

**BROMSGROVE DISTRICT COUNCIL**

**ANNUAL REVIEW AND STATEMENT OF ACCOUNTS 2007/08**

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## Introduction from Portfolio Holder for Finance

Welcome to the Council's Statement of Accounts for the year ended 31 March 2008, which are set out in detail on pages 12 to 57. We do hope that you will find the accounts interesting and informative. These pages, together with the accompanying notes, explain the Council's services and how it spent your Council Tax during the year.

The Council has achieved a significant increase in our investment income during 2007/08 from successful management of the funds we have invested. This has enabled us to transfer £149,000 to balances to fund priority services to you in the future.

The Audit Commission has recognised improvements in the delivery of the financial management and internal control within the Council including the focus on ensuring funds are made available to deliver priority services and developing risk management across the Council.

During 2007/08 there have been a number of key achievements delivered by the Council. These included:

- For our Housing Service we moved from a nil star, uncertain prospects service to a one star, promising prospects housing service in only 18 months
- The Customer Service Centre achieved its targets of 80% of answered calls and average waiting time of 35 seconds
- A 32.3% reduction in crime levels across District (2005/2008) (target was 17.5%).
- Recycling rates now in the top 50 in the country, at over 40%.

There are further improvements to be made, particularly around ensuring you receive Value for Money (VFM) from your services. We are committed to provide continuous improvements and our officers will look for innovative ways to deliver your services at the best price and quality.

Following consultation with you as to what you want the Council to deliver we reviewed our key priorities and approved a streamlined set during 2007/08 for delivery in 2008/09. These were; ***Town Centre, Housing, Customer Service, Sense of Community and Clean Streets and recycling***. These were the key areas that were identified from the consultation. We will continue to ask what you want us to provide so we can always aim to meet your needs.

To enable us to support the priorities a full review of the medium term financial plan (the budget) was undertaken during September 2007 – January 2008. Significant efficiency savings were identified to enable more money to be realigned to our priorities. Management restructures and improved procurement practices have enabled us to fund a number of new developments including:

- Additional sports development officers to enhance the opportunities available for sports in the district
- Additional neighbourhood wardens to provide a visible presence to keep the district safe

- Provision of a rapid response team for street cleansing
- Provision of new play areas in our parks and open spaces
- Support to the development of plans to transform the Town Centre and Longbridge

The Capital Programme provides a replacement programme of fleet vehicles to ensure the quality provision of the refuse and recycling service and supports our registered social landlords in the provision of affordable housing across the District.

In addition the Spatial project which will radically transform how you access our services, is underway, with significant improvements and efficiencies to be realised over the next 12 months.

The medium term financial plan gives clear and strategic direction to the Council's finances through to the end of 2010/11. It will continue to be reviewed and updated on an annual basis. As part of this approach the Council will continue to drive forward plans to improve efficiency and value for money throughout the Council. This may involve working with other councils to share services, as well as introducing new ways of working.

Other key developments planned for 2008/09 include the transfer of the sports centres to a Leisure Trust and implementation of single status.

In addition to collecting Council Tax for the services provided by the District Council, tax is collected on behalf of other organisations including the County Council, West Mercia Police, the combined Fire Authority and Parish Councils

The District Council's element of the Council Tax for a Band D property (£172.46) represented less than 13% of the total bill of £1,354.56 in 2007/08. The Council's collection rate for council tax was 98.6%, which represents top quartile performance when compared to district councils nationally.

The Statement of Accounts gives more detail of the total revenue and capital position for the 2007/08 year and further information on the finances and performance can be found on our website at [bromsgrove.whub.org.uk](http://bromsgrove.whub.org.uk).

The Council is committed to improving its presentation of financial information to enable a better public understanding of its reporting and welcomes readers' suggestions for improvements. These should be sent to Jayne Pickering, Head of Financial Services at The Council House, Burcot Lane, Bromsgrove, B60 1AA.

We would like to express our thanks to our Principal Accountant, Sib Moss and the accountancy teams for all their hard work in achieving the deadlines for the production of the Annual Accounts.

Cllr Geoff Denaro

Portfolio Holder for Finance

## VALUE FOR MONEY (VFM)

The Use of Resources assessment by the Audit Commission in December 2007 included a review of the VFM provided by the Council from which the Council received a scoring of 1 out of 4.

Since the review there has been a corporate focus on the demonstration and delivery of VFM.

Key improvements include:

- Development of clear links between priorities and medium term financial plan
- Integration of the financial and performance reports considered by members
- Development of budget request schedules to consider whole life costs of schemes
- Improvements in consultation with stakeholders on budget issues
- Significant improvements in performance indicators with the increase in above average performance.
- Efficiencies realised as part of restructures to deliver services alternatively ( printing, financial services, democratic services)
- Improvements in procurement and joint working on achieving greater efficiencies (stationery, procurement manager, graphic design, printing)
- Revised contract rules to demonstrate greater competition at lower values and to ensure consideration of equality and sustainability issues
- VFM training for members and officers
- Formal consideration of VFM in Cabinet reports

A VFM action plan was approved by Cabinet in November 2007 to identify the key areas that were to be addressed to improve our demonstration of VFM. The action plan is monitored quarterly to Corporate Management Team and members.

The key areas being addressed are:

*Benchmarking:* to analyse the Audit Commission profiles in more depth to assess the high cost/low quality services that the Council can focus on improving. This will include analysing financial benchmarks with other neighbouring councils.

*Capital Programme:* to review the Capital Programme as part of the asset management plan. This will include realigning the programme to ensure the outcomes as identified in the project plans are delivered as anticipated.

*VFM Projects:* a number of key projects will be reviewed for the improvements delivered and the VFM achieved in their delivery. These will include; refuse, leisure transfer, printing and the Spatial Project.

The Spatial project that is currently being undertaken by the Council in partnership with an external organisation will radically transform the way a number of our services are delivered. Business process reengineering has already taken place and this information will be used to support the Council's delivery of effective use of ICT to drive VFM across the departments.

Bromsgrove Council is committed to delivering Value for Money to our customers and will ensure that officers and members look to address this commitment in all the services we provide.

## **Annual Governance Statement**

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of governance which includes arrangements for the management of risk.

To this effect, the Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework for Delivering Good Governance in Local Government.

This statement explains how the Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement of internal control.

### **Purpose of the Governance Framework**

The Governance Framework comprises the systems and processes and culture and values for the direction and control of the Council and its activities, through which it accounts to, engages with and leads the community. Our governance framework enables us to monitor the achievement of our strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can only provide reasonable (not absolute) assurances of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives. Through it we evaluate the likelihood of those risks being realised and the impact, should they be realised, to enable us to manage them efficiently, effectively and economically.

The Governance Framework has been in place at the Council for the year ended March 2008 and up to the date of approval of the Statement of Accounts.

### **The Governance Environment**

#### **Purpose and Vision**

A clear statement of the Council's purpose, vision and priorities for the next three years is set out in the Council Plan 2008/2011. The Council has five priorities. For each priority there are clear outcomes for residents and service users, together with identified actions that will deliver the vision. These are translated into more specific aims and objectives through the Council's Improvement Plan and each department's service business plan. Progress against the

Council Plan's targets and actions are monitored monthly at Corporate Management Team, Cabinet and the Performance Management Board.

The Council's vision, priorities and strategic key deliverables are developed through the production of the Council Plan Part One report, which is reported to Cabinet, Performance Management Board, Scrutiny and Full Council in September each year. This report 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.

### **Partnership Working**

The Council is committed to improving the effectiveness of partnership working. Partnership working is one of the Council's four values. The Council strongly believes that in order to meet the aspirations of its residents, it is critical that the three tiers of local government and other public, private and voluntary sector organisations work together on shared objectives. The Council operates a Local Strategic Partnership (LSP), which is made up of a Partnership Board, with senior representatives from all the key partners who work in the District, plus 9 theme groups, who deliver on behalf of the Board. The work of the partnership is brought together into a Sustainable Community Strategy, which is updated annually and endorsed by Full Council. The Board receives performance information at every meeting and also publishes an annual report, which is scrutinised by the Council's Performance Management Board and Full Council. The work of the LSP Board is underpinned by a governance framework, but the Board is not an accountable body, so any decisions taken by the Board require the ratification of the appropriate boards, for example Cabinet, within each partner organisation.

The Council also operates a range of service level agreements (a form of contract) between itself and various partners, for example, the Artrix, Bromsgrove District Housing Trust and Bromsgrove and Redditch Network (the voluntary sector infrastructure organisation).

### **Effective Service Delivery**

The Council operates a clear annual business cycle, which was agreed by Cabinet. The Council also has a clear performance management framework, which is linked to the business cycle. The Council is currently drafting a performance management strategy, which brings both of these together and will be agreed by Cabinet in the autumn. The annual business cycle ensures that a strategic framework is set each year that drives the budget round, production of the Council Plan, production of service business plans, team action plans and individual personal development reviews (appraisals). The Council reports progress against the Council Plan each month and also produces and publishes an Annual Report by the 30 June each year. This is also subsequently published in a more user friendly format for residents, either in the Council's magazine "Together Bromsgrove" or in the local press.

Councillors usually receive performance information formally i.e. at Cabinet and Performance Management Board, approximately 1.5 months after the month end. This time lag is to allow the collection of information and for managers to manage, so in the first instance the performance information is considered at each departmental management team, then at the Corporate Management Team. Each Cabinet portfolio holder also receives a monthly report

from their head of service(s) which is discussed each month. This report brings together, financial, performance, risk, staffing and any other relevant management information. The quality of the data produced and the quality of documents like service business plans are reviewed by the Corporate Communications, Policy and Performance Team. This team is also responsible for the delivery of a Data Quality Strategy, which ensures the information reported to Councillors is accurate and reliable for decision making purposes.

The basket of performance indicators and the actions reported on to Councillors are reviewed annually through the production of the Council Plan and the Improvement Plan, which flows from the Council Plan. These have recently been updated to reflect the new National Indicators. Through the next business cycle they will be updated again, to reflect the new County Local Area Agreement. Departments are already working on the new indicators in this Agreement, as the high level action plans that underpin the work of each LSP Theme Group have recently been updated. The Council operates a very simple performance management system using Excel. Over the last two years, the Council's performance has gone from being amongst the worst in the England to above the All England average, so this simple system is working. A formal review of the system will be undertaken during the next three years, as set out in the draft Performance Management Strategy.

### **Value for Money**

The Council has a Value for Money Strategy and each department is required to score its value for money annually, through the business planning cycle and produce a value for money action plan. These plans are challenged by the Cabinet Finance Portfolio Holder and the Head of Financial Services. The Council has recently updated its contract procedure rules to ensure improved practice and better value from its procurement activities. The Council has a Procurement Officer, who provides support to managers and also to other neighbouring councils.

### **Clarity of Roles, Responsibilities and Required Behaviours**

The Council's Constitution sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other committees operated by the Council. Working groups have clear terms of reference, for example scrutiny task groups. Councillors' roles and responsibilities are defined in job descriptions. 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 behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols. The Standards Committee ensures standards of conduct are maintained. It monitors the effectiveness of the implementation of the Code of Conduct and makes recommendations in relation to any breach of the Code.

The roles and responsibilities of Councillors are underpinned by an extensive Member Development Programme.

Employee behaviour is also subject to a range of specific policies, including a Code of Conduct, Hospitality Policy, Capability Procedure, Retirement Policy, Sickness Policy etc.



## **Financial and Risk Management**

The Head of Financial Services is designated the responsible officer for the administration of the Council's financial affairs under S151 of the Local Government Act 1972. This includes ensuring the lawfulness and financial prudence of decision making; providing advice, particularly on financial impropriety, publicity and budget issues, giving financial information; and acting as the Council money laundering reporting officer.

The Council operates a strong financial management framework. Financial regulations are supported by effective financial procedures, underpinned by the work of internal and external audit. Financial regulations and contract procedure rules are regularly reviewed to ensure they remain effective in supporting sound internal control.

The Council's risk management arrangements are being embedded into the work of the Council. The Council operates a corporate risk register, departmental risk registers and risk registers for each key project. Each register has an action plan that flows from the risks identified, designed to mitigate risk through improved management practices. The Corporate Risk Register is reported to Councillors on the Audit Board, which also receives summary information on each departmental risk register. This work is also underpinned by the Corporate Risk Management Group, chaired by the Head of Financial Services. Each departmental risk register, cross references to the key deliverables set out in the departmental business plans. Every Cabinet decision includes a report that sets out the associated risks, cross referenced to the appropriate risk register.

The Council has a project management methodology, compliance with which has recently been subject to internal audit. The Council is about to establish a programme board, to ensure better compliance with the methodology and ensure projects are managed appropriately.

## **Legal and Regulatory Compliance**

Compliance with established policies, procedures, laws and regulations is ensured by the requirements of the constitution, to give the Chief Executive, the Monitoring Officer (Head of Equalities, Legal and Democratic Services) and the S151 officer (Head of Financial Services), the opportunity to comment on every report submitted to a decision making body. The Monitoring Officer has a legal duty to ensure the lawfulness and fairness of decision making.

## **Member and Officer Development**

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 is Investors in People accredited and is committed to developing managers and staff. The Council operates a Modern Managers Framework, which sets out the standards required of managers. The framework is supported by a comprehensive training programme. 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.

## **Community Engagement and Equalities**

The Council operates a Consultation Policy, which is updated annually and reported to Cabinet. Through the next cycle of reporting, the policy will be updated to reflect the changing nature of this agenda, in particular, community engagement. The Consultation Policy includes five levels of consultation, ranging from: A – Information Gathering, to E – Participation/Joint Decision Making. Each departmental service business plan includes a community engagement plan. Corporately, the Council works with its partners, in particular the Police on the Partners and Communities Together (PACT) community meetings. The Council ensures its ward councillors and a senior officer from the Council attends these meetings. The Council also operates two pilot Neighbourhood Area Committees (NACs). The Council also has a specific Statement of Community Involvement, which guides engagement relating to the production of planning documents.

One of the Council's four values is Equalities. The Council has an All Inclusive Equalities Scheme, operates an Equalities and Diversity Forum and Disabled Users' Forum, holds an annual equalities conference and has a range of equalities outcomes in the Improvement Plan and service business plans, designed to improve service delivery to our customers.

## **Reviewing the Governance Framework's Effectiveness**

The Council operates an extensive improvement agenda. The annually updated Council Plan includes the key deliverables for the Council's five priorities, but also what actions are planned on the "enablers" that underpin these priorities. The "enablers" are split into three perspectives: financial, process and human resource and organisational development. The key deliverables for all of these are cross referenced to the feedback the Council receives on its performance and governance, from its own systems, but also external audit and inspection. Aspects of the governance framework are then updated in line with the Council Plan, for example: a new customer feedback system, improved arrangements for project management, a review of people management policies.

The Audit Board has responsibility to advise on the effectiveness of the Council's governance arrangements, but both the Performance Management Board and Scrutiny Steering Board can also make recommendations to Cabinet on the appropriateness of arrangements that they find through their work. The Audit Board considers the recommendations from external audit, inspection and internal audit and makes sure recommendations are implemented.

The Head of Financial Services provides an Internal Audit Service, which monitors the effectiveness of the control environment and reports specific recommendations to the Chief Executive and Audit Board.

This is the first year that this Governance Statement has been produced. It brings together the extensive controls, political and managerial mechanisms that are now in place in the Council. The Statement will be reviewed annually.

**Kevin Dicks  
Chief Executive**

**Date**

**Councillor Roger Hollingworth  
Leader of the Council**

**Date**

## **EXPLANATORY FOREWORD**

### **Introduction**

This Statement of Accounts presents the financial position of Bromsgrove District Council for the year ended March 2008. The format of the Accounts is stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice (SORP). 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 main changes this year are technical in nature relating to capital accounting and accounting for financial instruments. There has also been a slight amendment to the format and layout of the accounting statements and accompanying notes.

### **The Accounting Statements:**

#### **The Income and Expenditure Account (I&E Account)**

This statement is fundamental to the understanding of the Council's activities, in that it reports the net cost for the year of all the functions for which the Council is responsible. It also shows how much is received from council tax payers and from general government grants to help meet the cost of services.

#### **Statement of the Movement on the General Fund Balance**

This statement shows the change in the General Fund Balance after taking into account the Council's spending against the Council tax that it raised for the year, items required to be included or excluded by statute, the use of reserves built up in previous years and contributions to Earmarked Reserves for future expenditure.

#### **Statement of Total Recognised Gains and Losses (STRGL)**

The I&E Account brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. However, the Council may recognise other gains and losses in its Balance Sheet that are not debited or credited to the Income and Expenditure Account. The Statement of Total Recognised Gains and Losses brings these other gains and losses together with the surplus or deficit on the I&E Account to show the total movement in the Council's net worth for the year.

#### **The Balance Sheet**

The Balance Sheet summarises the Council's financial position as at 31st March 2008. It includes the assets and liabilities of all activities of the Council.

## The Cashflow Statement

This summarises the cash received and payments made by the Council for revenue and capital purposes in 2007/08.

## **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 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 meeting on 27<sup>th</sup> February 2007, Bromsgrove District Council set a budget of £11.313m and a Band D equivalent Council Tax of £172.46 (£164.26 in 2006/07) which was an increase of 4.99% on the previous year. During the year further budget approvals were agreed of £0.976m to fund spending brought forward from 2006/07 and the costs associated with organisational restructure. This gave a revised budget of £12.289m.

The General Fund Revenue Account produced a year end surplus of £0.149m compared to a budgeted deficit of £1.285m, a variance of £1.434m. However, this incorporates slippage on ring-fenced revenue projects for which budget carry forward requests of £0.534m have been received.

The main reasons for the variance excluding slippage are:

- Financial Services (£343k under) – Release of bad debt provision following audit advice and benchmarking with other authorities; improved performance on subsidy grant due plus write back of other historical balances.
- Corporate Services (£270k over) – Provisions and reserves in respect of legal cases in progress at the balance sheet date.
- Interest generated from investments was £870k more than budget. The target for interest on investments equated to a return of 4.50% however investments benefited from substantially increased returns in response to market conditions. Additionally slippage on the capital programme made more funds available for investment in the latter part of the year.

The Income and Expenditure Account details the gross costs of service provision amounting to £34.942m. This expenditure has been analysed as follows:

<b>Expenditure Type</b>	<b>2006/07 £000</b>	<b>2007/08 £000</b>
Employee expenses	11,127	11,887
Premises related expenses	1,096	1,168
Transport related expenses	1,293	1,005
Supplies and services	3,445	3,937
Third party payments	1,124	1,060
Transfer payments	12,059	13,352
Capital charges	1,402	2,533
<b>Total</b>	<b>31,546</b>	<b>34,942</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.

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. Grants received in respect of housing and Council Tax benefits are reflected in gross income.

Capital charges comprise of depreciation and impairment charges, where applicable. These charges represent the cost of using assets in the provision of services.

The gross income of £20.148m shown in the Income and Expenditure Account has been analysed as follows:

<b>Income Type</b>	<b>2006/07 £000</b>	<b>2007/08 £000</b>
Government grants	12,484	14,516
Fees & charges	4,197	4,332
Other grants & contributions	839	928
Internal recharges	572	372
<b>Total</b>	<b>18,092</b>	<b>20,148</b>

The figure for government grants income includes £13.652m (£12.320m 2006/07) towards the cost of housing and Council Tax benefits and their administration.

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

The General Fund Revenue Balance brought forward as at 31st March 2007 was £1.874m. After appropriations and transferring the surplus in 2007/08, the General Fund Revenue Balance increased to £2.023m as at 31st March 2008.

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

Capital expenditure amounted to £3.837m. The main areas of expenditure were ICT Infrastructure project, other various ICT schemes including the upgrading of computer systems, completion the Internet/Intranet E-government project, and upgrading of equipment (£186k); replacement vehicles for provision of Street Scene and Waste Management depot services (£718k); Homeless Hostel Re-modelling Scheme (£419k); Extra Care Sheltered Housing (£517k); Disabled Facilities Grants (£525k).

Capital receipts for the year totalled £0.741million. This relates to sales of vehicles and surplus land, and sales of the Council's interest in Low cost Housing schemes and sums received under the VAT Shelter Scheme linked to the housing stock transfer.

Capital contributions of £96k were received 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 £405k were also received from Government and other organisations.

## **Voluntary Engagement**

Bromsgrove District Council remains in voluntary engagement as we continue to demonstrate improvements in our performance and governance. The Government Monitoring Board reviews progress to the Councils Improvement Plan on a quarterly basis and the Council has recently requested a Comprehensive Performance Assessment (CPA) inspection to be undertaken at the end of 2008. This will be the last tranche of CPA inspections prior to the implementation of Comprehensive Area Assessment in 2008/09 and Bromsgrove aims to have an improved scoring on our current rating of poor.

## **Housing Services**

Although the Councils' housing stock was transferred to Bromsgrove District Housing Trust (BDHT) on 29<sup>th</sup> 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 2007 SORP 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 concluded that no group relationships exist and therefore the Council is not required to prepare 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 2008 was £131,876.

### **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 Financial Reporting Standard 17. The net liability has increased by £8.006 million to £19.266 million in 2007/08, a further explanation can be found in note 36 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.

### **Further Information**

Further information on the accounts is available from the Head of Financial Services, 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**

### **1. General Principles**

The general policies adopted in compiling the financial statements are those recommended by the CIPFA/LASAAC Joint Committee in the Code of Practice on Local Authority Accounting in the United Kingdom 2007 'A Statement of Recommended Practice' (the 2007 SORP). If exception occurs these are noted at the appropriate place in the statements.

### **2. Best Value Accounting Code of Practice**

All councils have to comply with the Best Value Accounting Code of Practice (BVACOP), the main items being the mandatory charging of depreciation (with some exceptions), identification of trading services, and a standard service expenditure analysis in the Income and Expenditure Account. The 2007/08 Income and Expenditure Account complies with these requirements.

### **3. Comparative Figures**

In line with the 2007 SORP, comparative figures for the previous financial year are shown. Where there have been changes to the presentation or accounting treatment of items the previous year's figures have been restated to ensure that they are comparable.

Prior to 2007/08 the Council maintained two non usable capital reserves i.e. the Capital Financing Account and the Fixed Asset Restatement Account. In accordance with 2007 SORP these are replaced by the two new accounts:

- **Revaluation Reserve** this contains revaluation gains since 1 April 2007. Gains prior to this date are consolidated into the Capital Adjustment Account.
- **Capital Adjustment Account** this provides a balancing mechanism between the different rates that assets are depreciated and are financed through the capital regulations

### **4. Fixed Assets - Recognition and Valuation**

The requirements of the 2007 SORP are that all appropriate assets should be carried at a valuation that would be the lower of the net current value or net realisable value for existing use. Also all those assets should be revalued at least once every five years.

The recorded fixed assets are subject to a review to ensure the completeness of the record and that the valuations are in accordance with the 2007 SORP. 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. These financial statements reflect the revaluations carried out during 2007/08.

The basis for valuation of each class of asset is as follows:

- Intangible assets such as software are recorded at cost in the balance sheet and are amortised to revenue over an appropriate period.
- Operational assets such as the Council Offices, Leisure Centres and Car Parks have been included at depreciated replacement cost.
- Infrastructure assets such as environmental improvements, from 2003/04 onwards, are recorded at cost.
- Vehicle, Plant and Equipment are recorded at cost.
- Community assets, such as Parks and Recreation Grounds, are recorded as historic cost.
- Investment Properties, which are assets that are not directly used in the delivery of a service, such as Industrial Properties, are shown 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.

## **5. Capital Expenditure**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. In this context enhancement means the carrying out of works on the fixed asset that are intended to increase substantially the life, value or use of the asset.

Expenditure that falls under this definition but that is considered to be immaterial by virtue of not adding value to the asset (generally less than £10,000) is written off to the Income and Expenditure Account during the year. All other expenditure is added to the fixed assets at cost. The expenditure will be carried at cost on the Balance Sheet until the asset is revalued.

## **6. Intangible Assets/Deferred Charges**

Intangible Assets and Deferred Charges represent expenditure that has been properly capitalised but which does not create a tangible asset for the Council. Intangible assets include major software purchases, whilst deferred charges include disabled facilities grants, home repair and housing renewal grants, grants to other persons and bodies such as registered social landlords for capital expenditure purposes. All expenditure on deferred charges is usually written off to the Income and Expenditure Account in the year the expenditure is incurred. Expenditure on intangible assets is written off to the Income and Expenditure Account over the period of the benefit to be received from the asset. However there is a corresponding transfer from the Capital Adjustment Account to neutralise the effect of these charges on the General Fund Balance.

## **7. 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 (usually land), over the useful life of each asset.

Depreciation is charged on the asset values at the beginning of the financial year. All assets have now been revalued within the last three 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	2-7 years
Infrastructure	5-20 years

## **9. Prudential Code**

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 provide the framework for the prudential code that came into force on 1<sup>st</sup> April 2004. Since that date the Council has been able to plan its capital expenditure under the Prudential Framework. This focuses on the Council's ability to fund the consequences of spending decisions from future years revenue accounts and allows it to set its own limits on the borrowing needed to achieve an affordable capital strategy. Prudential indicators are defined within the Council's Treasury Management strategy. The Council has not undertaken any prudential borrowing and remains debt-free.

## **10. Government Grants**

Whatever their basis of payment, revenue grants are matched with the expenditure to which they relate. Grants received to finance general activities of the Council or to compensate for a loss of income are credited to the I&E Account in the year to which they relate. Government grants are accounted for on an accruals basis and are recognised in the accounting statements when the conditions for their receipts have been complied with and there is reasonable assurance that the grant will be received.

All grants and other contributions when received are credited to the deferred government grants and contributions unapplied account. When applied to fund capital expenditure they are transferred to the deferred government grants and contributions applied account. These deferred contributions are released to the Income and Expenditure Account in line with the depreciation of the asset they are funding.

## **11. Repayment of Debt**

Regulation 27 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires Councils to charge a minimum revenue provision (MRP) to its revenue accounts for the repayment of debt. This calculation is based on the Council's

Capital Financing Requirement (CFR) as derived from the Balance Sheet. During 2007/08 an additional £24k of capital receipts were set aside to ensure that the Capital Financing Requirement was nil. The amount of MRP required is therefore deemed to be nil.

## **12. Capital Receipts**

All sums received which are considered to be capital receipts under the Capital Accounting regulations are credited to the Income and Expenditure Account in the first instance and transferred to Capital Receipts Unapplied on the Balance Sheet where they are only available to the Council to fund capital investment. However, receipts below £10,000 can be treated as revenue income. Receipts from the sale of former Housing Revenue Account assets are subject to national pooling.

## **13. Basis on which Debtors and Creditors have been included in the accounts**

The revenue and capital transactions of the Council are maintained on an accruals basis in accordance with the 2007 SORP and FRS 18 'Accounting Policies'. That means that sums due to or from the Council during the year are included irrespective of whether cash has actually been received or paid in the year. Where there was insufficient information available to provide actual figures, estimates have been included although this element is not significant.

## **14. Nature of Reserves, Provisions and Contingent Liabilities**

Reserves: In addition to the revenue balances, the Council has sums set aside for use in future accounting periods, to meet known or predicted liabilities. These earmarked financial reserves are for specific purposes, for example for capital developments or asset purchases.

Provisions: The 2007 SORP requires that provisions are recognised when the Council has a present obligation as a result of a past event; it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Council maintains provisions for bad and doubtful debts relating to council tax, business rates, housing benefit overpayments and sundry debtors. These have been estimated in accordance with recommended practice and past experience. Provisions for bad and doubtful debts reduce the value of total debtors reflected on the Balance Sheet.

The Council has established two further provisions in 2007/08 relating to legal cases in progress at the balance sheet date and also the costs associated with organisational restructure.

Contingent liabilities: Municipal Mutual Insurance Limited (MMI) – Scheme of Arrangement  
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 £268,216. No provision has been made in the Balance Sheet for this amount.

## **15. Financial Instruments**

The 2007 SORP requires the classification of financial instruments into separate categories for which the accounting requirement is different. The Council has classified its financial instruments as follows:

- Fixed deposits, principally comprising funds held with banks and other financial institutions and trade receivables, are classified as loans and receivables.
- Investments managed as a single portfolio by an appointed fund manager are classified as fair value through profit and loss.
- Borrowings and trade payables are classified as amortised cost.

Loans and receivables and borrowings/trade payables are carried at amortised cost. The I&E Account is charged with interest receivable/payable, impairment losses and any gain or loss on disposal/maturity.

Fair Value through profit and loss instruments are carried at fair value. Movements in fair value recorded in the Balance Sheet are balanced by posting gains and losses to the Income and Expenditure Account as they arise. Any residual gains and losses arising at the settlement date will be cleared through the I&E Account.

## **16. Support Service Costs**

The Best Value Accounting Code of Practice requires that all support service and service management costs are fully charged to services. During 2006/07 the basis for the apportionment of support service costs was reviewed and revised. Some support services are charged out based on staff time whereas other areas use a basis more appropriate to the service provided e.g. Human Resources is recharged on number of employees and the Information and Communication Technology recharge based on the number of PC's each service area operates. The charge to the Capital Programme is based on staff time involved with the administration of various schemes within the programme.

## **17. Stocks and Stores**

These are valued at cost. Stocks in hand are brought into the accounts for Central Depot Stores, Vending Machine Stock, Pest Control Stock and the Postal Franking Machine. The valuation of the stores is a departure from SSAP 9 however the effect is not material.

## **18. Leasing**

### **Finance Leases**

Statement of Standard Accounting Practice 21 (SSAP 21) defines a finance lease as a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee and the present value of the minimum lease payments is 90% or more of the fair value of the leased asset. If a lease qualifies as a finance lease under SSAP 21 then the value of the asset is treated as capital expenditure and recognised in the Council's balance sheet as a

fixed asset matched by a liability. Rental payments under finance leases are apportioned between the finance charge and the reduction of the liability, with the finance charge being charged to the I&E Account over the term of the lease. The Council does not hold any assets under finance leases.

### Operating Leases

If a lease meets the SSAP 21 definition of an operating lease, then the payments under the lease are charged to the service revenue accounts. Details of the Council's operating leases are outlined in Note 28 to the Income and Expenditure Account.

### **19. Interest**

Provision has been made in the accounts for the accrual of loan interest due to/payable by the Council as at 31st March 2008. For 2007/08 investments and borrowings are carried at amortised cost (including accrued interest at 31 March 2008).

### **20. Pensions**

This Statement of Accounts incorporates the full effects of FRS17 – Retirement Benefits, the purpose of which is to ensure that these financial statements reflect at fair value the assets and liabilities underlying the Council's obligations relating to retirement benefits and that the true cost of those obligations is recognised.

The Worcestershire County Council Pension Fund covers eligible members of the Local Government Pension Scheme in Bromsgrove and the Superannuation Fund Regulations require contributions to be sufficient to maintain fully the solvency of the fund. The fund is a defined benefits scheme based on final pensionable salary. Currently the Pension Fund is in a deficit position and the impact of FRS17 requirements has been to show a Pensions Liability in the Balance Sheet of £19.26 million, which is the Council's share of the overall deficit of the fund.

An independent actuary, based on triennial valuations, determines the employers' contributions. The review was last carried out as at 31st March 2007 and has revised the contribution rates payable by the Council in future years.

Since 2003/04 the way the pension costs are charged to services changed in that the actuary now provides annual costs of the fund liabilities. These figures replace the actual costs paid by the employers shown within the Net Cost of Services. An adjustment in the Statement of Movement on the General Fund Balance reverses these costs out and replaces them with the actual costs paid.

## **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**  
**Head of Financial Services**

**Date**

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## THE FINANCIAL STATEMENTS

### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31<sup>st</sup> MARCH 2008

This Account summarises the resources that have been generated and consumed in providing services and managing the council during the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and real projected value of retirement benefits earned by employees in the year.

Net Expenditure 2006/07 £000		Gross Expenditure 2007/08 £000	Gross Income 2007/08 £000	Net Expenditure 2007/08 £000	Note
1,227	Central Services to the Public	1,683	-230	1,453	
9,193	Cultural, Environmental and Planning	12,700	-3,287	9,413	
122	Highways and Transport	1,454	-1,366	88	
1,219	Housing Services	15,448	-13,868	1,580	
1,687	Corporate and Democratic Core	3,184	-1,396	1,788	
5	Non-distributed Costs	473	-1	472	
<b>13,453</b>	<b>Net Cost of Services</b>	<b>34,942</b>	<b>-20,148</b>	<b>14,794</b>	
-52	Gain or loss on disposal of fixed assets			-97	10
-79	Other items treated as capital receipts			0	
482	Precepts of local precepting authorities			562	
-65	Surplus(-)/deficit of trading undertakings or other operations including dividends			-51	3
29	Interest payable and similar charges			6	
33	Amounts payable into the Housing Capital Receipts Pool			7	
-1,097	Interest and investment income			-1,588	
238	Pensions interest cost and expected return on pensions assets			120	36
<b>12,942</b>	<b>Net Operating Expenditure</b>			<b>13,753</b>	
-6,519	Precept Demands from Collection Fund			-6,836	
-784	Revenue Support Grant			-680	
-3,849	Non-Domestic Rates			-4,050	
<b>1,790</b>	<b>Deficit for the year</b>			<b>2,187</b>	

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE FOR THE YEAR  
ENDED 31<sup>st</sup> MARCH 2008**

The Income and Expenditure account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last financial year. However, the Council is required to raise Council tax on a different basis and therefore is required to make adjustments for the effects of the following:

- Capital investment is accounted for as it is financed rather than when the fixed assets are consumed.
- Payment of a share of housing capital receipts to Government shows as a cost in the I&E Account, but is met from useable capital receipts rather than Council Tax.
- Retirement benefits are charge as amounts become payable rather than as future benefits are earned.

This statement shows the change in the General Fund Balance after taking into account the Council's spending against the Council tax that it raised for the year, items required to be included or excluded by statute, the use of reserves built up in previous years and contributions to Earmarked Reserves for future expenditure.

	Note	31st March 2007 £000	31st March 2008 £000
<b>General Fund Balance as at 1st April</b>		<b>-2,282</b>	<b>-1,874</b>
<b>Surplus or deficit for the year on the Income and Expenditure Account</b>		<b>1,790</b>	<b>2,187</b>
<b>Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year</b>	<b>1</b>	<b>-1,382</b>	<b>-2,336</b>
<b>Increase (-)/Decrease in General Fund Balance for the year</b>		<b>408</b>	<b>-149</b>
<b>General Fund Balance as at 31st March</b>		<b>-1,874</b>	<b>-2,023</b>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR  
ENDED 31<sup>st</sup> MARCH 2008**

<b>31<sup>st</sup> March 2007 £000</b>		<b>31st March 2008 £000</b>
<b>-1,790</b>	Surplus/deficit(-) on the Income and Expenditure Account for the year	<b>-2,187</b>
<b>11,556</b>	Surplus/deficit(-) arising on revaluation of fixed assets	<b>257</b>
<b>2,269</b>	Actuarial gains and losses(-) on pension fund assets and liabilities	<b>-7,755</b>
<b>0</b>	Capital Adjustment Account amendments to financing	<b>-48</b>
<b>0</b>	Mortgage receipts transferred to I+E	<b>-7</b>
<b>-74</b>	Collection fund balance	<b>-35</b>
<b>11,961</b>	<b>Total Recognised Gains and Losses for the year</b>	<b>-9,775</b>

**BALANCE SHEET AS AT 31st MARCH 2008**

2006/07 £000	Note		2007/08	
			£000	£000
373		<b>Intangible Assets</b>		468
		<b>Fixed Assets:</b>		
		Operational Assets -		
28,219		Other Land and Buildings	27,627	
4,542		Vehicles and Plant	4,553	
458		Infrastructure	425	
1,145		Community Assets	1,570	
		Non Operational Assets -		
6,464		Investment Properties	6,292	
153		Assets under Construction	71	
40,981	13	<b>Total Fixed Assets</b>		40,538
		<b>Other Long Term Assets:</b>		
50	20	Long Term Investments	50	
32	21	Long Term Debtors	17	
41,436		<b>Total Long Term Assets</b>		41,073
		<b>Current Assets:</b>		
64	22	Stocks	79	
3,949	23	Debtors	3,972	
185	24	Cash In Hand and Bank	2	
21,612	25	Short Term Investments	19,738	
25,810				23,791
		<b>Less: Current Liabilities:</b>		
-7,978	26	Creditors	-6,412	
0		Bank overdraft	-52	
-108	27	Short Term Borrowing	-109	
59,160		<b>Total Assets less Current Liabilities</b>		58,292
		<b>Other Long Term Liabilities</b>		
-1,732	35	Deferred Government Grant and Contributions		-2,001
0	29	Provisions		-632
-11,260	36	Liabilities Relating to Defined Benefits Pension Scheme		-19,266
46,168		<b>Total Assets less Liabilities</b>		36,393
		<b>Financed by:</b>		
-30,984	30	Fixed Assets Restatement Account		0
70,582	30	Capital Financing Account		0
0	31	Revaluation Reserve		55
0	32	Capital Adjustment Account		38,950
15,000	33	Capital Receipts Unapplied		13,351
32		Deferred Capital Receipts		17
748	34	Earmarked Reserves		1,122
-11,260	36	Pensions Reserve		-19,266
1,874		General Fund Balance		2,023
176		Collection Fund Balance		141
46,168		<b>Total Equity</b>		36,393

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31st MARCH 2008**

2006/07 £000		2007/08 £000
	<b>Revenue Activities</b>	
	<b><u>Cash Outflows:</u></b>	
11,107	Cash paid to and on behalf of employees	11,886
7,544	Other operating cash payments	5,397
8,395	Housing Benefit paid out	9,653
40,753	Precept payments	42,955
20,100	Non domestic rate payments to National Pool	20,734
32	Capital Receipts paid to National Pool	
87,931		90,625
	<b><u>Cash Inflows:</u></b>	
-42,947	Council Tax receipts	-45,407
-4,289	Non domestic rates payments from National Pool	-4,050
-19,587	Non domestic rates receipts	-20,426
-784	Revenue support grant	-680
-12,919	Housing & Council Tax Benefits	-12,333
-1,269	Other government grants	-1,322
-5,476	Other income and charges	-6,109
-87,271		-90,327
660	<b>Net cash inflow(-)/outflow from Revenue Activities</b>	298
	<b>Returns On Investments And Servicing Of Finance</b>	
	<b><u>Cash Outflows</u></b>	
27	Interest paid (Net)	6
	<b><u>Cash Inflows:</u></b>	
-1,168	Interest received	-1,588
-481	<b>Net cash inflow(-)/outflow from investments and servicing of finance</b>	-1,284
	<b>Capital Activities</b>	
	<b><u>Cash Outflows:</u></b>	
5,322	Purchase of Fixed Assets	4,808
	<b><u>Cash Inflows:</u></b>	
-1,234	Sale of Fixed Assets	-741
-202	Capital Grants	-542
-283	S106 Contributions	-131
3,603	<b>Net Cash Inflow(-)/Outflow on Capital Activities</b>	3,394
3,122	<b>NET CASH INFLOW(-)/OUTFLOW BEFORE FINANCING</b>	2,110
	<b>Management Of Liquid Resources</b>	
149	Repayments of amounts borrowed	-1
-3,514	Net increase/decrease(-) in investments	-1,874
-243	<b>Net Increase(-)/Decrease in Cash</b>	235

## NOTES TO THE CORE FINANCIAL STATEMENTS

### 1. Note of reconciling items for the Statement of Movement on the General Fund Balance

31 <sup>st</sup> March 2007 £000		31 <sup>st</sup> March 2008  £000	
	<i>Amounts included in the income and expenditure account but are required by statute to be excluded when determining the movement on the General Fund Balance for the year:</i>		
-1,061	Depreciation and impairment of fixed assets	-1,632	
1,219	Government Grants Deferred amortization	1,245	
-1,190	Write down of deferred charges	-1,945	
-350	Write down of intangible assets	-217	
52	Net gain or loss on sale of fixed assets	97	
79	Other items treated as capital receipts	0	
-224	Amount by which pension costs calculated in accordance with the SORP (in accordance with FRS 17) are different from the contributions due under the pension scheme regulations	-251	
-1,475	<i>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year:</i>		-2,703
7	Capital expenditure charged to the General Fund Balance	0	
-33	Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool.	-7	
-26	<i>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year:</i>		-7
-20	Statutorily required transfer of the surplus or deficit for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance	0	
139	Net transfer to or from earmarked reserves	374	
119			374
-1,382	<b>Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year</b>		-2,336

## 2. Comparative figures for 2006/07

A change in presentation introduced two new accounts for 2007/08 namely the Revaluation Reserve and the Capital Adjustment Account (CAA). However these accounts only came into being on the 1<sup>st</sup> April 2007 and there is no change to the previous years account. The balances on the Fixed Asset Restatement Account and the Capital Financing Account were transferred to the new CAA on the 1<sup>st</sup> April 2007.

Deferred Capital Receipts are now shown in the equity (bottom) section of the balance sheet and Commuted Sums, previously a separate line in long term liabilities are now included in the creditors figure within current liabilities.

## 3. Trading Operations

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

2006/07			2007/08	
Turnover £000	Profit(-) /Loss £000	External Trading Services	Turnover £000	Profit(-) /Loss £000
103	20	Market Services	89	43
132	-85	Industrial Sites	137	-94
235	-65	<b>Total External Trading Services</b>	226	-51

## 4. Discretionary Expenditure

Section 137 of the Local Government Act 1972 (as amended by the Local Government Act 2000) empowers local authorities in England and Wales to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. Expenditure under this power amounted to £330,891 in 2007/08 (£354,110 in 2006/07) and has mainly been used in providing grants to the Voluntary sector serving the community in Bromsgrove.

## 5. Publicity

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

	2006/07 £000	2007/08 £000
General Advertising	41	33
Recruitment Advertising	80	126
Marketing, Promotion and publicity	65	55
<b>Total</b>	<b>186</b>	<b>214</b>

## 6. Local Authorities (Goods and Services) Act 1970

There were no significant transactions in 2007/08 with organisations covered by the Act.

## 7. Building Control Regulations

The Building (Local Council Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The table below shows only the chargeable element of operational services.

Building Regulations Total 2006/07 £000		Fee Earning Total 2007/08 £000	Non Fee Earning Total 2007/08 £000	Building Regulations Total 2007/08 £000
	<b>Expenditure:</b>			
3	Printing, Stationery, etc.	1	0	1
289	Building Control IBU	155	152	307
292	Total Expenditure	156	152	308
	<b>Less Income:</b>			
-287	Fees	-310	0	-310
-4	Sundries	-9	0	-9
-291	Total Income	-319	0	-319
1	<b>Surplus(-)/Deficit for the Year:</b>	-163	152	-11

## 8. Members Allowances

In accordance with the Local Council (Members' Allowances) Regulations 1991, the Local Council (Members' Allowances) (Amended) Regulations 1995, and the Local Council (Members' Allowances) (England) Regulations 2001 the Council publishes each year details of the total amount of basic allowances, attendance allowances and special responsibility allowances paid to members of Bromsgrove District Council.

	2006/07 £000	2007/08 £000
Basic Allowance	121	133
Special Allowance	51	14
Chairman's Allowance	5	5
Vice Chairman's Allowance	1	1
<b>Total Allowances Paid</b>	<b>178</b>	<b>153</b>

Members' Allowances were reviewed by an Independent Remuneration Panel in accordance with Regulation 5 of the Local Authorities (Members' Allowances) (England) Regulations 2001. Members ceased receiving attendance allowance from 29 July 2001 and instead receive a flat rate £3,450, plus reimbursement for travel, subsistence and telephone line rental expenses. Special responsibility allowances are paid to thirteen members undertaking



specific duties and responsibilities for nominated roles of office (e.g. Council Leader, Deputy Leader, and Scrutiny Chairs).

#### 9. Payments made to Employees 2007/08

Under Regulation 7(2) of the Accounts and Audit Regulations 2003, the Council is required to disclose the number of employees whose remuneration exceeds £50,000 in bands of £10,000.

#### Numbers of Employees

Remuneration Bands	2006/07	2007/08
Over £50,000 and up to £60,000	6	5
Over £60,000 and up to £70,000	1	3
Over £70,000 and up to £80,000	1	2
Over £80,000 and up to £90,000	1	0
Over £90,000 and up to £100,000	1	1

#### 10. Profit/ loss on sale of fixed assets

This note shows any profit or loss on the sale of fixed assets compared to the market value of those assets. The surplus is properly accounted for within the Income and Expenditure Account, but is reversed out in the Statement of Movement of General Fund Balance, with the proceeds being transferred to Capital Receipts Unapplied.

	2006/07 £000	2007/08 £000
Proceeds from sale of Fixed Assets	-394	-235
Other items treated as Capital Receipts	0	-497
Market Value of Fixed assets sold	394	635
Deferred capital grants relating to assets sold	-52	0
<b>Profit/loss for the year</b>	<b>-52</b>	<b>-97</b>

#### 11. Related Parties

The 2007 SORP requires disclosure of transactions with related parties in line with FRS8 'Related Party Disclosures'. Parties are defined as related if one party can or has potential to exert control or influence over the other party or are subject to a common control from the same source.

The Council maintains a register of Councillors' interests that is regularly updated and available for public inspection.

During 2007/08, many Bromsgrove District Councillors were also County Councillors and also elected members of parish councils. The Council also has member representatives on various outside bodies, including Bromsgrove Arts Centre Trust, Bromsgrove District Housing

Initiative, Amphlett Hall Management Committee, West Midlands LGA Council and West Midlands Regional Assembly.

During 2007/08 the Council had the following transactions with related parties:

2006/07			2007/08	
Payments £000	Receipts £000		Payments £000	Receipts £000
5,509		<b>West Midlands Police Authority</b>	5,733	-42
570		<b>Parish Councils</b>	596	-19
2,271		<b>Hereford and Worcester Fire and Rescue Authority</b>	2,363	-3
34,725		<b>Worcestershire County Council</b>	34,304	
2,856	-2,810	<b>Bromsgrove District Housing Trust</b>	1,106	-698
	-784	<b>Government Departments:</b>		
	-3,849	- Revenue Support Grants		-680
	-11,880	- Redistributed NNDR		-4,050
		- Housing Benefits		-13,185
		- HRA Subsidy		
	-111	- Other		-115

## 12. External Auditors

Audit Commission has been appointed to be Bromsgrove District Council's External Auditor for the conclusion of the 2007/08 accounts. For the financial year 2007/08 Bromsgrove District Council incurred the following fees in respect of external audit and statutory inspection which also includes some remaining fees from the councils previous auditors KPMG.

	2006/07 £000	2007/08 £000
Certification of grant claims and returns.	12	15
Audit and other services	97	106
Statutory inspection.	30	39
<b>Total</b>	<b>139</b>	<b>160</b>

### 13. Analysis of movements in Fixed Assets

	Operational assets				Non Operational		Total
	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure	Community Assets	Investment Properties	AUC (*)	
	£000	£000	£000	£000	£000	£000	
Gross Book Value at 1st April 2007	28,470	5,767	532	1,145	6,464	153	42,531
Transfers		11				-11	0
Additions	144	1022		425		69	1660
Disposals	-400	-11			-235		-646
Transfer to Intangibles						-140	-140
Reclassification							
Impairment					-1		
Revaluation	172	-42			64		194
Gross Book Value at 31st March 2008	28,386	6,747	532	1,570	6,292	71	43,598
Depreciation at 1st April 2007	251	1226	74				1,551
In year	518	1,021	33				1,572
Transfers							
Disposal							
Revaluation	-10	-53					-63
Depreciation at 31st March 2008	759	2,194	107				3,060
Net Value at 1st April 2007	28,219	4,541	458	1,145	6,464	153	40,981
<b>Net Value at 31<sup>st</sup> March 2008</b>	<b>27,627</b>	<b>4,553</b>	<b>425</b>	<b>1,570</b>	<b>6,292</b>	<b>71</b>	<b>40,538</b>

\* Assets under Construction

#### 14. 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.

	2006/07 £000	2007/08 £000
Opening Capital Financing Requirement	24	24
<b>Capital Investment</b>		
Operational Assets	2,498	1,715
Non Operational Assets	153	71
Deferred Charges	1,189	1,877
Intangible Assets & Deferred Charges	237	173
<b>Total Expenditure</b>	<b>4,077</b>	<b>3,836</b>
<b>Source of Finance</b>		
Capital Receipts	2,935	2,321
Government Grants and Other Contributions	1,135	1,515
Sums set aside from Revenue	7	0
Sum set aside from Capital Receipts	0	24
<b>Total Financing</b>	<b>4,077</b>	<b>3,860</b>
Closing Capital Financing Requirement	24	0

The sum of capital receipts is set aside to reduce the brought forward CFR to nil.

#### 15. 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 31st 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 own Valuation Officer Mr. D Rogers-Davies MRICS and Mr Colin Booth BA (Econ) MRICS, the District Valuer.

The Council is in the process of reviewing all information on fixed assets held to ensure both completeness and compliance with the requirements of SORP. 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. These financial statements reflect the revaluations carried out during 2007/08.

The following table is the analysis of the gross book value of fixed assets by the year in which they were revalued.

	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Investment Property	Total
	£000	£000	£000	£000	£000	£000
Valued at historic cost	144	6,747	532	1,570	0	8,993
Valued at current value						
2004/05	3,754				160	3,914
2005/06	4,985				5,608	10,593
2006/07	19,503				469	19,972
2007/08					55	55
Total Gross Book Value as at 31 <sup>st</sup> March 2008	28,386	6,747	532	1,570	6,292	43,527

#### 16. Intangible assets & Deferred charges

Intangible assets refer to capital expenditure that does not create a fixed asset for the Council but the benefit of which lasts for more than one year (mainly items such as computer software). Deferred charges represent expenditure that is capital under the capital controls definition but which does not result in assets for the benefit of the Council (items such as improvement grants).

This expenditure is charged to the I&E Account over the period of estimated benefits. Intangible assets, which relate to expenditure on computer software, is charged over 3 years and deferred charges are written off in the year the expenditure is incurred.

	Intangible Assets Computer Software £000	Deferred Charges		Total £000
		Improvement Grants	Other	
		£000	£000	
Balance as at 1st April 2007	373	0	0	373
Expenditure in year	173	669	1,276	2,118
Transfer from Assets Under Construction	140	0	0	140
Written off to Income and Expenditure Account	-218	-669	-1276	-2,163
<b>Balance as at 31st March 2008</b>	<b>468</b>	<b>0</b>	<b>0</b>	<b>468</b>

## 17. Capital Commitments

Future capital expenditure committed as at 31<sup>st</sup> March 2008 amounted to £12.780m and includes the following major schemes:

- Spatial Project (£6.102m)
- Alterations to Council Buildings to comply with DDA requirements (£150k)
- Street Scene Vehicles and Equipment (£736k)
- Upgrade to Dolphin Centre Fitness Suite (£713k)
- New Park/Football Pitches at Barnsley Hall (£215k)
- Upgrade Houndsfield Lane Caravan Park (£110k)
- Sheltered Housing Scheme – Gilbert Court (£500k)
- Affordable and Low Cost Housing Schemes (182k)

## 18. Fixed Assets Held

The fixed assets held by the Council include the following:

	31 <sup>st</sup> March 2007 No's	31 <sup>st</sup> March 2008 No's
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	1
Car Parks	13	13
Cemeteries	2	2
Tourist Information Centre	1	1
Market Hall	1	1
Hostels	6	6
Other Properties	1	1
Allotments Sites	8	8
Parks/Recreation Grounds/Open Spaces and Play Areas	62	62

## 19. Housing Revenue Account

These accounts no longer contain a supplementary statement for the Housing Revenue Account (HRA). With effect from 29<sup>th</sup> March 2004 the Council's HRA was discontinued following the transfer of housing stock to Bromsgrove District Housing Trust. The Council's application for consent to close the HRA was granted on 4 April 2006. The HRA was therefore held open for 4 days during 2006/07 and there were no transactions affecting the HRA

income and expenditure account. The residual balance on the Major Repairs Reserve (£20k) was credited to the HRA statement of movement and the resulting surplus subsequently transferred to the General Fund Balance.

**20. Long Term Investments**

These consist of a debenture loan to the Association of District Councils for £50,000 (£50,000 as at 31st March 2007) and investment in Charities Investment Fund for £53 (£53 as at 31st March 2007).

**21. 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

	<b>31st March 2007 £000</b>	<b>31st March 2008 £000</b>
Mortgagors re. Sale of Council Houses	32	17

**22. Stocks**

The stock at the year-end consisted of:

	<b>31st March 2007 £000</b>	<b>31<sup>st</sup> March 2008 £000</b>
Postal Franker	23	15
General Stock Items held at the Council's Depot	38	55
Lifeline Stock	0	7
Various Vending machines	1	0
Sports Centres Stock	0	1
Pest Control Poisons and Baits	1	1
Dolphin Centre Items for Resale	1	1
<b>Total</b>	<b>64</b>	<b>80</b>

## 23. Debtors

	31st March 2007 £000	31 <sup>st</sup> March 2008 £000
<b><u>Amounts falling due within one year</u></b>		
NNDR Pool Contribution	592	407
NNDR arrears	1,672	1,512
Council Tax arrears	1,585	1,627
Interest receivable	358	0
Government Departments	677	822
Officers car loans	6	2
Payments in advance	332	432
Other debtors	901	1,117
<b>Sub-total</b>	<b>6,123</b>	<b>5,919</b>
<b><u>Amounts falling due after one year</u></b>		
Car Loans to Employees	2	0
<b>Gross Debtors</b>	<b>6,125</b>	<b>5,919</b>
<b>Less Provision for Bad Debts:</b>		
General Fund	-31	-45
Collection Fund	-1,682	-1,557
HB Overpayments	-463	-345
<b>Net Debtors</b>	<b>3,949</b>	<b>3,972</b>

In accordance with 2007 SORP requirements interest accrued at 31 March 2008 (£73,000) is included in the carrying value of the investments shown on the balance sheet.

## 24. Cash In Hand and Bank

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.

## 25. Short Term Investments

These are surplus monies temporarily invested externally. Under the new requirements of the 2007 SORP the Council has classified its investments into separate categories with different accounting treatments for each category. Whilst the SORP does not require a restatement of 2006/07 comparative figures the table below shows the change in balance sheet carrying value that would have been applicable at 31 March 2007.

	Balance Sheet 31 March 2007 £000	Add accrued interest to carrying value (previously debtors) £000	Adjustment to fair value £000	Revised carrying value 31 March 2007 £000
Deposits with Banks/Building Societies	666	0	0	666
Portfolio(s) managed by Fund Managers	20,946	358	5	21,309
<b>Total</b>	<b>21,612</b>	<b>358</b>	<b>5</b>	<b>21,975</b>



At 31 March 2008 short term investments comprise:

	£000
Deposits with Banks/Building Societies	8,647
Portfolio managed by Fund Managers	11,091
<b>Total</b>	<b>19,738</b>

## 26. Creditors

	2006/07 £000	2007/08 £000
Employee related	516	393
Sundry Creditors	526	581
Commuted Sums (Revenue Contributions from developers)	165	154
Government Departments	627	431
NNDR prepayments	710	334
Collection Fund Balance due to other precepting authorities	1,100	874
Council Tax prepayments	660	747
Capital Contributions received in advance	1,749	915
Other creditors	1,925	1,983
<b>Total</b>	<b>7,978</b>	<b>6,412</b>

## 27. Borrowing – Short Term

This represents monies temporarily borrowed for less than twelve months.

## 28. Leases

The Council has acquired a variety of assets such as vehicles, office equipment and vending machines by the means of operating lease agreements. The rentals on these leases have been charged to the I&E Account when payable. The amount paid under the arrangements in 2007/08 was £60,335. Future commitments under these existing leases are:

Financial Year	Future Commitment £
2008/09	11,931
2009/10	1,493
2010/11	0

## 29. Provisions

The Council maintains a number of provisions for bad and doubtful debts; the movement on these provisions is detailed below. During 2007/08 the Council established two further provisions. These relate to legal cases in progress at the balance sheet date and the costs of organisational restructure.

	<b>Balance at 31 March 2007</b>	<b>Written Off</b>	<b>Contribution to(-)/from provision</b>	<b>Balance at 31 March 2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b><u>Provision for Bad and Doubtful Debts</u></b>				
• Council Tax payers	-612	35	-89	-666
• Business Rate payers	-1,070	158	21	-891
• Housing Benefit Overpayments	-463	26	92	-345
• Other	-31	0	-15	-46
All provisions for bad and doubtful debts reduce the value of the related debtor shown on the balance sheet				
<b><u>Other Provisions</u></b>				
Provision for Legal Cases	0	0	-130	-130
Provision for restructure	0	0	-502	-502
Total Other Provisions	0	0	-632	-632

## 30. Fixed Asset Restatement Account/Capital Financing Account

These accounts have been replaced by the Revaluation Reserve and the Capital Adjustment Account. Balances at 31 March 2007 have been transferred to the Capital Adjustment Account. Please refer to note 32 below.

### 31. Movement in Revaluation Reserve

This is a new account that contains any gains from revaluations of Fixed Assets which have occurred since 1 April 2007. Gains prior to this date are consolidated into the Capital Adjustment Account.

	2007/08 £000
<b>Balance as at 1st April</b>	<b>0</b>
Gains on revaluation in year	257
Written out on disposal	-202
<b>Balance as at 31st March</b>	<b>55</b>

### 32. Movement in Capital Adjustment Account

The 31<sup>st</sup> March 2007 saw the replacement of the Fixed Asset Restatement Account and Capital Financing Account with the Revaluation Reserve and Capital Adjustment Account respectively. The balances on the Fixed Asset Restatement Account and the Capital Financing Account have been transferred to the Capital Adjustment Account.

	2007/08 £000
Balance at 1 April 2007	0
<b>Transfer from Capital Financing Account</b>	<b>70582</b>
Transfer Balances on Fixed Asset Restatement Account	-30984
<b>Capital Adjustments</b>	
Depreciation of Assets	-1,792
Impairment of Assets	-59
Disposal of Fixed Assets	-646
Write Down of Deferred Charges	-1,945
Deferred Government Grants and Contributions Amortised	1,245
Revaluation written out	202
Prior Year Funding Adjustment	-36
<b>Capital Financing</b>	
Usable Capital Receipts	2,383
<b>Balance as at 31 March 2008</b>	<b>38,950</b>

### 33. 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.

	2006/07 £000	2007/08 £000
<b>Balance as at 1st April</b>	<b>17,495</b>	<b>15,000</b>
Amounts Receivable	440	741
Capital Receipts Pooled	0	-7
Applied to finance capital expenditure	-2,935	-2,383
<b>Increase in Realised Capital Resources</b>	<b>-2,495</b>	<b>-1,649</b>
<b>Balance as at 31st March</b>	<b>15,000</b>	<b>13,351</b>

### 34. 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.

Earmarked Reserve	Balance 1 April 2007 £000	Net Movement in Year £000	Balance 31 March 2008 £000	Purpose
Building Control Partnership	9	-3	6	Funds associated with partnership arrangements on Building Control
Planning Delivery Grant	249	148	397	Accumulation of unused Planning Delivery Grant
Replacement Reserve	429	107	536	Sums set aside to fund future replacement of vehicles and ICT equipment
Litigation Reserve	0	140	140	
Leisure Reserve	61	-18	43	Unspent government grant to be used for leisure programmes
<b>Total</b>	<b>748</b>	<b>374</b>	<b>1,122</b>	

### 35. Deferred Government Grants and Contributions

The Deferred Government Grant and Contributions account represents amounts received to fund capital expenditure, which will be released to the Income and Expenditure Account to offset depreciation in respect of the assets to which they relate. Sums relating to assets that

will not be depreciated are transferred to the Capital Adjustment Account in the year they are applied.

	2006/07 £000	2007/08 £000
<b>Balance as at 1st April</b>	<b>1,868</b>	<b>1,732</b>
Grants and Contributions applied	1,135	1,516
Amounts credited to the I&E Account	-350	-325
Amounts written out in year	-921	-922
<b>Total movement in year</b>	<b>-136</b>	<b>269</b>
<b>Balance as at 31st March</b>	<b>1,732</b>	<b>2001</b>

### 36. Pensions Benefits (Financial Reporting Standard 17)

The Council participates in the Local Government Pension Scheme for Council employees, which is administered by Worcestershire County Council. 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 investments.

The requirement of FRS 17 is for the cost of retirement benefits to be recognised in the net cost of services when the employees earn the benefits rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against Council tax is based on the cash payable in the year, so the real cost of benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure.

The following transactions have been made in the Income and Expenditure Account during the year.

<b>Cost of retirement benefits in Income and Expenditure Account</b>	<b>2006/07 £000</b>	<b>2007/08 £000</b>
Net Cost of Services		
Current Service Costs	1,218	1,117
Past Service Costs	0	325
Curtailment costs	103	138
Net operating Expenditure		
Interest Costs	2,238	2,461
Expected Return on Assets	-2,000	-2,341
Statement of Movement on General Fund Balance		
Amount by which pension costs calculated in accordance with the SORP (in accordance with FRS 17) are different from the contributions due under the pension scheme regulations Movement on Pensions Reserve	-224	-251
<b>Actual amount Charged against Council tax for Pensions in year - Employers Contributions Payable</b>	<b>1,335</b>	<b>1,449</b>

The underlying assets and liabilities of the Pension Fund attributable to the Council at 31st March 2008 are as follows:

	<b>31st March 2007 £000</b>	<b>31st March 2008 £000</b>
Estimated Liabilities	-45,647	-51,696
Estimated Assets	34,387	32,430
<b>Net Liabilities</b>	<b>-11,260</b>	<b>-19,266</b>

The liabilities show underlying commitments that the Council has, in the long run, to pay retirement benefits. The net liabilities of £19.26m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduction of 34.6% to the overall balance of £55.66m.

However, statutory arrangements for funding the deficit means that the financial position of the Council remains healthy as the deficit will be made good by increased contributions over the remaining working life of employees as assessed by the Fund's Actuary and finance only being required to be raised to cover the pensions when they are actually paid.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels etc. Mercer Human Resource Consulting Ltd, an independent firm of actuaries, has assessed the Fund's liabilities based on the 31<sup>st</sup> March 2007 actuarial

valuation assumptions, with the exception of the financial assumptions which are shown below:

The main assumptions used in the calculations are as follows:

Financial Assumptions as at	31st March 2007 % per annum	31st March 2008 % per annum
Rate of Inflation	3.1	3.6
Rate of increased in salaries	4.6	5.1
Rate of increase in pensions	3.1	3.6
Discount rate	5.4	6.1

The assets are valued at fair value, principally market value for investments, and consist of the proportions, together with rate of return on the class of asset.

Assets	31st March 2007			31st March 2008		
	Value £000	Proportion of Assets %	Expected rate of return %	Value £000	Proportion of Assets %	Expected rate of return %
Equities	31,061	90.3	7.5	28,753	88.6	7.5
Government						
Bonds	1,715	5.0	4.7	1,516	4.7	4.6
Other Bonds	1,234	3.6	5.4	1,226	3.8	6.1
Other	377	1.1	5.25	935	2.9	5.25
<b>Total</b>	<b>34,387</b>	<b>100.0</b>		<b>32,430</b>	<b>100.0</b>	

#### Movements in Pensions Reserve

	31st March 2007 £000	31st March 2008 £000
Net pensions liability as at 1st April	13,304	11,260
Current service Cost	1,218	1,117
Employer contributions	-1,335	-1,449
Past service/curtailment costs	103	463
Net interest/return on assets	238	120
Actuarial gain(-)/loss	-2,269	7,755
<b>Net pensions liability as at 31st March</b>	<b>11,260</b>	<b>19,266</b>

The actuarial gains/losses identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

Worcestershire County Council Pension Fund	2003/04		2004/05		2005/06		2006/07		2007/08	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the expected and actual return on assets	3,311	14.5	889	3.5	4,839	14.9	-75	-0.2	4,223	13.1
Differences between actuarial assumptions about liabilities and actual experience	0	0	1,271	3.2	-813	-1.8	0	0	579	1.1
Changes in demographic and financial assumptions used to estimate liabilities	0	0	-6,280	-16.0	3,374	-7.4	-2,194	-4.8	2,953	5.7
<b>Total actuarial gains(-)/losses</b>	<b>3,311</b>		<b>-4,120</b>		<b>652</b>		<b>-2,269</b>		<b>7,755</b>	



### 37. Comparison with Revenue Budget

The income and expenditure account shows spending on net cost of services according to statutory definitions. The Council is managed on a departmental basis and throughout the year all budget managers receive regular budget monitoring statements for their department. The following table analyses final net revenue expenditure by department.

Department	Final Net Budget £000	Net Expenditure £000	Variance £000	Budget Carry Forward Requests £000
Corporate Services	1,040	1,252	212	126
Culture & Community	2,825	2,965	140	9
E-Government & Customer Services	18	-188	-206	9
Financial Services	1,597	1,211	-386	0
Legal, Equalities & Democratic Services	962	1,012	51	0
Human Resources & Org. Development	280	212	-68	82
Planning & Environment Services	4,021	3,682	-338	308
Street Scene & Waste Management	4,808	4,840	32	0
Investment Income	-711	-1,581	-870	0
Less: Capital Charges in Services above not charged to Council Tax Payers	-2,551	-2,551	0	0
<b>Total Financing Requirement</b>	<b>12,289</b>	<b>10,855</b>	<b>-1,434</b>	<b>534</b>
Central Government Grants	-4,730	-4,730	0	0
Council Tax	-6,274	-6,274	0	0
Transfer to/from balances	-1,285	149	1,434	-534
<b>Total Financing</b>	<b>-12,289</b>	<b>-10855</b>	<b>0</b>	<b>0</b>

### 38. Notes to The Cash Flow Statement

Reconciliation of net deficit on the Income & Expenditure Account to revenue activities net cash flow.

	2006/07 £000	2007/08 £000
<b>Surplus(-)/Deficit on General Fund</b>	1,790	2,187
<b>Surplus(-)/Deficit on Collection Fund</b>	536	261
<b>Non Cash Transactions</b>		
Capital Charges	-1,303	-2,549
FRS17 Pension Costs	-224	-251
Contributions to(-)/from Bad Debt Provisions	-177	9
Contributions to(-)/from Other Provisions	0	-632
Transfer from Suspense	-232	229
Statutory Transfer from HRA	-20	0
Contribution to(-)/from Earmarked Reserve	-140	-374
Contribution to Capital Expenditure	7	0
Contribution from Capital Receipts	85	0
<b><u>Items on an Accruals Basis</u></b>		
Increase(-)/decrease in Creditors	-153	-239
Increase/decrease(-) in Debtors	-622	59
Increase/decrease(-) in Stock	-28	16
<b><u>Items included in other classifications</u></b>		
Interest paid	-27	-6
Interest received	1,168	1,588
<b>Net cash flow from revenue activities</b>	<b>660</b>	<b>298</b>

#### Liquid Resources

The principal liquid resources of the Council are short term investments. The opening and closing balances for the financial year 2007/08 are given below:-

	2006/07 £000	2007/08 £000
Balance at 1 <sup>st</sup> April	25,126	21,612
Balance at 31 <sup>st</sup> March	21,612	19,738
Movement in Year	-3,514	-1,874

#### Net increase/Decrease in Cash

	2006/07 £000	2007/08 £000
Increase/Decrease(-) in Cash Overdrawn	-243	52
Increase/Decrease(-) in Petty Cash and Cash in Hand	0	183
<b>Net Increase/Decrease(-) in Cash</b>	<b>-243</b>	<b>235</b>

**Government Grants**

Amounts received in respect of government grants (other than for housing and council tax benefits and capital grants) are listed below:

	2006/07 £000	2007/08 £000
Community Safety	151	0
Admin Grant – Local Taxation	111	115
Other	446	576
Planning Delivery Grant	121	164
Benefit Administration Grants	440	467
<b>Total Other Government Grants</b>	<b>1,269</b>	<b>1,322</b>

**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT**  
**YEAR ENDED 31st MARCH 2008**

2006/07 £000		2007/08 £000
	<b><u>Income:</u></b>	
-43,116	Income from Council Tax (Net)	-45,363
-3,567	Council Tax Benefits	-3,699
	Reduction in Provision for Bad and Doubtful Debts	
-53	Council Tax	0
0	Business Rates	-21
-19,824	Income from Business Ratepayers	-20,642
-66,560	<b>Total Income</b>	-69,725
	<b><u>Less Expenditure:</u></b>	
47,272	Precepts and Demands	49,233
	Business Rates:	
19,508	Payments to Pool	20,549
111	Costs of Collection	115
	Increased Provision for Bad and Doubtful Debts	
0	Council Tax	89
205	NNDR	0
67,096	<b>Total Expenditure</b>	69,986
536	<b>Surplus(-)/Deficit for the year</b>	261
-1,812	Collection Fund Surplus(-) brought forward	-1,276
-1,276	<b>Collection Fund Surplus(-) carried forward</b>	-1,015

**Notes to the Collection Fund Account**

**1. General**

These accounts represent the transactions of the Collection Fund, a statutory fund separate from the main accounts of the Council. The fund accounts independently for income relating to Council Tax and National Non Domestic Rates on behalf of those bodies (including the Council's own General Fund) for which the income has been raised. 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 £1,338.93 based on Band 'D' equivalent, with a tax base of 35,939.18.

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.

Band	Valuation	Numbers	Ratio	Band D
A	Up to £40,000	2,581.0	6/9	1,720.7
B	Over £40,000 and up to £52,000	6,025.25	7/9	4,707.3
C	Over £52,000 and up to £68,000	7,464.25	8/9	6,634.9
D	Over £68,000 and up to £88,000	6,797.75	9/9	6,797.8
E	Over £88,000 and up to £120,000	6,024.75	11/9	7,363.5
F	Over £120,000 and up to £160,000	3,122.50	13/9	4,510.3
G	Over £160,000 and up to £320,000	2,428.00	15/9	4,046.7
H	Over £320,000	260.50	18/9	521.0
<b>Total Band D equivalent properties</b>				<b>36,302.20</b>
Collection Rate				99.00%
<b>Council tax base</b>				<b>35,939.18</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 44.4p in the £ for 2007/08 (43.3p for 2006/07) 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 2008 was £55,102,905.

### 4. Precepts

The precepts were as follows:

2006/07 £000		2007/08 £
32,012	Worcestershire County Council	33,920
6,329	Bromsgrove District Council (including Parish Councils)	6,760
5,348	West Mercia Police Authority	5,666
2,205	Hereford and Worcester Fire and Rescue Authority	2,337
	<b>Distribution of Collection Fund Surplus</b>	
961	Worcestershire County Council	384
190	Bromsgrove District Council	76
161	West Mercia Police Authority	64
66	Hereford and Worcester Fire and Rescue Authority	26
47,272	<b>Total</b>	<b>49,233</b>

## 5. Bad Debt Provision

Bad and doubtful debt provisions comprised the following amounts:

2006/07 £000		2007/08 £000
1,597	Balance as at 31st March	1,682
	Council Tax	
-32	Written-off during the year	-35
-53	Movement in Provision	89
	Non-Domestic Rates	
-35	Written-off(-)/on(+) during the year	-158
205	Movement in Provision	-21
1,682	<b>Balance as at 31st March</b>	1,557
	<b>Represented By:</b>	
612	Council Tax Provision	666
1,070	Non-Domestic Rates Provision	891
1,682	<b>Balance as at 31st March</b>	1,557

## 6. Collection Fund Balance

The Collection Fund Balance is available for distribution to the authorities which precept on the Collection Fund. During 2007/08 a total of £0.550m was distributed to the precepting authorities as detailed in Note 4 above. The balance is set out below:

2006/07 £000		2007/08 £000
1,812	Balance brought forward 1st April	1,276
-536	Surplus/Deficit(-) in the Year	-261
1,276	<b>Balance carried forward 31st March</b>	1,015

The Collection Fund Balance represents Council Tax collected but not paid over to the precepting authorities. 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 £141k (13.88%). This amount is shown with in the total Equity in the Balance Sheet as a Collection Fund Balance. The remainder is shown within creditors.

2006/07 £000		2007/08 £000
176	Bromsgrove District Council Collection Fund Balance	141
1,100	Creditor - Other precepting bodies	874
1,276		1,015

## **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. In this Council that officer is Jayne Pickering, the Head of Financial Services.
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- Approve the Statement of Accounts.

### **Approval of the Accounts**

The Statement of Accounts has been approved at the meeting of Council on 30 June 2008 in accordance with the Accounts and Audit Regulations 2003, amended 2006.

**Councillor Roger Hollingworth**  
**Leader of the Council**

**Date**

### **The Section 151 Officer's Responsibilities**

The Section 151 Officer is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2007 (the 2007 SORP) and is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2008.

In preparing these financial statements the Section 151 Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the 2007 SORP.

The Section 151 Officer has 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**

The Statement of Accounts for Bromsgrove District Council presents fairly the financial position of the Council as at 31 March 2008 and its income and expenditure for the year ended 31 March 2008.

**Jayne Pickering**  
**Head of Financial Services**

**Date**



**Auditors Report**

**The Council's Auditors are .....**

**To date no audit opinion has been issued on this Statement of Accounts**

## **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.

### **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.

### **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 RECIEPTS**

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 CHARGES**

Deferred charges are capital 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.

### **DEFERRED LIABILITIES**

These are creditor balances repayable after at least one year.

### **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.

### **INTANGIBLE ASSETS**

Intangible assets relate to capital expenditure which does not create a physical asset for the Council, e.g. computer software, but which provides benefit for a period of more than one year.

## **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 (NNDR)**

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 net 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.