ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Audit Committee**
2.	**Date:**	**20 July 2011**
3.	**Title:**	**Statement of Accounts 2010/11**
4.	**Directorate:**	**Financial Services**

5. Summary

Members will recall that the Accounts and Audit Regulations 2011 have introduced changes to the requirements for approving and publishing the Council's annual accounts. Hitherto, Members were required to approve both the unaudited and audited Statement of Accounts. Under the 2011 Regulations the statutory requirement for the unaudited accounts to be approved by Members has been removed. The new requirements which came into effect for the 2010/11 annual accounts are now that:

- Annual unaudited accounts are to be certified by the Strategic Director of Finance as the Responsible Financial Officer no later than 30 June; and
- Annual audited accounts to be re-certified by the Responsible Financial Officer and formally approved by Members then published no later than 30 September.

Audit Committee requested at its meeting on 16 February 2011 that, in order to maintain the strong governance over financial reporting locally in Rotherham, it should continue to receive and consider the unaudited accounts.

Accordingly, this report has been prepared to offer Members such an opportunity and to highlight some of the key features to help them interpret the 2010/11 Statement of Accounts which are the first to be produced under International Financial Reporting Standards (IFRS). In producing this report, particular focus has been given to providing Members with an understanding of the changes IFRS has introduced and to more general areas of interest within the accounts. The general areas of interest include those which CIPFA's Better Governance Forum suggested Audit Committees might find pertinent in reviewing an authority's financial statements in their May 2011 Audit Committee Update which was brought to Audit Committee's attention last month.

The formal audit of the Council's 2010/11 accounts has now begun. The results will be reported by the Auditor's ISA 260 report to the September 2011 meeting of this Committee at which formal approval of the audited Statement of Accounts by Members will be sought.

This report also sets out the action that has been taken to address the issues raised in the Auditor's 2009/10 ISA260 report and 2010/11 interim audit report in preparing the 2010/11 Statement of Accounts.

6. Recommendation

The Audit Committee is asked to note the unaudited Statement of Accounts 2010/11

7. Proposals and Details

The principal purpose of the Statement of Accounts is to present a true and fair view of the financial position of the Authority at the end of the financial year (31 March) and the income and expenditure for the year then ended.

The transition to IFRS has resulted in significant changes to the way in which the financial performance of the Authority is reported. Audit Committee has been briefed on these changes and, in the most recent IFRS progress update (February 2011), a revised balance sheet and financial performance for 2009/10 was presented to the Committee to highlight the impact of those changes. During the course of 2010/11 closedown the impact on 2009/10 figures has been fully evaluated and this has led to some minor revision of the adjustments reported to Members in February. The final overall effect of restatement on the balance sheet at 31 March 2010 and 2009/10 comparatives is provided in the tables in the **Explanatory Foreword on page 4** of the Statement of Accounts. The restatement of 2009/10 comparatives means that they are now on a like for like basis with 2010/11.

The attached Appendix provides Members with:

- An explanation of the purpose and content of the financial statements under IFRS,
- A financial commentary on the financial performance and financial position of the Authority by reference to the main financial statements included in the 2010/11 Statement of Accounts (Part A of the attached Appendix);
- Further details on the main accounting changes IFRS has introduced are contained in Part B; and
- How the Council in closing down and preparing the 2010/11 Statement of Accounts has addressed the issues raised in the Auditor's ISA260 Report 2009/10 and 2010/11 interim audit report (Part C).

8. Finance

The Statement of Accounts 2010/11 presents a true and fair view of the Council's financial position as at 31 March 2011 and its income and expenditure for the year then ended.

9. Risks and Uncertainties

The Statement of Accounts is subject to external audit which may result in matters arising from the audit that may need to be reported to the Audit Committee.

10. Policy and Performance Agenda Implications

The unaudited Statement of Accounts has been prepared in accordance with the agreed closedown timetable, thus achieving the statutory deadline for approval by the Responsible Financial Officer by the 30 June and for placing them on the Council's website for public inspection by the date agreed with the Auditor of 5 July.

11. Background Papers and Consultation

Unaudited Statement of Accounts 2010/11
Code of Practice on Local Authority Accounting in the UK 2010/11
Code of Practice on Local Authority Accounting in the UK 2010/11 - Guidance Notes
CIPFA Better Governance Forum Audit Committee Update Issue 5 dated May 2011
Audit Committee – 16 February & 16 March 2011

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APPENDIX

Overview

The Code of Practice on Local Authority Accounting in the UK 2010/11 (the Code) specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents a true and fair view' of the financial position and transactions of a local authority.

The 2010/11 Code is based on International Financial Reporting Standards and specifies the minimum presentation and disclosure requirements.

The Code constitutes **'proper accounting practice'** under the terms of the Local Government Act 2003 and local authorities therefore have a statutory duty to adhere to it.

Its principal purpose is to present a true and fair view of the financial position of the Authority at the end of the financial year (31 March) and the income and expenditure for the year then ended.

Purpose

The Code has been prepared on the basis that the purpose of the Statement of Accounts is to give electors, those subject to locally levied taxes and charges, Members, employees and other interested parties clear information about the Council's finances.

Contents

Under the Code, the Authority's financial performance and financial position is reported through the:

- **Comprehensive Income and Expenditure Statement (CIES) (Page 14)** – The Comprehensive Income and Expenditure Statement shows the surplus or deficit on the provision of services and other gains and losses recognised in the year prior to any statutory adjustments for the differences between the way transactions are presented on an accounting basis and the amounts which are required to be met under legislation from local taxpayers and housing rents to meet the cost of General Fund and HRA services.

- **Movement in Reserves Statement (MIRS) (Pages 15 to 17)** – The Movement in Reserves Statement shows the net change in the balances on reserves allowing for the aforementioned statutory adjustments.

- **The Cash Flow Statement (Page 19)** – This Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

- **The Housing Revenue Account (HRA) Income and Expenditure Account (Page 101) –** This Account summarises the income and expenditure in respect of the provision of local authority housing accommodation. Local Authorities are required by statute to account separately for all transactions relating to the cost of providing such accommodation.

- **Collection Fund Account (Page 111)** – By statute, billing Authorities are required to maintain a separate Collection Fund which shows the level of National Non Domestic Rates, Council Tax and the residual Community Charge received by the Authority during the accounting period and the distribution of these funds.

The Authority's financial position is reported through the:

- **Balance Sheet (Page 18)** - The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) represent the Council's net worth and are matched by the reserves held by the Council. Reserves are analysed into usable and unusable.

In addition to the main financial statements described above, the Statement of Accounts also contains:

- **Statement of Responsibilities for the Statement of Accounts (Page 1) –** which details the respective responsibilities of the Authority and its chief financial officer for the accounts

- **An Explanatory Foreword (Pages 2 to 12) -** this highlights the purpose of each of the statements disclosed, the headline details in terms of the Council's revenue and capital expenditure and income for the year, together with a brief description of the significant matters affecting the Council's financial position. It also includes a brief overview of issues which may affect the Council's financial position in the longer term.

- **A Statement of Accounting Concepts & Policies (Pages 130 to 150) –** The accounting policies are the principle bases, conventions, rules and practices that specify how the effects of transactions and other events are reflected in the financial statements. The accounting policies that have been applied in preparing the Council's 2010/11 financial statements are detailed on pages 130 to 150 of the accounts and were approved by Audit Committee in March 2011.

PART A

Commentary on the financial performance and financial position of the Authority

(i) Comprehensive Income and Expenditure Statement and Movement in Reserves Statement - Financial performance (Pages 14 to 17)

Revenue Outturn

The Comprehensive Income & Expenditure Statement and the Movement in Reserves Statement when taken together show the cost of providing Council services in a different format to that reported to Members through the Revenue Outturn.

Members should be assured by the fact that the final page of the Movement in Reserves Statement on page 17 shows the General Fund outturn of £2.229m (underspend) and the HRA outturn of £4.118m (overspend) which should be familiar to them.

It is the Movement in Reserves Statement which provides the link between the Revenue Outturn & the Surplus & Deficit on the Provision of Services which is reported within the CIES. This latter amount represents the surplus or deficit the Council would have reported under commercial accounting principles. However, local government is subject to a range of accounting and capital financing regulations which means that the amount to be met from local taxpayers, central government and housing rents is subject to a series of **statutory adjustments** in determining the net revenue requirement. It is these adjustments which are included in the Movement in Reserves Statement so as to bring the amount shown in the CIES back to the revenue outturn.

This is illustrated below:

	£m
General Fund underspend against budget	(2.149)
Schools underspend against budget	(0.080)
GF Revenue Outturn reported to Members (page 17)	(2.229)
HRA Revenue Outturn (page 17)	4.118
Combined GF and HRA Revenue Outturn	**1.889**

<u>Reconciliation of revenue outturn to the deficit on provision of services (£210.519m) reported in the CIES:</u>	£m
Combined GF and HRA Revenue Outturn	1.889
Less: Other transfers (to)/from General Fund (page 17)	(0.123)
Add back: Transfers (to) / from earmarked reserves:	
General Fund (page 17)	5.446
HRA (page 17)	(0.265)
Add back: Adjustments between accounting basis and funding basis:	
General Fund (page 17)	(2.507)
HRA (page 17)	206.079
Deficit on the provision of services reported in the CIES (page 16)	210.519

As at 31 March 2011 the Council has £8.402m available in uncommitted General Fund Reserves. This is equivalent to 3.9% of the Council's Net Revenue Budget and is deemed to be a prudent level, which will allow the Council to address any issues and pressures that may arise during the coming financial year. The Council also holds £25.497m in earmarked General Fund reserves (including £0.324m schools' Declared Savings and excluding £8.064m revenue grants reserve). Transfers to / from earmarked reserves are detailed in Note 2 on page 27 of the accounts.

The adjustments between accounting basis and funding basis are detailed in Note 1 on pages 24 to 26 of the accounts. The principal items are:

- Depreciation, impairment and revaluation losses which are charged to income and expenditure within the CIES but are not proper charges to revenue. They are therefore reversed out and replaced by the statutory amount the Council sets aside to repay debt used to finance capital investment (the minimum revenue provision or MRP).

- Local authorities are required to account for revenue and capital resources separately. Accordingly, capital grants and contributions recognised within income and expenditure in the CIES are reversed out and transferred to unusable reserves if applied for financing or to usable reserves if still to be applied. Similarly, gains or losses on the disposal of non current assets recognised within income and expenditure are reversed out and the sale proceeds transferred to capital receipts.

- Retirement benefits are charged as amounts become payable to pension funds and pensioners rather than as future benefits are earned.

All income and expenditure is reported internally except for the following items which are only accounted for as part of the year end closedown process. These items are included as income and expenditure within the CIES but do not represent proper charges to revenue and are therefore reversed out as part of the adjustments between the accounting basis and funding basis:

- £33.646m of FRS 17 pension costs credited to the CIES (comprising the two entries shown in Note 1 on page 25 of the accounts of £8.363m plus £25.283m), and
- £1.606m relating to short term accumulated absences credited to the CIES shown in Note 1 on page 26 of the accounts

The segmental reporting note (Note 3 on pages 31 to 35 of the accounts) aims to provide a reconciliation of the net revenue requirement reporting internally to management to the surplus or deficit on the provision of services reported in the CIES.

The Revenue Outturn report presented to Cabinet on 20th July provides Members with greater detail on the Council's financial performance against budget on General Fund services and the HRA.

Other comprehensive income and expenditure £35.855m

Not all the gains and losses experienced by the Council are reflected in the surplus or deficit on the provision of services and net increase or decrease in General Fund and HRA balances.

The final section of the CIES details these other items which have been recognised in the year and which impact on the net assets and liabilities of the Authority. In 2010/11, these comprised:

- A surplus on the revaluation of property, plant and equipment of £0.949m;
- Actuarial gains on pension fund assets and liabilities of £34.102m; and
- Other gains of £0.804m relating to the repayment of the Council's share of the former South Yorkshire County Council metropolitan debt

(ii) Balance sheet – Financial position (page 18)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) represent the Council's net worth. The Council's net worth is matched by the reserves held by the Council which are analysed into usable and unusable.

The overall change in net worth is as follows:

	£m
Net Worth – as at 1 April 2010 (page 18)	524.339
Less: Deficit on provision of services (page 14)	(210.519)
Add: Other comprehensive income and expenditure (page 14)	35.855
Net worth – as at 31 March 2011 (page 18)	349.675
Change in Net Worth	(174.664)

Of the change in Net Worth the only impact on the spending power of the Council is a reduction of £7.455m in the reserves available to support revenue and capital expenditure principally due to:

- the underpend on the General Fund balance of £2.229m;
- the overspend on the HRA of £4.118m; and,
- the decrease in earmarked General Fund reserves of £5.446m representing accounting opportunities realised referred to in Section 2(d) of the Explanatory Foreword on page 5 of the accounts.

The main issues to note regarding the balance sheet are set out below:

Long term assets

- Property, Plant and Equipment – the carrying value of these assets has fallen by £207m. The reduction is principally due to decreases in the certified valuations of Council assets of £196m, the most significant being a reduction of £188m in the value of council dwellings. The latter has occurred because the social housing discount factor applied to all council house values in Yorkshire and Humberside to reflect the fact that rents are at social housing rather than market rates was adjusted by central government from 47% in 2009/10 to 31% in 2010/11.

- Long-Term Investments – during the year the £8.5m invested long-term at 31 March 2010 was returned to the Council in accordance with the terms of the investments. No new long-term investments were made 2010/11.

Current assets and current liabilities

- Short-term Investments – the decrease of £5.5m reflects the fluctuations in the Council's short-term cash position.

- Cash in hand / bank overdrawn – as shown in note 34 on page 80 of the accounts, there was an overall increase of £14m in the Council's cash position due to the reduction of £8.5m in long term investments and £5.5m in short term investments during 2010/11.

- Short-term Borrowing – the increase of £7m is mainly due to the fact that the Council had £5m of temporary overnight borrowing at 31 March 2011. The temporary borrowing was required as part of the Council's day to day cashflow management because almost all of the cash in hand balance of £20m shown in Note 34 is held by schools whose cash is not managed on a unified basis with that of the Authority and is not available to the Council for treasury management purposes.

- Debtors – the decrease of £20m is principally due to:

- the net amount owed by the government in respect of NNDR reduced by £4.3m.
- the amount due from 2010 (Rotherham) Ltd reduced by £2.1m.
- the amount to be collected from invoices raised through the sundry debtors system reduced by £6.8m.
- the net amount owed by the Government in respect of housing and council tax benefit reduced by £1.6m.
- grant due from Yorkshire Forward reduced by £2m.

- Creditors – the decrease of £10m is principally due to:

- the amount due to 2010 (Rotherham) Ltd reduced by £8.1m.

<u>Long term liabilities</u>

- Long-term Borrowing – the increase of £23m reflects the fact that the Council borrowed to meet the underlying capital financing requirement for the year.

- Pensions liability – the Council's pension liability as assessed under the requirements of FRS17 decreased by £73m. The main reason for this was the government announcement that pensions would be indexed using the Consumer Price Index instead of the Retail Price Index which has resulted in the Pension scheme's estimated liabilities reducing by £53m. It should be noted that employer contributions to the South Yorkshire Pensions Fund are based on the full triennial valuations carried out by actuary not the FRS 17 assessed liability.

- PFI Finance Lease Liability – as shown in note 44(g) on page 96 of the accounts there was an overall decrease of £2m in the PFI liability reflecting the amounts calculated through the PFI accounting models of the liabilities due to be written-down from 2011/12.

- Capital grants receipts in advance – this balance represents grants which have not yet been recognised within income and expenditure because terms and conditions have not been fulfilled. As shown in note 8 on page 40 of the accounts the balance of £0.466m at 31 March 2011 consists solely of Section 106 developer contributions.

<u>Usable Reserves</u>

Note 37 on page 84 of the accounts provides a detailed breakdown of the Council's usable reserves.

Included within usable reserves are:

- £25.341m of unapplied capital grants which have been recognised as income as terms and conditions have been met but which have yet to be applied for capital financing. As explained above, capital grants and contributions whose terms and conditions have still to be fulfilled do not form part of reserves but are presented separately on the face of the balance sheet within long term liabilities as capital grants receipts in advance.

- Unspent school balances of £2.828m and schools declared savings of £0.324m. These sums have been allocated to schools as part of their formula funded budgets and are exclusively earmarked for use by the schools concerned.

- Earmarked reserves of £33.826m set aside to meet specific purposes details of which are contained in Note 2 on page 27 of the accounts. Included within earmarked reserves are £8.064m of revenue grants which have been recognised within income as terms and conditions have been met but have not yet been used to finance revenue expenditure. Were there to be any revenue grants whose terms and conditions had still to be fulfilled they would be included within creditors as revenue grants receipts in advance. However, there were no such grants at 31 March 2011.

Unusable Reserves

Note 38 on page 85 of the accounts provides a detailed breakdown of the Council's unusable reserves.

- Capital Adjustment Account and Revaluation Reserve – the changes in the balances arose from the various capital accounting entries made in the year. These were the result of the capital expenditure incurred, its funding in the year, and changes to asset valuations.

- Pensions Reserve – this balance matches the FRS 17 pensions liability. It arises from the statutory protection afforded to local authorities which results in charges to revenue being equal to the employer contributions due to the South Yorkshire Pension Fund in the year rather than pension costs based on FRS 17.

- Short term accumulating absences account – this balance matches the amount accrued within creditors in respect of short term accumulating absences. It similarly affords protection to local authorities from having to charge revenue with the amounts accrued.

(iii) Cash Flow Statement (page 19)

This Statement summarises all the cash inflows and outflows for revenue and capital purposes arising from the Council's financial transactions with third parties. This reconciles to the change in cash balances shown in the Balance Sheet comprising cash and cash equivalents in hand less bank overdrafts as shown in Note 34 on page 80 of the accounts.

Year on year the main impact has resulted from the approved treasury management activities, which produced savings to the General Fund, and additional expenditure through the capital programme supported through higher grant receipts.

(iv) Housing Revenue Account (pages 101 and 102)

The Housing Revenue Account (HRA) forms part of the income and expenditure reported in the CIES and hence part of the overall surplus or deficit on the provision of services.

The HRA is disaggregated from the remainder of the General Fund in the Movement in Reserves Statement to recognise its ring-fenced status. As can be seen from that Statement (page 17 of the accounts) the HRA's share of the overall surplus or deficit on the provision of services (as shown in the CIES) is adjusted for differences between the accounting basis and funding basis of the HRA. After then allowing for transfers to earmarked HRA reserves, the net use of HRA balances for the year is shown (£4.118m). This is the amount reported to Members within the overall Council Revenue Outturn report and further detail on the financial performance of the HRA can be found in that report.

(v) Collection Fund (page 111)

The outturn on the Collection Fund for 2010/11 is a surplus of £0.201m as shown on page 111 of the accounts. This is after distribution of £1.662m to the precepting and billing authorities in the year (including £1.303m to the Council). Excluding the distribution, the Fund made a surplus of £1.863m.

At the end of 2010/11 the Council's share of the £3.069m remaining in the Fund is £2.724m as shown in Note 5 to the Collection Fund on page 113 of the accounts.

The Fund will continue to be managed to ensure the balance is utilised to reduce the impact of Council Tax on the Borough's residents.

(vi) Group Accounts (pages 117 to 129)

The Council conducted a review under IFRS of other organisations in which it has interest to determine which should be consolidated into the Council's Group Accounts. The outcome of this review is that in 2010/11 the Group should comprise the Council and its wholly owned subsidiary 2010 (Rotherham) Ltd.

The consolidated financial results of the Group are shown in the Group Accounts on pages 117 to 129 of the accounts.

PART B

Changes in accounting brought about by the introduction of IFRS

The most significant changes in accounting introduced by IFRS are as follows:

(a) Capital grants and contributions

Under the SORP, capital grant was initially credited to a Government Grants Deferred Account when applied for financing and then released to income and expenditure over the life of the asset to which the grant related. Unapplied grant was effectively held as deferred income in the top half of the balance sheet within long term liabilities until applied for financing.

Under IFRS, capital grants and contributions are shown in full within income and expenditure as soon as terms and conditions of grant have been met. Grants whose terms and conditions have been met but which have still to be applied are held within usable reserves. Grants which have not yet been recognised within income and expenditure because terms and conditions have not been fulfilled are held as capital grant receipts in advance in the top half of the balance sheet as a long term liability.

These changes resulted in adjustments to the 31 March 2010 balance sheet comprising: transfer of £99m of capital grant applied for financing to unusable reserves; transfer of £22m of unapplied capital grant on which there are no outstanding terms and conditions to usable reserves; and, £4m of unapplied capital grant with outstanding terms and conditions being shown as capital grant received in advance within long term liabilities.

(b) Leases

Both IFRS and the SORP require leases to be classified either as operating leases or finance leases but apply different criteria for making this assessment. In general under IFRS, there is a greater likelihood of leases being classified as finance leases. Under an operating lease, the risks and rewards of ownership of the asset being leased is retained by the lessor on whose balance sheet it sits whereas in the case of a finance lease the risks and rewards of ownership transfer to the lessee and the asset sits on the lessee's balance sheet.

In 2010/11, £0.14m of finance leases have been recognised on the Council's balance sheet where the Council acts as lessee, and £19m of assets removed from the Council's balance sheet as a result of the Council granting finance leases to two schools when they acquired Academy status during the year

(c) Property, Plant and Equipment

IFRS has introduced new asset categories of Property, Plant and Equipment; Investment Property and Assets Held for Sale for items to replace what were previously described as tangible fixed assets under the SORP. The definitions of these new asset categories led to £18m of Property, Plant and Equipment being reclassified as Investment Properties and Assets Held for Sale in the 31 March 2010 balance sheet.

A further change is the way in which revaluation losses are treated. Under IFRS these are first offset against any related revaluation gains in the balance sheet before charging any remaining revaluation losses to the CIES whereas under the SORP revaluation losses where charged in full to the CIES. This has resulted in revaluation losses charged to CIES in the restated 2009/10 comparatives being reduced by £22m and approximately £17m of losses being offset against gains in the balance sheet in 2010/11.

(d) Short term accumulated absences

Under IFRS Councils are obliged to include within the accounts an amount to reflect the short term benefits that employees have earned under their contract of employment but not been paid at the year end. The principal one is holiday pay but also includes flexi time being carried forward. There was no requirement to include such an amount under the SORP.

As a result £9m was included in the 31 March 2010 balance sheet and this had reduced to £7.5m at 31 March 2011.

Statutory protection has been given to local authorities by the Government to prevent this additional cost falling on local tax payers. Any amounts included are reversed out through the Movement in Reserves Statement so that there is no impact on the Revenue Outturn.

PART C

Addressing the Auditors ISA260 Report 2009/10 and 2010/11 interim audit report

The Auditors ISA260 Report 2009/10 drew to Members attention one issue in the Council's accounting and internal control systems and qualitative aspects of accounting practices and financial reporting where improvements could be made.

The table below sets out the issue raised in the Auditors ISA260 Report and how in closing down and preparing the 2010/11 Statement of Accounts the Council has sought to address the issue.

Issue raised in Auditors ISA260 Report	How the Council has addressed the issue
Valuation of Leisure PFI assets The Authority brought the Leisure PFI on balance sheet at the valuation given at inception. It is necessary to conduct frequent valuations to identify any potential impairments arising in relation to assets. During the year the Authority had conducted a desk top valuation to confirm the values in the original PFI model. The desktop review highlighted a potential impairment of £3.987m however the Authority did not adjust the carrying value of the PFI to reflect this in the accounts. It is recommended that the Authority carries out a full valuation exercise on the Leisure PFI assets to validate the fair carrying value in the 2010/11 accounts.	 Leisure PFI assets have been formally revalued in 2010/11.

The Auditor's 2010/11 interim audit report identifies two other minor financial reporting matters relevant to the restatement of 2009/10 figures on an IFRS basis.

The table below sets out the issues raised and how in closing down and preparing the 2010/11 Statement of Accounts the Council has sought to address them.

Issue raised in Auditors 2010/11 interim audit Report	**How the Council has addressed the issue**
Provisions Under IFRS, provisions should be classified as current or long term according to whether the obligation is expected to be settled within 12 months or after more than 12 months. A balance of £500,000 at 31 March 2010 relating to Maltby Academy was misclassified as long term at the time that the interim audit work was carried out.	The provision has been reclassified as current in the final version of the restated 31 March 2010 balance sheet included within the 2010/11 Statement of Accounts.
Cash and cash equivalents Under IFRS, it is a matter for each authority to determine which cash deposits are to be treated as cash equivalents and which as short term investments. At the time of the interim audit, an adjustment was made to reclassify £9.3m of fixed term deposits with the Debt Management Office and Building Societies from cash equivalents to short term investments.	The adjustment arose due to the Council confirming the accounting policy in relation to cash equivalents and short term investments with support from its treasury advisors. This policy has been consistently applied in preparing the restated balance sheet and current year balance sheet reported in the 2010/11 Statement of Accounts.