

**WORCESTERSHIRE REGULATORY SERVICES STATEMENT OF ACCOUNTS  
2010/11**

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## INTRODUCTION

The Worcestershire Regulatory Services Partnership is a Joint Committee formed on 1<sup>st</sup> June 2010 by the following Councils:

- Worcestershire County Council
- Wychavon District Council
- Worcester City Council
- Bromsgrove District Council
- Redditch Borough Council
- Wyre Forest District Council
- Malvern Hills District Council

for the purposes of Section 101 of the Local Government Act 1972 and Section 20 of the Local Government Act 2000.

The member authorities agreed to the development of a single Regulatory Service under a single management structure that combines the six District Council Environmental Health Sections, including Licensing with the County Councils Trading Standards Services to form the Worcestershire Regulatory Shared Service. All partners to the Service confirmed their agreement to combine the services by signing a Legal Agreement stating the financial and service obligations of the partners and the shared service.

The accounting statements have been prepared by Bromsgrove District Council, as the host for the Shared Service, with the co-operation of the other Councils. The accounting statements that follow represent the activity of the shared service for the first 10 months of its operation to the 31<sup>st</sup> March 2011. As the shared service commenced on 1 June 2010, there are no comparative figures available for 2009/10. These statements show that the Regulatory Shared Service has generated a surplus during the first 10 months of its operation it has been agreed by the Partners that this underspend will be partly ringfenced for future severance costs as a result of transformation and the remainder repaid to the Partners.

The partnership believes that it is important that stakeholders understand its finances. Therefore, if there is anything you think we can do to improve our reporting then please do not hesitate to contact me at the address below.

**Jayne Pickering**

Lead Financial Officer to the Joint Committee  
Bromsgrove District Council  
The Council House  
Burcot Lane  
Bromsgrove  
Worc's  
B60 1AA

## **EXPLANATORY FOREWORD**

### **THE KEY ACCOUNTING STANDARDS AND STATEMENTS**

The Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the UK has been followed in putting together the Statement of Accounts for 2010/11.

The accounts fairly reflect the Partnership's financial position for the 10 month period ended 31<sup>st</sup> March 2011. The accounting policies used are outlined in this document and have been fairly and consistently applied. Proper and up to date accounting records are maintained by the Member Authorities and assurance has been given that all reasonable steps have been taken to prevent and detect fraud and other irregularities.

The Lead Financial Officer is the officer responsible for the proper administration of the Partnership's financial affairs.

Costs were contained within the budget for the first 10 months of its operation and were agreed by the Joint Committee.

This foreword gives a brief explanation of what is included within the Statement of Accounts, in addition, an outline of the overall financial position of the Committee is given.

Explanation of the purpose of the financial statements is given below:

#### **Statement of Responsibilities**

This statement sets out the respective responsibilities of all councils and the Executive Director of Finance and Resources in respect of the Joint Committees Accounts.

#### **Statement of Accounting Policies**

This details the accounting policies that have been adopted in preparing the Statement of Accounts. The purpose of this statement is to enable a fuller understanding of the accounts and specifically to describe the policies that have been adopted for all material items.

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

This Statement shows the movement in year on the different reserves held by the Shared Service Partnership, analysed into 'usable reserves' – those that can be applied to fund expenditure and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Joint Committee's services.

#### **Income and Expenditure Account**

This account gives detailed information about total expenditure on the services that were provided during the period. Income for the service is matched against the expenditure to show the net surplus for the period.

#### **Balance Sheet**

The Balance Sheet provides a snapshot of the financial position of the partnership as at 31<sup>st</sup> March 2011. It sets out what is owed to the Partnership and what the Partnership owes at this point in time.

## Cash Flow Statement

This summarises the Committee's cash transactions for the year.

## Annual Governance Statement

The Annual Governance Statement has been completed under the Corporate Governance Requirements. This gives reasonable assurance that an effective system of internal control is maintained and operated in connection with the resources concerned.

## REVENUE SPENDING IN 2010/11

Revenue spending is the day-to-day expenditure incurred by the Joint Committee to deliver its services. This expenditure is financed from a variety of sources including partnership payments from the constituent Councils. Total revenue expenditure amounted to £5,981k. The income for the provision of services is billed and recovered by the participating Councils and not Bromsgrove District Council as the host.

The Joint Committee came into being on 1<sup>st</sup> June 2010 and started to incur costs from that date. Accordingly the budget was approved for the 10 month period ending 31<sup>st</sup> March 2011.

In this early period of operation the focus for the Joint Committee has been to bed down the core services whilst ensuring that these continue to be provided to a high standard with as little disruption as possible to user and customers of the services. A key target for the partnership has been to ensure an orderly close down of the accounts for the Joint Committee, and each authority individually, in accordance with all statutory and internal reporting requirements.

The tables below gives a breakdown of expenditure incurred and the sources of overall income.

### Expenditure by Type

	%
Employees	80
Premises	5
Transport	4
Supplies and Services	19
Exceptional Items	-8

### Sources of Income

	%
Bromsgrove District Council	11
Redditch Borough Council	11
Wyre Forest District Council	11
Worcester City Council	11
Worcestershire County Council	29
Wychavon District Council	16
Malvern Hills District Council	10
Other	1

## **Current Issues and Future Plans**

The Worcestershire Regulatory Shared Service commenced in June 2010 following a detailed business case being developed and presented to all participating Councils.

A significant justification for the shared service was the level of saving that was predicted to be delivered to all Councils over the first 3 years of provision. It was assumed that £1.3m could be realised through joint working arrangements and by transforming the services provided.

The move of all staff to Wyatt House was agreed during 2010/11 with the majority of staff transferring to the new base in June 2011. It was agreed that the original plan to retain staff in their previous accommodation would not support the generic working and efficient level of service that the joint arrangement seeks to deliver.

The major project to be delivered over the next 12 – 18 months is the transformation of the service and the implementation of the new system that may be required as a result of the transformation. There is an estimated budget of £1.3m allocated to this new system and work is ongoing to ensure the best practicable solution is found to meet the needs of the customer.

## **Medium Term Financial Plan**

Cost of services are built into the constituent authorities Medium Term Financial Plans (MTFP).

## **STATEMENT OF ACCOUNTING POLICIES**

This section provides a summary of the significant accounting policies and estimation techniques used in the preparation of Worcestershire Regulatory Service's accounts.

### **1. General Principles**

The Statement of Accounts summarises the Worcestershire Regulatory Services Partnership's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. These Accounts are prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local authority Accounting in the United Kingdom 2010/11 and supplemented by the Best Value Accounting Code of Practice 2010/11. Supported by International Financial Reporting Standards (IFRS) this is recognised by statute as representing proper accounting practice.

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

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

- Fees, and charges due from customers are accounted for as income at the date the Service provides the relevant goods and services.
- Supplies are recorded as expenditure when they are consumed.
- Interest payable on borrowings and interest income is accrued and accounted for in the account of the period to which it relates on a basis which reflects the overall economic effect of the borrowings.
- Where income or expenditure has 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 it is doubtful that debts will be settled, the balance of the debtors is written down and a charge made to revenue for the income that might not be collected.

### **3. 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 mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### **4. Employee Benefits**

#### **Benefits Payable During Employment**

Short-term 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.

## **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 Income and Expenditure Statement when the Council is demonstrably committed to the termination or making an offer to encourage voluntary redundancy.

## **Post Employment Benefits**

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

The partnership participates in a defined benefit scheme for its employees, which is administered by Worcestershire County Council. The cost of pensions included within the accounting statements follow the requirement of IAS 19 Employee Benefits. This policy recognises, within the accounts, pension liabilities when they are earned even though the actual giving will be many years into the future. It better reflects the overall position which has given rise to the commitment in the long-term to increase contributions to make up any shortfall in the assets in the pension fund.

## **The Local Government Pension Scheme**

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

- The liabilities of the Worcestershire County Council pension fund attributable to the Joint Committee 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 Joint Committee 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:

Director of Financial Services,  
Worcestershire County Council  
County Hall, Spetchley Road,  
Worcester WR5 2NP



## **5. 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.

### **6. Government 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.

## **7. Inventories**

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.

## **8. Leases**

Worcestershire Regulatory Services are not able to enter into Leases in their own right as they are not a separate legal entity, for this reason leases are entered into by either the host authority, Bromsgrove District Council. Where leases predate the inception of the Joint Committee some leases are still retained by the originating Council although all costs are funded by the host.

### **Worcestershire Regulatory Services acting as Lessee**

All assets held by the service under leasing obligations are operating leases

Operating Leases

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

## **9. 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**

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Assets are then carried in the Balance Sheet using their fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

### **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.

Depreciation on Vehicles, plant, furniture and equipment is depreciated as a percentage of the value of each class of assets in the Balance Sheet, as advised by a suitably qualified officer.

The equipment purchased is given a finite useful life based on the period that it is expected to be of use to the Joint Committee. The useful life assigned to this equipment is 3 years.

### **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. 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.

## **10. Intangible Assets**

Intangible Assets represent expenditure that has been properly capitalised but which does not create a tangible asset for the Joint Committee. 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 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 licences.

### **11. Support Service Allocation**

Support service costs for the Regulatory Shared Service includes the marginal additional costs of supporting the shared service and not the full support service costs.

### **12. Reserves**

The Joint Committee 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 is to be financed from a reserve, it is charged to the service in that year to score against the Surplus or Deficit on the Provision of Services in the 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, retirement and employee benefits and do not represent usable resources for the Joint Committee.

### **13. VAT**

VAT 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.

### **14. Events After the Balance Sheet Date**

There are no balance sheet events that require disclosure

**WORCESTERSHIRE REGULATORY SHARED SERVICES PARTNERSHIP**

**MOVEMENT ON RESERVES STATEMENT**

	<b>General Fund Reserve £'000</b>	<b>Earmarked Reserves £'000</b>	<b>Total Usable Reserves £'000</b>	<b>Pension Reserve £'000</b>	<b>Employee Benefit Reserve £'000</b>	<b>Total Unusable Reserve £'000</b>	<b>Total Reserve £'000</b>
Surplus or (deficit) on the provision of services	1,330		1,330				1,330
Other Comprehensive Income & Expenditure	0		0	302	-48	254	254
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>326</b>	<b>0</b>	<b>326</b>	<b>302</b>	<b>-48</b>	<b>254</b>	<b>1584</b>
Adjustments between accounting basis & Funding basis	-1004		-1004	-75	0	-75	-1079
<b>Net Increase/Decrease before Transfer to Earmarked Reserve</b>	<b>326</b>	<b>0</b>	<b>326</b>	<b>227</b>	<b>-48</b>	<b>179</b>	<b>505</b>
Transfer to/from Earmarked Reserves	-326	326	0	0	0	0	0
Increase/Deserve in 2010/11	0	326	326	227	-48	179	505
<b>Balance at 31 March 2011</b>	<b>0</b>	<b>326</b>	<b>326</b>	<b>227</b>	<b>-48</b>	<b>179</b>	<b>505</b>

**WORCESTERSHIRE REGULATORY SHARED SERVICES PARTNERSHIP**

**SUMMARY INCOME AND EXPENDITURE ACCOUNT**

**FOR THE 10 MONTHS TO 31 MARCH 2011**

	<b>TOTAL 2010/11 £'000</b>	<b>Refer to note(s)</b>
<b>EXPENDITURE</b>		
Employees	4,087	<b>1, 5</b>
Premises Related Costs	259	
Transport Related Costs	202	
Supplies and Services	983	
Exceptional Item	-440	<b>19</b>
	<hr/>	
<b>TOTAL EXPENDITURE</b>	<b>5,091</b>	
<b>INCOME</b>		
Income from Partners	-6,276	
Grant Income	-25	
Other Income	-7	
<b>TOTAL INCOME</b>	<b>-6,308</b>	
	<hr/>	
<b>NET COST OF SERVICES</b>	<b>-1,217</b>	
Pensions Interest Cost and Expected Return on Pension Assets	-113	
	<hr/>	
<b>Surplus/Deficit on the provision of Services</b>	<b>-1,330</b>	
Actuarial Gains/Losses on Pension Assets/Liabilities	-302	
	<hr/>	
<b>Total Comprehensive Income and Expenditure</b>	<b>-1,632</b>	

All Income and Expenditure above would be classified under BVACOP as Cultural, Environmental and Planning.



**WORCESTERSHIRE REGULATORY SHARED SERVICES PARTNERSHIP**

**BALANCE SHEET AS AT 31 MARCH 2011**

	<b>TOTAL 2010/11 £'000</b>	<b>Refer to note(s)</b>
<b>Long Term Assets</b>		
Property, Plant and Equipment	26	2
Intangible Assets	23	3
<b>Current Assets</b>		
Short Term Debtors	680	8
Payments in Advance	42	10
Cash and cash equivalents	872	
Inventories	6	
Other Long-term Assets – Pensions	227	1
<b>Short-term Creditors</b>	-1,371	9
<b>Net Assets</b>	<u><u>505</u></u>	
<b>Usable Reserves</b>		
Revenue Balances	326	15
<b>Unusable Reserves</b>		
Pensions Reserves	227	1
Accumulated Compensated Absence Adjustment Account	-48	16
<b>Total</b>	<u><u>505</u></u>	

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

	<b>31 March 2011 £000</b>
<b>Net Surplus or deficit on the provision of services</b>	<b>-1,330</b>
Adjust net surplus or deficit on the provision of services for non cash movements	<b>458</b>
Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	<b>0</b>
<b>Net cash flows from Operating activities</b>	<b>-872</b>
Investing Activities	<b>0</b>
Financing Activities	<b>0</b>
<b>Net Increase or decrease in cash and cash equivalents</b>	<b>-872</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>872</b>

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Pension Costs

#### Participation in pension schemes

As part of the terms and conditions of employment of its staff, the host 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 need to be disclosed at the time the employees earn their future entitlement.

The Partnership 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.

Worcestershire Regulatory Services is only responsible for ongoing pension liabilities, all backfunding issues remain the liability of the Council's responsible for previously hosting the services.

#### 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 Service is a Jointly Controlled Operation and as such Bromsgrove District Council accounts for its share of income and expenditure and its share of assets and liabilities in relation to the pension scheme for the shared service. 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:**

<b>Cost of retirement benefits in Comprehensive Income and Expenditure Statement</b>	<b>2010/11 £'000</b>
<b>Cost of Services</b>	
Current Service Costs	488
Past Service Costs	-1044
Curtailment costs	80
<b>Financing and Investment Income and Expenditure</b>	
Interest Costs	735
Expected Return on Assets	-848
<b>Total Post Employment Benefit Charged to Surplus or Deficit on Provision of Services</b>	<b>-589</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	
Actuarial gains and losses	-302
<b>Total Post Employment Charged to the Comprehensive Income and Expenditure Statement</b>	<b>-891</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.	589
<b>Actual amount Charged against Council tax for Pensions in year - Employers Contributions Payable</b>	<b>463</b>

The cumulative amount of actuarial gains and losses recognized in the Comprehensive and Expenditure Statement for 2010/11 is a gain of £302,000.

#### **Assets and liabilities in relation to retirement benefits**

	<b>2010/11 £000</b>
Reconciliation of present value of the scheme liabilities	
<b>Scheme liabilities 1 April</b>	<b>-15,387</b>
Current service cost	-488
Interest cost	-735
Contributions by scheme participants	-209
Actuarial gains / (losses)	-1,111
Benefits paid	-7
Past service / curtailment costs	964
<b>Scheme liabilities 31 March</b>	<b>-16,973</b>
Reconciliation of fair value of the scheme assets	
<b>Scheme assets 1 April</b>	<b>14,260</b>
Expected rate of return	848
Actuarial losses	1,413
Employer contributions	463
Contributions by scheme participants	209
Benefits paid	7
<b>Scheme assets 31 March</b>	<b>17,200</b>
<b>Net pensions surplus 31 March</b>	<b>227</b>

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 period was £2.261m.

### Scheme history

	2010/11
	£000
Present value of liabilities	16,973
Fair value of assets	-17,200
<b>Surplus</b>	<b>227</b>

### 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.

	2010/11
<b>Long term expected rate of return on assets in the scheme</b>	
Equity investments	7.5%
Government bonds	4.4%
Other bonds	5.1%
Cash / liquidity	0.5%
<b>Mortality assumptions</b>	
Longevity at 65 for current pensioners (years):	
Men	22.0
Women	24.5
Longevity at 65 for future pensioners (years):	
Men	23.4
Women	26.1
<b>Financial assumptions</b>	
Rate of RPI inflation	3.5%
Rate of CPI inflation	3.0%
Rate of increase in salaries	4.5%
Rate of increase in pensions	3.0%
Rate for discounting scheme liabilities	5.5%
Take up of option to convert annual pension into retirement lump sum	50.0%

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

	<b>31 March 2010 %</b>	<b>31 March 2011 %</b>
Equity investments	92.3%	92.7%
Government bonds	2.8%	2.6%
Other bonds	3.9%	3.8%
Cash / liquidity	1.0%	0.9%
	<hr/> 100.0	<hr/> 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:

	<b>2010/11 %</b>
Experience gains/(losses) on assets	8.2
Experience gains / (losses) on liabilities	2

### 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 in the Income and Expenditure Account 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 Net Cost of Services in the I&E Account 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 Net Operating Expenditure in the I&E Account.

**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 Net Operating Expenditure in the I&E Account.

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 Net Cost of Services in the I&E Account 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 the Statement of Total Recognised Gains and Losses

## 2. Property, Plant and Equipment

The basis for valuation of the individual classes of fixed assets used by the Joint Committee is explained in the accounting policies. The net book value at the 31 March represents the value of assets belonging to the Joint Committee.

During the financial year the Joint Committee have purchased items that have been categorised as Property, Plant and Equipment totalling £26k. Depreciation is being charged on these assets in accordance with the accounting policies for the Joint Committee.

## 3. Intangible Assets

Worcestershire Regulatory Service’s intangible assets are acquired software licenses. 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 Joint Committee.

During the financial year the Joint Committee have purchased software licenses totalling £23k.

## 4. Leased Assets

Bromsgrove District Council has acquired a lease on behalf of the Joint Committee for the use of land and buildings by the means of an operating lease. The rental on this lease has been charged to the I & E Account when payable. No rental is due under this arrangement in the first financial year, but a sum of £6k has been accrued into the accounts to apportion the lease payments over the term of the lease. Future commitments under these existing leases are:

	Minimum Lease Payments Due 31 March 2011 £'000
Amounts falling due:	
Within 1 year	70
Between 1 to 5 years	280
Later than 5 years	350
<b>Total</b>	<b>700</b>

## 5. Payments made to Employees 2010/11

Detailed below are the numbers of employees, in the accounting period to which the accounts relate, whose remuneration fell in each bracket of a scale in multiples of £5,000 starting with £50,000.

These figures also include compensation payments for loss of office and essential car user taxable allowances.

<b>Numbers of Employees Remuneration Bands</b>	<b>2010/11</b>
Over £50,000 and up to £54,999	
Over £55,000 and up to £59,999	
Over £60,000 and up to £64,999	
Over £65,000 and up to £69,999	
Over £70,000 and up to £74,999	
Over £75,000 and up to £79,999	
Over £80,000 and up to £84,999	1
Over £85,000 and up to £89,999	
Over £90,000 and up to £94,999	
Over £95,000 and up to £99,999	
Over £100,000 and up to £104,999	
Over £105,000 and up to £109,999	
Over £115,000 and up to £119,999	
Over £120,000 and up to £124,999	
£125,000 and over	1
	<b>2</b>

From 2010/11 the management team is shared between Bromsgrove District Council and Redditch Borough Council. The costs of all Directors and Heads of Service are charged 50% accordingly, with the exception of the Head of Housing Services who is charged 100% to Redditch Borough Council. However, if these costs were prorated to the Joint Committee they would fall below the £50,000 threshold. The prorata would be based on the cost of the time spent by the management team giving corporate advice and guidance to the service.

Details of the costs for the Management Team are included in the final accounts for Bromsgrove District Council.

## 6. Related Party Transactions

It is a requirement that disclosure is made in the Statement of Accounts of any material transactions between related parties – bodies or individuals that have the potential to control or influence the Joint Committee or to be controlled or influenced by it. Disclosure of these transactions allows readers to assess the extent to which the Joint Committee 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 Joint Committee. Worcestershire Regulatory Shared Service is a Jointly Controlled Operation hosted by Bromsgrove District Council.



During 2010/11 the Shared Service received £653,491 from Malvern Hills District Council, £726,129 from Wyre forest District Council, £1,098,386 from Wychavon District Council, £734,958 from Worcester city Council, £1,931,762 from Worcester County Council, £715,520 from Redditch Borough Council and £733,362 from Bromsgrove District Council.

During 2010/11 the Shared Service paid £90,888 to Malvern Hills District Council, £152,896 to Wyre Forest District Council, £149,064 to Wychavon District Council, £83,327 to Worcester City Council, £524,046 to Worcestershire County Council, £91,521 to Redditch Borough Council and £95,256 to Bromsgrove District Council.

At 31<sup>st</sup> March the following amounts were owed by partners of the shared service:

	£
Worcester City Council	90,439
Redditch Borough Council	168,320
Wychavon District Council	81,789
Wyre Forest District Council	65,869
Malvern Hills District Council	40,516
Worcester County Council	404,815

The following amounts were owed by the Joint Committee for provision of the shared service:

	£
Worcester City Council	81,776
Redditch Borough Council	196,277
Wychavon District Council	21,321
Wyre Forest District Council	59,642
Malvern Hills District Council	73,204
Worcester County Council	182,262

The receipts shown above are the contributions made by each of the Member Authorities to the costs of operating the Regulatory Shared Services in the period.

## 7. External Auditors

The Audit Commission has been appointed to be Bromsgrove District Council's External Auditor for the conclusion of the 2010/11 accounts and as such are also responsible for the audit of the shared service. For the financial year 2010/11 Bromsgrove District Council expects to incur the following fees in respect of external audit and statutory inspection.

Description	2010/11 £000
Fees payable to the Audit Commission with regard to Financial Statements Audit	19
Total	19

## 8. Short Term Debtors

The balance outstanding at 31 March is as follows:

Description	2010/11 £000
Other Local Authorities	614
Other	66
<b>Total</b>	<b>680</b>

There is no provision for bad debts as the debts at the year-end relate to the partners to the shared service and are less than one year old.

## 9. Current Creditors

The balance outstanding at 31 March is as follows:

Description	2010/11 £000
Other Local Authorities	1,046
Other	82
Employee Related	193
Revenue Grants Received In Advance	50
<b>Total</b>	<b>1,371</b>

## 10. Payments in Advance

The balance outstanding at 31 March is as follows:

Description	2010/11 £000
Other Local Authorities	0
Other	42
<b>Total</b>	<b>42</b>

## 11. Financial Instruments

The Shared Service only have debtors and creditors. There are no separate bank accounts and no investments. There are no credit risks within the debtors and creditors balances

## 12. Contingent Liabilities

In line with International Accounting Standard 37 – Provisions, Contingent Liabilities and Contingent Assets, there are no disclosures to be made of a material nature.

### 13. 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.

	Usable Reserves		
	General Fund Balance	Earmarked Reserve	Movement in Unusable Reserves
	£000	£000	£000
<b>Adjustments involving the Pensions Reserve</b>			
Reversal of items relating to retirement benefits debited or credited to the CIES	-589		589
Employers Pension Contributions and direct payments to pensioners payable in the year.	-463		463
New Schemes added in (Business Combinations			-1,127
Amount by which officer remuneration charged on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	48		
<b>Total</b>	<b>-1,004</b>		<b>-75</b>

### 14. Capital Expenditure

During the year the Shared Service incurred expenditure of £101k on the transformation project, this included capital expenditure of £49k relating to furniture and IT equipment. The Transformation Project is financed by contributions from all of the partners in line with the partnership agreement. Depreciation will be charged in the Worcestershire Regulatory Services accounts over the estimated useful life of the components.

### 15. Transfer to/from Earmarked Reserves

The Joint Committee maintains 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 Reserves</b>	<b>Transfers In 2010/11 £'000</b>	<b>Transfers Out 2010/11 £'000</b>	<b>Balance 31 March 2011 £'000</b>
Ringfenced Savings – Redundancy/ Severance	301	0	301
Nutrition for the Elderly – PCT Funding	25	0	25
<b>Total</b>	<b>326</b>	<b>0</b>	<b>326</b>

## 16. Accumulating Compensated 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>2010/11 £000</b>
<b>Balance at 1 June 2010</b>	<b>0</b>
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	<b>-48</b>
<b>Balance at 31 March 2011</b>	<b>-48</b>

## 17. Segmental Reporting

All reports to Board are made for the complete service area there are no segments within the service, it acts as one operational unit.

## 18. Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out previously in this document, the Shared Service 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:

- It has been determined that the Worcestershire Regulatory Services Shared Service meets the definition of a Jointly Controlled Operation.
- There were very few assets transferred into the Shared Service by the partner Council's, those that were transferred in were not material by nature, therefore there are no items to include on an opening balance sheet.

## 19. Exceptional Items

Amount 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 rather than the Retail Prices Index (RPI).

This has the effect of reducing the Joint Committee's liabilities in Worcestershire County Council Pension Fund by £964k 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 1.

### Redundancy/Pension Costs

As part of the new structure put in place to undertake the shared service for Worcestershire Regulatory Services, a reduction was made in the number of staff employed within the service. As part of this staff have taken redundancy or early retirement.

	<b>2010/11 £000</b>
Pensions Past Service Costs RPI to CPI	<b>-964</b>
Redundancy Costs	<b>346</b>
Pension Costs	<b>178</b>
<b>Total Non Distributed Costs</b>	<b>-440</b>

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

### **The Joint Committee's Responsibilities**

The Joint Committee 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 Joint Committee**

I certify that the above Statement of Accounts was approved by Joint Committee at its meeting held on 29th September 2011.

**Councillor Lucy Hodgson**

**Chair of Worcestershire Share Services Joint Committee**

29th 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 period 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 period ended 31 March 2011.

**Jayne Pickering**  
**Executive Director Finance and Corporate Resources**  
**30 June 2011**

## Worcestershire Regulatory Services Joint Committee

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

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

The Joint Committee 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 Committee 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, the Joint Committee 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. With this in mind, Bromsgrove District Council has been appointed as the accountable body and the governance arrangements and systems of internal control are consistent with those adopted by Bromsgrove District Council.

Bromsgrove District Council has an Annual Governance Statement which explains the governance framework within the Council and the control arrangements that are in place. As the appointed host to the Joint Committee the arrangements are consistent with all services provided by Bromsgrove District Council.

#### **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 Joint Committee 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 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 Committee 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 Committee 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. The Joint Committee 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 Committee purpose, vision and priorities for the next three years is set out in the Annual Report.
- 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 Service targets and actions are monitored monthly at Management Board and quarterly at the Joint Committee. In addition key projects are managed through the Management Board.
- Regular staff forums are held by the Head of Service to communicate aims and objectives of the Service
- Annual Report articulate the Committees activities and achievements
- The Committees 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 monthly basis to the officer Management Board and quarterly basis to the Joint Committee
- Savings have exceeded targets
- Service standards have been published and are available to the public

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

- The legal agreement sets out the terms of reference for the Joint Committee and the members appointed.
- 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.

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

- The Committees priorities and aims clearly demonstrate its vision and values
- Posters communicating this vision and the values are widely available
- 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 at each participating Council that can review the effectiveness of the Joint Committee
- There is an established and effective Audit Board to advise the Joint Committee on the effectiveness of Internal Control arrangements
- 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 Joint Committee has an annual workplan
- Active risk management, including:
  - risk identification, registers and action plans
  - guidance and training on risk management for members and staff;
  - 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 Head of Service
- 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 Management Board to compare expected and actual performance
  - formal quarterly budgetary monitoring reports to the Joint Committee
- Active performance management arrangements to Management Board and Joint Committee
- 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

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

- Members of the Joint Committee are briefed regularly by senior officers to ensure they are aware of all issues
- 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
- Deputy s151 and Monitoring Officers are in place
- 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 host Council is defined as “achieving” against the Equality Framework for Local Government
- 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)
- Joint Committee meetings are open to the public, with papers available on the internet

#### **4. Review of effectiveness**

The Joint Committee 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 Joint Committee of any significant matters warranting their attention.

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

- Regular reporting to the Joint Committee
- Financial and Legal Agreement developed and approved for Bromsgrove District Council hosting the Worcestershire Regulatory Services arrangement
- Performance reporting reviewed following comments from Joint Committee members

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.

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

There are no significant governance issues identified.

**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**

**KEVIN DICKS**

**Leader of the Council**

**Chief Executive**

(date)