## 8. TRANSFERS TO/FROM EARMARKED RESERVES<sup>17</sup>

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 20X1/X2.

	Balance at 1 April 20X0 £000	Transfers Out 20X0/X1 £000	Transfers In 20X0/X1 £000	Balance at 31 March 20X1 £000	Transfers Out 20X1/X2 £000	Transfers In 20X1/X2 £000	Balance at 31 March 20X2 £000
<b>General Fund:</b>							
Balances held by schools under a scheme of delegation	x	x	x	x	x	x	x
Earmarked reserve A	x	x	x	x	x	x	x
Earmarked reserve B	x	x	x	x	x	x	x
... etc ...	x	x	x	x	x	x	x
<b>Total</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>HRA</b>							
Housing Repairs Account	x	x	x	x	x	x	x
Earmarked reserve C	x	x	x	x	x	x	x
... etc ...	x	x	x	x	x	x	x
<b>Total</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

## 9. OTHER OPERATING EXPENDITURE<sup>18</sup>

	20X0/X1 £000	20X1/X2 £000
x Parish council precepts		x
x Levies		x
x Payments to the Government Housing Capital Receipts Pool		x
x Gains/losses on the disposal of non-current assets		x
<b>x Total</b>		<b>x</b>

17. Required by paragraph 3.4.2.39 of the Code.

18. Required by paragraph 3.4.2.45 of the Code.

**10. FINANCING AND INVESTMENT INCOME AND EXPENDITURE<sup>19</sup>**

20X0/X1	20X1/X2
£000	£000
x Interest payable and similar charges	x
x Pensions interest cost and expected return on pensions assets	x
x Interest receivable and similar income	x
x Income and expenditure in relation to investment properties and changes in their fair value	x
x Other investment income	x
<b>x Total</b>	<b>x</b>

**11. TAXATION AND NON SPECIFIC GRANT INCOMES<sup>20</sup>**

20X0/X1	20X1/X2
£000	£000
x Council tax income	x
x Non domestic rates	x
x Non-ringfenced government grants	x
x Capital grants and contributions	x
<b>x Total</b>	<b>x</b>

19. Required by [paragraph 3.4.2.45 of the Code](#).20. Required by [paragraph 3.4.2.45 of the Code](#).

## 12. PROPERTY, PLANT AND EQUIPMENT

### Movements on Balances<sup>21</sup>

Movements in 20X1/X2:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
<b>Cost or Valuation</b>									
At 1 April 20X1	x	x	x	x	x	x	x	x	x
additions	x	x	x	x	x	x	x	x	x
donations	x	x	x	x	x	x	x	x	x
revaluation increases/ (decreases) recognised in the Revaluation Reserve	x	x	x	x	x	x	x	x	x
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	x	x	x	x	x	x	x	x	x
derecognition – disposals	x	x	x	x	x	x	x	x	x
derecognition – other	x	x	x	x	x	x	x	x	x
assets reclassified (to)/from Held for Sale	x	x	x	x	x	x	x	x	x
other movements in cost or valuation	x	x	x	x	x	x	x	x	x
<b>At 31 March 20X2</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Accumulated Depreciation and Impairment</b>									
at 1 April 20X1	x	x	x	x	x	x	x	x	x
depreciation charge	x	x	x	x	x	x	x	x	x
depreciation written out to the Revaluation Reserve	x	x	x	x	x	x	x	x	x

21. Required by paragraphs 4.1.4.3(1)(d) and 4.1.4.3(1)(e) of the Code. Items (a) to (c) in paragraph 4.1.4.3(1) are covered in the accounting policies for Tangible Assets. The example has more lines than the minimum required by the Code in order that a comprehensive reconciliation of movements is achieved. Where any line has nil entries, it can be deleted from the table.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment* £000
depreciation written out to the Surplus/Deficit on the Provision of Services	X	X	X	X	X	X	X	X	X
impairment losses/(reversals) recognised in the Revaluation Reserve	X	X	X	X	X	X	X	X	X
impairment losses/(reversals) recognised in the Surplus/ Deficit on the Provision of Services	X	X	X	X	X	X	X	X	X
derecognition – disposals	X	X	X	X	X	X	X	X	X
derecognition – other	X	X	X	X	X	X	X	X	X
other movements in depreciation and impairment	X	X	X	X	X	X	X	X	X
<b>At 31 March 20X2</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Net Book Value</b>									
<b>at 31 March 20X2</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>at 31 March 20X1</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

\* Required by paragraph 4.3.4.2 of the Code. The figures do not have to be provided as part of the note on the overall movement on Property, Plant and Equipment balances.

Comparative Movements in 20X0/X1:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
<b>Cost or Valuation</b>									
At 1 April 20X0	X	X	X	X	X	X	X	X	X
additions	X	X	X	X	X	X	X	X	X
donations	X	X	X	X	X	X	X	X	X
revaluation increases/ (decreases) recognised in the Revaluation Reserve	X	X	X	X	X	X	X	X	X
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	X	X	X	X	X	X	X	X	X
derecognition – disposals	X	X	X	X	X	X	X	X	X
derecognition – other	X	X	X	X	X	X	X	X	X
assets reclassified (to)/from Held for Sale	X	X	X	X	X	X	X	X	X
other movements in cost or valuation	X	X	X	X	X	X	X	X	X
<b>At 31 March 201X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Accumulated Depreciation and Impairment</b>									
at 1 April 20X0	X	X	X	X	X	X	X	X	X
depreciation charge	X	X	X	X	X	X	X	X	X
depreciation written out to the Revaluation Reserve	X	X	X	X	X	X	X	X	X
depreciation written out to the Surplus/Deficit on the Provision of Services	X	X	X	X	X	X	X	X	X
impairment losses/ (reversals) recognised in the Revaluation Reserve	X	X	X	X	X	X	X	X	X

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture & Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant and Equipment £000	PFI Assets Included in Property, Plant and Equipment £000
impairment losses/(reversals) recognised in the Surplus/ Deficit on the Provision of Services	x	x	x	x	x	x	x	x	x
derecognition – disposals	x	x	x	x	x	x	x	x	x
derecognition – other	x	x	x	x	x	x	x	x	x
other movements in depreciation and impairment	x	x	x	x	x	x	x	x	x
<b>at 31 March 20X1</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

### Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Council Dwellings – 50–70 years
- Other Land and Buildings – 30–50 years
- Vehicles, Plant, Furniture & Equipment – 10% to 35% of carrying amount
- Infrastructure – 25 years

### Capital Commitments<sup>22</sup>

At 31 March 20X2, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 20X2/03 and future years budgeted to cost £x. Similar commitments at 31 March 20X1 were £x. The major commitments are:

- Scheme L – £x
- Scheme M – £x
- Scheme N – £x

### Effects of Changes in Estimates<sup>23</sup>

In 20X1/X2, the Authority made two material changes to its accounting estimates for Property, Plant and Equipment:

22. Required by paragraph 4.1.4.3(2) of the Code.  
23. Required by paragraph 4.1.4.3(3) of the Code.

- During the revaluation of the Authority's office accommodation, remaining useful lives were reviewed critically for all properties occupied by the Authority. As a result, the depreciation charge for the properties of £x for 20X1/X2 was £x lower than it would have been if the useful lives assessed in 20X0/X1 had been used for the calculations. The impact of this change will carry forward into 20X2/X3 and future years.
- It has been determined that a unit of consumption depreciation methodology will be a more effective measure of the use of the Authority's vehicle fleet than straight-line calculations. The change in methodology has resulted in a depreciation charge £x higher than would have been calculated under the previous methodology. The impact of this change will carry forward into 20X2/X3 and future years.

### Revaluations<sup>24</sup>

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. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

The significant assumptions applied in estimating the fair values are:

- Assumption E
- Assumption F
- Assumption G.

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24. Required by [paragraph 4.1.4.3\(4\) of the Code](#). The requirement for the effective date of valuations to be disclosed means that the total revalued amount will need to be analysed across each of the preceding financial years where a rolling programme of revaluations has been used.

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Surplus Assets £000	Total £000
Carried at historical cost	x	x	x	x	x
valued at fair value as at:					
31 March 20X2	x	x	x	x	x
31 March 20X1	x	x	x	x	x
31 March 20X0	x	x	x	x	x
31 March 20W9	x	x	x	x	x
31 March 20W8	x	x	x	x	x
Total Cost or Valuation	x	x	x	x	x

### 13. INVESTMENT PROPERTIES

[Note needed per [paragraph 4.4.4.2\(1\) of the Code](#) if an authority has classified property interests held under operating leases as investment property]

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:<sup>25</sup>

	20X1/X2 £000	20X0/X1 £000
Rental income from investment property	x	x
Direct operating expenses arising from investment property	(x)	(x)
Net gain/(loss)	x	x

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal.<sup>26</sup> The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.<sup>27</sup>

The following table summarises the movement in the fair value of investment properties over the year:<sup>28</sup>

25. Required by [paragraph 4.4.4.2\(2\) of the Code](#).

26. Required by [paragraph 4.4.4.2\(3\) of the Code](#).

27. Required by [paragraph 4.4.4.2\(4\) of the Code](#).

28. Required by [paragraph 4.4.4.2\(5\) of the Code](#).

	20X1/X2 £000	20X0/X1 £000
Balance at start of the year	x	x
Additions:		
■ Purchases	x	x
■ Construction	x	x
■ Subsequent expenditure	x	x
Disposals	(x)	(x)
Net gains/losses from fair value adjustments	x	x
Transfers:		
■ to/from Inventories	(x)	(x)
■ to/from Property, Plant and Equipment	(x)	(x)
Other changes	x	x
Balance at end of the year	x	x

## 14. INTANGIBLE ASSETS

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:<sup>29</sup>

	Internally Generated Assets	Other Assets
3 years	Item C	Item P, Item Q
5 years	Item D, Item E	None
10 years	None	Item R, Item S, Item T

The carrying amount of intangible assets is amortised on a straight-line basis.<sup>30</sup> The amortisation of £x charged to revenue in 20X1/X2 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.<sup>31</sup>

29. Required by paragraph 4.5.4.2(1)(a) of the Code.

30. Required by paragraph 4.5.4.2(1)(b) of the Code.

31. Required by paragraph 4.5.4.2(1)(d) of the Code.

The movement on Intangible Asset balances during the year is as follows:<sup>32</sup>

	20X1/X2			20X0/X1		
	Internally Generated Assets	Other Assets	Total	Internally Generated Assets	Other Assets	Total
	£000	£000	£000	£000	£000	£000
Balance at start of year:						
■ Gross carrying amounts	x	x	x	x	x	x
■ Accumulated amortisation	x	x	x	x	x	x
Net carrying amount at start of year	x	x	x	x	x	x
Additions:						
■ Internal development	x	x	x	x	x	x
■ Purchases	x	x	x	x	x	x
■ Acquired through business combinations	x	x	x	x	x	x
Assets reclassified as held for sale	x	x	x	x	x	x
Other disposals						
Revaluations increases or decreases	x	x	x	x	x	x
Impairment losses recognised or reversed directly in the Revaluation Reserve	x	x	x	x	x	x
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	x	x	x	x	x	x
Reversals of past impairment losses written back to the Surplus/Deficit on the Provision of Services						
Amortisation for the period	x	x	x	x	x	x
Other changes	x	x	x	x	x	x
Net carrying amount at end of year	x	x	x	x	x	x
Comprising:						
■ Gross carrying amounts	x	x	x	x	x	x
■ Accumulated amortisation	x	x	x	x	x	x
	x	x	x	x	x	x

[Note required per [paragraph 4.5.4.2\(2\) of the Code](#) if changes in accounting estimates for Intangible Assets have an effect on the current period or are expected to have an effect in subsequent periods.]

32. A consolidation of the requirements in [paragraph 4.5.4.2\(1\)\(c\) and 4.5.4.2\(1\)\(e\) of the Code](#) – most of the lines will in practice have no entries against them and can be deleted.

[Note required per [paragraph 4.5.4.2\(3\) of the Code](#) of details of assets assessed as having an indefinite useful life – carrying amount and reasons for assessment.]

There are two items of capitalised software that are individually material to the financial statements.<sup>33</sup>

	Carrying Amount		Remaining Amortisation Period
	31 March 20X2	31 March 20X1	
	£000	£000	
Item D [description]	x	x	2 years
Item S [description]	x	x	8 years

In February 20X2 the Authority entered into a contract for the replacement of its payroll software. The new system is anticipated to be operational in 20X3/X4, with a budgeted cost of £x.<sup>34</sup>

The Council revalues its software assets acquired under licences where comparable licences are currently commercially available for purchase. Revaluations are made at every year end, based on the market price of the comparable licences at that date. The revalued amount of the licences makes up £x of the balance of Other Intangible Assets at 31 March 20X2 (£x at 31 March 20X1). If the assets had not been revalued, their carrying amount at that date would have been £x (£x at 31 March 20X1). At 31 March 20X2, the Revaluation Reserve contains accumulated revaluation gains of £x in relation to these assets (£x at 31 March 20X1), the movement of £x in 20X1/X2 comprising revaluation increases and decreases (£x) and impairment losses recognised or reversed directly in the Revaluation Reserve (£x) (detailed in the table of Balance Sheet movements above), depreciation (£x) and liquidation on disposal (£x).<sup>35</sup>

[Note required per [paragraph 4.5.4.2\(7\) of the Code](#) where intangible assets have been acquired by way of government grant and initially recognised at fair value, eg assets relating to Landfill Allowance Trading Schemes.]

33. Required by [paragraph 4.5.4.2\(4\) of the Code](#), if there are any individual assets that are material.

34. Required by [paragraph 4.5.4.2\(5\) of the Code](#).

35. Required by [paragraph 4.5.2.4\(6\) of the Code](#).

## 15. FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

The following categories of financial instrument are carried in the Balance Sheet:<sup>36</sup>

	Long-term		Current	
	31 March 20X2 £000	31 March 20X1 £000	31 March 20X2 £000	31 March 20X1 £000
<b>Investments</b>				
Loans and receivables	x	x	x	x
Available-for-sale financial assets	x	x	x	x
Unquoted equity investment at cost	x	x	x	x
Financial assets at fair value through profit and loss	x	x	x	x
<b>Total investments</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Debtors</b>				
Loans and receivables	x	x		
Financial assets carried at contract amounts			x	x
<b>Total Debtors</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	x	x	x	x
Financial liabilities at fair value through profit and loss	x	x	x	x
<b>Total borrowings</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	x	x		
<b>Total other long term liabilities</b>	<b>x</b>	<b>x</b>		
<b>Creditors</b>				
Financial liabilities at amortised cost	x	x		
Financial liabilities carried at contract amount			x	x
<b>Total creditors</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

36. Required by paragraph 7.4.2.2 of the Code.

### Reclassifications<sup>37</sup>

In 20X1/X2 the Authority reclassified its investment in Best of Both Worlds Ltd from an unquoted equity investment at cost to an available-for-sale asset at fair value. It was transferred at its carrying amount of £x and then revalued to £x. At 31 March 20X1 the company had been a new venture that had no trading history and a reliable estimate of fair value could not be established.

[Paragraphs 7.4.2.4 to 7.4.2.8 of the Code contain a number of disclosure requirements that will rarely be applicable to local authorities. Additional notes will be required where an authority has a material involvement in any of the following:

- transfer of title to assets has taken place but the Code's criteria for derecognition have not been met – paragraph 7.4.2.4
- the authority holds collateral that it is permitted to sell or re-pledge – paragraph 7.4.2.5
- an allowance account for credit loss is being maintained rather than amounts being netted off directly against the relevant assets – paragraph 7.4.2.6 of the Code
- the authority has defaulted on a loan agreement or otherwise breached it – paragraphs 7.4.2.7 and 7.4.2.8 of the Code.]

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37. Required by paragraph 7.4.2.3 of the Code.

Income, Expense, Gains and Losses<sup>38</sup>

	20X1/X2						20X0/X1					
	Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000		Financial Liabilities measured at amortised cost £000	Financial Assets: Loans and receivables £000	Financial Assets: Available for sale £000	Assets and Liabilities at Fair Value through Profit and Loss £000	Total £000	
Interest expense	X	-	X	-	X		X	-	X	-	X	
Losses on derecognition	X	X	X	X	X		X	X	X	X	X	
Reductions in fair value	-	-	-	X	X		-	-	-	X	X	
Impairment losses	-	X	-	-	X		-	X	-	-	X	
Fee expense	X	X	X	X	X		X	X	X	X	X	
<b>Total expense in Surplus or Deficit on the Provision of Services</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	
Interest income	-	X	-	-	X		-	X	-	-	X	
Interest income accrued on impaired financial assets	-	X	-	-	X		-	X	-	-	X	
Increases in fair value	-	-	-	X	X		-	-	-	X	X	
Gains on derecognition	X	X	X	X	X		X	X	X	X	X	
Fee income	X	X	X	X	X		X	X	X	X	X	
<b>Total income in Surplus or Deficit on the Provision of Services</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	
Gains on revaluation	-	-	X	-	X		-	-	X	-	X	
Losses on revaluation	-	-	X	-	X		-	-	X	-	X	
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	X	-	X		-	-	X	-	X	
<b>Surplus/deficit arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>X</b>	<b>-</b>	<b>X</b>		<b>-</b>	<b>-</b>	<b>X</b>	<b>-</b>	<b>X</b>	
<b>Net gain/(loss) for the year</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>		<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	

38. Required by paragraph 7.4.2.9 of the Code.

### Fair Values of Assets and Liabilities<sup>39</sup>

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:<sup>40</sup>

- estimated ranges of interest rates at 31 March 20X2 of p% to q% for loans from the PWLB and r% to s% for other loans receivable and payable, based on new lending rates for equivalent loans at that date
- no early repayment or impairment is recognised
- where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 20X2		31 March 20X1	
	Carrying amount £000	Fair value £000	Carrying amount £000	Fair value £000
Financial liabilities	x	x	x	x
Long-term creditors	x	x	x	x

The fair value of the liabilities is lower than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the prevailing rates at the Balance Sheet date. This shows a notional future gain (based on economic conditions at 31 March 20X2) arising from a commitment to pay interest to lenders below current market rates.

39. Required by [paragraph 7.4.2.11 of the Code](#).

40. Details of valuation technique required by [paragraph 7.4.2.13 of the Code](#).

	31 March 20X2		31 March 20X1	
	Carrying amount	Fair value	Carrying amount	Fair value
	£000	£000	£000	£000
Loans and receivables	x	x	x	x
Long-term debtors	x	x	x	x

The fair value of the assets is lower than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date. This shows a notional future loss (based on economic conditions at 31 March 20X2) attributable to the commitment to receive interest below current market rates.

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

- The Authority's shareholding in Best of Both Worlds Ltd – the shares are not traded in an active market and fair value of £x has been based on valuation techniques that are not based on observable current market transactions or available market data. The valuation has been made based on an analysis of the assets and liabilities in the Company's latest audited accounts and an assessment of future trading prospects of a 5% return on net assets per annum. If future returns are greater or lesser by 1% than the 5% assessment the fair value will be £x higher or lower respectively.<sup>41</sup>
- The Authority's shareholding in Hanham-on-Tanner Fame Handling Academy Ltd – the shares (representing 100% of the Company's capital) are carried at cost of £x and have not been valued as a fair value cannot be measured reliably. The company was formed in February 20X2 and has no established trading history. There are also no established companies with similar aims in the Authority's area whose shares are traded and which might provide comparable market data. The Authority has no current intention to dispose of the shareholding.<sup>42</sup>

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

41. Required by [paragraph 7.4.2.13 of the Code](#) where fair value is not based on prices from an active market. Further information is required by [paragraph 7.4.2.14](#) where the valuation technique used would have given a different value on initial recognition from the amount at which the instrument was actually brought onto the Balance Sheet.

42. Required by [paragraph 7.4.2.16 of the Code](#) where available for sale assets are carried at cost.

## 16. INVENTORIES<sup>45</sup>

	Consumable Stores		Maintenance Materials		Client Services Work in Progress		Property Acquired or Constructed for Sale		Total	
	20X1/X2 £000	20X0/X1 £000	20X1/X2 £000	20X0/X1 £000	20X1/X2 £000	20X0/X1 £000	20X1/X2 £000	20X0/X1 £000	20X1/X2 £000	20X0/X1 £000
<b>Balance outstanding at start of year</b>	X	X	X	X	X	X	X	X	X	X
Purchases	X	X	X	X	X	X	X	X	X	X
Recognised as an expense in the year	X	X	X	X	X	X	X	X	X	X
Written off balances	X	X	X	X	X	X	X	X	X	X
Reversals of write-offs in previous years*	X	X	X	X	X	X	X	X	X	X
<b>Balance outstanding at year-end</b>	X	X	X	X	X	X	X	X	X	X

\* Where entries are made against this line, [paragraph 5.1.4.2\(e\) of the Code](#) requires disclosure of the circumstances or events that led to the reversal.

43. Required by [paragraph 5.1.4.2 of the Code](#). The classes to be used are not specified by the Code, but should be appropriate to the authority.

## 17. CONSTRUCTION CONTRACTS<sup>44</sup>

At 31 March 20X2 the Authority had two construction contracts in progress: the construction of a new Jacksonville bypass for the Department of Transport and the building of an estate of 20 houses for the Hanham Homes Housing Association. The value of work completed at 31 March 20X2 has been established using a stage of completion methodology based on architects' certificates obtained at the year-end. The amount due from the two parties at 31 March 20X2 is as follows:

	Department of Transport £000	Hanham Homes £000
Costs incurred to date	x	x
Revenue recognised:		
■ before 1 April 20X1	x	x
■ during 20X1/X2	x	x
Profit/(loss)	x	x
Advances received	x	x
Gross amount due	x	x
Comprising:		
■ amounts not billed	x	x
■ retentions	x	x

## 18. DEBTORS<sup>45</sup>

	31 March 20X2 £000	31 March 20X1 £000
Central government bodies	x	x
Other local authorities	x	x
NHS bodies	x	x
Public corporations and trading funds	x	x
Other entities and individuals	x	x
<b>Total</b>	<b>x</b>	<b>x</b>

44. Required by [paragraph 5.2.4.2 of the Code](#).

45. Required by [paragraph 5.3.4.2 of the Code](#).

## 19. CASH AND CASH EQUIVALENTS<sup>46</sup>

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

31 March 20X1	31 March 20X2
£000	£000
x Cash held by the Authority	x
x Bank current accounts	x
x Short-term deposits with building societies	x
<b>x Total Cash and Cash Equivalents</b>	<b>x</b>

## 20. ASSETS HELD FOR SALE<sup>47</sup>

	Current		Non Current	
	20X1/X2	20X0/X1	20X1/X2	20X0/X1
	£000	£000	£000	£000
<b>Balance outstanding at start of year</b>	x	x	x	x
Assets newly classified as held for sale:				
■ Property, Plant and Equipment	x	x	x	x
■ Intangible Assets	x	x	x	x
■ Other assets/liabilities in disposal groups	x	x	x	x
Revaluation losses	x	x	x	x
Revaluation gains	x	x	x	x
Impairment losses	x	x	x	x
Assets declassified as held for sale:				
■ Property, Plant and Equipment	x	x	x	x
■ Intangible Assets	x	x	x	x
■ Other assets/liabilities in disposal groups	x	x	x	x
Assets sold	x	x	x	x
Transfers from non-current to current	x	x	x	x
[Other movements]	x	x	x	x
<b>Balance outstanding at year-end</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

46. Required by [paragraph 3.4.2.73 of the Code](#).

47. Analysis of the Balance Sheet balance is not specifically required by the Code. See [paragraph 4.9.4.2 of the Code](#).

## 21. CREDITORS<sup>48</sup>

	31 March 20X2	31 March 20X1
	£000	£000
Central government bodies	x	x
Other local authorities	x	x
NHS bodies	x	x
Public corporations and trading funds	x	x
Other entities and individuals	x	x
<b>Total</b>	<b>x</b>	<b>x</b>

## 22. PROVISIONS<sup>49</sup>

	Outstanding Legal Cases	Injury and Damage Compensation Claims	Other Provisions	Total
	£000	£000	£000	£000
<b>Balance at 1 April 20X1</b>	x	x	x	x
Additional provisions made in 20X1/X2	x	x	x	x
Amounts used in 20X1/X2	x	x	x	x
Unused amounts reversed in 20X1/X2	x	x	x	x
Unwinding of discounting in 20X1/X2	x	x	x	x
<b>Balance at 31 March 20X2</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

### Outstanding Legal Cases

The Authority has two substantial legal cases in progress that have been provided for:

- Her Majesty's Revenue and Customs has made a claim against the Authority for £x of unpaid VAT in relation to the provision of educational courses. HMRC was awarded a sum of £x including interest and costs in the High Court, but the Authority is appealing against the decision. Provision has been made for the amount awarded by the High Court pending the outcome of the appeal. It is expected that the appeal will be heard in Spring 20X3.

48. Required by [paragraph 8.1.4.2 of the Code](#). [Paragraph 3.4.2.59 of the Code](#) suggests but does not require an analysis of receivables by type: amounts receivable from trade customers, receivables from related parties, prepayments and other amounts.

49. Required by [paragraph 8.2.4.2 of the Code](#) – subparagraph (1) for movements and (2) for descriptions. The headings are not specified by the Code and should represent the classes of provisions made by the authority. The Code specifically exempts the analysis of movements from having prior year comparatives.

- A case has been lodged against the Authority for negligence in its responsibilities for providing social care. A provision of £x has been made for the possible settlement that the Authority will have to pay. However, in order to prejudice seriously the privacy of individuals and the Authority's position in the case any further information has been withheld from this publication. Experience of similar cases in other authorities suggests that it will be three to five years before the case is concluded.<sup>50</sup>

### Injury Compensation Claims

All of the injury compensation claims are individually insignificant. They relate to personal injuries sustained where the Authority is alleged to be at fault (eg through a failure to repair a road or pavement properly). Provision is made for those claims where it is deemed probable that the Authority will have to make a settlement, based on past experience of court decisions about liability and the amount of damages payable. All outstanding claims are expected to be settled in 20X2/X3. The Authority may be reimbursed by its insurers, but until claims are actually settled no income is recognised as the insurers will only reimburse amounts above a £10,000 excess.

### Other Provisions

All other provisions are individually insignificant.

## 23. USABLE RESERVES<sup>51</sup>

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Notes 23 and 24.

## 24. UNUSABLE RESERVES

31 March 20X1	31 March 20X2
£000	£000
x Revaluation Reserve	x
x Available for Sale Financial Instruments Reserve	x
x Capital Adjustment Account	x
x Financial Instruments Adjustment Account	x
x Deferred Capital Receipts Reserve	x
x Pensions Reserve	x
x Collection Fund Adjustment Account	x
x Unequal Pay Back Pay Account	x
x Accumulated Absences Account	x
x <b>Total Unusable Reserves</b>	x

50. Exemption from disclosure provided for by [paragraph 8.2.4.2\(6\) of the Code](#).

51. Required by [paragraph 3.4.2.60 of the Code](#).

**Revaluation Reserve<sup>52</sup>**

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.

20X0/X1		20X1/X2
£000		£000
x	<b>Balance at 1 April</b>	x
x	Upward revaluation of assets	x
x	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	x
x	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	x
x	Difference between fair value depreciation and historical cost depreciation	x
x	Accumulated gains on assets sold or scrapped	x
x	Amount written off to the Capital Adjustment Account	x
x	<b>Balance at 31 March</b>	x

52. Required by [paragraph 3.4.2.41 of the Code](#) (analysis of amounts in each line of the classification of reserves) and [3.4.2.60](#) (description of nature and purpose, movements in the year and closing balance).

### Available for Sale Financial Instruments Reserve

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

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

20X0/X1		20X1/X2
£000		£000
x	<b>Balance at 1 April</b>	x
x	Upward revaluation of investments	x
x	Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	x
x		x
x	Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income	x
x	<b>Balance at 31 March</b>	x

### 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 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

20X0/X1		20X1/X2
£000		£000
	<b>x Balance at 1 April</b>	<b>x</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
	x ■ Charges for depreciation and impairment of non-current assets	x
	x ■ Revaluation losses on Property, Plant and Equipment	x
	x ■ Amortisation of intangible assets	x
	x ■ Revenue expenditure funded from capital under statute	x
	x ■ Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	x
	x	x
	x Adjusting amounts written out of the Revaluation Reserve	x
	x Net written out amount of the cost of non-current assets consumed in the year	x
	Capital financing applied in the year:	
	x ■ Use of the Capital Receipts Reserve to finance new capital expenditure	x
	x ■ Use of the Major Repairs Reserve to finance new capital expenditure	x
	x ■ Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	x
	x ■ Application of grants to capital financing from the Capital Grants Unapplied Account	x
	x ■ Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	x
	x ■ Capital expenditure charged against the General Fund and HRA balances	x
	x	x
	x Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	x

x Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement	x
<b>x Balance at 31 March</b>	<b>x</b>

### 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 that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 20X2 will be charged to the General Fund over the next 14 years.]]

20X0/X1 £000		20X1/X2 £000
x <b>Balance at 1 April</b>		x
x Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	x	
x Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	x	
x Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		x
<b>x Balance at 31 March</b>		<b>x</b>

### 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.

20X0/X1	20X1/X2
£000	£000
x <b>Balance at 1 April</b>	x
x Actuarial gains or losses on pensions assets and liabilities	x
x Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	x
x Employer's pensions contributions and direct payments to pensioners payable in the year	x
<hr/> x <b>Balance at 31 March</b>	<hr/> x

### Deferred Capital Receipts Reserve (England and Wales)

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.

20X0/X1	20X1/X2
£000	£000
x <b>Balance at 1 April</b>	x
x Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	x
x Transfer to the Capital Receipts Reserve upon receipt of cash	x
<hr/> x <b>Balance at 31 March</b>	<hr/> x

### 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.

20X0/X1	20X1/X2
£000	£000
x Balance at 1 April	x
x Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	x
<hr/> x Balance at 31 March	<hr/> x

### Unequal Pay Back Pay Account

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

20X0/X1	20X1/X2
£000	£000
x Balance at 1 April	x
x Increase in provision for back pay in relation to Equal Pay cases	x
x Cash settlements paid in the year	x
<hr/> x Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	<hr/> x
<hr/> x Balance at 31 March	<hr/> x

### 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, eg annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

20X0/X1	20X1/X2
£000	£000
x Balance at 1 April	x
x Settlement or cancellation of accrual made at the end of the preceding year	x
x Amounts accrued at the end of the current year	x
x Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	x
<b>x Balance at 31 March</b>	<b>x</b>

## 25. CASH FLOW STATEMENT – OPERATING ACTIVITIES<sup>53</sup>

The cash flows for operating activities include the following items:

20X0/X1	20X1/X2
£000	£000
x Interest received	x
x Interest paid	x
x Dividends received	x

## 26. CASH FLOW STATEMENT – INVESTING ACTIVITIES<sup>54</sup>

20X0/X1	20X1/X2
£000	£000
x Purchase of property, plant and equipment, investment property and intangible assets	x
x Purchase of short-term and long-term investments	x
x Other payments for investing activities	x
x Proceeds from the sale of property, plant and equipment, investment property and intangible assets	x
x Proceeds from short-term and long-term investments	x
x Other receipts from investing activities	x
<b>x Net cash flows from investing activities</b>	<b>x</b>

53. Required by [paragraph 3.4.2.66 of the Code](#).

54. Required by [paragraph 3.4.2.69 of the Code](#).

## 27. CASH FLOW STATEMENT – FINANCING ACTIVITIES<sup>55</sup>

20X0/X1	20X1/X2
£000	£000
x Cash receipts of short- and long-term borrowing	x
x Other receipts from financing activities	x
x Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	x
x Repayments of short- and long-term borrowing	x
x Other payments for financing activities	x
<b>x Net cash flows from financing activities</b>	<b>x</b>

## 28. AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

55. Required by paragraph 3.4.2.69 of the Code.

The income and expenditure of the Authority's principal [directorates] recorded in the budget reports for the year is as follows:

[Directorate] Income and Expenditure* 20X1/X2	Education	Health and	Community	Environment,	Total
	and Learning	Social Care	and Living	Planning and Leisure	
	£000	£000	£000	£000	
Fees, charges & other service income**	x	x	x	x	x
Government grants	x	x	x	x	x
<b>Total Income</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
Employee expenses	x	x	x	x	x
Other service expenses	x	x	x	x	x
Support service recharges	x	x	x	x	x
<b>Total Expenditure</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Net Expenditure</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
[Directorate] Income and Expenditure 20X0/X1 Comparative Figures	Education	Health and	Community	Environment,	Total
	and Learning	Social Care	and Living	Planning and Leisure	
	£000	£000	£000	£000	
Fees, charges & other service income	x	x	x	x	x
Government grants	x	x	x	x	x
<b>Total Income</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
Employee expenses	x	x	x	x	x
Other service expenses	x	x	x	x	x
Support service recharges	x	x	x	x	x
<b>Total Expenditure</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Net Expenditure</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

\* Segmental reporting note required by [paragraph 3.4.2.86 of the Code](#).

\*\* The subjective analysis used here is that required by [paragraph 3.4.2.89 of the Code](#) to be used in the reconciliation of the segmental analysis to total expenditure. Practitioners should use the subjective analysis (aggregated as appropriate) used in internal reporting for this part of the note.

### Reconciliation of [Directorate] Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement<sup>56</sup>

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

	20X0/X1	20X1/X2
	£000	£000
Net expenditure in the [Directorate] Analysis	x	x
Net expenditure of services and support services not included in the Analysis	x	x
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	x	x
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	x	x
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>x</b>	<b>x</b>

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56. Required by [paragraph 3.4.2.88 of the Code](#).

### Reconciliation to Subjective Analysis<sup>57</sup>

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

20X1/X2	[Directorate] Analysis £000	Services and Support Services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	x	x	-	-	x	x	-	x
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	x	x
Income from council tax	-	-	-	-	-	-	x	x
Government grants and contributions	x	x	-	-	-	x	x	x
<b>Total Income</b>	<b>x</b>	<b>x</b>	<b>-</b>	<b>-</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
Employee expenses	x	x	x	x	x	x	-	x
Other service expenses	x	x	-	-	x	x	-	x
Support Service recharges	x	-	-	-	x	-	-	-
Depreciation, amortisation and impairment	-	-	x	-	-	x	-	x
Interest Payments	-	-	-	-	-	-	x	x
Precepts & Levies	-	-	-	-	-	-	x	x
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	x	x
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	x	x
<b>Total expenditure</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Surplus or deficit on the provision of services</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>-</b>	<b>x</b>	<b>x</b>	<b>x</b>

57. Required by paragraph 3.4.2.89 of the Code.

20X0/X1 comparative figures	[Directorate] Analysis £000	Services and Support services not in Analysis £000	Amounts not reported to management for decision making £000	Amounts not included in I&E £000	Allocation of Recharges £000	Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	X	X	-	-	X	X	-	X
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	X	X
Income from council tax	-	-	-	-	-	-	X	X
Government grants and contributions	X	X	-	-	-	X	X	X
<b>Total Income</b>	<b>X</b>	<b>X</b>	<b>-</b>	<b>-</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
Employee expenses	X	X	X	X	X	X	-	X
Other service expenses	X	X	-	-	X	X	-	X
Support Service recharges	X	-	-	-	X	-	-	-
Depreciation, amortisation and impairment	-	-	X	-	-	X	-	X
Interest Payments	-	-	-	-	-	-	X	X
Precepts & Levies	-	-	-	-	-	-	X	X
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	X	X
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	X	X
<b>Total expenditure</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
<b>Surplus or deficit on the provision of services</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

[An analysis of segment assets and liabilities – required where an authority reports internally on balances – see [paragraph 3.4.2.92 of the Code.](#)]

## [29. ACQUIRED AND DISCONTINUED OPERATIONS

Where operations have been acquired or discontinued in the year, paragraph 3.4.4.1(1) of the Code requires disclosure of the nature of the acquired or discontinued operations and details of any outstanding liabilities in respect of discontinued operations.]

## 30. TRADING OPERATIONS

The Authority has established 32 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of those units with a turnover of greater than £x or a deficit greater than £x in 20X1/X2 are as follows:

		20W9/ X0*	20X0/X1		20X1/X2	
		£000	£000	£000	£000	£000
The Authority owns and manages the Enterprise Hall shopping centre, generating rental income from letting premises. Management of the centre was awarded to an in-house team following a competitive tender with private sector estates managers. The trading objective is to maximise the surplus.  Cumulative surplus over last three financial years: £x	Turnover	x		x		x
	Expenditure	x		x		x
	Surplus		x		x	x
The Authority runs its refuse collection service on the basis of an agreement concluded between the service manager and the Environmental Health department following a competitive tender. The trading objective is to break even. The objective includes the recovery of the cost of capital for equipment used by the service, which is not included in these expenditure figures. The charges for 20X0/X1 were £x (£x in 20X0/X1).  Cumulative surplus over last three financial years: £x	Turnover	x		x		x
	Expenditure	x		x		x
	Deficit		x		x	x

		20W9/ X0*	20X0/X1		20X1/X2		
		£000	£000	£000	£000	£000	£000
The Authority lets 40 units in industrial estates located in various parts of the city. As part of the council's economic development strategy, rents can be set at less than the market rate to support small businesses – the trading objective is to restrict any deficit to less than £x.	Turnover	x		x		x	
	Expenditure	x		x		x	
	Deficit		x		x		x
Cumulative surplus over last three financial years: £x							
... etc ...							
The consolidated results of the other XX of the council's 32 trading units are ...**	Turnover	x		x		x	
	Expenditure	x		x		x	
	Surplus		x		x		x
Net surplus on trading operations:			x		x		x

\* This column (and the summary figures in the narrative) is only required by paragraph 3.4.4.1(2) of the Code to the extent that authorities in Scotland must disclose the cumulative surplus/deficit over the last three financial years. However, where trading accounts are volatile, it might be useful to provide the extra contextual information in England and Wales.

\*\* The extent to which an authority can aggregate the results of trading accounts will depend on local consideration of materiality and, in Scotland, statutory requirements.

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement. Some are an integral part of one of the Authority's services to the public (eg refuse collection), whilst others are support services to the Authority's services to the public (eg schools catering). The expenditure of these operations is allocated or recharged to headings in the Net Operating Expenditure of Continuing Operations. Only a residual amount of the net surplus on trading operations is charged as Financing and Investment Income and Expenditure (see Note 10):<sup>58</sup>

	20X1/X2 £000	20X0/X1 £000
Net surplus on trading operations	x	x
Services to the public included in Expenditure of Continuing Operations	x	x
Support services recharged to Expenditure of Continuing Operations	x	x
Net surplus credited to Other Operating Expenditure	x	x

58. This paragraph is not required by the Code, but is needed to reconcile the figures for all trading accounts to the disclosure about trading accounts in the note to the Comprehensive Income and Expenditure Statement.

### 31. AGENCY SERVICES<sup>59</sup>

The Authority provides payroll services for the Sunnimon Row Police Authority, involving the payment of around £x to employees and £x to Her Majesty's Revenue and Customs. The Police Authority pays a management fee of approximately 3% of the payments made.

	20X1/X2	20X0/X1
	£000	£000
Expenditure incurred in providing payroll services to Sunnimon Row Police Authority	x	x
Management fee payable by the Police Authority	x	x
Net surplus arising on the agency arrangement	x	x

### [32. ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000 [OR TRANSPORT (SCOTLAND) ACT 2001]

Where an authority operates a road charging or workplace charging scheme, [paragraph 3.4.4.1\(4\) of the Code](#) requires a brief explanation of the nature of the scheme, its gross income and expenditure and the net proceeds. As the contents of the note will be dependent on an authority's interpretation of the accounting requirements for these ring-fenced accounts, an example is not provided.]

### 33. POOLED BUDGETS<sup>60</sup>

The Authority has entered into a pooled budget arrangement with Sunnimon Row Trust for the provision of mental health services to meet the needs of people living in the Hanham City area, the services being provided by the Authority or the Trust depending upon the mix required by clients. The Authority and the Trust have an agreement in place for funding these services that will run for five years from 20X0/X1, with the partners contributing funds to the agreed budget equal to 40% and 60% of the budget respectively. The same proportions are used to meet any deficit or share any surplus arising on the pooled budget at the end of each financial year.

59. The disclosure is required by [paragraph 3.4.4.1\(3\) of the Code](#), although the minimum requirement is for income and expenditure figures, not cash flows.

60. Required by [paragraph 3.4.4.1\(5\) of the Code](#).

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

	20X1/X2 £000	20X0/X1 £000
Funding provided to the pooled budget:		
■ the Authority	x	x
■ the Trust	x	x
	<hr/>	<hr/>
	x	x
Expenditure met from the pooled budget:		
■ the Authority	x	x
■ the Trust	x	x
	<hr/>	<hr/>
	x	x
Net surplus arising on the pooled budget during the year	<hr/>	<hr/>
	x	x
Authority share of 60% of the net surplus arising on the pooled budget	<hr/>	<hr/>
	x	x

### 34. MEMBERS' ALLOWANCES<sup>61</sup>

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

	20X1/X2 £000	20X0/X1 £000
Salaries	x	x
Allowances	x	x
Expenses	x	x
	<hr/>	<hr/>
Total	x	x

61. Required by [paragraph 3.4.4.1\(6\) of the Code](#). The example follows the minimum requirements for Scotland. Authorities in England and Wales are required only to disclose the total of members' allowances and expenses.

### 35. OFFICERS' REMUNERATION<sup>62</sup>

The remuneration paid to the Authority's senior employees is as follows:

		Salary, Fees and Allowances	Bonuses	Expenses Allowances	Compen- sation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£	£
Hedda	20X1/X2	x	x	x	x	x	x
Paydzerwiz (Chief Executive)	20X0/X1	x	x	x	x	x	x
Iona Ferrari (Director of Children's Services)	20X1/X2	x	x	x	x	x	x
	20X0/X1	x	x	x	x	x	x
Director of Adult Social Services	20X1/X2	x	x	x	x	x	x
	20X0/X1	x	x	x	x	x	x
Chief Education Officer	20X1/X2	x	x	x	x	x	x
	20X0/X1	x	x	x	x	x	x
Director of Finance	20X1/X2	x	x	x	x	x	x
	20X0/X1	x	x	x	x	x	x
Director of This	20X1/X2	x	x	x	x	x	x
	20X0/X1	x	x	x	x	x	x
Director of That	20X1/X2	x	x	x	x	x	x
	20X0/X1	x	x	x	x	x	x

The Chief Executive provides services for both the Authority and Sunnimon Row Police Authority. She is formally employed by the Authority and the Police Authority is recharged 40% of her salary and other remuneration.

The Director of Adult Social Services resigned with effect from 31 January 20X2.

62. Required by paragraphs 3.4.4.1(7) and 3.4.5.1 of the Code. The individual disclosures for higher paid officers are only mandatory in England and Wales.

The Authority's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration band	20X1/X2 Number of employees	20X0/X1 Number of employees
£50,000 – £54,999	x	x
£55,000 – £59,999	x	x
£60,000 – £64,999	x	x
£65,000 – £69,999	x	x
£70,000 – £74,999	x	x
£75,000 – £79,999	x	x
£80,000 – £84,999	x	x

### 36. EXTERNAL AUDIT COSTS<sup>63</sup>

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

	20X1/X2 £000	20X0/X1 £000
Fees payable to [external auditors] with regard to external audit services carried out by the appointed auditor for the year	x	x
Fees payable to [external auditors] in respect of statutory inspections	x	x
Fees payable to [external auditors] for the certification of grant claims and returns for the year	x	x
Fees payable in respect of other services provided by [external auditors] during the year	x	x
<b>Total</b>	<b>x</b>	<b>x</b>

The fees for other services payable in both 20X0/X1 and 20X1/X2 related to specialist advice on a successful claim against HM Revenue & Customs for the refund of VAT.

### [37. DEDICATED SCHOOLS GRANT

Education authorities in England are required by the Accounts and Audit Regulations 2003 (as amended) and [paragraph 3.4.4.1\(12\) of the Code](#) to include a note demonstrating whether the Dedicated Schools Grant has been deployed in accordance with regulations. An illustration is included in Module 3 of the Guidance Notes.]

63. Required by [paragraph 3.4.4.1\(8\) of the Code](#).

## 38. GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 20X1/X2:<sup>64</sup>

	20X1/X2 £000	20X0/X1 £000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Grant A	X	X
Grant B	X	X
Grant C	X	X
Other grants	X	X
Contribution A	X	X
Other contributions	X	X
Donation A	X	X
<b>Total</b>	<b>X</b>	<b>X</b>
<b>Credited to Services</b>		
Grant D	X	X
Grant E	X	X
Grant F	X	X
Other grants	X	X
Donation B	X	X
<b>Total</b>	<b>X</b>	<b>X</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:<sup>65</sup>

64. Required by paragraph 2.3.4.1(1)(b) of the Code.

65. Required by paragraph 2.3.4.1(1)(c) of the Code.

31 March 20X2

£000

**Capital Grants Receipts in Advance**

Grant G	X
Grant H	X
Other grants	X
Contribution A	X
Other contributions	X
Donation A	X
<b>Total</b>	<b>X</b>

**Donated Assets Account**

Donation C	X
Donation D	X
Other donations	X
<b>Total</b>	<b>X</b>

## 39. RELATED PARTIES<sup>66</sup>

The Authority 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 Authority.

### Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 28 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 20X2 are shown in Note 38.

66. Required by paragraph 3.9.4.1 of the Code.

## Members

Members of the council have direct control over the council's financial and operating policies<sup>67</sup>. The total of members' allowances paid in 20X1/X2 is shown in Note 34. During 20X1/X2, works and services to the value of £x were commissioned from companies in which three members had an interest. Contracts were entered into in full compliance with the council's standing orders. In addition, the Cultural Services Committee paid grants totalling £x to voluntary organisations in which six members had positions on the governing body. Grants totalling £x were also made to organisations whose senior management included close members of the families of members. In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

## Officers

During 20X1/X2, the Chief Executive declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972 in a grant of £x paid by the Cultural Services Committee to a sporting association. The Chief Executive did not take part in any discussion, decision or administration relating to the grant.

## Other Public Bodies [subject to common control by central government]

The Authority has a pooled budget arrangement with Sunnimon Row Trust for the provision of mental health services. Transactions and balances outstanding are detailed in Note 33.

The Authority's Director of Children's Services holds the same appointment at Waverley Place Council. During 20X1/X2 the Authority provided education services to Waverley Place to the value of £x. Of this amount, £x remained unpaid at 31 March 20X2.

[Pension fund – details required where the authority is an administering authority.]

## Entities Controlled or Significantly Influenced by the Authority

Payment of subsidy of £x was made to Belle Leisure Trust in 20X1/X2, conditional on long-term agreements for the daytime use of pools and leisure centres by schools without charge. Payments for residential care of £x was made in 20X1/X2 to Sebastian Care Trust as part of contracts under which the council has 100% of nomination rights for available beds. The Trusts are deemed to be influenced significantly by the Authority through its representation on the Trust board.

The Authority controls Hanham-on-Tanner Fame Handling Academy Ltd through its ownership of 100% of the shares in the Company. 20X1/X2 was the first year of operation. The Authority purchased member training services to the value of £x from the Company in 20X1/X2 (£x of which was unpaid at 31 March 20X2) and has provided a loan of £x to for the acquisition of premises. The loan is repayable on maturity in 20X6/X7 and interest is charged at x%, a rate negotiated at arm's length.

67. Members as a group are required to be identified as related parties. The aggregation option for individual transactions has been taken on the basis that the council has satisfied itself that all the transactions entered into have been concluded in accordance with its procedures for preventing undue influence.

## 40. CAPITAL EXPENDITURE AND CAPITAL FINANCING<sup>68</sup>

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

	20X1/X2 £000	20X0/X1 £000
<i>Opening Capital Financing Requirement</i>	X	X
<i>Capital investment*</i>		
Property, Plant and Equipment	X	X
Investment Properties	X	X
Intangible Assets	X	X
Revenue Expenditure Funded from Capital under Statute	X	X
<i>Sources of finance</i>		
Capital receipts	X	X
Government grants and other contributions	X	X
Sums set aside from revenue:		
Direct revenue contributions	X	X
[MRP/loans fund principal]	X	X
<i>Closing Capital Financing Requirement</i>	X	X
<i>Explanation of movements in year</i>		
Increase in underlying need to borrowing (supported by government financial assistance)	X	X
Increase in underlying need to borrowing (unsupported by government financial assistance)	X	X
Assets acquired under finance leases	X	X
Assets acquired under PFI/PPP contracts	X	X
<i>Increase/(decrease) in Capital Financing Requirement</i>	X	X

\* These figures should match to the Additions lines in the notes detailing movements on the non-current asset balances.

68. Required by paragraph 4.1.4.3(5) of the Code. A simpler version of the note would omit the opening and closing position on the Capital Financing Requirement and balance the statement by showing the amounts of capital expenditure met from borrowing or in the form of creditors. The Capital Financing Requirement would then need to be disclosed separately.

## 41. LEASES

### Authority as Lessee

#### Finance Leases

The Council has acquired a number of administrative buildings and its IT and telecommunications system under finance leases.

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:<sup>69</sup>

	31 March 20X2	31 March 20X1
	£000	£000
Other Land and Buildings	x	x
Vehicles, Plant, Furniture and Equipment	x	x
	x	x

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:<sup>70</sup>

	31 March 20X2	31 March 20X1
	£000	£000
Finance lease liabilities (net present value of minimum lease payments):	x	x
■ current	x	x
■ non-current		
Finance costs payable in future years	x	x
Minimum lease payments	x	x

69. Required by paragraph 4.2.4.2(1) of the Code.

70. Reconciliation required by paragraph 4.2.4.2(2) of the Code.

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

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 20X2	31 March 20X1	31 March 20X2	31 March 20X1
	£000	£000	£000	£000
Not later than one year	x	x	x	x
Later than one year and not later than five years	x	x	x	x
Later than five years	x	x	x	x
	x	x	x	x

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 20X1/X2 £x contingent rents were payable by the Authority (20X0/X1 £x).<sup>71</sup>

The Authority has sub-let some of the office accommodation held under these finance leases. At 31 March 20X2 the minimum payments expected to be received under non-cancellable sub-leases was £x (£x at 31 March 20X1).<sup>72</sup>

### Operating Leases

The Authority has acquired its fleet of refuse collection vehicles by entering into operating leases, with typical lives of seven years.

The future minimum lease payments due under non-cancellable leases in future years are:<sup>73</sup>

	31 March 20X2 £000	31 March 20X1 £000
Not later than one year	x	x
Later than one year and not later than five years	x	x
Later than five years	x	x
	x	x

[Where assets acquired under operating leases are sub-let, disclosure is required of the future minimum sublease payments expected to be received by the Authority, per [paragraph 4.2.4.2\(7\) of the Code](#).]

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:<sup>74</sup>

71. Required by [paragraph 4.2.4.2\(3\) of the Code](#).  
72. Required by [paragraph 4.2.4.2\(4\) of the Code](#).  
73. Required by [paragraph 4.2.4.2\(6\) of the Code](#).  
74. Required by [paragraph 4.2.4.2\(8\) of the Code](#).

	20X1/X2	20X0/X1
	£000	£000
Minimum lease payments	x	x
Contingent rents	x	x
[Sublease payments receivable]	(x)	(x)
	x	x

## Authority as Lessor

### Finance Leases

The Authority has leased out property at the Best of Both Worlds Shopping Centre to Rico Commercial Ventures on a finance lease with a remaining term of 50 years.<sup>75</sup>

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:<sup>76</sup>

	31 March 20X2	31 March 20X1
	£000	£000
Finance lease debtor (net present value of minimum lease payments):	x	x
■ current	x	x
■ non-current		
Unearned finance income <sup>*</sup>	x	x
Unguaranteed residual value of property <sup>**</sup>	x	x
Gross investment in the lease	x	x

<sup>\*</sup> Detail required by paragraph 4.2.4.2(10) of the Code.

<sup>\*\*</sup> Detail required by paragraph 4.2.4.2(11) of the Code.

75. Required by paragraph 4.2.4.2(14) of the Code.

76. Reconciliation required by paragraph 4.2.4.2(9) of the Code.

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

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 20X2	31 March 20X1	31 March 20X2	31 March 20X1
	£000	£000	£000	£000
Not later than one year	x	x	x	x
Later than one year and not later than five years	x	x	x	x
Later than five years	x	x	x	x
	x	x	x	x

As there is a possibility that worsening financial circumstances might result in lease payments not being made, the Authority has set aside an allowance for uncollectible amounts of £x (£x at 31 March 20X1).<sup>77</sup>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 20X1/ X2 £x contingent rents were receivable by the Authority (20X0/X1 £x).<sup>78</sup>

### Operating Leases

The Authority leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.<sup>79</sup>

The future minimum lease payments receivable under non-cancellable leases in future years are:<sup>80</sup>

	31 March 20X2 £000	31 March 20X1 £000
Not later than one year	x	x
Later than one year and not later than five years	x	x
Later than five years	x	x
	x	x

77. Required by paragraph 4.2.4.2(12) of the Code.

78. Required by paragraph 4.2.4.2(13) of the Code.

79. Required by paragraph 4.2.4.2(17) of the Code.

80. Required by paragraph 4.2.4.2(15) of the Code.

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 20X1/X2 £x contingent rents were receivable by the Authority (20X0/X1 £x).<sup>81</sup>

## 42. PRIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

### Leisure Services PFI Scheme

20X1/X2 was the fifth year of a 25 year PFI contract for the construction, maintenance and operation of the two leisure centres in Hanham City and Jacksonville. The Authority has rights under the contract to specify the activities offered by the centres between 10am and 6pm and control the prices charged for them and also has certain exclusive use rights for the use of the centres by schools during specific times during school terms. The contract specifies minimum standards for the services to be provided by the contractor, with deductions from the fee payable being made if facilities are unavailable or performance is below the minimum standards. The contractor took on the obligation to construct the centres and maintain them in a minimum acceptable condition and to procure and maintain the plant and equipment needed to operate the centres. The buildings and any plant and equipment installed in them at the end of the contract will be transferred to the Authority for nil consideration. The Authority only has rights to terminate the contract if it compensates the contractor in full for costs incurred and future profits that would have been generated over the remaining term of the contract.<sup>82</sup>

[Changes in the arrangements during the year]

### Property Plant and Equipment

The assets used to provide services at the leisure centres are recognised on the Authority's Balance Sheet. Movements in their value over the year are detailed in the analysis of the movement on the Property, Plant and Equipment balance in Note 13.<sup>83</sup>

### Payments

The Authority makes an agreed payment each year which is increased each year by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed.<sup>84</sup> Payments remaining to be made under the PFI contract at 31 March 20X2 (excluding any estimation of inflation and availability/performance deductions) are as follows:<sup>85</sup>

- 
- 81. Required by [paragraph 4.2.4.2\(16\) of the Code](#).
  - 82. Required by [paragraph 4.3.4.3\(1\) and \(3\) of the Code](#). Where an authority has more than one class of PFI schemes, separate disclosure for each class is required.
  - 83. Required by [paragraph 4.3.4.2\(1\) of the Code](#).
  - 84. Required by [paragraph 4.3.4.3\(2\) of the Code](#).
  - 85. Required by [paragraph 4.3.4.2\(3\) of the Code](#).

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Total £000
Payable in 20X2/X3	X	X	X	X
Payable within two to five years	X	X	X	X
Payable within six to ten years	X	X	X	X
Payable within eleven to fifteen years	X	X	X	X
Payable within sixteen to twenty years*	X	X	X	X
Total	X	X	X	X

\* This analysis continues in steps of five years for as long as amounts remain payable.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the liability to the contractor for capital expenditure incurred is as follows<sup>86</sup>:

	20X1/X2 £000	20X0/X1 £000
Balance outstanding at start of year	X	X
Payments during the year	X	X
Capital expenditure incurred in the year	X	X
[Other movements]	X	X
Balance outstanding at year-end	X	X

### 43. IMPAIRMENT LOSSES

[Paragraph 4.7.4.2(1) of the Code requires disclosure by class of assets of the amounts for impairment losses and impairment reversals charged to the Surplus or Deficit on the Provision of Services and to Other Comprehensive Income and Expenditure. These disclosures are consolidated in Notes 13 and 14 reconciling the movement over the year in the Property, Plant and Equipment and Intangible Asset balances.]

During 20X1/X2, the Authority has recognised an impairment loss of £x in relation to its refuse collection vehicles. The vehicles have been specially adapted for the Authority's use and cannot be sold to another prospective user, but upgrades to the Authority's other waste processing facilities mean that the vehicles cannot now be used to their full capability and capacity. The recoverable amount of the vehicles has been reduced to their value in use and the impairment loss charged to the Cultural, Environmental, Regulatory and Planning line in the Comprehensive Income and Expenditure Statement. Value in use was determined by

86. Required by paragraph 4.3.4.2(2) of the Code.

assessing how much the Authority would have to pay to acquire the service potential of the vehicles that is actually now capable of being used.

#### 44. CAPITALISATION OF BORROWING COSTS

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[Where an authority has capitalised borrowing costs, [paragraph 4.8.4.2 of the Code](#) requires disclosure of the amount of borrowing costs capitalised during the year and the capitalisation rate used to determine the amount of eligible borrowing costs.]

#### 45. TERMINATION BENEFITS<sup>87</sup>

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The Authority terminated the contracts of a number of employees in 20X1/X2, incurring liabilities of £x (£x in 20X0/X1). Of this total, £x is payable to Director X, in the form of compensation for loss of office and enhanced pension benefits of £x, as disclosed in Note 35. The remaining £x is payable to 30 officers from the Libraries Service who were made redundant as part of the Authority's rationalisation of the Service.

#### 46. PENSIONS SCHEMES ACCOUNTED FOR AS DEFINED CONTRIBUTION SCHEMES<sup>88</sup>

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

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

In 20X1/X2, the county council paid £x to Teachers' Pensions in respect of teachers' retirement benefits, representing 7.98% of pensionable pay. The figures for 20X0/X1 were £x and 7.45%. There were no contributions remaining payable at the year-end.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 47.

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87. Required by [paragraph 6.3.3.2 of the Code](#).

88. Required by [paragraphs 6.4.2.3 and 6.4.2.4 of the Code](#).

## 47. DEFINED BENEFIT PENSION SCHEMES<sup>89</sup>

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### Participation in Pension Schemes

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

The authority participates in two post employment schemes:

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

### Transactions Relating to Post-employment Benefits<sup>90</sup>

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

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89. Required by [paragraph 6.4.3.32 of the Code](#).

90. Required by [paragraph 6.4.3.32 \(h\) and \(i\) of the Code](#).

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	£000		£000	
	20X1/X2	20X0/X1	20X1/X2	20X0/X1
<b>Comprehensive Income and Expenditure Statement</b>				
<i>Cost of Services:</i>				
■ current service cost	x	x	x	x
■ past service costs	x	x	x	x
■ settlements and curtailments	x	x	x	x
<i>Financing and Investment Income and Expenditure</i>				
■ interest cost	x	x	x	x
■ expected return on scheme assets	x	x	—	—
<i>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</i>	x	x	x	x
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>				
■ actuarial gains and losses	x	x	x	x
<i>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	x	x	x	x
<i>Movement in Reserves Statement</i>				
■ reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	x	x	x	x
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>				
■ employers' contributions payable to scheme	x	x		
■ retirement benefits payable to pensioners			x	x

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 20XX/YY is a loss of £x.<sup>91</sup>

91. Required by paragraph 6.4.3.32(j) of the Code.

## Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):<sup>92</sup>

	Funded liabilities: Local Government Pension Scheme £000		Unfunded liabilities: Discretionary Benefits £000	
	20X1/X2	20X0/X1	20X1/X2	20X0/X1
Opening balance at 1 April	x	x	x	x
Current service cost	x	x	x	x
Interest cost	x	x	x	x
Contributions by scheme participants	x	x	—	—
Actuarial gains and losses	x	x	x	x
Benefits paid	x	x	x	x
Past service costs	x	x	—	—
Entity combinations	x	x	x	x
Curtailments	x	x	x	x
Settlements	x	x	x	x
Closing balance at 31 March	x	x	x	x

Reconciliation of fair value of the scheme (plan) assets:<sup>93</sup>

	Local Government Pension Scheme £000	
	20X1/X2	20X0/X1
Opening balance at 1 April	x	x
Expected rate of return	x	x
Actuarial gains and losses	x	x
Employer contributions	x	x
Contributions by scheme participants	x	x
Benefits paid	x	x
Entity combinations	x	x
Settlements	x	x
Closing balance at 31 March	x	x

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date.

92. Required by paragraph 6.4.3.32(d) and (e) of the Code.

93. Required by paragraph 6.4.3.32(f) of the Code.

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.<sup>94</sup>

The actual return on scheme assets in the year was £x (20X0/X1: £x).<sup>95, 96</sup>

## Scheme History

	20W7/W8	20W8/W9	20W9/X0	20X0/X1	20X1/X2
	£000	£000	£000	£000	£000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	x	x	x	x	x
Discretionary Benefits	x	x	x	x	x
<b>Fair value of assets in the Local Government Pension Scheme</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	x	x	x	x	x
Discretionary Benefits	x	x	x	x	x
<b>Total</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £x has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative overall balance of £x. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 20X3 is £x. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 20X3 are £x.<sup>97</sup>

## Basis for Estimating Assets and Liabilities<sup>98</sup>

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by IC Uffarez, Ebbendean and Partners,

94. Required by paragraph 6.4.3.32(m) of the Code.

95. Required by paragraph 6.4.3.32(n) of the Code.

96. Required by paragraph 6.4.3.32(p)(i) of the Code.

97. Required by paragraph 6.4.3.32(q) of the Code.

98. Required by paragraph 6.4.3.32(o) of the Code.

an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 20X0.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits	
	20X1/X2	20X0/X1	20X1/X2	20X0/X1
Long-term expected rate of return on assets in the scheme:				
Equity investments	8.4%	8.7%	–	–
Bonds	4.9%	4.8%	–	–
Other	4.5%	4.7%	–	–
Mortality assumptions:				
Longevity at 65 for current pensioners:				
■ Men	19.3	18.9	16.4	16.4
■ Women	22.3	22.1	20.3	20.1
Longevity at 65 for future pensioners:				
■ Men	21.2	21.0	-	-
■ Women	23.3	23.2	-	-
Rate of inflation	2.7%	2.8%	2.7%	2.8%
Rate of increase in salaries	4.5%	4.3%	-	-
Rate of increase in pensions	2.7%	2.8%	2.7%	2.8%
Rate for discounting scheme liabilities	6.1%	6.2%	6.1%	6.2%
Take-up of option to convert annual pension into retirement lump sum	50%	40%	-	-

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:<sup>99</sup>

	31 March 20X2 %	31 March 20X1 %
Equity investments	72	77
Debt Instruments	16	14
Other assets	12	9
	100	100

99. Required by paragraph 6.4.3.32(k) of the Code.

## History of Experience Gains and Losses<sup>100</sup>

The actuarial gains identified as movements on the Pensions Reserve in 20XX/YY can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 20YY:

	20W7/W8	20W8/W9	20W9/X0	20X0/X1	20X1/X2
	%	%	%	%	%
Differences between the expected and actual return on assets	(1.67)	2.45	0.61	(0.77)	(0.46)
Experience gains and losses on liabilities	0.22	1.12	0.18	(0.57)	0.17

## 48. CONTINGENT LIABILITIES<sup>101</sup>

At 31 March 20X2, the Authority had two material contingent liabilities:

- The Government has announced an intention to make skateboarding illegal. The Authority has spent £x on works to build a skateboarding park in Hanham City that would have to be written off if the legislation is introduced. However, the Skateboarding (Prevention) Bill is having a difficult passage through Parliament and the probability is that it will not now be enacted. No provision has thus been made for this contingency.
- In February 20X2 the Authority submitted a formal bid to host the Pet Olympics. The Olympic Committee will decide whether to award the right to host the event to Hanham City or Chihuahua in Mexico in December 20X2. If the Authority wins the bid, it will be required to incur expenditure estimated at £x on new Olympic standard facilities for the pony gymkhana and snail racing.

## 49. CONTINGENT ASSETS<sup>102</sup>

Dodd, Geef and Ayshons plc completed construction of a bridge for the Authority in September 20X0. The Authority deemed that the structure was not safe when it was handed over. The Company refused to carry out rectification work and an alternative contractor was engaged at a cost of £x. On the advice of the Authority's legal experts that it is probable that damages will be awarded to the Authority, a claim has been made against the Company for this amount. The claim is due to be heard by the courts in early 20X3.

100. Required by paragraph 6.4.3.32(p)(ii) of the Code.

101. Required by paragraph 8.2.4.2(3) of the Code.

102. Required by paragraph 8.2.4.2(4) of the Code.

## 50. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS<sup>103</sup>

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

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

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

### Credit Risk<sup>104</sup>

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

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

The credit criteria in respect of financial assets held by the authority are as detailed below:

*[Insert details of local policy, covering such things as minimum credit ratings required, maximum amounts to be lent to category of lender or individual lender, geographical limitation.]*

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £x cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31 March 20X2 that this was likely to crystallise. Deposit protection arrangements will limit any losses that might arise to [details].

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103. Required by [paragraph 7.4.3.1 of the Code](#), as detailed for qualitative disclosures in [paragraph 7.4.3.2](#), for quantitative disclosures in [paragraph 7.4.3.3](#), and where quantitative data at the end of the year is unrepresentative of exposure to risk during the year in [7.4.3.4](#).

104. Required by [paragraph 7.4.3.5 of the Code](#).

The following analysis summarises the Authority's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. The table excludes a £x 10-year bond issued by [PQR] on which interest payments have been suspended and which the authority has impaired down to a fair value of zero because the issuing company is in administration:

	Amount at 31 March 20X2 £000	Historical experience of default %	Historical experience adjusted for market conditions at 31 March 20X2 %	Estimated maximum exposure to default and uncollectability at 31 March 20X2 £000	Estimated maximum exposure at 31 March 20X1 £000
	A	B	C	(A X C)	
Bonds	X	X	X	X	X
Customers	X	X	X	X	X
				X	X

No credit limits were exceeded during the reporting period and (apart from the bond issued by [PQR]) the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

The Authority does not generally allow credit for customers, such that £x of the £x balance is past its due date for payment. The past due but not impaired amount can be analysed by age as follows:<sup>105</sup>

	31 March 20YY £000	31 March 20XX £000
Less than three months	X	X
Three to six months	X	X
Six months to one year	X	X
More than one year	X	X
	X	X

### Liquidity Risk<sup>106</sup>

The authority has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The authority sets limits on the proportion of its fixed rate borrowing during specified periods. The strategy is to

105. Required by paragraphs 7.4.3.6 and 7.4.3.7 of the Code. Further details required if collateral is held for these assets held by the authority, especially if it takes possession of the collateral.

106. Required by paragraph 7.4.3.8 of the Code.

ensure that not more than x% of loans are due to mature within any rolling three-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments. The maturity analysis of financial liabilities is as follows:

	31 March 20X2 £000	31 March 20X1 £000
Less than one year	X	X
Between one and two years	X	X
Between two and five years	X	X
More than five years *	X	X
	X	X

\* The bands in the example are illustrative only – more bands should be added (or the bands widened) where the substantial part of the loans are outstanding for more than five years.

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

## Market Risk

### Interest Rate Risk

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

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

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

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

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

According to this assessment strategy, at 31 March 20X2, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

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

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 generally invest in equity shares but does have shareholdings to the value of £x in a number of joint ventures and in local industry. The Authority is consequently exposed to losses arising from movements in the prices of the shares.

As the shareholdings have arisen in the acquisition of specific interests, the Authority is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead it only acquires shareholdings in return for 'open book' arrangements with the company concerned so that the authority can monitor factors that might cause a fall in the value of specific shareholdings.

The £x shares are all classified as 'available for sale', meaning that all movements in price will impact on gains and losses recognised in Other Comprehensive Income and Expenditure. A general shift of 5% in the general price of shares (positive or negative) would thus have resulted in a £x gain or loss being recognised in the Other Comprehensive Income and Expenditure for 20X1/X2.

### Foreign Exchange Risk

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