

## STATEMENT OF ACCOUNTS 2010/11

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# Bromsgrove District Council

## **Annual Governance Statement 2010 – 2011**

### **1. Scope and responsibility**

Bromsgrove District Council is responsible for ensuring that:

- its business is conducted in accordance with legal requirements and proper standards
- public money is safeguarded, properly accounted for, and used economically, efficiently and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Bromsgrove District Council is also responsible for maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of its functions, including arrangements for the management of risk.

The Council's Executive Director of Finance and Resources is the officer with statutory responsibility for the administration of the Council's financial affairs as set out in section 151 of the Local Government Act 1972.

### **2. The purpose of the governance framework**

The governance framework comprises the cultural values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community. The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost-effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risks of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Bromsgrove District Council for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts.

### 3. The governance framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) has identified six principles of corporate governance that underpin the effective governance of all local authorities. Bromsgrove District Council has used these principles when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are listed below:

#### **Core Principle 1: focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area**

- A clear statement of the Council's purpose, vision and priorities for the next three years is set out in the Council Plan 2011/14. This brings together the national, regional and local agenda, in terms of policy, performance and customer feedback, and sets out the recommended priorities and strategic key deliverables for the year ahead, so that they provide a strategic framework for setting the Council's budget.
- For each priority there are clear outcomes for residents and service users, together with identified actions that will deliver the vision.
- The vision is translated into more specific aims and objectives through the departmental service business plans and team action plans
- Progress against the Council Plan's targets and actions are monitored monthly at Corporate Management Team and Cabinet. In addition key projects are managed through the Project Management Board and the Transformational project Board.
- Posters are widely available to communicate priorities and goals
- The residents magazine "Together Bromsgrove" is sent to all households 3 times per year
- Regular staff forums are held by Senior Management Team to communicate aims and objectives of the Council
- The budget jury undertakes annual reviews of the priorities and the link to the budget considerations.
- The Bromsgrove Partnership provides a partnership review forum
- Use of Worcestershire Viewpoint to support the measurement of resident satisfaction
- Consultation informs our Community Strategy which is available to the public
- The Community Strategy and Annual Report articulate the Council's activities and achievements
- The medium term financial plan underpins corporate aims and links funding to the key priorities of the Council
- The Council's budget monitoring statements show financial plans at a detailed level for the financial year
- Effective budgetary monitoring takes place regularly and is reported on a quarterly basis as an integrated report with performance to Cabinet, Overview and Scrutiny and Full Council
- Savings have exceeded targets
- Service standards have been published and are available to the public
- Scrutiny task groups are supported by officers and have delivered tangible outcomes

## **Core Principle 2: members and officers working together to achieve a common purpose with clearly defined functions and roles**

- The Council's Constitution clearly sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other Boards operated by the Council
- Terms of reference for member working groups ( e.g. Scrutiny Task Groups) are clearly defined
- Officers are appointed with clear job descriptions
- Adoption of statutory and professional standards
- Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
- Financial administration procedures are agreed by the Executive Director of Finance and Resources
- Appropriate segregation of duties and management supervision.
- A clear scheme of Councillor/officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council.
- The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme.
- Overarching legal agreement between Bromsgrove District Council and Redditch Borough Council clearly defines the roles and responsibilities and the support from officers to deliver the joint services

## **Core Principle 3: promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

- The Council's priorities and aims clearly demonstrate its vision and values
- Posters communicating this vision and the values are widely available
- A Member/ Officer protocol is set out within the Constitution
- The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols.
- There is an established and effective Standards Committee

## **Core Principle 4: taking informed and transparent decisions which are subject to effective scrutiny and management of risk**

- There is an established and effective Overview and Scrutiny Board
- There is an established and effective Audit Board to advise Council on the effectiveness of Internal Control arrangements
- Shared Service Board receives regular progress and benefit realisation updates
- A review of the constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions
- A formal Service level agreement is in place with Worcester City Council to ensure Internal Control arrangements are reviewed in a consistent and professional way
- Decisions taken are formally minuted and all formal member meetings are recorded
- A standard report template is in place which is subject to regular review by officers to ensure appropriate information is available to members in making informed decisions
- The Cabinet forward plan is rolled forward and reviewed weekly at Corporate Management Team.
- Overview and Scrutiny have an annual workplan supported by any considerations from the forward plan

- Regular Task Groups are established to review service areas and to make recommendations for their improvement
- Formal governance arrangements are in place for the shared services
- Active risk management, including:
  - risk identification, registers and action plans
  - Risk Management Steering Group
  - guidance and training on risk management for members and staff;
  - involvement of members in monitoring departmental risks
  - consideration of risk implications in committee reports and the decision making process
- Active health and safety arrangements, including a robust policy, Member champion, regular consideration of issues at SMT and Joint Health and Safety Committee
- Regular Trade Union liaison meetings with Senior Management Team
- Clear and approved plan to deliver shared services over the next 2 years in consultation with unions and members. This will ensure the Council delivers the savings required and to improve resilience and capacity across the organisation
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:
  - monthly review of budgetary control information by Officers and the appropriate Portfolio Holder, to compare expected and actual performance
  - formal quarterly budgetary monitoring reports to the Cabinet and Overview and Scrutiny Board
- Active performance management arrangements to Corporate Management Team , Cabinet and Overview and Scrutiny Board
- A revised and effective complaints/ compliments procedure is in place and is widely publicised
- A whistle blowing policy is in place and available on the Council's web site
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council's priorities and objectives, and address as appropriate any financial, staffing, risk, legal, procurement and customer implications

**Core Principle 5: developing the capacity and capability of members and officers to be effective**

- The Council operates a Member Development Programme, overseen by a cross party Member Development Steering Group. The Programme is extensive and includes: induction, chairmanship training, performance training, portfolio holder training and mock Full Councils. The Council has been awarded primary status of the member development charter in recognition of this.
- Portfolio Holders meet on a monthly basis with Directors and Heads of Service to ensure they are aware of all issues within their service and to enable them to present reports at Cabinet in relation to their portfolio area
- The new single management team has been in place since April 2009 to deliver an effective joint arrangement across Bromsgrove District Council and Redditch Borough

- All staff has the opportunity to attend training courses, provided through the staff training directory. Individual's training needs are discussed formally at the annual Personal Development Review and at the 6 month review. Each member of staff also receives a monthly one to one with their manager, at which training is also discussed.
- An induction programme is in place for Officers and Members
- A managers conference takes place every 2 years to develop managers understanding of new initiatives ( transformation )
- Deputy s151 and Monitoring Officers are in place
- Staff Leadership Training is available
- Development of roles and responsibilities for staff managing the transformation of services

**Core Principle 6: engaging with local people and other stakeholders to ensure robust public accountability**

- The Sustainable Community Strategy is positively used and developed in conjunction with the Bromsgrove Partnership
- The Council has an Inclusive Equalities Scheme, operates an Equalities and Diversity Forum and Disabled Users' Forum, holds an annual equalities conference and supports the community events that are funded via the forum budget considerations
- The Council is defined as "achieving" against the Equality Framework for Local Government
- The District Council has a service level agreement with the voluntary sector infrastructure organisation, Bromsgrove and Redditch Network (BARN) to support the Compact and enable BARN to attend Bromsgrove Partnership Board meetings
- The Council has service agreements with the Artrix and Community transport service delivery ( WRS) to ensure joint decisions are made on service provision
- Surveys are conducted on the Council's website, at the Customer Service Centre and resident feedback is obtained at Council events ( e.g. summer events at local parks)
- Board, Cabinet and Council meetings are open to the public, with papers available on the internet
- Clear and colourful publications e.g. Annual Report, residents' magazine

**4. Review of effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by Senior and 4<sup>th</sup> tier Managers, with the S151 officer informing the Cabinet of any significant matters warranting their attention.

During the year the following actions have been undertaken to improve arrangements:

- Approval of a climate change strategy
- Development of harmonised terms and conditions between Bromsgrove District Council and Redditch Borough Council
- Regular reporting to the Shared Service Board
- Financial and Legal Agreement developed and approved for Bromsgrove District Council hosting the Worcestershire Regulatory Services arrangement
- Service Level Agreement approved for Internal Audit services to be delivered by Worcester City
- Business Cases approved for a number of shared services between Bromsgrove District Council and Redditch Borough Council



- Adopted the Strong Leader model

The review of effectiveness of the system of internal control is informed by three main sources: the work of Internal Audit; by managers who have responsibility for the development and maintenance of the internal control environment; and also by comments made by external auditors and other review agencies/inspectorates.

### Internal Audit

Bromsgrove's responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2003. This responsibility is delegated to the Executive Director Finance and Resources.

The Worcester City Internal Audit Services Team has been in place since June 2010 and operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic, efficient and effective use of resources. All audit reports go to the manager of the service, the appropriate Director and the Chief Executive. The Audit Board receives a quarterly report of internal audit activity and approve the annual audit plan for the forthcoming year.

The Audit Function is also responsible for co-ordinating the Council's risk management activity, which is monitored by a Risk Management Steering Group and reported to the Audit Board on a quarterly basis.

### Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls. This is done on a checklist covering the following areas: Council objectives and service plans, staffing issues, corporate procedure documents, service specific procedures, risk management, performance management and data quality, and action on independent recommendations. This checklist is reviewed by the Executive Director Finance and Resources.

## External auditors and other review agencies/inspectors

Our external auditors have not identified any significant weaknesses in our internal control arrangements when working with us throughout the year and in their annual audit letter.

Other external reviews during the year included:

- Department of Work and Pension review of Revenues and Benefits.
- External Auditor work, for example subsidy claim audits and annual audit

## **5. Significant governance and internal control issues**

During 2010/11 the number of complaints against elected members reduced. These were managed through the formal assessment process and where appropriate referred for investigation. Notwithstanding this, the process for managing complaints against elected members at Bromsgrove has been acknowledged by Standards for England as being an example of good practice.

The review of Bromsgrove's system of governance and internal control has not identified any significant weaknesses.

There are however a number of actions to be undertaken to improve the arrangements these include:

- Development of a revised risk management arrangement for departmental and corporate registers. This will focus the Management Team and Audit Board on the corporate risks associated with the delivery of services within the future financial constraints.
- Develop clear guidelines on control and financial arrangements within a shared service environment
- Develop a set of measures to manage the governance arrangements within the transformed services
- Review cost allocation within transformation of services to ensure accurate reflection of revised service cost

**Acting Worcestershire Internal Audit Shared Services Manager's Opinion on the Effectiveness of the System of Internal Control at Bromsgrove District Council (the Council) for the Year Ended 31<sup>st</sup> March 2011**

**1. Audit Opinion**

1.1 The internal audit of Bromsgrove District Council's systems and operations during 2010/11 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit Board on 15<sup>th</sup> March 2010 with a revised version being approved by the Audit Board on 27<sup>th</sup> September 2010 and a further revision being approved on the 13<sup>th</sup> December 2010.

1.2 From the 1<sup>st</sup> April 2010 the Internal Audit function did not meet the planned targets. This was due to additional demands of the WETT programme (for example, attendance at Worcestershire Internal Audit Shared Service management meetings), additional resource included in the WETT business case which was not provided until September 2010 and fundamental activities such as follow up checks and professional training block release were omitted from the original plan. An increased number of days was also required for Risk Management to provide support for new members of the Senior Management Team.

1.3 The Worcestershire Internal Audit Shared Service came into effect on 1<sup>st</sup> June 2010 and an interim review with the Section 151 Officer took into consideration the above factors and, based on risk, a revised plan was compiled to reflect the requirements for the remainder of the year.

During October 2010 a part time manager was appointed to support the existing team and a further revision of the plan took place to reflect the reclassification of the direct audit management time.

1.4 Based on the audits performed in accordance with the approved revised plan, the Acting Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2010/11 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate objectives have been met.

1.5 It should be noted that as part of the risk based approach to the testing of core financial systems which has been agreed with External Audit no work was performed on Budgetary Control & Strategy, Cash, General Ledger & Bank Reconciliations and Asset Management during 2010/11 as these systems were assessed as low risk to the Council.

1.6 In relation to the eight reviews that have been undertaken, five audits have been completed and three are to be completed and finalised. A further audit in relation to Regulatory Services was performed at the request of the WETT partners.

1.7 All of the completed audits have been allocated an opinion of either 'Full' or 'Significant' Assurance meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of significant transformation and change.

**Andy Bromage**

**Acting Worcestershire Internal Audit Shared Services Manager**

May 2011

(signed)

**ROGER HOLLINGWORTH**  
Leader of the Council

**KEVIN DICKS**  
Chief Executive

(date)

Subject to Audit

## **EXPLANATORY FOREWORD**

### **Introduction**

This Statement of Accounts presents the overall financial position of Bromsgrove District Council for the year ended 31 March 2011. The format of the Accounts is stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with International Financial Reporting Standards. This foreword provides a brief explanation of the financial activities of the Council and a guide to the significant matters reported in the accounts.

The council has adopted International Financial Reporting Standards ("IFRS") from 1 April 2010 as its standard basis of accounting. These replace UK Generally Accepted Accounting Practices ("UK GAAP") which have been the basis for previous sets of financial statements. This move has had a significant effect on the financial statements, details of which are shown in note 1. The date of transition to IFRS is 1 April 2009, therefore restatement back to this date has taken place where applicable.

### **The Core Financial Statements:**

An explanation of the purpose of the Core Financial Statements is given below:-

#### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the Statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

#### **Comprehensive Income and Expenditure Statement**

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

Exceptional items are reported separately on the face of this statement. For 2010/11 the major component relates to a past service gain for pension costs. This is a result of the Government's decision to increase Local Government pensions in line with CPI rather than RPI.

## The Balance Sheet

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 reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. 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 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'.

## The Cash Flow Statement

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 (i.e. borrowing) to the authority.

## **The Supplementary Financial Statements:**

### The Collection Fund

The Collection Fund shows the transactions of the Council in relation to the collection of Council Tax, and National Non-Domestic Rates and the way in which these have been distributed to the preceptors (the police, fire authority, county council and parishes), the General Fund and the NNDR Pool. It is a statutory requirement for billing authorities to maintain this account.

## **Financial Summary**

### General Fund Revenue Account

At its meetings of 20 January and 24 February 2010 respectively, Bromsgrove District Council set a budget of £12.016m (net of planned transfers from earmarked reserves) and a Band D equivalent Council Tax of £192.85 (£188.15 in 2009/10) which was an increase of 2.5% on the previous year. During the year further budget approvals of £0.059 were approved to fund approved projects. This gave a revised budget of £12.075m.

The Council achieved further success in claims for refund of VAT following a decision in the European Courts on what is known as the "Fleming Case". The Council received a refund and payment of interest of approximately £154k, net of costs, in 2010/11. This exceptional item of income has been credited to the Income and Expenditure Account in 2010/11 although the VAT claim goes back many years.

The General Fund Revenue Balance increased by £0.652m compared to a budgeted surplus of £0.076m, a favourable variance of £0.576m. This has enabled the Council to increase general fund balances to £1.918m. Additionally the Council has set aside resources to fund future expected payments in a number of areas including costs associated with the implementation of shared services and transformation. Details of individual earmarked reserves can be found in the notes to these financial statements.

The main reasons for the variances are:

- Measures were instigated in December 2010 to reduce expenditure and maximise income opportunities following the significant reduction in government grant income announced in the comprehensive spending review.
- VAT refund – Following further successful claims on the basis of the “Fleming Case” the Council received additional net income of approximately £154k.
- An increase in investment income from the anticipated £87k to £122k.
- A refund of national non-domestic rates was received in respect of the Dolphin Centre and the Council House amounting to £100k. This reflects a revaluation of the properties dating back several years.

The Income and Expenditure Account details the gross costs of service provision amounting to **£39.972m**. This expenditure has been analysed as follows:

<b>Expenditure Type</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Employee expenses	11,249	9,838
Employee Pensions Costs – Past Service Costs (Exceptional Item)	0	-3,695
Employee Pensions Costs –Past Service/Settlement/ Curtailment	490	39
Premises related expenses	1,299	892
Transport related expenses	1,050	1,175
Supplies and services	5,368	6,531
Third party payments	1,329	2,601
Transfer payments	16,741	16,990
Exceptional Items	53	42
Capital charges	3,746	5,559
<b>Total</b>	<b>41,325</b>	<b>39,972</b>

Employee expenses comprise payments to and on behalf of the Council’s employees and include salaries, employers’ National Insurance and Superannuation contributions, training, professional subscriptions and recruitment.

Employee Pensions – Past service costs/Settlement/Curtailment – arising due to a one-off change in scheme benefits. These form part of the real cost of post employment/retirement benefits and reflect changes to the value of the future pension obligations arising in the current period from the introduction of, or changes to, post-employment benefits together with changes in future liability due to transfers and/or business closures. The charge we are required to make against council tax however is based on the cash payable in the year so these costs are reversed out of the General Fund via the Movement in Reserves Statement. Please refer to notes 7 & 46 to the accounts for further details.

Transfer payments are payments made to others for which no goods or services are received and are principally in respect of housing and Council tax benefits.

Capital charges comprise depreciation, amortisation and impairment charges, where applicable. These charges represent the cost of using assets in the provision of services. These costs do not get charged to the Council Tax payer as they are reversed out of the General Fund via the Movement in Reserves Statement.

The gross income of **£25.828m** shown in the Income and Expenditure Account has been analysed as follows:

<b>Income Type</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Government grants	<b>18,188</b>	<b>18,167</b>
Fees & charges	<b>4,986</b>	<b>4,925</b>
Exceptional Item	<b>264</b>	<b>196</b>
Other grants & contributions	<b>1,433</b>	<b>2,087</b>
Internal recharges	<b>442</b>	<b>453</b>
<b>Total</b>	<b>25,313</b>	<b>25,828</b>

The figure for government grants income includes £17.144m (£17.055m 2009/10) towards the cost of housing and Council Tax benefits and their administration.

Income from fees and charges include car parking fees, building control fees, planning fees, land charge fees, licensing fees and charges for the use of sports centres.

Internal recharges represent the credit to net cost of services for support service costs charged to capital and trading activities, combined with depot charges to other areas for additional services provided.

### **General Fund Capital Expenditure and Receipts**

Capital expenditure amounted to £3.238m. The main areas of expenditure were in Community Services with Grants to RSL's and Hostels (966k); and Disabled Facilities Grants & Discretionary Home Repairs (£645k); Leisure and Culture recreation areas (340k).

Capital receipts for the year totalled £621k. This relates to sales of vehicles and industrial units, and excludes the transfer of the caravan site.

Capital contributions of £211k were invoiced relating to Section 106 planning agreements whereby developers and other external sources provide sums to be used to fund capital expenditure. Schemes to be funded by such contributions are specific and may be time limited. Capital grants and contributions of £470k were also received from Government and other organisations to assist with the funding of expenditure on Disabled Facilities Grants, Play Areas and Housing.



## **Housing Services**

Although the Councils' housing stock was transferred to Bromsgrove District Housing Trust (BDHT) on 29 March 2004, the Council still retains statutory responsibilities in respect of Strategic Housing Services. The Council has an in-house Strategic Housing Team which has responsibility for assessing the housing needs of the District, the development of housing strategies to meet those needs, developing partnership working with other organisations to enable the provision of affordable housing and schemes that support the improvement and regulation of private sector housing. The Strategic Housing Team also monitors the performance and involvement of Registered Social Landlord's operating in the district, progress against the promises made to tenants in the transfer agreement, and the provision of support, advice and housing services to the homeless and vulnerable client groups.

## **Group Accounts**

In accordance with the 2010 Code the Council has considered its relationship with a number of bodies in order to determine whether or not group accounts are required. It has been identified that during the financial year the District Council had a significant influence over the operating and financial policies of Bromsgrove Arts Development Trust in being able to appoint a majority of the Board Members. It has been concluded that a group relationships exists with this Trust and therefore the Council has prepared Group Accounts.

## **Welcome Break Group Limited**

The Council opened a joint bank account with the Welcome Break Group Limited at HSBC Plc in June 1999. £150,000 was received from the developers of the Hopwood Service Station on the M42 motorway. The money funds a nature reserve at Hopwood Park. Owing to the nature of the relationship with Welcome Break Group Limited the money in this account is not owned solely by Bromsgrove District Council and as such does not form part of these accounts. The balance at 31 March 2011 was £133,105.

## **Pension Fund**

The Council's share of the assets and liabilities of the Pension Fund is a net liability and has been calculated in accordance with IAS19. The net liability has decreased by £4.471m to £19.374m (£19.348m including joint committee). A further explanation can be found in note 46 to the Core Financial Statements.

The net pension liability is a position taken at just one point in time. Market prices can move up as well as down in the short term and it is therefore not possible to quantify what long term effect the movement in market process will have on the Pension Fund.

## **Planned Future Developments**

The Council is committed to the implementation of Shared Services within Redditch Borough Council to ensure savings can be delivered, together with improving resilience and capacity across the Organisation. In addition, services will be reviewed through Transformation and Systems Thinking to improve services to the customer whilst releasing further savings.

## **Significant provisions, contingences and material write offs**

The council made no significant provisions, contingencies or any material write offs during the year. Details of all provisions made are given in note 22.

## **Impact of Current Economic Climate**

A number of pressures were identified during the budget planning period. These included income shortfalls resulting from the recession, together with additional costs and pressures on our services.

By focussing on demand from our customers through Systems Thinking redesign of services, the Council will proactively address any impact of the economic climate on our customers and service delivery.

## **Further Information**

Further information on the accounts is available from the Executive Director Finance and Corporate Resources, The Council House, Burcot Lane, Bromsgrove, Worcestershire, B60 1AA. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is complete. The availability of the accounts for inspection is advertised in the local press.

This document can also be made available in other languages and alternative formats on request from the Customer Service Centre on 01527 881288 or email [worcestershirehub@bromsgrove.gov.uk](mailto:worcestershirehub@bromsgrove.gov.uk).

For a large print version of this document telephone 01527 881288

## STATEMENT OF ACCOUNTING POLICIES

This section provides a summary of the significant accounting policies and estimation techniques used in the preparation of Bromsgrove District Council's accounts.

### **1. General Principles**

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require the accounts to be prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance.

These are the first set of accounts prepared under the Code, based on International Financial Reporting Standards. Comparative figures for the year ended 31 March 2010 have been restated to comply with the Code and the balance sheet as at 1 April 2009 has also been restated on this basis for the purposes of transition. The policies set out below have been applied consistently to all periods presented within these financial statements.

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

### **2. Significant Changes in Accounting Policies**

As a result of the transition to IFRS the following accounting policies have been changed:

- Property plant and equipment
- Intangible assets
- Impairment testing of intangible assets and property, plant and equipment
- Non-current assets and liabilities classified as held for sale and discontinued operations
- Grants and contributions
- Donated Assets
- Leasing

### **3. Accruals of Income and Expenditure**

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

- Fees for the provision of goods and services due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided on employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

#### **4. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that are short-term highly liquid investments held at the Balance Sheet date that are readily convertible to known amounts of cash on the Balance Sheet date and which are subject to an insignificant risk of changes in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

#### **5. Exceptional Items**

Exceptional items are ones that are material in terms of the Council's overall expenditure and are not expected to recur frequently or regularly. Exceptional items are included in the cost of the service to which they relate (or on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts). A full explanation of each exceptional item is given in the Notes to the Core Financial Statements.

#### **6. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

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

Changes in accounting policies are only made when required by proper accounting practices or if the change provides more reliable or relevant information about the Council's financial position or performance. Changes are applied retrospectively (unless stated otherwise) with an additional balance sheet presented at the beginning of the earliest comparative period.

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

## **7. Charges to Revenue for Non-Current Assets**

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

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

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

## **8. Employee Benefits**

### **Benefits Payable during Employment**

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year. An accrual is made for the cost of holiday entitlement, flexitime and time off in lieu not taken by employees before the year-end. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the absence occurs. These are measured at the undiscounted amount that the Council expects to pay as a result of the unused entitlement.

### **Termination Benefits**

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

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

## **Post Employment Benefits**

Employees of the Council are members of the Local Government Pensions Scheme, administered by Worcestershire County Council.

The Scheme provides defined benefits to members (retirement lump sum and pensions), earned as employees working for the Council.

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

- The liabilities of the Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds)
- The assets of Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value.
- The change in the net pensions liabilities is analysed in seven components:-
  - i. Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - ii. Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - iii. Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - iv. Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
  - v. Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits or employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

- vi. Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.
- vii. Contributions paid to the Worcestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance, this means there are appropriations to and from the Pension reserve to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

An independent actuary, based on triennial valuations, determines the employers' contributions. The review carried out as at 31 March 2010 was implemented with effect from 1 April 2011 and may revise the contribution rates payable by the Council in future years.

There is no impact on the revenue account of the authority as a result of the application of IAS19 requirements as the effects are statutorily removed in the Statement of Movement in the General Fund Balance when calculating amounts chargeable to Council Tax payers. The resulting pension costs charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

Further information can be found in Worcestershire County Council's Superannuation Fund Annual Report, available on request from:

Mr. Patrick Birch  
Director of Resources,  
Worcestershire County Council  
County Hall, Spetchley Road,  
Worcester WR5 2NP

## **9. Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### **Recognition**

Financial assets and liabilities are recognised in the Balance Sheet when the council becomes a party to the contractual provisions of the instrument.

## **De-recognition**

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

## **Classification and measurement**

For the purpose of subsequent measurement, financial assets and liabilities other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through income and expenditure;
- held to maturity investments; and
- available-for-sale financial assets.
- Other financial liabilities

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Council's loans and receivables comprise: Fixed deposits, principally comprising funds held with banks and other financial institutions, cash and cash equivalents, trade receivables, accrued income, 'other debtors', borrowings and trade payables.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, using the effective interest method, less provision for impairment.

### **Financial assets at fair value through profit or loss**

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities.

The Council's financial assets and liabilities at fair value through income and expenditure comprise: Investments managed as a single portfolio by an appointed fund manager

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the comprehensive income and expenditure statement.



### Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Group has the intention and ability to hold them until maturity. The Council currently no assets designated into this category.

### Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Council currently no assets designated into this category.

### Other financial liabilities

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method.

The Council's other financial liabilities comprise: borrowings and trade payables are classified as amortised cost. The comprehensive income and expenditure statement is charged with interest receivable/payable, impairment losses and any gain or loss on disposal/maturity.

## **10. Grants and Contributions**

Grants and contributions are recognised when there is reasonable assurance that the council will comply with the conditions attached to them and the grants or contributions will be received. Grants and contributions are accounted for on an accruals basis and are recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the council has not satisfied.

### Revenue Grants and contributions are accounted for as follows:-

- Revenue grants received with no conditions outstanding are credited to the Comprehensive Income and Expenditure account. As the expenditure to be financed by that grant has not been incurred the grant or contribution is transferred to Earmarked Reserves reflecting its status as a revenue resource available to finance expenditure.
- Revenue grants and contributions received where conditions remain outstanding are recognised as part of the Revenue Grants Receipts in Advance on the balance sheet. Once the condition is met, the grant or contribution will be treated as a revenue grant received with no conditions as above.

### Capital grants and contributions are accounted for as follows:-

- Capital grants and contributions received where expenditure has been incurred, where there are no conditions outstanding, are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement.

- Capital grants and contributions received where expenditure has not yet been incurred, where there are no conditions outstanding, are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement. As the expenditure to be financed by that grant has not been incurred the grant or contribution is transferred to the Capital Receipts Reserve reflecting its status as a capital resource available to finance expenditure.
- Capital grants and contributions received where conditions remain outstanding are recognised as part of the Capital Grants Receipts in Advance on the balance sheet. Once the condition is met, the grant or contribution will be treated as a capital grant received with no conditions as above.
- Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **11. Intangible Assets**

Intangible Assets represent expenditure that has been properly capitalised but which does not create a tangible asset for the Council. Intangible assets include acquired and internally developed software used in the services provided or administration that qualify for recognition as an intangible asset. They are accounted for using the cost model whereby capitalised costs are amortised over a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and estimated useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 14. There is a corresponding transfer from the Capital Adjustment Account to neutralise the effect of the amortisation charges on the General Fund Balance. The useful life applied to this classification of assets is 3 – 7 years.

Acquired software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Costs associated with maintaining computer software, ie expenditure relating to patches and other minor updates as well as their installation are expensed as incurred.

Expenditure on research (or the research stage of an internal project) is recognised as an expense in the period in which it is incurred.

Costs that are attributable to the development phase of new customised software for IT and telecommunication systems are recognised as intangible assets provided they meet the following recognition requirements:-

- Completion of the intangible asset is technically feasible so that it will be available for use or sale;
- the council intends to complete the intangible asset and use or sell it;
- the council has the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, it is to be used internally,
- the asset will be used in generating such benefits;

- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee (other than directors) costs incurred on software development along with an appropriate portion of relevant overheads. Internally generated software developments recognised as intangible assets are subject to the same subsequent measurement method as externally acquired software licenses. However, until completion of the development project, the assets are subject to impairment testing only as described below in note 14.

## **12. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using:-

- The lower of cost and net realisable value, except where inventories are acquired through a non-exchange transaction in which case their cost is deemed to be fair value as at the date of acquisition or;
- The lower of costs and current replacement cost where they are held for distribution at no charge or for a nominal charge, or the consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The council's inventories comprise items for Central Depot Stores, Vending Machine Stock, Pest Control Stock and the Postal Franking Machine.

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

## **13. Investment Property**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Comprehensive Income and Expenditure Statement to the Financing and Investment Income and Expenditure line. The same treatment is applied to gains and losses on disposals. Revaluation gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance in the Movement in Reserves Statement and are posted to the Capital Adjustment Account and, for sale proceeds greater than £10,000 the Capital Receipts Reserve.

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

## **14. Jointly Controlled Operations**

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

The Council is responsible for hosting Worcestershire Regulatory Services under a contractual arrangement which is defined as a Jointly Controlled Operation. Under this arrangement, each participant accounts separately for its own transactions arising within the agreement including the assets, liabilities, income expenditure and cash flows. As host to the Regulatory Shared Service, the Council accounts for the expenditure incurred for Redditch Borough Council, Wyre Forest District Council, Worcester City Council, Wychavon District Council, Malvern Hills District Council and Worcestershire County Council, its partners in the arrangement. Assets and liabilities of the pension scheme are the joint responsibility of the partnership and consequently only Bromsgrove District Council's share has been reflected in these accounts.

## **15. Shared Services**

The Council has entered into shared services with various other local Councils for the provision of services to ensure economical and efficient service provision. This arrangement is agreed by each of the partner Councils. Under the arrangement each Council accounts separately for its own transactions arising within the agreement including the assets, liabilities, income, expenditure and cash flows. The host for the shared service accounts for income where relevant and expenditure incurred, including income from each of the partners to the arrangement.

## **16. Leasing**

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

### **The council as lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

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

### **Operating leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as a cost to the services benefiting from the use of the lease property, plant or equipment. Charges are made on a straight line basis over the life of the lease.

### **The council as lessor**

#### **Finance leases**

Where the Council grants a finance lease over a property, plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal and the carrying amount is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease debtor
- finance income (credited to the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement, or the write off of the value of disposals, is not to be adjusted against council tax. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund in the Movement in Reserves Statement.

### **Operating leases**

Where the Council grants an operating lease over property, plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and expenditure Statement.

## **17. Overheads and Support Services**

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

- Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses on non-operational properties.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

## **18. Property, Plant and Equipment**

### **Recognition**

Property, plant and equipment shall be recognised as an asset on the councils balance sheet if:

- It is probable that the future economic benefits or service potential associated with the item will flow to the council,
- The cost of the item can be measured reliably,
- The item has a cost of at least £10,000; or
- Collectively, a number of items have a cost of at least £10,000, where the assets are functionally independent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

### **Measurement**

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Following initial recognition assets shall be valued as follows:-

- Infrastructure, community assets and assets under construction shall be measured at historical cost.
- All other classes of assets are measured at fair value using a valuation method appropriate for the asset in accordance with IAS 16 and the 2010 CODE.

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

- Operational land and buildings, other than low cost housing and rent to mortgage properties (see below), are included at existing use value in accordance with the 2010 Code.
- Low cost housing and rent to mortgage properties are included at market value.
- Infrastructure assets such as environmental improvements (e.g. footbridges, highways furniture and bus shelters) are included at depreciated historical cost.
- Vehicles, Plant and Equipment, other than park equipment and play areas (see below), are included at fair value. The council has adopted a historical cost basis as a proxy for fair value as the assets have short useful lives or low values or both.
- Specialised operational assets such as the skateboard park and equipment in play areas and parks where there is no established market value, have been valued on a depreciated replacement cost basis.
- Community assets, such as Parks and Recreation Grounds, are included at depreciated historical costs
- Investment Properties, which are assets that are not directly used in the delivery of a service and are held for investment potential with any rental income being negotiated at arms length, such as Industrial Properties, are included at market value.
- Assets under Construction are new capital works that will result in the creation of a new asset but will involve expenditure over several years are carried on the Balance Sheet at cost and classified as non-operational until they are finished and brought into operational use.

A programme of valuations, to be carried out by the County Council's Valuation Officer (under an SLA), is in place to ensure all appropriate fixed assets are revalued every 5 years. The County Council's Valuation Officer has been asked to review the impact of the current economic climate on the Council's fixed assets and has confirmed that there is no material impact on their value in the financial year.

### **Depreciation**

Depreciation is charged on all assets used in the provision of services. It represents the use of capital assets by that service. It is calculated on a straight line basis by writing off the cost or revalued amount for assets, less the residual value for each asset, over the useful life of each asset.

Depreciation is provided for on all Property, Plant and Equipment assets with a determinable finite life (except for investment properties), by allocating the value of the assets in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is charged on the asset values at the beginning of the financial year. All assets have now been revalued within the last four years. No depreciation is charged on assets in the year of acquisition or enhancement. No charge is made for non operational assets.

The useful life of assets is based on individual assets but generally is based on:

	<b>Estimated useful life</b>
Other Land and Buildings	5-50 years
Vehicles, Plant and Equipment	2-15 years
Infrastructure	5-20 years

### **Disposals**

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is credited to the Capital Receipts Reserve, and can then only be used for new investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

As the cost of fixed assets is fully provided for under separate arrangements for capital financing, the written-off value of disposals is not a charge against Council Tax; amounts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement for the written off value of disposals.

### **Componentisation**

Where an item of PPE has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. The Council has established a threshold of £1 million for determining whether an asset needs to be componentised and a component value of more than 20% of the total asset value to determine if part of an asset is considered as a component.

### **Residual values**

Where assets are held past their estimated useful life their residual values are usually immaterial or below the £10,000 de minimus level for inclusion on the balance sheet. Where an asset has reached the end of its estimated life and is still used, its value is reviewed to confirm that its value is immaterial. This is done annually at the end of the accounting year.

### **De minimus capital expenditure**

Purchases of assets or enhancement work with a value of £10,000 or lower are not recorded in the asset register (with the exception of collectively purchased assets as referred in the recognition section above). De minimus assets financed from capital resources are written off to the service in the year that expenditure is incurred. Credits are made from the Capital Adjustment Account to ensure the written down assets do not have an impact on Council Tax.



## **19. Impairment testing of intangible assets and property, plant and equipment**

At each reporting period end, the Authority checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

## **20. Non-current assets and liabilities classified as held for sale and discontinued operations**

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

- The asset (or disposal group) is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales, and
- The sale is highly probable and sale should be expected to be completed within 12 months of the date of classification as 'held for sale', and
- The asset (or disposal group) must be actively marketed for a sale price that is reasonable in relation to its fair value.

When these conditions have been met, the asset or disposal group is classified as 'held for sale' and presented separately in the statement of financial position.

Liabilities are classified as 'held for sale' and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as 'held for sale' and their fair value less costs to sell. No assets classified as 'held for sale' are subject to depreciation or amortisation, subsequent to their classification as 'held for sale'.

## **21. Provisions, Contingent Liabilities and Contingent Assets**

### **Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes

aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

### **Contingent Liabilities**

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

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

### **Contingent Assets**

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

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

## **22. Reserves**

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, employee and retirement benefits and do not represent usable resources for the Council.

### **23. Revenue Expenditure Funded from Capital under Statute**

Revenue expenditure funded from capital under statute represents expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital under statute incurred during the year has been written off as expenditure to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where the Council has determined to meet the cost of the Revenue expenditure funded from capital under statute from existing capital resources, or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged to the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

### **24. VAT**

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

### **25. Accounting for Council Tax**

As a billing authority, the Council acts as an agent, collecting and distributing Council Tax income on behalf of its major preceptors – Worcestershire County Council, West Mercia Police Authority, Hereford and Worcester Fire and Rescue Authority and itself.

Council Tax income for the year is the Council's accrued income for the year and not the amount required by legislation to be transferred from the Collection Fund. The difference between the amount included in the Income and Expenditure account and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund.

The cash collected by the Council from Council Tax debtors belongs proportionately to the billing authority and major preceptors. This results in a debtor/creditor position between the Council and major preceptors for the difference between the cash collected from Council Tax debtors and the precept paid over during the year. The Balance Sheet includes the Council's share of Council Tax arrears and associated impairment for bad debts, Council Tax overpayments and prepayments and the debtor/creditor position with the precepting bodies.

### **26. Accounting for National Non-Domestic Rates (NNDR)**

The Council acts as an agent in the collection of National Non-Domestic Rates on behalf of Central Government. The cost of collection allowance is included as income within the Council's Income and Expenditure Account.

The Council does not include NNDR debtors in the Balance Sheet but instead shows a creditor or debtor for cash collected from NNDR debtors as agent of the Government but not paid to the Government or overpaid to the Government, at the Balance Sheet date.

## **Acknowledgements**

Finally, I wish to thank all Financial Services staff and their colleagues throughout the Council, who have worked on preparing these statements. I also wish to thank the Executive Directors and Heads of Service for their assistance and co-operation throughout this process.

**Jayne Pickering**  
**Executive Director of Finance and Corporate Resources**

**Date**

Subject to Audit

## THE FINANCIAL STATEMENTS

### MOVEMENT IN RESERVES STATEMENT

	Notes	General Fund Balance £000	Earmarked GF Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 2009</b>		<b>0</b>	<b>1,525</b>	<b>8,521</b>	<b>27</b>	<b>10,073</b>	<b>25,331</b>	<b>35,404</b>
<b>Movement in reserves during 2009/10</b>								
Surplus or (deficit) on provision of services		-6,041	0	0	0	-6,041	0	-6,041
Other Comprehensive Expenditure and Income			0	0	0	0	-3,353	-3,353
<b>Total Comprehensive Expenditure and Income</b>		<b>-6,041</b>				<b>-6,041</b>	<b>-3,353</b>	<b>-9,394</b>
Adjustments between accounting basis & funding basis under regulations	7	7,208	0	-3,392	0	3,816	-3,816	0
<b>Net Increase / Decrease before transfers to earmarked reserves</b>		<b>1,167</b>	<b>0</b>	<b>-3,392</b>	<b>0</b>	<b>-2,225</b>	<b>-7,169</b>	<b>-9,394</b>
Transfer to / from Earmarked Reserves	8	99	-99	0		0		0
<b>Increase/ decrease in year</b>		<b>1,266</b>	<b>-99</b>	<b>-3,392</b>	<b>0</b>	<b>-2,225</b>	<b>-7,169</b>	<b>-9,394</b>
<b>Balance at 31 March 2010 carried forward</b>		<b>1,266</b>	<b>1,426</b>	<b>5,129</b>	<b>27</b>	<b>7,848</b>	<b>18,162</b>	<b>26,010</b>
<b>Movement in reserves during 2010/11</b>								
Surplus or (deficit) on provision of services		-1,751	0	0	0	-1,751	0	-1,751
Other Comprehensive Expenditure and Income		0	0	0	0	0	2,681	2,681
<b>Total Comprehensive Expenditure and Income</b>		<b>-1,751</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,751</b>	<b>2,681</b>	<b>930</b>
Adjustments between accounting basis & funding basis under regulations	7	2,760	0	-1,375	-8	1,377	-1,501	-124
<b>Net Increase / Decrease before transfers to earmarked reserves</b>		<b>1,009</b>	<b>0</b>	<b>-1,375</b>	<b>-8</b>	<b>-374</b>	<b>1,180</b>	<b>806</b>
Transfer to / from Earmarked Reserves	8	-357	357	0	0	0	0	0
<b>Increase/ decrease in year</b>		<b>652</b>	<b>357</b>	<b>-1,375</b>	<b>-8</b>	<b>-374</b>	<b>1,180</b>	<b>806</b>
<b>Balance at 31 March 2011 carried forward</b>		<b>1,918</b>	<b>1,783</b>	<b>3,754</b>	<b>19</b>	<b>7,474</b>	<b>19,342</b>	<b>26,817</b>

**COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2011**

	Note	31 March 2010			31 March 2011		
		£000 Expenditure	£000 Income	£000 Net	£000 Expenditure	£000 Income	£000 Net
Central Services to the Public		2,177	-923	1,254	2,327	-1,085	1,242
Cultural, Environmental and Planning		14,776	-3,703	11,073	13,100	-3,472	9,628
Highways and Transport		1,762	-1,801	-39	4,644	-1,690	2,954
Housing Services		19,751	-17,977	1,774	20,272	-18,082	2,190
Corporate and Democratic Core		2,310	-644	1,666	3,239	-1,301	1,938
Exceptional Item	34	53	-264	-211	-3,653	-196	-3,849
Non-distributed Costs	33	496	-1	495	43	-1	42
<b>Surplus/ Deficit on Continuing Operations</b>		<b>41,325</b>	<b>-25,313</b>	<b>16,012</b>	<b>39,972</b>	<b>-25,827</b>	<b>14,145</b>
Other Operating Expenditure	9			<b>516</b>			<b>166</b>
Financing and Investment Income and Expenditure	10			2,100			681
Surplus or Deficit of Discontinued Operations				0			0
Taxation and Non-Specific Grant	11			-12,587			-13,241
<b>(Surplus) or Deficit on Provision of Services</b>				<b>6,041</b>			<b>1,751</b>
Surplus or deficit on revaluation of fixed assets	12			-363			-1,101
Surplus or deficit on revaluation of available for sale financial assets				0			0
Actuarial gains/losses on pension assets/liabilities	46			3,716			-1,580
<b>Other Comprehensive Income and Expenditure</b>				<b>3,353</b>			<b>-2,681</b>
<b>Total Comprehensive Income and Expenditure</b>				<b>9,394</b>			<b>-930</b>

## BALANCE SHEET AS AT 31st MARCH 2011

		31 March 2009	31 March 2010	31 March 2011
	Note	£000	£000	£000
Property Plant and equipment	12	34,242	38,215	35,275
Investment Properties	13	7,620	895	1,296
Intangible assets	14	2,796	2,359	1,874
Assets held for sale	15	0	600	250
Long Term Debtors	17	7	3	1
<b>Long Term Assets</b>		<b>44,665</b>	<b>42,072</b>	<b>38,696</b>
<b>Current Assets:</b>				
Inventories	18	125	170	161
Short Term Debtors	19	2,446	5,601	4,168
Cash and cash equivalents	20	6,594	5,624	9,898
Short Term Investments	43	7,500	2,500	3,000
<b>Current Assets</b>		<b>16,665</b>	<b>13,895</b>	<b>17,227</b>
<b>Less: Current Liabilities:</b>				
Short Term Creditors	21	-5,012	-4,841	-8,605
Short Term Borrowing	44	-124	-119	-104
<b>Current Liabilities</b>		<b>-5,136</b>	<b>-4,960</b>	<b>-8,709</b>
<b>Other Long Term Liabilities</b>				
Provisions	22	-617	-248	-283
Other Long Term Liabilities	23	-19,316	-23,855	-19,353
Capital Grants receipts in advance	38	-857	-894	-761
<b>Long Term Liabilities</b>		<b>-20,790</b>	<b>-24,997</b>	<b>-20,398</b>
<b>Net Assets</b>		<b>35,404</b>	<b>26,010</b>	<b>26,817</b>
<b>Taxpayers Equity</b>				
Useable reserves	24	10,073	7,848	7,474
Unusable reserves	25	25,331	18,162	19,342
<b>Total Reserves</b>		<b>35,404</b>	<b>26,010</b>	<b>26,817</b>

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2011**

	Note	31 March 2010 £000	31 March 2011 £000
<b>Net Surplus or deficit on the provision of services</b>		<b>6,041</b>	<b>1,751</b>
Adjust net surplus or deficit on the provision of services for non cash movements		-1,524	-7,847
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		-509	4,737
<b>Net cash flows from Operating activities</b>	27	<b>4,008</b>	<b>-1,359</b>
Investing Activities	28	-3,891	777
Financing Activities	29	853	-3,692
<b>Net Increase or decrease in cash and cash equivalents</b>		<b>970</b>	<b>-4,274</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>6,594</b>	<b>5,624</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>5,624</b>	<b>9,898</b>



## **NOTES TO THE CORE FINANCIAL STATEMENTS**

### **1. Transition to IFRS (International Financial Reporting Standards)**

The Statement of Accounts for 2010/11 is the first to be prepared on an IFRS basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

#### **1.1 Short-term accumulating compensated absences**

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Authority. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Authority is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating absences has resulted in the following changes being made to the 2009/10 financial statements:

	<b>2009/10 Statements</b>	<b>Adjustments Made</b>
	<b>£000</b>	<b>£000</b>
<b><i>Opening 1 April 2009 Balance Sheet</i></b>		
Provisions	-478	-139
Accumulated Absences Account	0	139
<b><i>31 March 2010 Balance Sheet</i></b>		
Provisions	-70	-178
Accumulated Absences Account	0	178
<b>2009/10 Comprehensive Income and Expenditure Statement</b>		
	2009/10 Statements £000	Adjustments Made £000
<u>Cost of Services (Net)</u>		
Central Services to the public	1,233	11
Cultural, Environmental, Regulatory and Planning Services	10,627	16
Highways and Transport	-51	4
Other Housing Services	1,782	4
Corporate and Democratic Core	1,638	4
		39

## 1.2 Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet
- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

- Where grants were received and those grants had conditions that had not been satisfied those grants were transferred to a creditor account named “Capital Grants Receipts in Advance”.

This has resulted in the following changes being made to the 2009/10 financial statements:

	<b>2009/10 Statements £000</b>	<b>Adjustments Made £000</b>
<b><i>Opening 1 April 2009 Balance Sheet</i></b>		
Government Grants Deferred Account	-2,138	2,138
Capital Adjustment Account	-42,502	-2,138
Grants Unapplied Account (liabilities)	-726	726
Government departments (liabilities)	-865	219
Earmarked reserves (reserves)	-1,464	-61
Capital Grants Receipts in Advance (liabilities)	0	-857
Capital Grants Unapplied Account (reserves)	0	-27
<b><i>31 March 2010 Balance Sheet</i></b>		
Government Grants Deferred Account	-1,779	1,779
Capital Adjustment Account	39,904	-1,779
Grants Unapplied Account (liabilities)	-766	766
Government departments (liabilities)	-401	238
Earmarked reserves (reserves)	1,338	-88
Capital Grants Receipts in Advance (liabilities)	0	894
Capital Grants Unapplied Account (reserves)	0	27
Capital Receipts Reserve	5,133	4
<b><i>2009/10 Comprehensive Income and Expenditure Statement</i></b>		
	<b>2009/10 Statements £000</b>	<b>Adjustments Made £000</b>
<b><i>Cost of Services (Net)</i></b>		
Central Services to the public	1,233	12
Cultural, Environmental, Regulatory and Planning Services	10,627	434
Highways and Transport	-51	7
Other Housing Services	1,782	-9
Corporate and Democratic Core	1,638	21
<b><i>Taxation and non specific grant income</i></b>		
	0	-134

### 1.3 Leases

Under the Code, leases of property are accounted for as separate leases of land and buildings. Previously, each property lease would have been accounted for as a single lease. The change in accounting treatment can result in the land or buildings element of the lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is lessee) will be unchanged. Where the Authority is lessor, the regulations allow for the authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Authority some equipment leases where the accounting treatment has changed following the introduction of the Code. These leases were previously classified as operating leases, but under the Code, they have been classified as finance leases.

As a consequence of classifying these plant and equipment leases as finance leases, the financial statements have been amended as follows:

- The Authority has recognised an asset and a finance liability for each piece of equipment / finance lease.
- The Operating lease charge within Culture, Environment and Planning has been reduced by the amount that relates to the capital element of the finance lease payments.
- A depreciation charge has been included within Cultural, Environment and Planning.
- The depreciation has been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.
- The interest element of the lease payments in respect of the plant and equipment is charged to the Financing and Investment Income line in the Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made to the 2009/10 financial statements:

	<b>2009/10 Statements £000</b>	<b>Adjustments Made £000</b>
<b><i>Opening 1 April 2009 Balance Sheet</i></b>		
Property Plant and Equipment	34,224	19
Short Term Borrowings (finance lease liability)	-117	-7
Other Long Term Liabilities (finance lease liability)	0	-13
Capital Adjustment Account	-42,502	10
Short term debtors	2,454	-9
<b><i>31 March 2010 Balance Sheet</i></b>		
Property Plant and Equipment	38,859	12
Short Term Borrowings (finance lease liability)	-115	-4
Other Long Term Liabilities (finance lease liability)	0	-9
Capital Adjustment Account	-39,904	1
Short term debtors	5,591	0
<b><i>2009/10 Comprehensive Income and Expenditure Statement</i></b>		
	<b>2009/10 Statements £000</b>	<b>Adjustments Made £000</b>
Cost of Services (Net)		
Cultural, Environmental, Regulatory and Planning Services	10,627	-10
Financing and investment income and expenditure (interest payable)	2,209	2

The net change to Cultural, Environmental, Regulatory and Planning Services consists of the removal of the operating lease charge for the lease of the plant and equipment (reduction of £17k) and the inclusion of the depreciation charge (increase of £7k).

The net increase on the Surplus or Deficit on the provision of services is removed by the transfer of the depreciation charge to the Capital Adjustment Account and by the transfer of the difference between the finance and operating lease payments to the Financial Instruments Adjustments Account.

## 1.4 Assets

Under the Code, when the carrying amount of an asset is going to be recovered principally through a sale rather than its continued use it is classified as held for sale.

The code states that before classification the asset must be valued at the lower of its net book value and its market value.

As a consequence of classifying some operational land and buildings as assets held for sale, the financial statements have been amended as follows:

- The Authority has reversed the upward valuation made on one asset being transferred to assets held for sale as required by the code and made other minor amendments to valuations of 3 other properties as a result of the IFRS review.
- The Authority has transferred 2 properties to the assets held for sale account as they both met all criteria requiring the transfer.

This has resulted in the following changes being made to the 2009/10 financial statements:

	<b>2009/10 Statements £000</b>	<b>Adjustments Made £000</b>
<b><i>Opening 1 April 2009 Balance Sheet</i></b>		
There were no changes to the opening balance sheet		
<b><i>31 March 2010 Balance Sheet</i></b>		
Property Plant and Equipment	38,859	-656
Revaluation Reserve	431	68
Non Current Assets Held for Sale	0	600
Capital Adjustment Account	-39,904	-12
<b>2009/10 Comprehensive Income and Expenditure Statement</b>	<b>2009/10 Statements £000</b>	<b>Adjustments Made £000</b>
<u>Cost of Services (Net)</u>		
Cultural, Environmental, Regulatory and Planning Services	10,627	-8
Housing	1,782	-4
Other operating expenditure (profit/ loss on disposal of fixed assets)	645	-129
Financing and investment income and expenditure	2,209	-96

## **2. Accounting Standards Issued, not adopted**

As a consequence of the adoption of FRS 30 in the 2011/12 Code, the Code added the option for local authorities to extend the measurement and disclosures required by heritage assets to community assets, a sub classification of Property, Plant and Equipment in the Balance Sheet. As the Council has not opted to change its accounting policy in relation to the measurement and disclosure of community assets in the financial year 2011/12 there are no disclosures to be made in relation to the expected impact of adopting such a change.

## **3. Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out previously in this document, 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 Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision
- The Council has determined that the Worcestershire Regulatory Services Shared Service meets the definition of a Jointly Controlled Operation. The Council has therefore accounted for its share of the Joint Committee's assets and liabilities and income and expenditure as documented in the Legal Agreement.
- The Council has determined that a Group Accounting relationship exists with Bromsgrove Arts Development Trust as it has been identified that the Council is able to appoint the majority of the Board responsible for governing this Trust.
- The Council has a contingent liability in relation to Municipal Mutual Insurance Limited, its former insurer, who ceased to accept new business or claims renewals in 1982. No provision is made for this liability because a solvent run off is anticipated.

## **4. Assumptions made about the Future and other Major Sources of Estimation Uncertainty**

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 result could be materially different from the assumptions and estimates.

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council 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 all assets would increase by £298k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £962k. However the assumptions interact in complex ways. During 2010/11, the Council's actuaries advised that the net pension liability (excluding shared service) had decreased by £3.580m as a result of the change from RPI to CPI for pension increases. (£3.695m including share of Joint Committee)
Bad Debt Provisions	As at 31 March 2011 the Council had sundry debtor balances of £1.686m and Housing Benefit debtor balances of £0.695m Provisions for bad debts are made according to the age of the debt and past experience and a provision of £0.608m is in place in respect of these balances.	If recoverability of these balances were to fall the amount set aside as a provision for bad debts would have to increase. For example, if recoverability of all ages of debt fell by 10% an additional £63k would have to be set aside.
Earmarked Reserves	The Council has reserved £100k for the potential settlement of claims arising from a class action for the recovery of personal search fees.	If the courts rule that the charges were unlawful the Council could be liable for the repayment of personal search fees dating back to the implementation of the Environmental Information Regulations (January 2005)



## **5. Material Items of Income and Expenditure**

During the year the Council's multi storey car park was valued as part of the normal rolling 5 year programme. This has resulted in a downward revaluation of £2.727m on the building. This has been treated as expenditure within Highways Services in the Comprehensive Income and Expenditure Statement.

## **6. Events after the Balance Sheet Date**

There are no material events that have been considered after the Balance Sheet date. The Council continues to review its shared service and Transformation programme to ensure savings can be realised prior to future grant reductions.

## **7. Adjustments between Accounting Basis and Funding Basis under Regulations**

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

### **2010/11**

	<b>Usable Reserves</b>			
	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Adjustments involving the Capital Adjustment Account</b>				
<i><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u></i>				
Charges for depreciation and impairment of non current assets	2,196			-2,196
Revaluation losses on Property Plant and Equipment	2,836			-2,836
Movement in the Market values of Investment Properties	-13			13
Amortisation of intangible assets	527			-527
Capital grants and contributions applied	-422			422
Revenue expenditure funded from capital under statute	1,273			-1,273
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 (CIES)	-458			458

<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	-3			3
Capital expenditure charged against the General Fund	-77			77
Payments to Housing Capital Receipts Pool				
<b>Adjustments involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the CIES				
Application of grants to capital financing transferred to the Capital Adjustment Account			-8	8
<b>Adjustments involving the Capital Receipts Reserve</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES		947		-947
Use of the Capital Receipts Reserve to finance new capital expenditure		-2,327		2,327
Other Capital Receipts – ref revenue financing	-4	4		0
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1	-1		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	1	1		-2
<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	-1,659			1,659
New Schemes Added (Share of Joint Committee)				-124
Employer's pension contributions and direct payments to pensioners payable in the year	-1,381			1,381
<b>Adjustments involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	-14			14
<b>Adjustments involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-42			42
<b>Total movements</b>	<b>2,761</b>	<b>-1,376</b>	<b>-8</b>	<b>-1,501</b>

## 2009/10 Comparative Figures

	Usable Reserves			Movement in Unusable Reserves
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000
<b>Adjustments involving the Capital Adjustment Account</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Charges for depreciation and impairment of non current assets	3,906			-3,906
Revaluation losses on Property Plant and Equipment	8			-8
Amortisation of intangible assets	446			-446
Movements in the values of Investment Properties	150			-150
Capital grants and contributions applied	-134			134
Revenue expenditure funded from capital under statute	2,625			-2,625
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 (CIES)	-94			94
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</i>				
Statutory provision for the financing of capital investment	-16			16
Capital expenditure charged against the General Fund	-562			562
Payments to Housing Capital Receipts Pool				
<b>Adjustments involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the CIES				
Application of grants to capital financing transferred to the Capital Adjustment Account				
<b>Adjustments involving the Capital Receipts Reserve</b>				
Transfer of sale proceeds credited as part of the gain/loss on disposal to the CIES		1,058		-1,058
Use of the Capital Receipts Reserve to finance new capital expenditure		-4,450		4,450
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1	-1		0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	3	1		-4

<b>Adjustments involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the CIES	826			-826
Employer's pension contributions and direct payments to pensioners payable in the year				
<b>Adjustments involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the CIES is different from council tax income calculated for the year in accordance with statutory requirements	10			-10
<b>Adjustments involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	39			-39
<b>Total movements</b>	<b>7,208</b>	<b>-3,392</b>		<b>-3,816</b>

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## 8. Transfer to/from Earmarked Reserves

The Council maintains a number of reserves which have been set up voluntarily to earmark resources for future spending plans. The balance on these reserves and their purpose are detailed below:

<b>Earmarked Reserve</b>	<b>Balance 1 April 2009</b>	<b>Transfers Out 2009/10</b>	<b>Transfers In 2009/10</b>	<b>Balance 31 March 2010</b>	<b>Transfers Out 2010/11</b>	<b>Transfers In 2010/11</b>	<b>Balance 31 March 2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>General Fund</b>							
Building Control Partnership	10	0	12	22	0	5	27
Local Neighbourhood Partnerships	54	0	4	58	-31	3	30
Litigation Reserve	50	0	0	50	0	0	50
Economic regeneration	49	0	13	62	-52	43	53
Organisational Development	101	-101	0	0	0	4	4
Shared Services	262	0	182	444	-91	249	601
Single Status/Job Evaluation	309	-163	0	146	-144	0	2
Local Development Framework	143	0	100	243	-31	0	212
Housing Schemes	61	-101	130	90	-102	87	75
Planning Delivery Grant	340	-313	0	27	-27	0	0
Replacement Reserve	24	-24	0	0	0	0	0
Other	28	-16	0	12	-7	241	246
Local Strategic Partnership	0	0	25	25	-27	4	2
Legal Monitoring Dept	0	0	24	24	-24	0	0
Election Services	0	0	0	0	0	21	21
Recycling Extension	0	0	129	129	-55	0	74
Community Safety	14	0	9	25	-25	85	85
Land Charges	0	0	0	0	0	100	100
Regulatory Services	0	0	0	0	0	69	69
Leisure/Community Safety Reserve	80	-20	0	60	-12	24	72
Financial Services	0	-1	10	9	-6	56	60
<b>Total</b>	<b>1,525</b>	<b>-739</b>	<b>638</b>	<b>1,426</b>	<b>-634</b>	<b>991</b>	<b>1,782</b>

## **9. Other Operating Expenditure**

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Parish Council Precepts	628	647
Payments to the Government Housing Capital Receipts Pool	1	1
Gains/losses on the disposal of non-current assets	-113	-482
<b>Total</b>	<b>516</b>	<b>166</b>

## **10. Financing and Investment Income and Expenditure**

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Pensions interest cost and expected return on pensions assets	1,480	872
Interest receivable and similar income	-89	-122
Interest payable	1	0
Deficit from Trading Operations	655	10
Income and expenditure in relation to investment properties and changes in their fair value	53	-79
<b>Total</b>	<b>2,100</b>	<b>681</b>

## **11. Taxation and non specific grant income**

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Council Tax income	-7,485	-7,736
Non domestic rates	-4,018	-4,407
Non ringfenced government grants	-950	-675
Capital grants and contributions	-134	-423
<b>Total</b>	<b>-12,587</b>	<b>-13,241</b>

## Capital Notes

### 12. Property, Plant and Equipment

#### Movements on Balances in 2010/11

	Operational assets				Non Operational	Total
	Other Land & Buildings	Vehicles Plant & Equipment	Infra- structure	Community Assets	AUC (*)	
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation at 1st April 2010</b>	<b>33,665</b>	<b>10,913</b>	<b>549</b>	<b>710</b>	<b>143</b>	<b>45,980</b>
Additions	57	582		15	351	1,006
Transfers	46				-46	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	49					49
Revaluation increases/(decreases) to SDPS	-2,600	-545				-3,145
Provision of Services						0
Transfer to non current assets held for sale		-15				-15
<b>Gross carrying amount at 31st March 2011</b>	<b>31,217</b>	<b>10,935</b>	<b>549</b>	<b>725</b>	<b>448</b>	<b>43,875</b>
Accumulated Depreciation and Impairment at 1st April 2010	-2,637	-4,963	-166			-7,766
Depreciation charge	-647	-1,440	-28			-2,115
Depreciation written out to Revaluation Reserve	654					654
Depreciation written out on revaluation to SDPS	268	440				708
Impairment losses/(reversals) to SDPS		-81				-81
Depreciation at 31st March 2011	-2,361	-6,044	-194			-8,600
Net Book Value						
<b>Net carrying amount at 31<sup>st</sup> March 2011</b>	<b>28,856</b>	<b>4,891</b>	<b>355</b>	<b>725</b>	<b>448</b>	<b>35,275</b>
<b>Net carrying amount at 1st April 2010</b>	<b>31,028</b>	<b>5,950</b>	<b>383</b>	<b>710</b>	<b>143</b>	<b>38,214</b>

## Movements on Balances in 2009/10

	Operational assets				Non Operational	Total
	Other Land & Buildings	Vehicles Plant & Equipment	Infra- structure	Community Assets	AUC (*)	
	£000	£000	£000	£000	£000	
<b>Cost or Valuation at 1st April 2009</b>	<b>28,399</b>	<b>7,657</b>	<b>532</b>	<b>2,110</b>	<b>291</b>	<b>38,989</b>
Additions	221	1,950	17	68	143	2,399
Transfers	12	279			-291	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	101	0				101
Revaluation increases/(decreases) to SDPS	-90	-542				-632
Transfer to non current assets held for sale	-679	-11				-690
Reclassifications of fixed assets	5,701	1,581		-1,468		5,814
<b>at 31st March 2010</b>	<b>33,665</b>	<b>10,914</b>	<b>549</b>	<b>710</b>	<b>143</b>	<b>45,981</b>
<b>Depreciation at 1<sup>st</sup> April 2009</b>	<b>-1,238</b>	<b>-3,370</b>	<b>-139</b>	<b>0</b>	<b>0</b>	<b>-4,747</b>
Depreciation charge	-657	-1,459	-27			-2,143
Depreciation written out to Revaluation Reserve	261					261
Depreciation written out on revaluation decreases to SDPS	47	487				534
Impairment losses/(reversals) to SDPS	-710	-468				-1,178
Reclassification of fixed assets	-340	-154				-494
Depreciation at 31st March 2010	-2,637	-4,964	-166	0	0	-7,767
<b>Net carrying amount at 31<sup>st</sup> March 2010</b>	<b>31,028</b>	<b>5,950</b>	<b>383</b>	<b>710</b>	<b>143</b>	<b>38,214</b>
<b>Net carrying amount at 1st April 2009</b>	<b>27,161</b>	<b>4,287</b>	<b>393</b>	<b>2,110</b>	<b>291</b>	<b>34,242</b>



## Valuation of Fixed Assets

The basis for valuation of the individual classes of the fixed assets owned by the Council is explained in the Statement of Accounting policies. The net book value as at 31 March represents the value of assets belonging to the General Fund.

The freehold and leasehold property owned by the Council has been valued in accordance with the Statement of Valuation Principles and guidance notes issued by The Royal Institute of Chartered Surveyors as recommended by the Chartered Institute of Public Finance and Accountancy. The valuations were carried out by the Council's Valuation Provider, Worcestershire County Council Property Services.

A programme of valuations, to be carried out by the Council's Valuation Officer, is in place to ensure all appropriate fixed assets are revalued every 5 years with the inclusion of residual land values. Depreciation treatments can be found within the accounting policies.

	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant and Equipment</b>	<b>Infra- structure</b>	<b>Community Assets</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Valued using the cost model	1,161	10,446	549	709	12,865
Revaluations carried out					
31/3/2006	9,645	0	0	0	9,645
31/3/2007	19,792	0	0	0	19,972
31/3/2008	0	0	0	0	0
31/3/2009	0	0	0	0	0
31/3/2010	2,267	0	0	0	2,267
Total Gross carrying amount less impairment at 31/3/2010	32,865	10,446	549	709	44,569
31/3/2011	-2,449	-29	-	16	-2,462
<b>Total Gross carrying amount less impairment at 31/3/2011</b>	<b>30,416</b>	<b>10,417</b>	<b>549</b>	<b>725</b>	<b>42,107</b>

## **Capital Commitments**

Future capital expenditure committed as at 31 March 2011 amounted to £566k for the following schemes:

<b>Scheme Name</b>	<b>Amount Committed £000</b>
ICT Shared Service – Phase 1	33
Increase Bandwidth for Internet Link	19
Sports Facility – Barnsley Hall	210
Sports Facility – Braces Lane	73
DFG - Owner Occupier	62
DFG - BDHT	26
Sanders Park Pavillion - Roof & Toilet Enhancements	20
Discretionary Home Repairs	2
Regulatory - WETT Shared Service	56
Laurel Grove - All Saints	51
Charford Skateboard Park - Villers Rd	14
<b>Total</b>	<b>566</b>

## **Fixed Assets (Land and Buildings) Held**

The fixed assets (Land and Buildings) held by the Council include the following:

	<b>31 March 2010 No's</b>	<b>31 March 2011 No's</b>
Council Offices at Burcot Lane	1	1
Depot	1	1
Sport Centre	1	1
Customer Service Centre	1	1
Public Conveniences	3	3
Caravan Site	1	0
Car Parks	13	14
Cemeteries	2	2
Tourist Information Centre	1	1
Market Hall	1	0
Hostels	1	1
Other Properties	6	6
Allotments Sites	8	8
Parks/Recreation Grounds/Open Spaces and Play Areas	63	63

In addition the council holds 30% of 120 properties under the low cost scheme.

### **13. Investment properties**

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:

	<b>2009/10</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
Rental Income from investment property	-142	-115
Direct operating expenses arising from investment property	45	49
<b>Net gain/Loss</b>	<b>-97</b>	<b>-66</b>

Investment property includes industrial units in Bromsgrove which are owned to earn rentals and for capital appreciation.

Current market prices were available for the determination of fair value. Therefore no estimates regarding future yields were applied in measuring fair value.

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

	<b>2009/10</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>
Gross carrying amount at 1st April	<b>7,620</b>	<b>895</b>
Purchases	0	513
Derecognitions – disposals	-874	-125
Reclassifications	-5,701	0
Net gain/ (loss) from fair value adjustments	-150	13
<b>Gross carrying amount at 31 March</b>	<b>895</b>	<b>1,296</b>

Sales were agreed for the industrial units at 33-51 Sherwood Road during 2009/10 but did not complete until 2010/11. These units were revalued at 31/3/2010 to a nil value recognising a loss of £150,000 included in the loss from fair value adjustments above. This nil valuation was advised by the valuers due to the complex nature of the lease contracts attached to the investment property affecting the valuation of the investment property. The sale completed in 2010/11 for a value of £30k.

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. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

Rental income for 2010/11 amounted to £115k (2009/10: £142k) and is included within 'revenue'. No contingent rents were recognised.

#### **14. Intangible assets**

The Council's intangible assets comprise acquired software licences and own software developments.

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:

	<b>Internally Generated Assets</b>	<b>Other Assets</b>
3 Years		Software standard treatment
5 Years		Shared software with Redditch BC
7 Years		Large projects with longer term benefits – ie Spatial project

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The carrying amounts for the reporting periods under review can be analysed as follows:

	2009/10			2010/11		
	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	26	3,115	3,141	26	3,102	3,128
▪ Amortisation at 31 March 2010	-22	-323	-345	-26	-743	-769
Net carrying amount at start of year	<b>4</b>	<b>2,792</b>	<b>2,796</b>	<b>0</b>	<b>2,359</b>	<b>2,359</b>
Additions						
▪ Purchases		<b>123</b>	<b>123</b>		<b>41</b>	<b>41</b>
Other disposals						
Impairment losses recognised in the Surplus/Deficit on the Provision of Service		-22	-22			0
Amortisation for the period	-4	-420	-424		-520	-520
Other changes		-114	-114		-6	-6
Net carrying amount at end of year	<b>0</b>	<b>2,359</b>	<b>2,359</b>	<b>0</b>	<b>1,874</b>	<b>1,874</b>
Comprising:						
▪ Gross carrying amounts	26	3,102	3,128	26	3,137	3,163
▪ Accumulated amortisation	-26	-743	-769	-26	-1,263	-1,288
	<b>0</b>	<b>2,359</b>	<b>2,359</b>	<b>0</b>	<b>1,875</b>	<b>1,875</b>

All amortisation and impairment charges (or reversals if any) are included within 'depreciation, amortisation and impairment of non-financial assets'. No intangible assets have been pledged as security for liabilities.

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

	<b>Carrying amount</b>		
	<b>31st March 2010 £000</b>	<b>31st March 2011 £000</b>	<b>Remaining amortised period</b>
Spatial project	2,064	1,720	5 years

This is held at historic cost, amortised over the life of the asset in line with our accounting policies, the asset has not been revalued as it is a bespoke system and therefore on market valuation is available.

Intangible assets were acquired during 2010/11 relating to the delivery of shared IT service between Bromsgrove District Council and Redditch Borough Council to the value of 37k which was financed by way of a government grant, in line with our stated policy this will be amortised over five years.

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## 15. Non-current assets held for sale

	Operational land and buildings £000	Vehicles Plant & Equipment £000	Total £000
<b>Gross carrying amount at 1st April 2009</b>	<b>0</b>	<b>0</b>	<b>0</b>
Assets classified as held for sale in the year	679	11	690
Derecognitions – disposals	-79	-11	-90
<b>Gross carrying amount at 31st March 2010</b>	<b>600</b>	<b>0</b>	<b>600</b>

During the year ended 31 March 2010 the council entered into negotiations to sell the Museum for £285,000 (carrying value £250,000) and transfer Houndsfield Lane Site for £350,000 (fair value £350,000). At 31 March 2010 it was considered that it was highly probable that these two transactions will complete before 31 March 2011.

	Operational land and buildings £000	Vehicles Plant & Equipment £000	Total £000
<b>Gross carrying amount at 1st April 2010</b>	<b>600</b>	<b>0</b>	<b>600</b>
Assets classified as held for sale in the year		15	15
Derecognitions – disposals	-350	-15	-365
<b>Gross carrying amount at 31st March 2011</b>	<b>250</b>	<b>0</b>	<b>250</b>

During the year ended 31 March 2010 the council entered into negotiations to sell the Museum for £285,000 (carrying value £250,000). At 31 March 2011 it was considered that it was highly probable that this transaction will complete before 31 March 2012.

## **16. Capital Expenditure and Financing**

The following table shows the total expenditure incurred in the year and the funding of that expenditure. The Capital Financing Requirement is the underlying borrowing requirement for previous expenditure, calculated under the prudential controls.

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Opening Capital Financing Requirement	0	0
Capital Investment		
Property Plant and Equipment	2,399	1,013
Investment Properties		513
Intangible Assets	123	35
Revenue Expenditure Funded from Capital under Statute	3,110	1,677
Sources of Finance		
Capital receipts	-4,451	-2,327
Government grants and other contributions	-619	-834
Sums set aside from revenue:		
Direct revenue contributions	-562	-77
MRP/loans fund principal		
Closing Capital Financing Requirement	0	0
Explanation of movements in year		
Increase in underlying need to borrowing (supported by government financial assistance)	0	0
Increase in underlying need to borrowing (unsupported by government financial assistance)	0	0
Assets acquired under finance leases	0	0
Assets acquired under PFI/PPP contracts	0	0
Increase /(decrease) in Capital Financing Requirement	0	0



## 17. Long Term Debtors

These represent the balance outstanding on mortgages granted for the purchase of Council Houses, under the right to buy scheme. The amount is off set by a deferred capital receipt

	31 March 2010 £000	31 March 2011 £000
Mortgagors re. Sale of Council Houses	4	1

## 18. Inventories

The inventories at the year-end consisted of:

	Consumables Stores	
	2009/10 £000	2010/11 £000
Balance outstanding at start of year	125	170
Purchases	550	510
Recognised as an expenses in the year	-500	-483
Written off	-5	-35
Reversals of write offs in previous years	0	0
<b>Balance outstanding at year-end</b>	<b>170</b>	<b>162</b>

## 19. Short Term Debtors

		31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
<b><u>Amounts falling due within one year</u></b>				
Trade receivables, gross	*	397	561	1,686
Allowance for credit losses		-40	-100	-87
<i>Trade receivables net</i>		<b>357</b>	<b>461</b>	<b>1,599</b>
Government Departments		741	3,485	395
Other debtors, gross	*	556	638	705
Provision for impairment of HB overpayments		-417	-479	-521
<i>Other debtors net</i>		<b>139</b>	<b>159</b>	<b>184</b>
Council Tax arrears		277	282	295
Provision for impairment of collection fund debtor		-124	-139	-222
<i>Net Council Tax Debtors</i>		<b>153</b>	<b>143</b>	<b>73</b>
Prepayments and accrued income	*	1,055	1,353	1,917
<b>Net Receivables</b>		<b>2,445</b>	<b>5,601</b>	<b>4,168</b>

All amounts are short-term. The net carrying amount of trade receivables is considered a reasonable approximation of fair value. Items marked with a \* form part of the financial instruments balances reported in note 41.

## 20. Cash and cash equivalents

Cash in hand consists of petty cash accounts held by various officers throughout the Council. Bank balances include cash in transit at the balance sheet date.

	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Cash in hand (Petty cash)	2	2	1
Bank current accounts	167	-228	322
Bank call accounts	6,425	5,850	9,575
<b>Total</b>	<b>6,594</b>	<b>5,624</b>	<b>9,898</b>

Within the total cash and cash equivalents figure as at 31 March 2011 £872k is held on behalf of the Joint Committee (Worcestershire Regulatory Services).

## 21. Creditors

		31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Employee related		400	394	360
Trade payables	*	366	129	529
Commuted Sums (Revenue Contributions from developers)	*	128	102	76
Government Departments		646	163	2,832
Council Tax preceptors		267	285	498
Council Tax prepayments		80	91	91
Other creditors	*	3,125	3,678	4,218
<b>Total</b>		<b>5,012</b>	<b>4,841</b>	<b>8,605</b>

Items marked with a \* form part of the financial instruments balances reported in note 41.

## 22. Provisions

The Council maintains a number of provisions for bad and doubtful debts which reduce the value of the related debtor shown on the balance sheet (see note 19 Debtors).

Additionally the Council has established three further provisions. These relate to legal cases in progress at the balance sheet date and also costs associated with organisational restructure and accumulated absences (employee benefits). The movement on these provisions is detailed below.

2009/10	Legal Cases £000	Restructure £000	Other £000	Total £000
At 1 April 2009	-44	-434	-139	-617
Additional provisions made in 2009/10	-10	-22	-39	-71
Amounts used in 2009/10	44	396	0	440
<b>At 31 March 2010</b>	<b>-10</b>	<b>-60</b>	<b>-178</b>	<b>-248</b>

<b>2010/11</b>	<b>Legal Cases</b>	<b>Restructure</b>	<b>Other</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 April 2010	-10	-60	-178	-248
Additional provisions made in 2010/11	-50	-97	0	-147
Amounts used in 2010/11	9	60	0	69
Unused amounts reversed in 2010/11	1	0	42	43
<b>At 31 March 2011</b>	<b>-50</b>	<b>-97</b>	<b>-136</b>	<b>-283</b>

### Legal cases

The Council has provided for potential planning inquiries. In order to protect the privacy of individuals and the Council's position in the cases any further information has been withheld from this publication.

### Restructure

The Council continues to undergo staffing restructures as a result of the planned programme of shared service working. Provision has been made in relation to termination costs where it is deemed probable that the Council will have to make a settlement.

### Other provisions

Other provisions comprise provisions for employee benefits due at the year end

## **23. Other Long Term Liabilities**

Other long term liabilities comprise:

	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Obligations under finance leases	13	9	5
Pension reserve	19,303	23,845	19,348
<b>Balance as at 31st March</b>	<b>19,316</b>	<b>23,854</b>	<b>19,353</b>

## **24. Usable Reserves**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and notes 7 and 8.

## 25. Unusable Reserves

	2008/09 £000	2009/10 £000	2010/11 £000
Revaluation Reserve	0	363	1,461
Capital Adjustment Account	44,629	41,693	37,225
Deferred Capital Receipts Reserves	8	3	1
Pensions Reserve	-19,303	-23,844	-19,348
Collection Fund Adjustment Account	136	126	140
Accumulated Adjustments Account	-139	-178	-136
<b>Balance as at 31st March</b>	<b>25,331</b>	<b>18,163</b>	<b>19,343</b>

### 25.1 Movement in Revaluation Reserve

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

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 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.

	2009/10 £000	2010/11 £000
<b>Balance as at 1st April</b>	<b>0</b>	<b>363</b>
Upward revaluation of assets	363	1,101
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	0
Surplus of deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	<b>363</b>	<b>1,464</b>
Difference between fair value depreciation and historical cost depreciation	0	-3
Accumulated gains on assets sold or scrapped	0	0
Amount written off to the capital adjustment account	0	0
<b>Balance as at 31st March</b>	<b>363</b>	<b>1,461</b>

## **25.2 Movement in 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 provision. 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 to the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance costs of acquisition, construction and enhancement.

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Balance at 1 April	44,629	41,693
<i>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</i>		
Charges for depreciation and impairment of non-current assets	-3,815	-2,196
Revaluation losses on Property Plant and Equipment	-98	-2,836
Amortisation of intangible assets	-446	-527
Revenue Expenditure funded from Capital under Statute	-2,773	-1,273
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	-964	-489
	<b>-8,096</b>	<b>-7,321</b>
Adjusting amounts written out of the Revaluation Reserve		3
Net written out amount of the cost of non current assets consumed in the year	<b>-8,096</b>	<b>-7,318</b>
<i>Capital financing applied in the year:</i>		
Use of Capital Receipts Reserve to finance new capital expenditure	4,598	2,327
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	134	422
Application of grants to capital financing from the Capital Grants Unapplied Account	0	8
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	16	4
Capital expenditure charged against the General Fund and HRA balances	562	77
	5,310	2,838
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	-150	13
<b>Balance as at 31 March</b>	<b>41,693</b>	<b>37,225</b>

### **25.3 Pensions Reserve**

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

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
<b>Balance at 1 April</b>	<b>-19,303</b>	<b>-23,845</b>
<i>Actuarial gains or losses on pensions assets and liabilities</i>	-3,716	1,581
Business Combinations (Shared Services)	0	-124
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	-2,766	1,659
Employer's pensions contributions and direct payments to pensioners payable in the year.	1,940	1,381
<b>Balance at 31 March</b>	<b>-23,845</b>	<b>-19,348</b>

### **25.4 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.

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
<b>Balance at 1 April</b>	<b>136</b>	<b>126</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.	-10	14
<b>Balance at 31 March</b>	<b>126</b>	<b>140</b>

## **25.5 Accumulating Compensated Absences Adjustment Account**

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

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
<b>Balance at 1 April</b>	<b>-139</b>	<b>-178</b>
Settlement or cancellation of accrual made at the end of the preceding year	0	42
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements	-39	0
<b>Balance at 31 March</b>	<b>-178</b>	<b>-136</b>

## **26. Movement in Capital Receipts Unapplied**

Capital Receipts Unapplied represents the income from the sale of fixed assets that can be used to fund capital expenditure.

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
<b>Balance as at 1st April</b>	<b>8,521</b>	<b>5,129</b>
Amounts Receivable	1,058	951
Unwinding for previous years financing	148	0
Capital Receipts Pooled	0	0
Applied to finance capital expenditure	-4,598	-2,327
<b>Increase in Realised Capital Resources</b>	<b>-3,392</b>	<b>-1,376</b>
<b>Balance as at 31st March</b>	<b>5,129</b>	<b>3,753</b>

## 27. Operating Activities (Cash Flow)

The cash flows for operating activities include the following items

	2009/10 £000	2010/11 £000
Interest received	-89	-123

## 28. Investing Activities (Cash Flow)

	2009/10 £000	2010/11 £000
Purchase of property, plant and equipment, investment property and intangible assets	2,232	1,537
Purchase of short-term and long-term investments		500
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-952	-971
Proceeds from short-term and long-term investments	-5,000	0
Other receipts from investing activities	-171	-289
<b>Net cash flows from investing activities</b>	<b>-3,891</b>	<b>777</b>

## 29. Financing Activities (Cash Flow)

	2009/10 £000	2010/11 £000
Other receipts from financing activities	-82	-3,711
Repayments of short-term and long-term borrowing	8	19
Other payments for financing activities	927	0
<b>Net cash flows from financing activities</b>	<b>853</b>	<b>-3,692</b>



### **30. 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 Council on the basis of budget reports analysed across departments. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- 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

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

#### **(DIRECTORATE) INCOME AND EXPENDITURE**

##### **2010/11**

	<b>Finance and Resources</b>	<b>Community Services</b>	<b>Environmental Services</b>	<b>Planning/ Leisure/ Regulatory Client</b>	<b>Corporate/ Policy/ Legal/ Bus Trans/ Customer</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, Charges and other service income	-830	-575	-3,015	-1,659	-1,575	-7,655
Support service recharge income	-2,437	-112	-920	-464	-5,128	-9,061
Government Grants	-17,314	-771	0	-62	-26	-18,173
<b>Total income</b>	<b>-20,581</b>	<b>-1,458</b>	<b>-3,935</b>	<b>-2,185</b>	<b>-6,729</b>	<b>-34,888</b>
Employee Expenses	1,671	269	2,996	1,760	3,016	9,712
Other service expenses	18,467	4,097	1,968	2,185	2,087	28,804
Capital Charges	103	191	1,140	445	927	2,806
Support Service Recharges	1,844	255	2,295	1,843	2,686	8,923
<b>Total Expenditure</b>	<b>22,085</b>	<b>4,812</b>	<b>8,399</b>	<b>6,233</b>	<b>8,716</b>	<b>50,245</b>
<b>Net Expenditure</b>	<b>1,504</b>	<b>3,354</b>	<b>4,464</b>	<b>4,048</b>	<b>1,987</b>	<b>15,357</b>

**(DIRECTORATE) INCOME AND EXPENDITURE COMPARITIVE FIGURES****2009/10**

	<b>Finance and Resources</b>	<b>Community Services</b>	<b>Environmental Services</b>	<b>Planning/ Leisure/ Regulatory Client</b>	<b>Corporate/ Policy/ Legal/ Bus Trans/ Customer</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, Charges and other service income	-718	-499	-2,958	-1,941	-797	-6,913
Earmarked Reserves transfers	-96	0	-18	-1	-88	-203
Support service recharge income	-2,783	-565	-2,022	-2,053	-5,585	-13,008
Government Grants	-17,221	-783	0	-139	-45	-18,188
<b>Total income</b>	<b>-20,818</b>	<b>-1,847</b>	<b>-4,998</b>	<b>-4,134</b>	<b>-6,515</b>	<b>-38,312</b>
Employee Expenses	2,196	701	3,488	2,973	3,060	12,418
Earmarked Reserves/Capex charged to general fund	0	29	0	177	54	260
Other service expenses	17,747	2,871	1,838	1,560	1,877	25,893
Capital Charges	350	577	1,347	1,118	874	4,266
Support Service Recharges	2,117	771	3,505	4,006	2,476	12,875
<b>Total Expenditure</b>	<b>22,410</b>	<b>4,949</b>	<b>10,178</b>	<b>9,834</b>	<b>8,341</b>	<b>55,712</b>
<b>Net Expenditure</b>	<b>1,592</b>	<b>3,102</b>	<b>5,180</b>	<b>5,700</b>	<b>1,826</b>	<b>17,400</b>

**RECONCILIATION OF (DIRECTORATE) INCOME AND EXPENDITURE TO COST OF SERVICES IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT (CIES)**

	2009/10 £000	2010/11 £000
Net expenditure in the (Directorate) Analysis	17,401	15,357
<b>Amounts included in the analysis not included in the CIES</b>		
Mortgage receipts treated as revenue	0	1
Earmarked reserves transfers/capex charged to general fund	-58	0
Investment Properties & Trading Services	-809	56
	<b>-867</b>	<b>57</b>
<b>Amounts in the CIES not reported to management in the analysis</b>		
IFRS restatements	447	0
Pension adjustments	-649	-3,911
Capital charges after outturn report	-148	2,697
Additional support costs charged to revenue	0	136
Change in grant usage	0	5
Exceptional item (Fleming)	-211	-154
Accumulated Absences Charge	39	-43
	<b>-522</b>	<b>-1,270</b>
<b>Cost of Services in CIES</b>	<b>16,012</b>	<b>14,144</b>

## RECONCILIATION TO SUBJECTIVE ANALYSIS – 2010/11

	Service Analysis	Amounts not reported to management for decision making	Amounts not included in CIES net cost of service	Allocation of recharges	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges and other service income	-7,655	0	238	0	-7,417	0	-7,417
Support service recharges	-9,061	0	0	9,012	-49	0	-49
Interest and investment income	0	0	0	0	0	-122	-122
Other income	0	-196	1	0	-195	0	-195
Income from Council Tax	0	0	0	0	0	-7,736	-7,736
Housing and Council Tax benefit grant	-16,682	0	0	0	-16,682	0	-16,682
Benefit Administration grant	-498	0	0	0	-498	0	-498
Trading services/Investment Properties	0	0	0	0	0	-238	-238
Other government grants/contributions	-993	5	0	0	-988	-5,504	-6,492
<b>Total Income</b>	<b>-34,889</b>	<b>-191</b>	<b>239</b>	<b>9,012</b>	<b>-25,829</b>	<b>-13,600</b>	<b>-39,429</b>
Employee expenses	9,712	-3,953	-68	492	6,183	0	6,183
Premises	920	0	-56	29	893	0	893
Transport	1,158	0	-5	22	1,175	0	1,175
Supplies	6,485	42	-5	108	6,630	0	6,630
Support Services recharges	8,924	136	-48	-9,012	0	0	0
Third Party	3,252	0	0	-651	2,601	0	2,601
Transfer payments	16,990	0	0	0	16,990	0	16,990
Capital charges (Depreciation, Amortisation and Impairment)	2,806	2,696	0	0	5,502	0	5,502
Trading Services/Investment Properties	0	0	0	0	0	169	169
Interest Payable	0	0	0	0	0	0	0
Precepts and Levies	0	0	0	0	0	647	647
Payments to Housing Pool	0	0	0	0	0	1	1
Pensions interest cost and expected rate of return	0	0	0	0	0	872	872
Gain or loss on disposal of fixed assets	0	0	0	0	0	-482	-482
<b>Total expenditure</b>	<b>50,247</b>	<b>-1,079</b>	<b>-182</b>	<b>-9,012</b>	<b>39,973</b>	<b>1,207</b>	<b>41,180</b>
<b>Surplus or deficit on the provision of services</b>	<b>15,358</b>	<b>-1,270</b>	<b>57</b>	<b>0</b>	<b>14,144</b>	<b>-12,393</b>	<b>1,751</b>

**RECONCILIATION TO SUBJECTIVE ANALYSIS (COMPARATIVE FIGURE) – 2009/10**

	Service Analysis	Amounts not reported to management for decision making	Amounts not included in CIES net cost of service	Allocation of recharges	Net Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000
Fees, Charges and other service income	-6,913	3	240	0	-6,670	0	-6,670
Earmarked reserves transfers	-203	0	203	0	0	0	0
Support service recharges	-13,008	0	0	12,843	-165	0	-165
Interest and investment income	0	0	0	0	0	-89	-89
Other income	0	-263	0	0	-263	0	-263
Income from Council Tax	0	0	0	0	0	-7,485	-7,485
Housing and Council Tax benefit grant	-16,560	0	0	0	-16,560	0	-16,560
Benefit Administration grant	-514	0	0	0	-514	0	-514
Trading services/Investment Properties	0	0	0	0	0	-240	-240
Other government grants/contributions	-1,114	-27	0	0	-1,141	-5,102	-6,243
<b>Total Income</b>	<b>-38,312</b>	<b>-287</b>	<b>443</b>	<b>12,843</b>	<b>-25,313</b>	<b>-12,916</b>	<b>-38,229</b>
Employee expenses	12,417	-610	-68	0	11,739	0	11,739
Earmarked reserves/ Capex charges to general fund	261	0	-261	0	0	0	0
Premises	1,377	0	-77	0	1,300	0	1,299
Transports	1,065	-9	-6	0	1,050	0	1,050
Supplies	5,381	45	-5	0	5,421	0	5,421
Support Services recharges	12,875	0	-32	-12,843	0	0	0
Third Party	1,329	0	0	0	1,329	0	1,329
Transfer payments	16,741	0	0	0	16,741	0	16,741
Capital charges (Depreciation, Amortisation and Impairment)	4,266	340	-861	0	3,745	0	3,745
Trading Services/Investment Properties	0	0	0	0	0	948	948
Interest Payable	0	0	0	0	0	0	0
Precepts and Levies	0	0	0	0	0	628	628
Payments to Housing Pool	0	0	0	0	0	0	0
Pensions interest cost and expected rate of return	0	0	0	0	0	1,480	1,480
Gain or loss on disposal of fixed assets	0	0	0	0	0	-113	-113
<b>Total expenditure</b>	<b>55,713</b>	<b>-234</b>	<b>-1,310</b>	<b>-12,843</b>	<b>41,325</b>	<b>2,943</b>	<b>44,269</b>
<b>Surplus or deficit on the provision of services</b>	<b>17,401</b>	<b>-521</b>	<b>-867</b>	<b>0</b>	<b>16,012</b>	<b>-9,973</b>	<b>6,040</b>

### **31. Trading Operations**

These are activities of a commercial nature, which are financed substantially by charges made to the recipient of the services.

2009/10		External Trading Services	2010/11	
Turnover £000	Profit(-) /Loss £000		Turnover £000	Profit(-) /Loss £000
-98	655	Market Services	-123	10
-98	655	<b>Total External Trading Services</b>	<b>-123</b>	<b>10</b>

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement and are charged as Financing and Investment Income and Expenditure.

(During 2009/10 asset impairment costs had been reflected in the costs of these services.)

The industrial properties are now integrated into the investment properties note.

### **32. Publicity**

Set out below, under the requirements of Section 5(1) of the Local Government Act 1986, is the Council's spending on publicity:

	2009/10 £000	2010/11 £000
General Advertising	19	34
Recruitment Advertising	6	14
Marketing, Promotion and publicity	141	91
<b>Total</b>	<b>166</b>	<b>139</b>

### **33. Non Distributed Costs**

In compliance with the Best Value Accounting Code of Practice specific pension related costs are not recharged to individual services:

	2009/10 Net Expenditure £000	2010/11 Net Expenditure £000
Pensions Past Service Costs	27	0
Pensions Curtailment Costs	463	39
Minor adjustments not charged to services	5	3
<b>Total Non Distributed Costs</b>	<b>495</b>	<b>42</b>

The effect of the IAS19 pension costs included in non distributed costs is reversed by statute via movements in reserves and replaced with actual contributions to the pension fund made by the employer. Further details on pension costs may be found in note 46.

### **34. Exceptional Items**

Amounts reported on the face of the comprehensive income and expenditure statement relate to two items:

#### **Pensions – changes from RPI to CPI**

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

This has the effect of reducing the authority's liabilities in Worcestershire County Council Pension Fund by £3.580m (£3.695m including joint committee) and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund as the effect of these IAS19 pension costs is reversed by statute via movements in reserves and replaced with actual contributions to the pension fund made by the employer. Further details on pension costs may be found in note 46.

#### **Fleming VAT refunds**

As a result of a successful claim made on the basis of the Fleming case the council received a repayment in 2009/10 for overpaid Value Added Tax and simple interest thereon in relation to sporting charges and domestic bulky waste.

The Council received a further payment in 2010/11 in relation to lodged claims.

	<b>2009/10 Net Expenditure £000</b>	<b>2010/11 Net Expenditure £000</b>
Fleming VAT refund net of costs	-211	-154
Pensions Past Service Costs RPI to CPI	0	-3,695
<b>Total Exceptional Items</b>	<b>-211</b>	<b>-3,849</b>

### **35. Members Allowances**

In accordance with Regulation the Council publishes each year details of the total amount of basic and special responsibility allowances paid to members of Bromsgrove District Council.

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Basic Allowance	145	146
Special Allowance	75	77
Expenses including Car Allowances	17	16
<b>Total Allowances Paid</b>	<b>237</b>	<b>239</b>

Members' Allowances are reviewed by an Independent Remuneration Panel. Allowances received for 2010/11 include the basic allowance at £3,696 pa, plus reimbursement for travel, subsistence and other expenses. Special responsibility allowances are paid to members undertaking specific duties and responsibilities for nominated roles of office (e.g. Council Leader, Deputy Leader, and Scrutiny Chairs).

Subject to Audit



### **36. Officers Remuneration 2010/11**

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

From 2010/11 the management team is now shared between Bromsgrove District Council and Redditch Borough Council.

This table shows those employed by Bromsgrove District Council and therefore Redditch Borough council are recharged 50% of their salary and remuneration.

<i><b>Post Holder title 2010/11</b></i>	<i><b>Salary</b></i>	<i><b>Allowances</b></i>	<i><b>Total Remuneration excl pension contributions</b></i>	<i><b>Pension Contributions</b></i>	<i><b>2010/11 Total Remuneration</b></i>
<b><u>Bromsgrove District Council</u></b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive	124,499	1,434	125,933	11,671	137,604
Executive Director of Finance & Resources	87,960	597	88,557	8,180	97,037
Director of Policy, Performance & Partnerships	80,670	631	81,301	7,561	88,862
Head of Legal & Democratic Services	73,215	787	74,002	6,809	80,811
<b>Total</b>	<b>366,344</b>	<b>3,449</b>	<b>369,793</b>	<b>34,221</b>	<b>404,014</b>
Share to Redditch – 50%	-183,172	-1,725	-184,897	-17,111	-202,008
<b>Revised Total</b>	<b>183,172</b>	<b>1,725</b>	<b>184,896</b>	<b>17,111</b>	<b>202,008</b>

The Shared management team was not in place in 2009/10.

<i>Post Holder title 2009/10</i>	<i>Salary</i>	<i>Allowances</i>	<i>Total Remuneration excl pension contributions</i>	<i>Pension Contributions</i>	<i>2009/10 Total Remuneration</i>
<b><u>Bromsgrove District Council</u></b>	£	£	£	£	£
Chief Executive	<b>119,721</b>	<b>2,093</b>	<b>121,814</b>	<b>10,296</b>	<b>132,110</b>
Executive Director P/Ships & Projects – leaving date 22.1.10	<b>92,574</b>	<b>462</b>	<b>93,036</b>	<b>7,169</b>	<b>100,205</b>
Executive Director Services – leaving date 8.3.10	<b>86,718</b>	<b>0</b>	<b>86,718</b>	<b>6,468</b>	<b>93,186</b>
Assistant Chief Executive	<b>65,929</b>	<b>0</b>	<b>65,929</b>	<b>5,670</b>	<b>71,599</b>
Head of Legal & Democratic	<b>65,929</b>	<b>0</b>	<b>65,929</b>	<b>5,670</b>	<b>71,599</b>
Head of Financial Services	<b>65,929</b>	<b>0</b>	<b>65,929</b>	<b>5,670</b>	<b>71,599</b>
<b>Total</b>	<b>496,800</b>	<b>2,555</b>	<b>499,355</b>	<b>40,943</b>	<b>540,298</b>

Comparable figures for 2009/10 for Pension Contributions have been amended to comply with the 2010/11 figures which details the forward funding rate for pensions and not the combined rate.

The table below shows Senior Officers employed by Redditch Borough Council and therefore Bromsgrove District council are recharged 50% of their salary and remuneration.

<i>Post Holder title 2010/11</i>	<i>Salary, fees &amp; allowances</i>	<i>Expense Allowances</i>	<i>Total Remuneration excl pension contributions</i>	<i>Pension Contributions</i>	<i>2010/11 Total Remuneration</i>
	£	£	£	£	£
<b><u>Redditch Borough Council</u></b>					
Executive Director of Planning & Regeneration, Regulatory & Housing.	<b>88,136</b>	<b>0</b>	<b>88,136</b>	<b>10,576</b>	<b>98,712</b>
Deputy Chief Executive	<b>98,527</b>	<b>0</b>	<b>98,527</b>	<b>11,823</b>	<b>110,350</b>
<b>Total</b>	<b>186,663</b>	<b>0</b>	<b>186,663</b>	<b>22,399</b>	<b>209,062</b>
Share to Bromsgrove (50%)	<b>93,332</b>	<b>0</b>	<b>93,332</b>	<b>11,200</b>	<b>104,532</b>

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

**Bromsgrove District Council**

<b>Numbers of Employees Remuneration Bands</b>	<b>2009/10</b>	<b>2010/11</b>
Over £50,000 and up to £54,999	0	0
Over £55,000 and up to £59,999	3	0
Over £60,000 and up to £64,999	1	0
Over £65,000 and up to £69,999	0	1
Over £70,000 and up to £74,999	0	2
Over £75,000 and up to £79,999	1	0
Over £80,000 and up to £84,999	0	0
Over £85,000 and up to £89,999	0	0
Over £90,000 and up to £94,999	0	0
Over £95,000 and up to £99,999	0	0
Over £100,000 and up to £104,999	0	0
Over £105,000 and up to £109,999	0	0
Over £115,000 and up to £119,999	0	0
Over £120,000 and up to £124,999	0	1
<b>Total</b>	<b>5</b>	<b>4</b>

**Notes:**

Comparable figures for 2009/10 have been amended to comply with 2010/11 figures which requires that remuneration bands are shown excluding employers pension contributions.

Two of the employees reflected in the above table for 2010/11 form part the Worcestershire Enhanced Two Tier shared services and costs are shared by all parties to the Joint Committee.

Amounts for the employee falling into the over £120k banding during 2010/11 include a redundancy payment on termination.

## Redditch Borough Council

<b>Numbers of Employees Remuneration Bands</b>	<b>2009/10</b>	<b>2010/11</b>
Over £50,000 and up to £54,999	1	0
Over £55,000 and up to £59,999	3	0
Over £60,000 and up to £64,999	1	1
Over £65,000 and up to £69,999	0	0
Over £70,000 and up to £74,999	0	4
Over £75,000 and up to £79,999	3	0
Over £80,000 and up to £84,999	2	0
Over £85,000 and up to £89,999	3	1
Over £90,000 and up to £94,999	0	0
Over £95,000 and up to £99,999	0	1
<b>Total</b>	<b>13</b>	<b>7</b>

The cost of all the Directors and Heads of Services are shared between both Authorities and charged 50% accordingly. The Head of Housing Services is 100% Redditch Borough Council.

### 37. External Audit Costs

The Audit Commission has been appointed to be Bromsgrove District Council's External Auditor for the conclusion of the 2010/11 accounts. For the financial year 2010/11 Bromsgrove District Council incurred the following fees in respect of external audit and statutory inspection.

<b>Description</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Certification of grant claims and returns.	26	19
Audit and other services	127	102
Statutory inspection.	8	7
<b>Total</b>	<b>161</b>	<b>128</b>

### **38. Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11

#### **Credited to Taxation and Non Specific Grant Income**

	<b>2009/10 £ 000</b>	<b>2010/11 £ 000</b>
DCLG Revenue Support Grant	4,968	5,083
<b>Capital Grants and contributions</b>		
Developers S106 Contributions		150
Regulatory Services – contributions from other local authorities		38
Liveability Grant		66
WCC – play areas	130	
WCC - Playbuilder Scheme		50
RIEP – ICT shared service		100
Other contributions	4	17
<b>Capital Grants and contributions</b>	<b>134</b>	<b>421</b>

## Credited to Services

	<b>2009/10 £ 000</b>	<b>2010/11 £ 000</b>
DWP Housing Benefit Subsidy	16,552	16,675
DWP Housing Benefit Admin	495	462
DWP VRA	2	7
DWP Atlas		27
DWP Incapacity Benefit		3
DWP Local Housing Allowance	10	4
DWP Performance Bids	2	2
DWP Discretionary Housing	8	7
DWP Employment & Support Allowance	9	
DWP In & Out of Work Processes	1	
DCLG Homelessness	99	94
DFT Concessionary Fares	174	267
DCMS Free Swimming	8	11
DCLG Mediation Grant	20	
DCLG Business Rates Deferral Scheme	13	
DCLG NNDR Cost of Collection	118	119
DCLG Mortgage Rescue	4	
DCLG Business Rates Relief		8
DCLG Council Tax Efficiencies	9	
DCLG LABGI	27	
DFG (Refcus)	406	405
RSG (Refcus)	58	
HECS (Refcus)	23	
PCT Health & Well Being		24
Elections Core Grant		1
Planning Delivery Grant	98	
IEWM Heartbeat Workshops	44	
Belne Brook Flood Study	2	
DEFRA Air Pollution	4	16
DEFRA Recycling Grant	1	
Local Gov Land Charges		34
<b>Total General Grants</b>	<b>18,187</b>	<b>18,166</b>

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

### **Capital Grants Receipts in Advance**

Capital grants and contributions received where conditions remain outstanding are recognised as Capital Grants Receipts in Advance on the balance sheet. The grants with conditions outstanding at the year end were as follows:-

<b>Grant</b>	<b>Balance 1 April 2009 £000</b>	<b>Balance 31 March 2010 £000</b>	<b>Net Movement in Year £000</b>	<b>Balance 31 March 2011 £000</b>	<b>Purpose</b>
<b>DCLG</b>	5	11	0	11	Funding for the providing the revaluation flyer and efficiency information on and with council demand notices
<b>Regional Housing Pot</b>	153	44	-28	17	Funding received for legitimate capital investment
<b>Liveability Grant</b>	205	205	-66	138	Funding received for capital expenditure
<b>ICT Shared Service</b>	0	100	-100	0	Funding for capital expenditure to support Redditch /Bromsgrove Shares Services project.
<b>Section 106 grants received</b>	494	534	61	595	
<b>Total</b>	<b>857</b>	<b>894</b>	<b>-133</b>	<b>761</b>	

### **39. Related Parties**

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

#### **Central Government**

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg Council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 11 and in detail in Note 38.



## Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2010/11 is shown in Note 35. The Council maintains a register of Councillors interests that is regularly updated and available for public inspection.

During 2010/11, many Bromsgrove District Councillors were also County Councillors and/or elected members of town and parish councils. The Council also has member representatives on various outside bodies, including Bromsgrove & District Citizen's Advice Bureau, Bromsgrove Arts Development Trust, Bromsgrove District Housing Trust. Members also represent the Council on the Worcestershire Regulatory Shared Service Joint Committee.

The Council has paid grants of £199k to Bromsgrove and District CAB £79k and Bromsgrove Arts Centre Trust £120k. The council has entered into a contract with Bromsgrove District Housing Association for the provision of homelessness services and is also part of the Worcestershire wide choice based lettings housing allocations service. During 2010-11 the Council joined the Worcestershire Care and Repair partnership for the provision of aids and adaptations to residents. This partnership is hosted by Festival Housing Group, the Council paid a total of £130k to Festival Housing Group during the year.

## Officers

All Senior Officers have been requested to confirm if they or their direct family have any related parties, all have confirmed that this is not the case. However, Bromsgrove District Council and Redditch Borough Council do operate a shared senior management structure where Officers work at both Councils, payments to Officers are detailed at Note 36.

## Entities Controlled or Significantly Influenced by the Council

The Council is a partner in the Worcestershire Regulatory Shared Service Joint Committee, this partnership is a jointly controlled operation. The Council is also party to the Internal Audit Shared Service provided under an SLA arrangement by Worcester City Council and in various shared services with Redditch Borough Council.

As host of the Worcester Regulatory Shared Service the council received £653k from Malvern Hills District Council, £726k from Wyre Forest District Council, £1,098k from Wychavon District Council, £735k Worcester City Council, £1,932k Worcester County Council, £716k from Redditch Borough Council. At 31 March the following amounts were owed to partners of the shared service:

	<b>£000</b>
Worcester City Council	123
Redditch Borough Council	208
Wychavon District council	133
Wyre Forest District Council	93
Malvern Hills District Council	71
Worcester County Council	503

The following amounts were owed to Bromsgrove for hosting the shared service:

	<b>£000</b>
Worcester City Council	82
Redditch Borough Council	208
Wychavon District council	21
Wyre Forest District Council	71
Malvern Hills District Council	73
Worcester County Council	198

As part of the shared service with Redditch Borough Council, Bromsgrove District Council has paid £1,493k for services hosted by Redditch and received £1,621k for services hosted on behalf of Redditch. As at 31 March £470k was owed to Redditch for services hosted by them and £1,228k owed by them for services hosted by Bromsgrove District Council.

Under the Internal Audit Shared Service the Council paid £122k to Worcester City Council.

#### **40. Leases**

##### **Finance Leases**

The Council has acquired a variety of assets such as vehicles, office equipment and vending machines by the means of finance lease agreements

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

	<b>31 March 2009 £000</b>	<b>31 March 2010 £000</b>	<b>31 March 2011 £000</b>
Property, Plant and Equipment	0	12	12
<b>Total</b>	<b>0</b>	<b>12</b>	<b>12</b>

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.

	<b>Minimum lease payments due</b>		
	<b>31 March 2009 £000</b>	<b>31 March 2010 £000</b>	<b>31 March 2011 £000</b>
Amounts falling due:			
Within 1 year	8	5	5
Between 1 to 5 years	15	10	5
Later than 5 years			
Subtotal	<b>23</b>	<b>15</b>	<b>10</b>
Finance charges allocated to future periods	-3	-2	-1
Net obligations	20	13	9

## Operating Leases

### Council as Lessee

The Council has acquired a variety of assets such as vehicles, office equipment and land and buildings by the means of operating lease agreements. One of which is the lease of Wyatt House for the use of Worcestershire Regulatory services. The rentals on these leases have been charged to the I&E Account when payable. The amount paid under the arrangements in 2010/11 was £42k (2009/10 was £45k). Future commitments under these existing leases are:

	Minimum lease payments due		
	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Amounts falling due:			
Within 1 year	45	45	70
Between 1 to 5 years	171	170	280
Later than 5 years	256	213	350
<b>Total</b>	<b>472</b>	<b>428</b>	<b>700</b>

### Council as a Lessor

The council leases out Land and Buildings on operating leases these include industrial properties, Sanders Park Café and The Victoria Ground. The income for these have been credited to the I&E. These were 3 new leases in 2010/11. The amounts received in 2010/2011 were £155k.

	Minimum lease payments due		
	31 March 2009 £000	31 March 2010 £000	31 March 2011 £000
Amounts falling due:			
Within 1 year	100	43	112
Between 1 to 5 years	380	154	244
Later than 5 years	5,017	2,495	4,568
<b>Total</b>	<b>5,497</b>	<b>2,692</b>	<b>4,924</b>

The councils operating lease agreements do not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding further leasing or additional debt.

## **41. Financial Instrument Notes**

The definition of a financial instrument is “Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity”. Further details regarding the classification of financial instruments may be found in the section on accounting policies.

### **Categories of Financial Instruments**

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

	Current		Long-term	
	2009/10 £000	2010/11 £000	2009/10 £000	2010/11 £000
<u>Investments</u>				
Loans and receivables	8,350	12,575	0	0
<u>Debtors</u>				
Loans and receivables	2,542	4,308	0	0
<b>Total Financial Assets</b>	<b>10,892</b>	<b>16,883</b>		
Borrowings	-119	-104	0	0
Creditors	-3,909	-4,823	0	0
<u>Other Long Term Liabilities</u>				
Finance Lease Obligations			-9	-5
<b>Total Financial Liabilities</b>	<b>-4,028</b>	<b>-4,927</b>	<b>-9</b>	<b>-5</b>

The Council’s portfolio of investments consists of fixed term deposits and call/notice accounts. Term deposits and call accounts are classed as “Loans and Receivables” and are measured at amortised cost. This form of measurement does not change the amount of cash received under the investment. Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Balances in call accounts at 31 March 2011 are shown under “cash and cash equivalents” in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

### **Fair Values of Assets and Liabilities**

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. 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.

## **42. Interest and investment income**

The total interest and investment income relates to the interest received from the temporary investment of surplus revenue and capital balances.

### **43. Short Term Investments**

These are surplus monies temporarily invested externally.

At 31 March short term investments comprise:

	<b>31<sup>st</sup> March 2009 £000</b>	<b>31<sup>st</sup> March 2010 £000</b>	<b>31<sup>st</sup> March 2011 £000</b>
Loans & Receivables – Term Deposits with Banks/Building Societies/DMAADF	7,500	2,500	3,000
Loans & Receivables – call accounts with Banks/Building Societies	6,425	5,850	9,575
<b>Total</b>	<b>13,925</b>	<b>8,350</b>	<b>12,575</b>

Amounts lodged in bank call accounts, available with immediate access without penalty, are reflected as cash and cash equivalents on the balance sheet.

### **44. Borrowings**

	<b>31 March 2009 £000</b>	<b>31 March 2010 £000</b>	<b>31 March 2011 £000</b>
<b>Amounts falling due within one year:</b>			
Obligations under finance leases	7	4	4
Salix energy efficiency loan	0	0	32
Parish loans repayable on demand	117	115	68
	<b>124</b>	<b>119</b>	<b>104</b>
<b>Amounts falling due after more than one year:</b>			
Obligations under finance leases	13	9	5
<b>Total</b>	<b>137</b>	<b>128</b>	<b>109</b>

### **45. Nature and extent of risks arising from Financial Instruments**

The Council is exposed to the following risks in its dealings with financial instruments:

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

## Overall Procedures for Managing Risk

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects by implementing procedures and restrictions. The procedures for risk management are through a legal framework and associated regulations. These require the Council to comply with the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. These procedures require the Council to manage risk in the following ways:

- By formally adopting the Code of Practice
- By approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing
  - Its maximum and minimum exposures to fixed and variable rates
  - Its maximum and minimum for exposures to the maturity structure of its debt
  - Its maximum annual exposures to investments maturing beyond a year
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparts in compliance with Government Guidance.

The Council's Treasury Management Strategy and Prudential Indicators are approved by Cabinet annually prior to the start of the year to which they relate. This document outlines the detailed approach to managing risk in relation to the Council's treasury activity and any financial instrument exposure. Actual performance is reported quarterly to Members.

The Council maintains written principles for overall risk management through its Treasury Management Practices.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Credit risk is minimised by use of a specified list of investment counterparty criteria and by limiting the amount invested with each institution. The Council receives credit rating details from its Treasury Management advisers on a daily basis and any counterparty falling below the criteria is removed from the list.

The Council does not generally allow credit for its trade debtors. An aged analysis of the Council's sundry debtor balances at 31 March is shown in the table below:

	<b>31 March 2009 £000</b>	<b>31 March 2010 £000</b>	<b>31 March 2011 £000</b>
Less than 3 months	341	409	1,466
Three to six months	21	17	36
Six months to one year	9	99	83
More than one year	26	36	101
<b>Total</b>	<b>397</b>	<b>561</b>	<b>1,686</b>

The Council's approach to determining appropriate provisions for bad and doubtful debts is outlined in note 19 (Debtors). The Council has not had and does not expect any default losses by any of its counterparties in relation to investments.

Due to market conditions the Council has reduced its credit risk for all new investments by only investing in the highest rated instruments and has shortened the allowable length of investments in order to reduce risk.

The credit criteria in respect of financial assets managed in-house by the Council were as detailed below for 2010/11:

<b>Financial Asset Category</b>	<b>Criteria (Fitch ratings)</b>	<b>Maximum Investment</b>
Deposits with banks	Short Term: F1+/F1 Support: 1,2,3 Long Term: minimum 'AA-'/A	£3million/£2million
Deposits with building societies	Short Term: F1+/F1 Support: 1,2,3 Long Term: minimum 'AA-'/A	£3million/£2million
Deposits with Debt Management Account – Deposit Facility (DMADF)		£no upper limit *

\* Investments with the DMADF are guaranteed by HM Treasury. Following advice from the Council's treasury advisors, from a credit perspective no upper limit was imposed on investments with the DMADF.

Fitch Ratings is an international credit rating agency (one of three nationally recognised rating agencies alongside Moody's and Standard & Poor's). Fitch Rating's long-term credit ratings are set up along a scale from 'AAA' to 'D' where 'AAA' designates the best quality companies, reliable and stable through to 'D' where the company has defaulted on obligations and Fitch believes that it will generally default on all or most of its obligations. Fitch's short term ratings indicate the potential level of default within a 12 month period. F1+ is the best quality grade, indicating exceptionally strong capacity of obligor to meet its financial commitment

The following analysis summarises the Council's exposure at the balance sheet date based on Fitch ratings at point of deposit – for full disclosure ratings relating to bank call accounts are also disclosed:

**Bank call account balances included within cash and cash equivalents on balance sheet:**

	Short Term Rating	Long Term Rating	Balance Invested 31 Mar 09 £ 000	Balance Invested 31 Mar 10 £ 000	Balance Invested 31 Mar 11 £ 000
UK Banks – call accounts	F1+	AA+	2,000	0	0
	F1+	AA	2,025	0	0
	F1+	AA-	2,400	5,850	9,575
<b>Total UK Banks – call accounts (cash and cash equivalents)</b>			<b>6,425</b>	<b>5,850</b>	<b>9,575</b>

**Short term investments (financial instruments balance)**

	Short Term Rating	Long Term Rating	Balance Invested 31 Mar 09 £ 000	Balance Invested 31 Mar 10 £ 000	Balance Invested 31 Mar 11 £ 000
UK Banks – Term Deposits	F1+	AA-	0	2,000	3,000
<b>Total UK Banks - Investments</b>			<b>0</b>	<b>2,000</b>	<b>3,000</b>
European Banks	F1	A+	0	0	0
	F1+	AA-	0	0	0
<b>Total European Banks</b>			<b>0</b>	<b>0</b>	<b>0</b>
UK Building Societies	F1+	AA-	2,000	0	0
DMADF	F1+	AAA	5,500	500	0
Other AAA rated investments *	F1+	AAA	0	0	0
<b>Total Investments</b>			<b>7,500</b>	<b>2,500</b>	<b>3,000</b>

\* These investments relate mainly to UK Treasury Gilts and Bonds issued by multilateral development banks matching the Council's investment criteria.

**Liquidity Risk**

The Council's financial plans ensure sufficient monies are raised to cover annual expenditure and that cash is available as needed. In the event of an unexpected cash requirement the Council has ready access to borrowing to cover day to day cash flow needs. There is therefore no significant liquidity risk.

**Market Risk**

**1. Interest rate risk**

The Council is exposed to risk in terms of its exposure to interest rate movements on its investments and borrowings. It has a number of strategies for managing interest rate risk and these are addressed in the Treasury Management Strategy. In addition during periods of falling interest rates and where economic circumstances make it favourable the treasury management team may take fixed rate investments for longer periods to secure better long term returns.



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 Income and Expenditure Account will rise
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- Investments at fixed rates – the fair value of the assets will fall

## **2. Price Risk**

The Council, excluding its exposure to the pension fund, does not generally invest in equity shares.

### **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.

### **46. Defined Benefit Pension Schemes (IAS19)**

#### **Participation in pension schemes**

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

The council participates in the Local Government Pension Scheme which is administered by Worcestershire County Council. This is a defined benefit scheme meaning the retirement benefits are determined independently of the investments of the fund and the Council has an obligation to make contributions where assets are insufficient to meet employee benefits. This is a funded scheme, meaning both the Council and employees pay contributions into the fund, calculated at a level intended to balance the pension's liabilities with investment assets.

#### **Transactions relating to Post-employment benefits**

IAS19 requires us to recognise the cost of retirement benefits in the reported cost of services when the employees earn the benefits 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 retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

Regulatory Shared Services is a Jointly Controlled Operation and accordingly the Council accounts for its share of income and expenditure and its share of assets and liabilities in relation to the pension scheme for the joint committee. The shared service commenced on 1 June 2010 so there are no comparative figures available for 2009/10.

The following transactions have been made in the Comprehensive Income and Expenditure Account and Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2009/10 £000	2009/10 £000	2010/11 £000	2010/11 £000	2010/11 £000
	Discretionary Benefits	Excl Joint Committee	Discretionary Benefits	Excl Joint Committee	Incl Joint Committee
<b>Cost of retirement benefits in Comprehensive Income and Expenditure Statement</b>					
<b>Cost of Services</b>					
Current Service Costs	0	796	0	1,071	1,125
Past Service Costs	0	27	-105	-3,580	-3,695
Curtailment costs	0	463	0	30	39
<b>Financing and Investment Income and Expenditure</b>					
Interest Costs	116	3,106	109	3,362	3,443
Expected Return on Scheme Assets		-1,626	0	-2,477	-2,571
<b>Total Post Employment Benefit Charged to Surplus or Deficit on the Provision of Services</b>	<b>116</b>	<b>2,766</b>	<b>4</b>	<b>-1,594</b>	<b>-1,659</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>					
Actuarial gains and losses	337	3,716	21	-1,547	-1,580
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>453</b>	<b>6,482</b>	<b>25</b>	<b>-3,141</b>	<b>-3,239</b>
<b>Movement in Reserves Statement</b>					
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	-116	-2,766	-4	1,594	1,659
<b>Actual amount Charged against Council tax for Pensions in year - Employers Contributions Payable</b>	<b>136</b>	<b>1,940</b>	<b>134</b>	<b>1,330</b>	<b>1,381</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement for 2010/11 is a gain of £1,547,000 excluding the joint committee, £1,580,000 gain including joint committee (2009/10 loss of £3,716,000 excluding the joint committee– the shared service commenced during 2010/11 on 1 June 2010).

## Assets and liabilities in relation to Post-employment Benefits

The movement in the pension scheme liability for the year to 31 March is as follows:

	2009/10		2010/11		2010/11
	Discretionary Benefits (Excl Joint Committee)	Excl Joint Committee	Discretionary Benefits (Excl Joint Committee)	Excl Joint Committee	Incl Joint Committee
		£000		£000	£000
<b>Scheme liabilities 1 April</b>	<b>-1,701</b>	<b>-44,182</b>	<b>-2,018</b>	<b>-60,507</b>	<b>-62,207</b>
Current service cost	0	-796	0	-1,071	-1,125
Interest cost	-116	-3,106	-109	-3,362	-3,443
Contributions by scheme participants	0	-511	0	-402	-425
Actuarial gains / (losses)	-337	-13,598	-21	1,976	1,854
Benefits paid	136	2,176	134	2,415	2,414
Past service / curtailment costs	0	-490	105	3,550	3,656
<b>Scheme liabilities 31 March</b>	<b>-2,018</b>	<b>-60,507</b>	<b>1,909</b>	<b>-57,401</b>	<b>-59,276</b>

The movement in the fair value of pension scheme assets for the year to 31 March is as follows:

	2009/10	2010/11	2010/11
	Excl Joint Committee	Excl Joint Committee	Incl Joint Committee
	£000	£000	£000
<b>Scheme assets 1 April</b>	<b>24,879</b>	<b>36,662</b>	<b>38,238</b>
Expected rate of return	1,626	2,477	2,571
Actuarial losses	9,882	-429	-273
Employer contributions	1,940	1,330	1,381
Contributions by scheme participants	511	402	425
Benefits paid	-2,176	-2,415	-2,414
<b>Scheme assets 31 March</b>	<b>36,662</b>	<b>38,027</b>	<b>39,928</b>
<b>Net pensions liability 31 March</b>	<b>-23,845</b>	<b>-19,374</b>	<b>-19,348</b>

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

This has the effect of reducing the authority's liabilities in Worcestershire County Council Pension Fund by £3.580m (£3.695m including joint committee) and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

Please see below for an explanation of some of the terms used in the above table.

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £3.017m (£3.267m including joint committee) (£11.508m 2009/10).

### Scheme history

	2006/07 Restated £000	2007/08 Restated £000	2008/09 £000	2009/10 £000	2010/11 £000
Present value of liabilities	-45,647	-51,696	-44,182	-60,507	-59,276
Fair value of assets	34,317	32,362	24,879	36,662	39,928
<b>Deficit</b>	<b>-11,330</b>	<b>-19,334</b>	<b>-19,303</b>	<b>-23,845</b>	<b>-19,348</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The liability of £19.348m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, the statutory arrangements for funding the deficit by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, means that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, Mercer Human Resource Consulting Limited.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to March 2012 is £1.513m (£1.562m including share of joint committee)

## Basis for estimating assets and liabilities

All costs, liabilities and other factors were determined using the projected unit actuarial cost method, in accordance with generally accepted actuarial principles and procedures by the County Council Fund's actuary, Mercer Limited. Key financial and demographic assumptions are detailed below.

	2009/10	2010/11
<b>Long term expected rate of return on assets in the scheme</b>		
Equity investments	7.5%	7.5%
Government bonds	4.5%	4.4%
Other bonds	5.2%	5.1%
Cash / liquidity	0.5%	0.5%
<b>Mortality assumptions</b>		
Longevity at 65 for current pensioners (years):		
Men	21.2	22.0
Women	24.1	24.5
Longevity at 65 for future pensioners (years):		
Men	22.2	23.4
Women	25.0	26.1
<b>Financial assumptions</b>		
Rate of inflation (RPI)	3.3%	3.4%
Rate of inflation (CPI)	2.8%	2.9%
Rate of increase in salaries	4.8%	4.4%
Rate of increase in pensions	3.3%	2.9%
Rate for discounting scheme liabilities	5.6%	5.5%
Take up of option to convert annual pension into retirement lump sum	50.0%	50.0%

The LGPS assets consist of the following categories, by proportion of total assets held:

Asset Type	31 March 2010	31 March 2011
Equity investments	92.3%	92.7%
Government bonds	2.8%	2.6%
Other bonds	3.9%	3.8%
Cash / liquidity	1.0%	0.9%
	100.0	100.0%

## History of experience of gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2006/07 Restated %	2007/08 Restated %	2008/09 %	2009/10 %	2010/11 %
Experience gains/(losses) on assets	0.2	(13.8)	(40.1)	26.9	(1.1)
Experience gains / (losses) on liabilities	0.0	(0.6)	0.0	0	2.9

## Explanation of terms used in assets and liabilities table

The change in net pension's liability is analysed into various components:

Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated to cost of services in the Comprehensive Income and Expenditure Statement (CIES) to the revenue accounts of services for which the employees worked.

Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged to cost of services in the CIES as part of Non Distributed Costs

Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Financing and investment income and expenditure in the CIES and forming part of the Surplus or Deficit on the Provision of Services

Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the long-term return – credited to Financing and investment income and expenditure in the CIES and forming part of the Surplus or Deficit on the Provision of Services.

Gains and losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees - charged to Cost of Services in CIES as part of Non Distributed Costs.

Actuarial gains and losses – changes in net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged/credited as appropriate to Other Comprehensive Income and Expenditure in the CIES.

### Pension Liability Relating to Shared Services

The Regulatory Services function is governed by a Joint Committee hosted by Bromsgrove District Council, all of the partners (Malvern Hills District Council, Redditch Borough Council, Wyre Forest District Council, Wychavon District Council, Worcester City Council and Worcestershire County Council) transferred their staff into the Host on a fully funded basis for pension's purchases. The shared services were admitted to the pension fund as a ghost admitted body, as such any liability or surplus that accrues is the responsibility of the partners to the shared service.

The table below shows the overall surplus of the admitted body together with the Council's share as defined by the partnership legal agreement.

	<b>31 March 2011</b> <b>£'000</b>
Present Value of Liabilities	<b>-16,973</b>
Fair Value of Assets	<b>17,200</b>
<b>Surplus in scheme</b>	<b>227</b>
<b>Bromsgrove District Council Share (11.05%)</b>	<b>25</b>

#### **47. Contingent Liabilities**

On 30 September 1992 the Council's then insurer MMI announced that it had ceased taking new business and had placed a moratorium on claims payments. On 6 October 1992 MMI resumed the full payment of claims. Subsequently there has been further strengthening in the company's financial position and its directors remain of the view that a solvent run off can be anticipated. If a solvent run off is not achieved the Council currently has a potential contingent liability of up to £268k. No provision has been made in the Balance Sheet for this amount.

Subject to Audit

**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT**  
**YEAR ENDED 31st MARCH 2011**

2009/10 £000		2010/11 £000
	<b><u>Income:</u></b>	
-49,050	Income from Council Tax (Net)	-50,558
-4,527	Council Tax Benefits	-4,740
	Reduction in Provision for Bad and Doubtful Debts:	
0	Council Tax	0
0	Business Rates	-64
-23,833	Income from Business Ratepayers	-23,234
-77,410	<b>Total Income</b>	-78,596
	<b><u>Less Expenditure:</u></b>	
53,423	Precepts and Demands	55,068
	Business Rates:	
23,124	Contributions to NNDR Pool	23,179
122	Costs of Collection	119
	Increased Provision for Bad and Doubtful Debts:	
228	Council Tax	131
587	NNDR	0
77,484	<b>Total Expenditure</b>	78,497
74	<b>Surplus(-)/Deficit for the year</b>	-99
-974	Collection Fund Surplus(-) brought forward	-900
-900	<b>Collection Fund Surplus (-) carried forward</b>	-999

**Notes to the Collection Fund Account**

**1. General**

The Collection Fund is managed and administered by Bromsgrove District Council as the Billing Authority on behalf of the council tax-payers and business rate-payers within its area. All sums raised from council tax and business rates are paid into the Fund. Payments out of the Fund include contributions to the National Non Domestic Rate Pool and precept payments to Worcestershire County Council, West Mercia Police Authority, Hereford & Worcester Fire & Rescue Authority, Bromsgrove District Council and Parish Councils to fund their net service requirements. The total amount of non domestic rates collected (less certain reliefs and other deductions) is paid to a central pool (the NNDR Pool) managed by the Government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population as at a specified date.

These accounts represent the transactions of the Collection Fund, a statutory fund separate from the main accounts of the Council. Administration costs are borne by the General Fund. The transactions are however consolidated in the Council's Balance Sheet and Cashflow Statement.



## **2. Council Tax Base**

The Council set a total Council Tax of £1,484.27 based on Band 'D' equivalent, with a tax base of 36,290.23

The Council Tax Base is the number of chargeable dwellings in each valuation band adjusted for dwellings where discounts apply, and converted into an equivalent number of Band D properties. A collection rate of **99%** has been assumed in the calculation of the tax base.

Items for parish precepts are additional.

<b>Band</b>	<b>Valuation</b>	<b>Numbers</b>	<b>Ratio</b>	<b>Band D</b>
A	Up to £40,000	2,645.75	6/9	1,764.9
B	Over £40,000 and up to £52,000	6,243.00	7/9	4,855.7
C	Over £52,000 and up to £68,000	7,542.75	8/9	6,704.7
D	Over £68,000 and up to £88,000	6,887.00	9/9	6,887.0
E	Over £88,000 and up to £120,000	6,108	11/9	7,465.3
F	Over £120,000 and up to £160,000	3,100.75	13/9	4,478.9
G	Over £160,000 and up to £320,000	2,454.25	15/9	4,090.4
H	Over £320,000	268.75	18/9	537.5
<b>Total Band D equivalent properties</b>				<b>36,784.4</b>
Collection Rate				99.00%
<b>Council tax base</b>				<b>36,416.56</b>

The costs of individual Council tax benefits are met from the General Fund to which any Government grants are payable.

## **3. National Non-Domestic Rates**

Non Domestic Rates are collected on behalf of the government and paid into a National Pool. The Collection Fund receives amounts paid by the local ratepayers in the area, and pays this amount over to the national pool net of allowable costs of collection. The National rate specified by government was an amount of 41.4p in the £ for 2010/11 (48.5p for 2009/10) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. A revaluation of all non-domestic properties took effect from 1st April 2000; the rateable value as at 31st March 2011 was £56,822,175.

#### 4. Precepts

The precepts were as follows:

2009/10 £000		2010/11 £000
36,788	Worcestershire County Council	37,839
7,456	Bromsgrove District Council (including Parish Councils)	7,670
6,301	West Mercia Police Authority	6,508
2,597	Hereford and Worcester Fire and Rescue Authority	2,682
	<b>Distribution of Collection Fund Surplus</b>	
195	Worcestershire County Council	255
39	Bromsgrove District Council	52
33	West Mercia Police Authority	44
14	Hereford and Worcester Fire and Rescue Authority	18
<b>53,423</b>	<b>Total Precepts Collected</b>	<b>55,068</b>

#### 5. Bad Debt Provision

Bad and doubtful debt provisions comprised the following amounts:

2009/10 £000		2010/11 £000
1,970	Balance as at 31st March Council Tax	2,364
-115	Written-off during the year	-93
228	Movement in Provision	131
	Non-Domestic Rates	
-306	Written-off(-)/on(+) during the year	-219
587	Movement in Provision	-64
<b>2,364</b>	<b>Balance as at 31st March</b>	<b>2,119</b>
	<b>Represented By:</b>	
994	Council Tax Provision	1,033
1,370	Non-Domestic Rates Provision	1,086
<b>2,364</b>	<b>Balance as at 31 March</b>	<b>2,119</b>

#### 6. Collection Fund Balance

The Collection Fund Balance is available for distribution to the authorities which precept on the Collection Fund. During 2010/11 a total of **£0.37m** was distributed to the precepting authorities as detailed in Note 4 above. The balance is set out below:

2009/10 £000		2010/11 £000
974	Balance brought forward 1st April	900
-74	Surplus/Deficit(-) in the Year	99
<b>900</b>	<b>Balance carried forward 31 March</b>	<b>999</b>

This balance has accumulated due to both the collection rates and income received being higher than budgeted for at the beginning of the financial year. This surplus is available to be shared amongst the precepting authorities (prorate to the amount of the total precepts). The amount attributable to Bromsgrove District Council is £140k (14 %).

<b>2009/10 £000</b>		<b>2010/11 £000</b>
<b>126</b>	Bromsgrove District Council Collection Fund Balance	<b>140</b>
<b>774</b>	Other precepting bodies	<b>859</b>
<b>900</b>	<b>Total Collection Fund balance at 31 March</b>	<b>999</b>

Subject to Audit

## **GROUP ACCOUNTS**

### **EXPLANATORY FOREWARD**

The Code of Practice on Local Authority Accounting in the United Kingdom 2010-11 requires the preparation of group accounts where “the authority has interests in subsidiaries, associates and/or jointly controlled entities, subject to the consideration of materiality”. It has been identified that during the financial year the District Council had a significant influence over the operating and financial policies of Bromsgrove Arts Development Trust with a majority of the Board Members. Therefore group accounts have been prepared using the acquisition method of accounting.

Bromsgrove Arts Development Trust is a registered charity; the District Council has the right to appoint 6 of the 8 delegates on the Trust’s Board. The principal activity of the Trust is to ensure the continued, secure provision of the building known as the Artrix, which is used for the provision of Arts and Cultural Services for the residents of the District. As this Trust’s sole activity is to ensure the continued provision of the Artrix Building rather than the provision of Arts and Cultural Services to the District, the Trust incurs neither expenditure nor receives income and is therefore not required by the Charities Commission to produce independent financial statements. As such it has been agreed with the external auditor, the Audit Commission, that the accounts and accounting policies will be based on the property valuation supplied by an independent valuation service and the Council’s own policies and procedures.

The statements on the following pages have been prepared on the basis of full consolidation consisting of the group income and expenditure account, group balance sheet and group total movement in reserves for the Council and its subsidiary, Bromsgrove Arts Development Trust in 2010-11 and the comparative figures for 2009-10. The statements are produced in accordance with International Financial Reporting Standards.

### **ACCOUNTING POLICIES**

Accounting policies are in line with both the International Financial Reporting Standards and with those of the single entity, Bromsgrove District Council.

## THE FINANCIAL STATEMENTS

### GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Useable Reserves	Unusable Reserves	Total Authority Reserves	Authority's Share of Subsidiary	Total Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2009</b>	<b>0</b>	<b>1,525</b>	<b>8,521</b>	<b>27</b>	<b>10,073</b>	<b>25,331</b>	<b>35,404</b>	<b>4,997</b>	<b>40,401</b>
<b>Movement in reserves during 2009/10</b>									
Surplus or (deficit) on provision of services	-6,041	0	0	0	-6,041	0	-6,041	0	-6,041
Other Comprehensive Expenditure and Income		0	0	0	0	-3,353	-3,353	0	-3,353
<b>Total Comprehensive Expenditure and Income</b>	<b>-6,041</b>				<b>-6,041</b>	<b>-3,353</b>	<b>-9,394</b>	<b>0</b>	<b>-9,394</b>
Adjustments between accounting basis & funding basis under regulations	7,208	0	-3,392	0	3,816	-3,816	0	-371	-371
<b>Net Increase / Decrease before transfers to earmarked reserves</b>	<b>1,167</b>	<b>0</b>	<b>-3,392</b>	<b>0</b>	<b>-2,225</b>	<b>-7,169</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfer to / from Earmarked Reserves	99	-99	0		0		0	0	0
<b>Increase/ decrease in year</b>	<b>1,266</b>	<b>-99</b>	<b>-3,392</b>	<b>0</b>	<b>-2,225</b>	<b>-7,169</b>	<b>-9,394</b>	<b>-371</b>	<b>-9,765</b>
<b>Balance at 31 March 2010 carried forward</b>	<b>1,266</b>	<b>1,426</b>	<b>5,129</b>	<b>27</b>	<b>7,848</b>	<b>18,162</b>	<b>26,010</b>	<b>4,626</b>	<b>30,636</b>
<b>Movement in reserves during 2010/11</b>									
Surplus or (deficit) on provision of services	-1,751	0	0	0	-1,751	0	-1,751	-81	-1,832
Other Comprehensive Expenditure and Income	0	0	0	0	0	2,681	2,681	0	2,681
<b>Total Comprehensive Expenditure and Income</b>	<b>-1,751</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,751</b>	<b>2,681</b>	<b>930</b>	<b>-81</b>	<b>849</b>
Adjustments between accounting basis & funding basis under regulations	2,760	0	-1,375	-8	1,377	-1,501	-124	0	-124
<b>Net Increase / Decrease before transfers to earmarked reserves</b>	<b>1,009</b>	<b>0</b>	<b>-1,375</b>	<b>-8</b>	<b>-374</b>	<b>1,180</b>	<b>806</b>	<b>-81</b>	<b>725</b>
Transfer to / from Earmarked Reserves	-357	357	0	0	0	0	0	0	0
<b>Increase/ decrease in year</b>	<b>652</b>	<b>357</b>	<b>-1,375</b>	<b>-8</b>	<b>-374</b>	<b>1,180</b>	<b>806</b>	<b>-81</b>	<b>725</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>1,918</b>	<b>1,783</b>	<b>3,754</b>	<b>19</b>	<b>7,474</b>	<b>19,342</b>	<b>26,817</b>	<b>4,545<sup>09</sup></b>	<b>31,362</b>

**GROUP COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2011**

	31 March 2010			31 March 2011		
	£000 Expenditure	£000 Income	£000 Net	£000 Expenditure	£000 Income	£000 Net
Central Services to the Public	2,177	-923	1,254	2,327	-1,085	1,242
Cultural, Environmental and Planning	14,776	-3,703	11,073	13,208	-3,472	9,736
Highways and Transport	1,762	-1,801	-39	4,644	-1,690	2,954
Housing Services	19,751	-17,977	1,774	20,272	-18,082	2,190
Corporate and Democratic Core	2,310	-644	1,666	3,239	-1,301	1,938
Exceptional Item	53	-264	-211	-3,653	-196	-3,849
Non-distributed Costs	496	-1	495	43	-1	42
<b>Surplus/ Deficit on Continuing Operations</b>	<b>41,325</b>	<b>25,313</b>	<b>16,012</b>	<b>40,080</b>	<b>-25,827</b>	<b>14,253</b>
Other Operating Expenditure			516			166
Financing and Investment Income and Expenditure			2,100			681
Surplus or Deficit of Discontinued Operations			0			0
Taxation and Non-Specific Grant			-12,587			-13,241
<b>(Surplus) or Deficit on Provision of Services</b>			<b>6,041</b>			<b>1,859</b>
Share of the Surplus or deficit on the provision of services by associates						-27
<b>Group Surplus/Deficit</b>			<b>6,041</b>			<b>1,832</b>
Surplus or deficit on revaluation of fixed assets			-363			-1,101
Surplus or deficit on revaluation of available for sale financial assets			0			0
Actuarial gains/losses on pension assets/liabilities			3,716			-1,580
<b>Other Comprehensive Income and Expenditure</b>			<b>3,353</b>			<b>-2,681</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>9,394</b>			<b>-849</b>

**GROUP BALANCE SHEET AS AT 31st MARCH 2011**

		31 March 2009	31 March 2010	31 March 2011
	Note	£000	£000	£000
Property Plant and equipment	1	40905	44,383	41,335
Investment Properties		7,620	895	1,296
Intangible assets		2,796	2,359	1,874
Assets held for sale		0	600	250
Long Term Investments		0	0	0
Investments in associates and joint ventures		0	0	0
Long Term Debtors		7	3	1
<b>Long Term Assets</b>		<b>51,328</b>	<b>48,240</b>	<b>44,756</b>
<b>Current Assets:</b>				
Inventories		125	170	161
Short Term Debtors		2,446	5,601	4,168
Cash and cash equivalents		6,594	5,624	9,898
Short Term Investments		7,500	2,500	3,000
<b>Current Assets</b>		<b>16,665</b>	<b>13,895</b>	<b>17,227</b>
<b>Less: Current Liabilities:</b>				
Short Term Creditors		-5,012	-4,841	-8,605
Short Term Borrowing		-124	-119	-104
<b>Current Liabilities</b>		<b>-5,136</b>	<b>-4,960</b>	<b>-8,709</b>
<b>Other Long Term Liabilities</b>				
Provisions		-617	-248	-283
Other Long Term Liabilities		-19,316	-23,855	-19,353
Capital Grants receipts in advance		-857	-894	-761
<b>Long Term Liabilities</b>		<b>-20,790</b>	<b>-24,997</b>	<b>-20,397</b>
<b>Net Assets</b>		<b>42,067</b>	<b>32,178</b>	<b>32,877</b>
<b>Taxpayers Equity</b>				
Useable reserves	5	10,073	7,848	7,474
Unusable reserves	5	31,994	24,330	25,403
<b>Total Reserves</b>		<b>42,067</b>	<b>32,178</b>	<b>32,877</b>

**GROUP CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2011**

	Note	31 March 2010 £000	31 March 2011 £000
<b>Net Surplus or deficit on the provision of services</b>		<b>6,041</b>	<b>1,859</b>
Adjust net surplus or deficit on the provision of services for non cash movements		-1,524	-7,955
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities		-509	4,737
<b>Net cash flows from Operating activities</b>	6	<b>4,008</b>	<b>-1359</b>
Investing Activities	7	-3,891	777
Financing Activities	8	853	-3,692
<b>Net Increase or decrease in cash and cash equivalents</b>		<b>970</b>	<b>-4,274</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>6,594</b>	<b>5,624</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>5,624</b>	<b>9,898</b>

Subject to



## NOTES TO THE GROUP ACCOUNTS

### **1. Nature of the relationship between Bromsgrove District Council and Bromsgrove Arts Development Trust**

The Bromsgrove Arts Development Trust was established on 23 April 2003 by Trust Deed, the Trustees have been registered with the Official Custodian of Charities, these include Members of Bromsgrove District Council.

The Council appoints the majority of the Members to this Trust with a representation of 6 of the 8 Trustees. As such this gives them the ability to influence decisions made by this Board. The Council supplies no funding for this Trust which solely hold the building known as the Artrix, it is not responsible for service provision and any assets or liabilities arising there from. As such the figures used for consolidation are based on the property valuation which has been carried out by an independent valuation service, from Worcestershire County Council.

The Arts Development Trust asset in 'Other Land & Buildings is the Artrix. This is used in the provision of Arts and Culture for the Community and is not the property of Bromsgrove District Council. It should be noted that although consolidation is being undertaken for this asset, not only does the Council not own it, in the event of a possible sale the Council has no right to a share in the proceeds nor can the Council determine whether or not sale of this property should be undertaken.

The group income and expenditure account has been prepared by combining the council's share (6/8) of the Trust's deficit with the Council's consolidated revenue account. The Council includes all income and expenditure within 'Cultural, Environmental and Planning Services' in their Income and Expenditure Account.

The Trust is not required to produce accounts by the Charities Commission because it has no actual income or expenditure during the year. The only entry for the Trust would be the depreciation calculated for the building.

There is no goodwill as the group did not arise through a purchase.

### **2. Property, Plant and Equipment**

	31 March 2010		31 March 2011	
	BDC £'000	Trust £'000	BDC £'000	Trust £'000
Property, Plant & Equipment	38,215	6,168	35,275	6,060

The Property, Plant and Equipment Asset being consolidated within the group accounts relates solely to the Artrix Building held by Bromsgrove Arts Development Trust.

### 3. Reconciliation of Movement in Reserves Statement to the Balance Sheet

<b>31 March 2010 £'000</b>		<b>31 March 2011 £'000</b>
<b>30,636</b>	<b>Total Reserves in the Movement in Reserves Statement</b>	<b>31,362</b>
<b>1,542</b>	<b>Minority interest's share of reserves in subsidiaries</b>	<b>1,515</b>
<b>32,178</b>	<b>Total Reserves in the Balance Sheet</b>	<b>32,877</b>

### 4. Usable Reserves

Movements in the Group's usable reserves are detailed in the Council's Movement in Reserves Statement.

### 5. Unusable Reserves

	<b>2008/09 £000</b>	<b>2009/10 £000</b>	<b>2010/11 £000</b>
Revaluation Reserve	0	363	1,461
Capital Adjustment Account	44,629	41,693	37,225
Deferred Capital Receipts Reserves	8	3	1
Pensions Reserve	-19,303	-23,844	-19,348
Collection Fund Adjustment Account	136	126	140
Accumulated Adjustments Account	-139	-178	-136
Group Revaluation Reserve	2,561	2,300	2,300
Building Reserve	2,436	2,325	2,325
Minority Interest	1,666	1,542	1,515
Group Income and Expenditure Reserve	0	0	-80
<b>Balance as at 31st March</b>	<b>31,994</b>	<b>24,330</b>	<b>25,403</b>

### 6. Operating Activities (Group Cash Flow)

The cash flows for operating activities include the following items

	<b>2009/10 £000</b>	<b>2010/11 £000</b>
<b>Interest received</b>	<b>-89</b>	<b>-123</b>

## 7. Investing Activities (Group Cash Flow)

	2009/10 £000	2010/11 £000
Purchase of property, plant and equipment, investment property and intangible assets	2,232	1,537
Purchase of short-term and long-term investments		500
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-952	-971
Proceeds from short-term and long-term investments	-5,000	0
Other receipts from investing activities	-171	-289
<b>Net cash flows from investing activities</b>	<b>-3,891</b>	<b>777</b>

## 8. Financing Activities (Group Cash Flow)

	2009/10 £000	2010/11 £000
Other receipts from financing activities	-82	-3,711
Repayments of short-term and long-term borrowing	8	19
Other payments for financing activities	927	0
<b>Net cash flows from financing activities</b>	<b>853</b>	<b>-3,692</b>

## **GLOSSARY OF TERMS**

### **ABBREVIATIONS**

The symbol “k” following a figure represents thousand.

The symbol “m” following a figure represents million.

### **ACCRUALS**

This is the accounting concept that income and expenditure are shown in the financial year they are earned or incurred, not as money is received or paid.

### **ADDED YEARS**

Additional years of service awarded to increase benefits of employees taking early retirement. This is no longer provided as a benefit by Bromsgrove District Council.

### **BUDGET**

The Council’s statement of spending plans for both revenue and capital for a financial year, expressed in financial terms.

### **CAPITAL EXPENDITURE**

Capital expenditure is expenditure on acquisition or construction of assets which have a value to the Council for more than one year. Examples are land, buildings, vehicle, plant and equipment and computer software. Capital Expenditure can also be used to enhance existing assets so as to significantly prolong their useful life, increase their market value or increase the use of the asset.

### **CAPITAL FINANCING**

This term describes the method of financing capital expenditure. The principal methods are loan financing, leasing, capital receipts, capital grants and contributions from third parties.

### **CAPITAL RECEIPTS**

Income received from the sale of the Council’s fixed assets such as land and buildings. This money is available, subject to rules laid down by Central Government to finance new capital expenditure or to repay debt.

### **COLLECTION FUND**

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. The fund accounts for income which is collectable from Council Tax and National Non Domestic Rates (NNDR) payers and for payments to the major precepting authorities and to the Government in relation to NNDR.

### **CONTINGENT LIABILITIES**

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

## **COUNCIL TAX**

The Council Tax is the main form of local taxation in England, Scotland and Wales and is used to fund the service provided by local Council's and Police and Fire Authorities. The base for the tax is residential property. Each dwelling is allocated to one of eight bands coded by letters A through H on the basis of its assumed capital value as of 1<sup>st</sup> April 1991. The basic amount of Council tax, expressed as the annual levy on a Band D property, is calculated by dividing the revenue expenditure requirement by the Council tax base. The Council tax amounts of properties in other bands are calculated by applying ratios set by central Government to the basic amount of Council tax.

## **CREDITORS**

This is monies owed by the Council to others for goods and services that have been supplied but not paid for by the end of the financial year.

## **CURTAILMENT**

This relates to transactions for retirement benefits (pensions) and reflects the costs associated with an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. The cost of curtailments is reflected in the employer's net cost of service in the income & expenditure account (in non distributed costs).

## **DEBTORS**

This is sums owing to the Council from others for goods and services that they have received but have not been paid for by the end of the financial year.

## **DEFERRED CAPITAL RECEIPTS**

These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

## **DEFERRED LIABILITIES**

These are creditor balances repayable after at least one year.

## **DEPRECIATION**

Depreciation reflects in the Revenue Account, the cost of the use of an asset during an accounting period.

## **EARMARKED RESERVES**

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

## **FIXED ASSETS**

These are tangible assets that yield benefit to the Council and the services it provides for a period of more than a year.

## **GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE**

Gross Expenditure and Gross Income arise from the provision of services as show in the General Fund. Net Expenditure is the cost of service provision after the income is taken into account.

## **HOUSING SUBSIDY**

This represents a Government grant payable towards the cost of providing Local Council housing and the management and maintenance of that housing.

## **IMPAIRMENT**

This is when the carrying value of an asset, whether it is carried at historical cost or valuation, would no longer be recoverable. Examples of events and changes in circumstances that indicate an impairment are; a significant decline in a fixed asset's market value during the period; or evidence of obsolescence or physical damage to the asset.

## **INTANGIBLE ASSETS**

Intangible Assets represent expenditure that has been properly capitalised but which does not create a tangible asset for the Council. Intangible assets include acquired and internally developed software used in the services provided or administration that qualify for recognition as an intangible asset.

## **LEASING**

This is a method of financing capital expenditure where a rental charge for an asset is paid for a specific period. There are two forms of lease, 'finance leases' which transfer substantially all the risks and rewards of ownership to the lessee and other leases which are known as 'operating leases'.

## **NATIONAL NON-DOMESTIC RATE POOL (NNDR/POOL)**

Businesses pay national non domestic rates instead of Council Tax. It is a levy calculated by multiplying the national rate in the pound set by central Government by the rateable value of the property the business occupies. It is also often referred to as business rates. Non domestic rates are collected from businesses by billing authorities and paid over to the national pool. These monies are then redistributed back to the Council and other authorities based on a standard amount per head of local adult population. The amount is fixed at the beginning of each financial year.

## **PRECEPT**

A precept is a charge raised by one authority on another authority to meet its net expenditure. The major precepting authorities for this Council which precept on the Collection Fund are Worcestershire County Council, West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority. The local precepting authorities, which precept directly on the Council's General Fund, are the 20 Parish Councils within the Bromsgrove area.

## **PROVISIONS**

These are sums of money set aside to meet specific expenses which are likely or certain to be incurred, but where the amounts cannot be accurately determined or dates on which they will arise.

## **RESERVES**

These are sums of money set aside to meet the cost of specific future expenditure.

## **REVENUE SUPPORT GRANT**

This is the Government Grant provided by the Department of Communities and Local Government (DCLG), which is based on the Government's perception as to what should be spent on local services via the Formula Spending Share. The amount provided by the DCLG is fixed at the beginning of each financial year.

**REVENUE BALANCES**

These reserves represent surplus accumulated from previous years which can be used in the future.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Revenue Expenditure funded from Capital Under Statute is expenditure which does not create a tangible asset for the Council. An example would be a grant made to another organisation for them to use for capital expenditure.

**CODE OF PRACTICE (“THE CODE”)**

The purpose of the Code is to act as a guide to preparing and presenting the Council’s accounts so that they conform to various legal requirements and so that the accounts present a true and fair view of the council’s financial activities and financial position

Subject to Audit

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

### **The Council's Responsibilities**

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (S151 Officer). In this Council that officer is Jayne Pickering, Executive Director of Finance and Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- Approve the Statement of Accounts.

### **Approved by Council**

I certify that the above Statement of Accounts was approved by Council at its meeting held on 27 September 2011.

**Councillor Roger Hollingworth**

**Leader of the Council**

27 September 2011

### **Responsibilities of the Section 151 Officer**

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2009 ("the Code").

As the responsible officer, I certify that in preparing this Statement of Accounts for the year ended 31 March 2011 I have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

I have also:

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

### **The Section 151 Officers Certificate**

I hereby certify that the Statement of Accounts presents a true and fair view of the financial position and the income and expenditure of the Council for the year ended 31 March 2011.

**Jayne Pickering**

**Executive Director Finance and Corporate Resources**

27 September 2011



**Auditors Report**

**The Council's Auditors are the Audit Commission.**

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