

**Redditch Borough Council  
Statement of Accounts  
2010/11**

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# ***Explanatory foreword***

## **1. Introduction**

This Statement of Accounts presents the financial position of the Council for the year ended 31 March 2011. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This foreword provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

## **2. The Accounting Statements**

The accounting statements included in the accounts are listed below along with an explanation of their purpose:

### **Movement in Reserves Statement**

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

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

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

### **Balance Sheet**

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

### **Cash Flow Statement**

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

## Collection Fund

The Collection Fund summarises the income received from local taxpayers and business ratepayers. It also shows how the income was distributed to this council, the county council, parish and town councils, and the police and fire authorities.

## Notes to the Accounts

The notes provide more detail about the items contained in the key financial statements, the Authority's Accounting Policies and other information to aide the understanding of the financial statement.

## Housing Revenue Account (HRA)

This records the Authority's statutory obligations to account separately for the cost of the landlord role in respect of the provision of Council Housing.

## Pension Fund

The Pension Fund Accounts show the contributions from the Authority, participating employers and employees for the purpose of paying pensions. The Fund is separately managed and its Accounts are separate from those of the Authority.

## Review of the Financial Year

This section sets out the key features of the Authority's financial performance for 2010/11.

A summary of the outturn position is below:

	<b>Approved budgets 2010/11 £'000</b>	<b>Actual 2010/11 £'000</b>	<b>Variance £'000</b>
Chief Executive	14	13	(1)
Finance & Resources	2,315	1,935	(380)
Policy, Performance & Partnership	248	(52)	(300)
Leisure, Environmental & Community Services	9,549	9,230	(319)
Planning, Regeneration, Regulatory & Housing	2,104	1,615	(489)
<b>Net Directorate expenditure</b>	<b>14,230</b>	<b>12,741</b>	<b>(1,489)</b>
Transfers to reserves/provisions	0	1,003	1,003
Other	(917)	(798)	119
<b>Total General Fund Expenditure</b>	<b>13,313</b>	<b>12,946</b>	<b>(367)</b>
Income from Grants & Local Taxation	(12,327)	(13,007)	(680)
<b>Contribution (to)/from General Fund Balances</b>	<b>986</b>	<b>(61)</b>	<b>(1,047)</b>

## Housing Revenue Account (HRA)

The statement of Accounts also includes the ring-fenced Housing Revenue Account for the provision of Council housing. The HRA made a net surplus of £216,882 increasing the working balance to £1.323 million.

## Capital Spending

The authority incurred capital expenditure of £11.4 million during 2010/11; the majority of this £7.8 million being spent on Council Housing, and £1.8 million has been spent on improving leisure facilities including the Abbey Stadium which is due to be opened in 2012.

The summary below set out the capital expenditure across services and how it was funded:

<b>Service</b>	<b>£'000</b>
Environmental Services	608
Business Transformation	430
Leisure & Cultural Services	1,832
Resources	684
Housing Services	7,840
Community Services	48
Policy & Performance	18
	<b>11,460</b>

  

<b>Financing source</b>	<b>£'000</b>
Grants & contributions	1,111
Capital Receipts	307
MRA	4,300
Borrowing	5,742
	<b>11,460</b>

### **Borrowing**

The Authority satisfies its borrowing requirement by securing external loans. The Council is taking advantage of the current low interest rates available and borrowing short term where any requirements occur, although it does hold an existing long term loan. This is reviewed on a regular basis, to ensure the Authority is receiving the best interest rates available to it.

### **Investments**

All investments are made in accordance with the Treasury Management Policy; this is aimed to achieve optimum return on investments while limiting any risk to the Authority. The Authority considers the credit rating of a financial institution before deciding whether it is appropriate to invest and the amount of funds and period of investment. No investments are made outside the UK. The Authority will not invest more than 2.5 million with any financial institution.

### **Future Outlook**

Redditch Borough Council has a joint management team with Bromsgrove District Council, since April 2010. A number of other services are also shared between the 2 Authorities, as well as several which are shared across Worcestershire including Regulatory Services and Audit. The Authority has made a financial saving from sharing these services, which has assisted with the reduction in grant funding following the Comprehensive Spending Review 2010.

During 2011/12 the management team are looking at sharing all services across the two Authorities, with several also including Wyre Forest District Council (North Worcestershire). This along with a program of Transforming Services so that they are more Customer Focused is planned to save money, thus creating a balanced budget in future years.

### **International Financial Reporting Standards**

The 2010/11 accounts are, as required, compliant with International Financial Reporting Standards (IFRS) with restated prior year comparables.

# **Annual Governance Statement 2010/11**

## **Scope of Responsibility**

Redditch Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for in delivering value for money services. 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 internal control which facilitates the effective exercise of its functions and which includes arrangements for the effective management of risk.

## **Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its 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 therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Redditch Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, to manage them effectively, efficiently and economically.

The governance framework, as described in the appendix to this Statement, has been in place at Redditch Borough Council for the year ended 31st March 2011 and up to the date of approval of the Statement of Accounts.

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of governance (including a review of the effectiveness of Internal Audit).

## **Review of effectiveness**

Redditch Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members, Corporate Directors, Heads of Service, and other managers of the Council, who have responsibility for the development and maintenance of the governance environment, and the Internal Audit Manager's annual report, and by the external auditors and other review agencies and inspectorates.

Maintaining and reviewing the effectiveness of the governance framework is achieved through:

- The ongoing review and development of the Performance Management Framework.
- Quarterly budget and performance monitoring reports are presented to the Overview and Scrutiny Committee and the Executive Committee.
- The work plans and outputs of Internal Audit are monitored and challenged by the Audit and Governance Committee.

- External Audit review the work of Internal Audit as part of the Final Accounts audit process.
- The Audit Services Manager's annual internal audit report on the overall adequacy and effectiveness of the authority's internal control environment.
- All Heads of Service are required to complete an Annual Assurance Statement on Internal Control.
- Officers continue to review the governance arrangements for the Shared Services between Redditch Borough Council and Bromsgrove District Council, seeking external legal advice where appropriate.
- The Council has a Charter Mark award for its Housing Services. The assessment includes a number of corporate policies, processes and procedures.

In addition:

- One elected Member of Redditch Borough Council was found to be in breach of the Code of Conduct during 2010/11.
- Three formal complaints regarding a Member of Redditch Borough Council were referred to the Standards Committee in 2010/11. Two of these were dismissed, the third is currently under examination.
- During 2010/11 there were 5 determinations by the Ombudsman, 1 subject to local settlement and 4 where there was no, or insufficient evidence of, maladministration.

Cllr Carol Gandy  
Leader of the Council

Kevin Dicks  
Joint Chief Executive

# GOVERNANCE FRAMEWORK

The key aspects of the governance framework are derived from strategic leadership, an underlying set of legislative requirements, governance principles and management processes. The governance framework incorporate the policy framework and individual plans/policies/process/procedures; financial and performance management; risk management; the system of internal control, including internal audit; efficiency statements; and external regulation. The key elements of the governance framework are as follows:

## Strategic Leadership

The Council is committed to strong corporate leadership. Members and senior officers have been involved in a 'Visioning' event in order to inform the Council Plan. The Council's vision for the Borough is communicated via the Council Plan and also included in other key publications.

Community engagement is delivered through the Community Forum, Focus Groups, Tenants' Panels, the Community Forum, PACT meetings and consultation exercises.

## Roles and Responsibilities

The Council's Constitution, which governs the Council's policy and decision-making arrangements, is updated annually and kept under review. There is a separate Scheme of Delegation to Officers which is updated as required throughout the year. Standing Orders for contracts, financial regulations, and the supporting guidance notes/manuals, are reviewed and updated, and training provided, as appropriate.

The Forward Plan, which details key decisions to be made in the coming months, is reviewed, updated and published on a monthly basis.

The Council has designated its Head of Legal, Equalities and Democratic Services as Monitoring Officer. The function requires compliance with Policies, Procedures, Laws and Regulations. The Monitoring Officer will report to full Council if she considers any proposed action, decision or omission would give rise to unlawfulness or maladministration. The Monitoring Officer ensures that the Constitution is reviewed and updated so that it remains fit for purpose. This officer is assisted by the Legal Services (deputy Monitoring Officer) and Committee Services Managers. All reports include a consideration of legal implications before submission to members.

The financial management of the Council is the responsibility of the Executive Director (Finance and Corporate Resources) (Section 151 Officer), and is conducted in accordance with the Constitution and Financial Regulations. This officer is assisted by the Financial Services Manager (deputy Section 151 Officer), the Head of Finance and Resources and professional finance staff within Financial Services.

Overview and Scrutiny Committees have "call-in" powers to consider the appropriateness of executive decisions. During 2009/10 the Overview and Scrutiny Committee considered the possible arrangements for scrutinising the Redditch Community Safety Partnership and as a consequence a Crime and Disorder Panel was established.

The Overview and Scrutiny Committee have a role in reviewing subjects or reports prior to their consideration by the Executive Committee or full Council.

The pre-scrutiny process progressed the following issues during the course of 2010/11:-

- Business Centres (June 2010)
- REDI Centre Options( July 2010)
- Older Persons Housing Strategy (July 2010)
- Joint Climate Change Strategy (August 2010)
- Arrow Valley Countryside Centre ( September 2010)

- Sub Regional Choice Based Lettings (September 2010)
- Pitcheroak Golf Course – Operational Options (September 2010)
- Council Plan 2011-14 (October 2010 and March 2011)
- Dial-a-Ride (October 2010)
- Garden Waste Collection (October 2010)
- Campaign to discourage dog fouling (November 2010)
- Sustainable Community Strategy (February 2011)
- Children and Young People's Plan (March 2011)

The Committee also continued to undertake short, sharp reviews of topics during the course of the year. Short, sharp reviews are focussed pieces of scrutiny work that are undertaken by the Committee rather than a Task and Finish Group.

Task and Finish Groups and Short, Sharp Review Groups were established to review:-

- Dial-a-Ride (commence 2009);
- External Refurbishment of Housing Stock;
- Local Strategic Partnership
- Joint Worcestershire Hub
- Promoting Redditch
- Gritting
- Work Experience

The Council was commended in the National Good Scrutiny Awards for its Review of Neighbourhood Groups undertaken by a Task and Finish Group in 2009.

The work plans and outputs of Internal Audit are monitored and challenged by the Audit & Governance Committee.

#### Development of Members and senior officers

The Council has a Member Induction and Development Programme which has been compiled in conjunction with Members. During 2010/11 Members training sessions have been provided. Training is provided for Committee chairs and guidance notes are available for members sitting on Outside Bodies. In addition Members have received training relevant to the individual Committees in which they participate.

A Leadership Programme has been devised for senior officers of the Council. In addition, individual officers are required by their professional institutes to undertake Continuous Professional Development (CPD) by their respective institutes.

#### Standards of Conduct for Members and Officer

Codes of conduct exist for both Members and officers. Members and Officer interests' are regularly audited.

The Standards Committee assists in the setting and promoting the ethics agenda for the Council and monitors the provision of relevant training.

Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place.



## Performance Management

The Council's approach to performance management continues to be developed. A Performance Management Framework has been implemented. The objective of the Framework is, through regular monitoring, assessment and review of performance, both at a strategic and operational level, to deliver continuous improvement.

The Council's Corporate Complaints Procedure is used as a tool to help identify service improvements from the complaints, comments and compliments received.

The outcomes of inspections and audits, including the Annual Audit and Inspection Letter are used to plan and improve Council services.

## CORE FINANCIAL STATEMENTS

### *Movement in Reserves Statement*

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

Note	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31 March 2009</b>	<b>2,131</b>	<b>1,710</b>	<b>584</b>	<b>4,450</b>	<b>1,337</b>	<b>526</b>	<b>688</b>	<b>11,426</b>	<b>268,202</b>	<b>279,628</b>
<b><u>Movement in Reserves during 2009/10</u></b>										
Surplus/ (deficit) on the provision of services	(3,810)	0	294	0	0	0	0	(3,516)	0	(3,516)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(7,942)	(7,942)
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,810)</b>	<b>0</b>	<b>294</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,516)</b>	<b>(7,942)</b>	<b>(11,458)</b>
Adjustments between accounting basis & funding basis under regulations	<b>8</b> 3,397	0	228	0	(312)	0	10	3,323	(3,323)	0
<b>Net Increase/ Decrease before Transfer to Earmarked Reserve</b>	<b>(413)</b>	<b>0</b>	<b>522</b>	<b>0</b>	<b>(312)</b>	<b>0</b>	<b>10</b>	<b>(193)</b>	<b>(11,265)</b>	<b>(11,458)</b>
Transfers to/ from Earmarked Reserves	<b>9</b> (214)	214	0	0	0	0	0	0	0	0
<b>Increase/ Decrease in 2009-10</b>	<b>(627)</b>	<b>214</b>	<b>522</b>	<b>0</b>	<b>(312)</b>	<b>0</b>	<b>10</b>	<b>(193)</b>	<b>(11,265)</b>	<b>(11,458)</b>
<b>Balance at 31st March 2010</b>	<b>1,504</b>	<b>1,924</b>	<b>1,106</b>	<b>4,450</b>	<b>1,025</b>	<b>526</b>	<b>698</b>	<b>11,233</b>	<b>256,937</b>	<b>268,170</b>

## Movement in Reserves Statement

Note	General Fund (GF) Balance	Earmarked GF Reserves	Housing Revenue Account (HRA)	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31st March 2010</b>	<b>1,504</b>	<b>1,924</b>	<b>1,106</b>	<b>4,450</b>	<b>1,025</b>	<b>526</b>	<b>698</b>	<b>11,233</b>	<b>256,937</b>	<b>268,170</b>
<b><u>Movement in Reserves during 2010/11</u></b>										
Surplus/ (deficit) on the provision of services	5,765	0	(55,163)	0	0	0	0	(49,398)	0	(49,398)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(30,729)	(30,729)
<b>Total Comprehensive Income and Expenditure</b>	<b>5,765</b>	<b>0</b>	<b>(55,163)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(49,398)</b>	<b>(30,729)</b>	<b>(80,127)</b>
Adjustments between accounting basis & funding basis under regulations	<b>8</b> (4,701)	0	56,399	0	227	(526)	(117)	51,282	(51,282)	0
<b>Net Increase/ Decrease before Transfer to Earmarked Reserve</b>	<b>1,064</b>	<b>0</b>	<b>1,236</b>	<b>0</b>	<b>227</b>	<b>(526)</b>	<b>(117)</b>	<b>1,884</b>	<b>(82,011)</b>	<b>(80,127)</b>
Transfers to/ from Earmarked Reserves	<b>9</b> (1,003)	1,003	(1,019)	1,019	0	0	0	0	0	0
<b>Increase/ Decrease in 2010-11</b>	<b>61</b>	<b>1,003</b>	<b>217</b>	<b>1,019</b>	<b>227</b>	<b>(526)</b>	<b>(117)</b>	<b>1,884</b>	<b>(82,011)</b>	<b>(80,127)</b>
<b>Balance at 31st March 2011</b>	<b>1,565</b>	<b>2,927</b>	<b>1,323</b>	<b>5,469</b>	<b>1,252</b>	<b>0</b>	<b>581</b>	<b>13,117</b>	<b>174,926</b>	<b>188,043</b>

## Core Financial Statements

### Comprehensive Income & Expenditure Statement

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

2009/10		2010/11			2010/11		
Gross Expenditure	Gross Income	Net Expenditure	Notes	Gross Expenditure	Gross Income	Net Expenditure	
£'000	£'000	£'000		£'000	£'000	£'000	
8,081	(7,094)	987		8,321	(7,361)	960	
14,452	(5,593)	8,949		14,858	(6,959)	7,899	
1,878	(553)	1,325		1,892	(524)	1,368	
18,206	(20,008)	(1,802)		18,237	(20,505)	(2,268)	
-	-	-	6	56,218	-	56,218	
24,890	(24,011)	879		25,053	(24,648)	405	
2,001	(26)	1,975		2,205	(44)	2,161	
1,213	(1)	1,212		459	-	459	
-	-	-	6	-	(6,931)	(6,931)	
<b>70,811</b>	<b>(57,286)</b>	<b>13,525</b>		<b>127,243</b>	<b>(66,972)</b>	<b>60,271</b>	
		214	10			203	
		2,153	11			1,931	
		(12,376)	12			(13,007)	
		<b>3,516</b>				<b>49,398</b>	
		(2,385)				867	
		-	6			35,574	
		10,327				(5,712)	
		<b>7,942</b>				<b>30,729</b>	
		<b>11,458</b>				<b>80,127</b>	

# Core Financial Statements

## *The Balance Sheet*

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

01 April 2009 £'000	31 March 2010 £'000		Notes	31 March 2011 £'000
317,860	325,605	Property, plant and equipment	13	235,443
9,594	10,017	Investment property	14	9,999
656	618	Intangible assets	15	568
2,455	2,690	Long-term debtors	16	2,660
<b>330,565</b>	<b>338,930</b>	<b>Long term assets</b>		<b>248,670</b>
0	0	Assets held for sale	20	2,537
17,390	15,402	Short-term investments	16	10,550
5,112	6,994	Short-term debtors	18	5,921
34	232	Cash and cash equivalents	19	2,755
259	257	Inventories	17	275
<b>22,795</b>	<b>22,885</b>	<b>Current assets</b>		<b>22,038</b>
(383)	0	Bank Overdraft		0
(21,195)	(27,808)	Short-term borrowing	16	(28,561)
(4,026)	(4,687)	Short-term creditors	21	(4,187)
<b>(25,604)</b>	<b>(32,495)</b>	<b>Current liabilities</b>		<b>(32,748)</b>
(447)	(582)	Provisions	22	(589)
(5,096)	(5,096)	Long-term borrowing	16	(5,264)
(42,585)	(55,265)	Other long term liabilities	38	(44,064)
0	(207)	Capital Grants Receipts in Advance		0
<b>(48,128)</b>	<b>(61,150)</b>	<b>Long-term liabilities</b>		<b>(49,917)</b>
<b>279,628</b>	<b>268,170</b>	<b>Net assets</b>		<b>188,043</b>
		<b>Financed by:</b>		
11,426	11,233	Usable reserves	23	13,117
268,202	256,937	Unusable reserves	24	174,926
<b>279,628</b>	<b>268,170</b>	<b>Total reserves</b>		<b>188,043</b>

## CORE FINANCIAL STATEMENTS

### *Cash flow statement*

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

2009/10		2010/11
£'000	Notes	£'000
3,516	Net (surplus)/deficit on the provision of services	49,398
(9,749)	Adjustment to net (surplus)/deficit on the provision of services for non cash movements	(54,864)
611	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	973
<b>(5,622)</b>	<b>25 Net cash flows from Operating Activities</b>	<b>(4,493)</b>
8,989	<b>26 Investing Activities</b>	5,338
(3,948)	<b>27 Financing Activities</b>	(3,368)
<b>(581)</b>	<b>Net (increase)/decrease in cash or cash equivalents</b>	<b>(2,523)</b>
<b>349</b>	<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>(232)</b>
<b>(232)</b>	<b>Cash and cash equivalents at the end of the reporting period</b>	<b>(2,755)</b>

# Notes to the Core Financial Statements

## *Note 1 Statement of accounting policies*

### ***i. General principles***

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) *Code of Practice on Local Authority Accounting* in the United Kingdom 2010/11 and supplemented by the Best Value Accounting Code of Practice 2010/11. Supported by International Financial Reporting Standards (IFRS), this is recognised by statute as representing proper practice.

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

### ***ii. Accruals of income and expenditure***

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.

Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.

Interest payable on borrowings and interest income is accrued and accounted for in the accounts of the period to which it relates on a basis which reflects the overall economic effect of the borrowings.

Where income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of the debtors is written down and a charge made to revenue for the income that might not be collected.

### ***iii. Cash and Cash Equivalents***

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

#### ***iv. Exceptional Items***

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the Notes to the Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

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

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

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

#### ***vi. Provisions***

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement is made), the provision is reversed and credited back to the service revenue account.

The Council makes a provision for third party insurance claims that could eventually result in the making of a settlement or the payment of compensation. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

#### ***vii. Reserves***

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

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



### **viii. Government grants and contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with conditions attached and the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits must be returned to the transferor.

Monies advanced as grants are contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **ix. Employee benefits**

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

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

#### **Termination Benefits**

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

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

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

## Post Employment Benefits

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

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

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

The liabilities of the Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using projected unit method, i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of x% (based on the indicative rate of return on high quality corporate bond x)

The assets of Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value.

The change in the net pensions liabilities is analysed in seven components:-

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

ii) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

iii) Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

iv) Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

v) Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits or employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.

vi) Actuarial gains and losses - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve.

vii) Contributions paid to the Worcestershire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

## **x. VAT**

Income and expenditure excludes any amount related to VAT, as all VAT collected is payable to HM Customs and Excise and all VAT paid is recoverable.

## ***xi. Overheads and support services***

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

Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses on non-operational properties.

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

## ***xii. Investment Property***

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any proceeds greater than £10,000) the Capital Receipts Reserve.

## ***xiii. Intangible assets***

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it is expected to generate future economic benefits to the Council.

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion and so they are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in reserves Statement and posted to the Capital Adjustment Account and (for any sales over £10,000) the Capital Receipts Reserve.

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

Assets that have physical substance and are held for use in the provision of services or for administrative purposes that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

**Recognition:** expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the cost of the item can be measured reliably. Expenditure that secures but does not extend previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged as an expense when it is incurred.

**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

Infrastructure assets and community assets – depreciated historical cost.

Dwellings – fair value, determined using the basis of existing use value for social housing.

All other assets – fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values, depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum, every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service line in the Comprehensive Income and Expenditure Statement

otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service line

Where an impairment loss is charged to the Comprehensive Income and Expenditure Statement but there are accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Non-Current Assets held for sale:** when it becomes probable that the carrying amount of an asset will be recovered through a sale transaction, it is reclassified as an Asset Held for Sale. The asset is revalued and then carried at the lower of this amount and fair value less costs to sell.

Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains are only

recognised up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria, they are reclassified as non-current assets and valued at the lower of their carrying amount (before they were classified as held for sale) adjusted for depreciation, amortisation or revaluations and their recoverable amount at the date of the decision not to sell.

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

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

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

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

Where depreciation is provided for the straight-line method of depreciation has been used.

The Joint Committee has accepted that the Major Repairs Allowance is likely to constitute a reasonable estimate of depreciation for Housing Revenue Account properties. An amount equivalent to the Major Repairs Allowance has been used as the annual depreciation charge for HRA assets.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

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

**De minimus capital expenditure:** purchases of assets or enhancement work with a value of £10,000 or lower are not recorded in the asset register

## **xv. Charges to revenue for Non-Current Assets**

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

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

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP contribution in the General Fund Balance, by way of an adjusting transaction with the capital Adjustment Account for the difference between the two.

## **xvi. Revenue expenditure funded from capital under statute**

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

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

## **xvii. Leases**

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

### **The council as lessee**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

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

## **Operating leases**

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

### **The council as lessor**

#### **Finance leases**

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

Lease rentals receivable are apportioned between:

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

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

## **Operating leases**

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

## **xviii. Financial Instruments**

### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For the borrowings that the council has, this means that the amount presented in the balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge

required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### **Financial Assets**

Financial Assets are classified into two types:

- Loans and receivables –assets that have fixed or determinable payments but are not quoted in an active market
- Available for sale assets –assets that have a quoted market price and/or do not have fixed or determinable payments.

#### *Loans and receivables*

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective interest rate for the instrument. For the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of the likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as a difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### *Available for sale assets*

The Council has no available for sale financial assets.

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

Inventories are included in the balance sheet at the latest price paid. Some minor inventories are not valued and are charged to services in the year of purchase. This is not in accordance with recommended practice, which states that inventories should be included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

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

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

Events arising after the balance sheet date are reflected in the Statement of Accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included. Two types of events can be identified:

those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.



## **xxi. Contingent Liabilities**

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

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

## **xxii. Contingent Assets**

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

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

## **xxiii. Accounting for Council Tax**

Following detailed consideration of the role performed by billing authorities in collecting Council Tax, CIPFA have determined that councils such as Redditch act as agents in collecting Council Tax on behalf of major preceptors.

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

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

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

Adjusting entries have been made to the Collection Fund Adjustment Account. The debtor/creditor position between the billing authority and each major preceptor is recognised in the accounts.

The Collection Fund Adjustment Account will continue to be used in future years to hold the adjustments relating to the balances in respect of Worcestershire County Council, West Mercia Police and Hereford and Worcester Fire Authority to prevent this change in policy having an impact on Council Tax payers. Equal and opposite adjustments will be made in the accounts of the precepting authorities.

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

CIPFA have determined that billing authorities act as agents in the collection of business rates on behalf of the Government.

Business Rates will continue to be collected by Redditch as billing authority and paid over to the Government NNDR Pool. Arrears, prepayments and provisions for bad debts in respect of Business Rates are no longer shown separately on the Balance Sheet. These have been consolidated into one entry with the amount payable to or from the NNDR Pool and are shown as a net debtor or creditor as appropriate.

## **Notes to the Core Financial Statements**

### **2. Accounting standards that have been issued but have not yet been applied FRS30 Heritage assets**

A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

The Council holds a small number of artefacts; it does not hold a reliable valuation for these during 2010/11 but does not believe it to be significant.

### **3. Critical judgements in applying accounting policies**

In applying the accounting policies set out in note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The main critical judgement in the Statement of Accounts is due to the high degree of uncertainty about future levels of funding for local government from central government. The Council has been given details of a reduced financial settlement for 2011/12 and 2012/13 but does not yet have a sufficient level of certainty to provide an indication that the assets of the Council might be impaired as a result of any further reduction in funding.

### **4. Assumptions made about the future and other major sources of estimation uncertainty**

The Statement of Accounts contains estimated figures based on assumptions made by the Authority. Estimates are made taking into account historical experience, current trends and other relevant factor. There is, however, a risk that actual results could be materially different from the assumptions and estimates.

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

Item	Uncertainties	Effect if actual results differ from the assumptions
Employee benefits retirement benefits	<p>– Assumptions are applied by the actuary in order to calculate the pension expense and liability. The actual amount to be recognised in the balance sheet at year end is unlikely to equal this projected amount mainly due to:</p> <ul style="list-style-type: none"> <li>• Actual asset returns are likely to be different from those assumed</li> <li>• Actuarial assumptions at the end of the year could be different from those at the start of the year</li> <li>• Other actuarial experience over the year could be different from that assumed.</li> </ul>	<p>The effects on the pensions liability of changes in individual assumptions can be measured and the sensitivity of the balance sheet deficit position are:</p> <ul style="list-style-type: none"> <li>• a 0.1% p.a. increase in the discount rate as at 31.03.11 would result in a £1.9 million reduction</li> <li>• a 0.1% p.a. increase in salary inflation gives a £0.5 million increase</li> <li>• 1 year added to members' life expectancy gives a £2.7 million increase</li> </ul>

## 5. Material Items of Income and Expenditure

### Transition to reporting on an International Financial Reporting Standards (IFRS) basis.

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

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

- **Short-term accumulating compensated absences**

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

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

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

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

	<b>2009/10 published statements £'000</b>	<b>Adjustments Made £'000</b>
<b>Opening 1 April 2009 Balance Sheet</b>		
Creditors	(4,009)	(157)
Accumulated Absences Account	0	157
<b>31 March 2010 Balance Sheet</b>		
Creditors	(4,837)	(136)
Accumulated Absences Account	0	136
<b>2009/10 Comprehensive Income and Expenditure Statement</b>		
Cost of Services (Net)	13,135	21

- **Government grants and contributions- capital**

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

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

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.
- Grants were received in 2009/10 but not used. Previously no income was recognised in respect of these grants, which were shown in the liabilities section of the Balance Sheet. Following the change in accounting policy, the grants have been reviewed and either recognised as capital grants receipts in advance in the liabilities section of the Balance Sheet, or recognised in full and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

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

	<b>2009/10 published statements £'000</b>	<b>Adjustments Made £'000</b>
<b>Opening 1 April 2009 Balance Sheet</b>		
Government Grants Deferred Account	(967)	967
Debtors	5,480	(366)
Capital Adjustment Account	(268,059)	(969)
Capital Grants and Contributions Unapplied Account	(1,416)	1,416
Grants Unapplied Reserve	0	(688)
Specific Reserves	5,661	(358)
<b>31 March 2010 Balance Sheet</b>		
Government Grants Deferred Account	(1,011)	1,011
Capital grants receipts in advance	0	(207)
Capital Grants and Contributions Unapplied Account	(892)	892
Capital Adjustment Account	(266,763)	(1,015)
Grants Unapplied Reserve	0	(698)
Specific Reserves	6,107	18
<b>2009/10 Comprehensive Income and Expenditure Statement</b>		
Cost of Services (Net)	13,155	568
Taxation and non-specific grant income – capital grants and contributions	0	(249)

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and current accounting policies.

#### • Revenue Grants

Revenue grants are recognised as income when they become receivable. If all the relating expenditure is not incurred the balance is transferred to an earmarked reserve. Under previous accounting policy these balances were treated as creditors.

	<b>2009/10 published statements £'000</b>	<b>Adjustments Made £'000</b>
<b>Opening 1 April 2009 Balance Sheet</b>		
Creditors	(4,009)	141
Specific Reserves	5,661	(141)
<b>31 March 2010 Balance Sheet</b>		
Creditors	(4,837)	285
Specific Reserves	6,107	(285)
<b>2009/10 Comprehensive Income and Expenditure Statement</b>		
Cost of Services (Net)	13,135	(144)

- **Revaluation Reserve**

Under the code revaluation gains on investment property do not go to the revaluation reserve. They are shown in the Comprehensive Income and Expenditure Statement and are reversed out to the Capital Adjustment account through the Movement in Reserves Statement. Revaluation losses as well as impairment losses can be put to the Revaluation Reserve up to the balance that exists for the specific asset. Losses in excess of the Revaluation Reserve balance go to Comprehensive Income & Expenditure Statement.

	<b>2009/10 published statements £'000</b>	<b>Adjustments Made £'000</b>
<b>Opening 1 April 2009 Balance Sheet</b>		
Revaluation Reserve –Investment Property	(42,017)	698
Revaluation Reserve –Reversal of Previous Revaluation losses	(42,017)	120
Capital Adjustment Account	(268,059)	(818)
<b>31 March 2010 Balance Sheet</b>		
Revaluation Reserve –Investment Property	(44,681)	1,115
Revaluation Reserve –Reversal of Previous Revaluation losses	(44,681)	120
Capital Adjustment Account	(266,763)	(1,235)

**2009/10 Comprehensive Income and Expenditure Statement**

Finance and Investment Income and Expenditure	0	(417)
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- **Employee Benefits – Termination Benefits**

The code requires termination benefits to be charged to Surplus of Deficit on Provision of Services immediately whether they vest or not. Actuarial strain costs relating to termination benefits payable for the years 2008/09 and 2009/10 have been included in the restated accounts

	<b>2009/10 published statements £'000</b>	<b>Adjustments Made £'000</b>
<b>Opening 1 April 2009 Balance Sheet</b>		
Pensions Reserve	41,748	836
<b>31 March 2010 Balance Sheet</b>		
Pensions Reserve	54,442	823
<b>2009/10 Comprehensive Income and Expenditure Statement</b>		
Cost of Services (Net)	13,155	(13)

- **Reclassification of Finance Leases**

Assets treated as investment properties have been reclassified as finance leases. Regulations were issued when IFRS were implemented that permitted amounts receivable under leases that changed from operating leases to finance leases as a result of changes to proper practices to be treated as if the status of the lease had not changed. This means that amounts receivable under operating leases that became finance leases on transition to IFRS can continue to be credited to the General Fund balance as revenue income. The reclassified leases have been accounted for in accordance with the current provisions of the Code, with any adjustments to the General Fund balance being made in the Movement in Reserves Statement.

	2009/10 published statements £'000	Adjustments Made £'000
<b>Opening 1 April 2009 Balance Sheet</b>		
Investment Property	12,811	(1,836)
Finance Lease Receivable (Long term debtors)	0	1,618
Capital Adjustment Account	(268,059)	218
<b>31 March 2010 Balance Sheet</b>		
Investment Property	11,853	(1,836)
Finance Lease Receivable (Long term debtors)	0	1,594
Capital Adjustment Account	(268,059)	242
<b>2009/10 Comprehensive Income and Expenditure Statement</b>		
Cost of Services (Net)	13,155	24

- **Net change in Deficit on Provision of Services**

	2009/10 published statements £'000	Adjustments Made £'000
<b>2009/10 Comprehensive Income and Expenditure Statement</b>		
<b>Deficit for year</b>	<b>3,768</b>	
Adjustments:		
Short term accumulating compensating absences		(21)
Funded from specific reserves		376
Revenue grants		(144)
Grants deferred amortisation reversal		192
Capital grants and contributions		(249)
Revaluation of investment property		(417)
Reclassification of finance leases		24
Actuarial stress		(13)
<b>Total adjustments</b>	<b>(252)</b>	
<b>Deficit on Provision of Services(restated balance)</b>	<b>3,516</b>	

- **Change in Net Assets/Total Reserves**

	2009/10 published statements £'000	Adjustments Made £'000
<b>Opening 1 April 2009 Balance Sheet</b>		
Adjustments:		
Short term accumulating compensating absences		(157)
Capital Grants and Contributions		2,015
Reclassification of finance leases		(218)
Revenue Grants		141
Actuarial Strain		(836)
Total adjustments	945	
<b>1 April 2009 Balance Sheet (restated)</b>	<b>279,628</b>	
<b>31 March 2010 Balance Sheet</b>		
Adjustments:		
Short term accumulating compensating absences		(136)
Capital Grants and Contributions		1,696

Reclassification of finance leases	(242)
Revenue Grants	285
Actuarial Strain	(823)
Total adjustments	780
<b>31 March 2010 Balance Sheet (restated)</b>	<b>268,170</b>

## 6. Exceptional Items

### Loss on revaluation of Housing Stock

The revaluation of housing stock includes a reduction in value of £91,792,000 due to a change in the adjustment factor used to determine Existing Use Value –Social Housing from 49% to 34%. The adjustment factor measures the difference between private open market rented and socially rented property at a regional level. There has been a material change in the adjustment factor since it was last set in 2005. This is mainly due to difference in the yields. In 2005 a 1 per cent difference between the private and public sector was used. This is no longer considered to accurately reflect the additional risk and liability the public sector landlords undertake when compared to private sector investors

Of this reduction in value £35,574,000 was offset by previous revaluation gains. The remaining £56,218,000 has been charged to the Cost of Services in the Comprehensive Income and Expenditure Statement. The effect of both entries has been reversed out in the Movement in Reserves Statement. This reversal ensures that there is no additional cost to Council Tax payers or the Housing Revenue Account as a result of the revaluation.

### Pension past service gain - Change from Retail Price Index to Consumer Prices Index for pensions increases

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

This has the effect of reducing Redditch Borough Council's liabilities in the Worcestershire County Council Pension Fund by £6.813 million and the Shared Regulatory Services' liabilities by £0.118 million (total £6.931million) and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the charge is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

## 7. Events after the Balance Sheet Date

The Council has requested Members approve a revised timeline for the implementation of shared services with Bromsgrove District Council. It is anticipated that all services will be shared by April 2012 to ensure savings are realised to meet future financial pressures. In addition the Council continues to review the Transformation programme to quality services are delivered to our community.

## 8. Adjustments between Accounting Basis and Funding Basis under Regulation

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

## 2010/11 Adjustments

	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
Reversal of items debited or credited to the CI&E Statement:							
• Charges for depreciation and impairment of non-current assets	1,488	3,774	0	0	0	5,262	(5,262)
• Loss on revaluation of Housing Stock	0	56,218	0	0	0	56,218	(56,218)
• Amortisation of intangible assets	215	0	0	0	0	215	(215)
• Capital grants and contributions applied	(880)	0	0	0	0	(880)	880
• Revenue expenditure funded from capital under statute	462	0	0	0	0	462	(462)
• Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the CI&E	204	410	0	0	0	614	(614)
• Movement in market value of investment property	(162)	0	0	0	0	(162)	162
• Movement in value of held for sale assets	106	0	0	0	0	106	(106)
• Use of Major Repairs Reserve to finance new capital expenditure	0	0	(4,300)	0	0	(4,300)	4,300
• Finance lease reclassification	26	0	0	0	0	26	(26)
Insertion of items not debited or credited to the CI&E Statement:							
• Statutory provision for the financing of capital investment	(295)	0	0	0	0	(295)	295
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants & contributions unapplied credited to the CI&E Statement	(114)	0	0	0	114	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	0	0	0	0	(231)	(231)	231
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							



Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(372)	(601)	0	984	0	11	(11)
HRA capital receipts to housing pool	449	0	0	(449)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	(308)	0	(308)	308
<b>Adjustments primarily involving the Major Repair Reserve:</b>							
Reversal of Major Repairs Allowance credited to Housing Revenue Account	0	(3,774)	3,774	0	0	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	(2,813)	362	0	0	0	(2,451)	2,451
Employer's pension contributions and direct payments to pensioners payable in the year	(3,039)	0	0	0	0	(3,039)	3039
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2)	0	0	0	0	(2)	2
<b>Adjustment primarily involving the Accumulated Absences Account</b>							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	26	10	0	0	0	36	(36)
<b>Total adjustments</b>	<b>(4,701)</b>	<b>56,399</b>	<b>(526)</b>	<b>227</b>	<b>(117)</b>	<b>51,282</b>	<b>(51,282)</b>

2009/10 Comparative figures

	Usable Reserves						
	General Fund Balance	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Adjustment Account:</b>							
Reversal of items debited or credited to the CI&E Statement:							
• Charges for depreciation and impairment of non-current assets	1,419	3,729	0	0	0	5,148	(5,148)
• Revaluation loss charged to CI&E	36	0	0	0	0	36	(36)
• Amortisation of intangible assets	193	0	0	0	0	193	(193)
• Capital grants and contributions applied	(146)	0	0	0	0	(146)	146
• Revenue expenditure funded from capital under statute	370	0	0	0	0	370	(370)
• Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the CI&E	121	306	0	0	0	427	(427)
• Movement in market value of investment property	(407)	0	0	0	0	(407)	407
• Use of Major Repairs Reserve to finance new capital expenditure	0	0	(3,723)	0	0	(3,723)	3,723
• Finance lease reclassification	24	0	0	0	0	24	(24)
Insertion of items not debited or credited to the CI&E Statement:							
• Statutory provision for the financing of capital investment	(286)	0	0	0	0	(286)	286
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>							
Capital grants & contributions unapplied credited to the CI&E Statement	(103)	0	0	0	103	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	0	0	0	0	(93)	(93)	93
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>							

Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(92)	(519)	0	627	0	16	(16)
HRA capital receipts to housing pool	389	0	0	(389)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	(550)	0	(550)	550
<b>Adjustments primarily involving the Major Repair Reserve:</b>							
Reversal of Major Repairs Allowance credited to Housing Revenue Account	0	(3,723)	3,723	0	0	0	0
<b>Adjustments primarily involving the Pensions Reserve:</b>							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	4,617	441	0	0	0	5,058	(5,058)
Employer's pension contributions and direct payments to pensioners payable in the year	(2,703)	0	0	0	0	(2,703)	2,703
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>							
Amount by which council tax income credited to the CI&E Statement is different from council tax income calculated for the year in accordance with statutory requirements	(20)	0	0	0	0	(20)	20
<b>Adjustment primarily involving the Accumulated Absences Account</b>							
Amount by which officer remuneration charged to the CI&E Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(15)	(6)	0	0	0	(21)	21
<b>Total adjustments</b>	<b>3,397</b>	<b>228</b>	<b>0</b>	<b>(312)</b>	<b>10</b>	<b>3,323</b>	<b>(3,323)</b>

## 9. Transfer To/From Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA Balances in earmarked reserves to provide financing for future expenditure plans and amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11.

	Balance at 31 March 2009 £'000	Contribution In year £'000	Used in Year £'000	Balance at 31 March 2010 £'000	Contribution in year £'000	Used in Year £'000	Balance at 31 March 2011 £'000
<b>General Fund</b>							
Third party insurance	61	0	0	61	0	(61)	0
Community development	39	15	0	54	257	(28)	283
Community Safety	71	0	0	71	168	(5)	234
Sport Development	35	1	0	36	15	0	51
Arts	8	11	(14)	5	27	(1)	31
Housing Benefits implementation	0	0	0	0	16	0	16
Housing support	0	143	0	143	141	(98)	186
Lifeline	22	0	(11)	11	28	(15)	24
Car loan guarantee scheme	8	0	(2)	6	0	0	6
Hemming Road Enterprise Centre	45	0	0	45	0	0	45
Environmental Health	3	0	0	3	0	(3)	0
Regulatory Services balance	0	0	0	0	71	0	71
Taxi licensing	22	19	0	41	0	(35)	6
Public donations	83	15	0	98	15	(50)	63
Mercury emissions	180	60	0	240	62	0	302
Capital expenditure (General fund)	332	0	0	332	0	0	332
Concessionary Fares	25	42	0	67	0	(67)	0
Job evaluation	400	200	0	600	155	0	755
<b>S106 contributions</b>	<b>376</b>	<b>0</b>	<b>(376)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Shared services/transformation	0	0	0	0	250	0	250
Risk	0	0	0	0	15	0	15
IT licences	0	30	0	30	0	(30)	0
Recycling	0	0	0	0	26	0	26
Land charges	0	0	0	0	100	0	100
Planning Services	0	20	0	20	37	0	57
Town Centre	0	53	0	53	3	0	56
Economic Development	0	0	0	0	10	0	10
Land drainage	0	8	0	8	0	0	8
<b>Total General Fund</b>	<b>1,710</b>	<b>617</b>	<b>(403)</b>	<b>1,924</b>	<b>1,396</b>	<b>(393)</b>	<b>2,927</b>
<b>Housing Revenue Account</b>							
Housing capital	4,450	0	0	4,450	1,000	0	5,450
Supporting people	0	0	0	0	19	0	19
<b>Total Housing Revenue Account</b>	<b>4,450</b>	<b>0</b>	<b>0</b>	<b>4,450</b>	<b>1,019</b>	<b>0</b>	<b>5,469</b>
<b>Total Earmarked Reserves</b>	<b>6,160</b>	<b>617</b>	<b>(403)</b>	<b>6,374</b>	<b>2,415</b>	<b>(393)</b>	<b>8,396</b>

## 10. Other Operating Expenditure

2009/10 £'000	Expenditure	2010/11 £'000
8	Parish Precept	8
389	Payments to the Government Housing Capital Receipt Pool	449
(183)	Gain/losses on disposal of non-current assets	(360)
0	Write down of Assets Held for Sale	106
<b>214</b>	<b>Total</b>	<b>203</b>

## 11. Financing and Investment Income and Expenditure

2009/10 £'000	Expenditure	2010/11 £'000
395	Interest Payable and similar charges	436
	Pension Interest Cost and Expected Return on Pensions Assets	2,264
3,162		
(478)	Interest Receivable and Similar Income	(190)
(799)	Income and Expenditure in relation to Investment Properties and Changes in Fair Value	(454)
(127)	Finance lease Income	(125)
<u>2,153</u>	<b>Total</b>	<u>1,931</u>

## 12. Taxation and non Specific Grant Income

2009/10 £'000	Income source	2010/11 £'000
(5,607)	Council Tax Income	(5,767)
(5,221)	Non Domestic Rate Income	(5,639)
(1,205)	Revenue Support Grant	(819)
(249)	Capital Grants and Contributions	(685)
(94)	Non-ring fenced government grants (Area Based Grant)	(97)
<u>(12,376)</u>	<b>Total</b>	<u>(13,007)</u>

### 13. Property, Plant and Equipment Movements in 2010/11

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>								
At 1 April 2010	304,428	16,398	7,318	1,307	886	0	1,735	332,072
Additions	7,217	351	1,454	238	327	0	0	9,587
Donations	0	0	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(99,512)	3,397	0	0	0	0	0	(96,115)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
De-recognition – Disposals	(410)	0	(174)	0	0	0	0	(584)
De-recognition - Other	0	0	(229)	0	0	0	0	(229)
Assets reclassified (to)/from Held for Sale	0	(2,643)	0	0	0	0	0	(2,643)
Other movements in costs or valuation	0	0	0	0	0	0	1,228	1,228
<b>At 31 March 2011</b>	<b>211,723</b>	<b>17,503</b>	<b>8,369</b>	<b>1,545</b>	<b>1,213</b>	<b>0</b>	<b>2,963</b>	<b>243,316</b>

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2010	0	1,674	4,614	66	113	0	0	6,467
Depreciation Charge								
Depreciation written out to the Revaluation Reserve	(3,774)	(77)	0	0	0	0	0	(3,851)
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,774	470	946	57	13	0	0	5,260
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	396	0	0	0	0	0	396
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
De-recognition - Disposals	0	0	(170)	0	0	0	0	(170)
De-recognition - Other	0	0	(229)	0	0	0	0	(229)
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0
<b>At 31 March 2011</b>	<b>0</b>	<b>2,463</b>	<b>5,161</b>	<b>123</b>	<b>126</b>	<b>0</b>	<b>0</b>	<b>7,873</b>
<b>Net Book Value</b>								
<b>At 31 March 2010</b>	<b>304,428</b>	<b>14,724</b>	<b>2,704</b>	<b>1,241</b>	<b>773</b>	<b>0</b>	<b>1,735</b>	<b>325,605</b>
<b>At 31 March 2011</b>	<b>211,723</b>	<b>15,040</b>	<b>3,208</b>	<b>1,422</b>	<b>1,087</b>	<b>0</b>	<b>2,963</b>	<b>235,443</b>

## Comparative movements in 2009/10

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Cost or Valuation</b>								
At 1 April 2009	296,545	16,278	7,421	911	715	0	1,494	323,364
Additions	9,549	370	245	396	171	0	241	10,972
Donations	0	0	0	0	0	0	0	0
Revaluation increases / (decreases) recognised in the Revaluation Reserve	(1,361)	(135)	0	0	0	0	0	(1,496)
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
De-recognition – Disposals	(305)	(115)	(348)	0	0	0	0	(768)
De-recognition - Other	0	0	0	0	0	0	0	0
Assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	0
Other movements in costs or valuation	0	0	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>304,428</b>	<b>16,398</b>	<b>7,318</b>	<b>1,307</b>	<b>886</b>	<b>0</b>	<b>1,735</b>	<b>332,072</b>



	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Surplus Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<b>Accumulated Depreciation and Impairment</b>								
At 1 April 2009	0	1,454	3,909	41	100	0	0	5,504
Depreciation Charge								
Depreciation written out to the Revaluation Reserve	(3,723)	(47)	0	0	0	0	0	(3,770)
Depreciation out to the Surplus/Deficit on the Provision of Services	3,723	344	967	25	13	0	0	5,072
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
De-recognition - Disposals	0	(77)	(262)	0	0	0	0	(339)
De-recognition - Other	0	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0	0
<b>At 31 March 2010</b>	<b>0</b>	<b>1,674</b>	<b>4,614</b>	<b>66</b>	<b>113</b>	<b>0</b>	<b>0</b>	<b>6,467</b>
<b>Net Book Value</b>								
At 31 March 2009	296,545	14,824	3,512	870	615	0	1,494	317,860
At 31 March 2010	304,428	14,724	2,704	1,241	773	0	1,735	325,605

## Fixed asset valuations

The freehold and leasehold properties which comprise the Council's operational portfolio have been valued by Worcestershire County Council's valuation team in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Revaluations of fixed assets are undertaken using a five year rolling programme. Fixed plant and equipment is included in the valuation of buildings.

The following statement shows the dates of valuation of each category of Property Plant and Equipment:

	Council Dwellings	Other land and buildings	Infra-Structure	Community assets	Vehicles And plant	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historic cost	-	-	1,545	1,213	8,369	2,963	14,090
Valued at current value in:							
2007/08	-	392	-	-	-	-	392
2008/09	-	12,639	-	-	-	-	12,639
2009/10	-	927	-	-	-	-	927
2010/11	211,723	3,545	-	-	-	-	215,268
<b>Gross value</b>	<b>211,723</b>	<b>17,503</b>	<b>1,545</b>	<b>1,213</b>	<b>8,369</b>	<b>2,963</b>	<b>243,316</b>
Cumulative depreciation	-	(2,463)	(123)	(126)	(5,161)	-	(7,873)
<b>Net book value at 31 March 2011</b>	<b>211,723</b>	<b>15,040</b>	<b>1,422</b>	<b>1,087</b>	<b>3,208</b>	<b>2,963</b>	<b>235,443</b>

Where valuations are not 'as at' the balance sheet date the Council is not aware of any material change and therefore valuations have not been updated.

## Depreciation

All assets other than housing revenue account, freehold land and non-operational investment properties have been depreciated using the straight line method. An amount equivalent to the Major Repairs Allowance (MRA) has been used as the annual depreciation charge for housing revenue account assets. The MRA represents the estimated average annual cost of maintaining the condition of the housing stock over a 30 year period. It is considered that this constitutes a reasonable estimate of depreciation. Depreciation has not been provided for freehold land or for non-operational investment properties.

The useful economic life of the assets has been determined by the Council's valuers and surveyors. Council dwellings have an economic useful life of 60 years. Other land and buildings assets and investment properties have a useful life of between 15 and 100 years. Vehicles and plant assets and software licences have a useful life of between 5 to 10 years.

## Capital Commitments

The authority is committed to redeveloping an existing leisure site during 2011/12, work on this has already commenced, and the estimated cost of this is £6 million.

## 14 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment income and Expenditure line in the Comprehensive Income and Expenditure Statement

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
<b>(1,199)</b>	Rental income from investment property	<b>(1,192)</b>
<b>795</b>	Direct operating expenses arising from investment	<b>896</b>
<b>(417)</b>	Movement in market value of investment property	<b>(163)</b>
<b>(821)</b>	<b>Net gain</b>	<b>(459)</b>

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

The fair value of investment property is based on a valuation by Worcestershire County Council's valuation team in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The determination of fair value is supported by market evidence and is based on a valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The following table summarises the movement in the fair value of investment properties over the year.

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>		<b>£'000</b>
9,594	Balance at the start of the year	10,017
	Additions:	
0	• Purchases	0
0	• Construction	0
16	• Subsequent expenditure	19
0	Disposals	(200)
407	Net gains/losses from fair value adjustments	163
<b>10,017</b>	<b>Balance at end of the year</b>	<b>9,999</b>

## 15. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. To date none of the capitalised software has been internally developed.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The financial ledger system has been assigned a 10 year life, all other major software has been assigned a 5 year life.

The carrying amount of intangible assets is amortised on a straight line basis. The amortisation of £0.215 million was absorbed as an overhead across all the service headings in the Net Expenditure of Services.

The movement on Intangible Asset balances during the year is as follows:

2009/10 £'000		2010/11 £'000
	Balance at start of the year:	
1,213	- Gross carrying amounts	1,368
(557)	- Accumulated amortisation	(750)
<b>656</b>	<b>Net carrying amount at the start of the year</b>	<b>618</b>
	Additions:	
155	- Purchases	165
(193)	Amortisation for the period	(215)
<b>618</b>	<b>Net carrying amount at end of year</b>	<b>568</b>
	Comprising:	
1,368	Gross carrying amount	1,533
(750)	Accumulated amortisation	(965)
<b>618</b>		<b>568</b>

## 16. Financial Instruments

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

Long-term 31 March 2010 £'000	Current 31 March 2010 £'000		Long-term 31 March 2011 £'000	Current 31 March 2011 £'000
<b>Investments</b>				
-	15,402	Loans & receivables	-	10,550
-	<b>15,402</b>	<b>Total investments</b>	-	<b>10,550</b>
<b>Debtors</b>				
<b>118</b>	1,340	Loans & receivables	<b>114</b>	2,291
<b>118</b>	<b>1,340</b>	<b>Total debtors</b>	<b>114</b>	<b>2,291</b>
<b>Borrowings</b>				
(5,096)	(27,808)	Financial liabilities at contract cost	(5,264)	(28,561)
<b>(5,096)</b>	<b>(27,808)</b>	<b>Total borrowings</b>	<b>(5,264)</b>	<b>(28,561)</b>
<b>Creditors</b>				
-	(3,090)	Financial liabilities at contract cost	-	(2,540)
-	<b>(3,090)</b>	<b>Total creditors</b>	-	<b>(2,540)</b>

Further details of the nature and risks arising from financial instruments are given in Note 40.

## 17. Inventories

Details of inventories held are shown below:-

Balance at 31 March 2009 £'000	Balance at 31 March 2010 £'000	Stock	Balance at 31 March 2011 £'000
196	152	Depot stores	176
63	105	Other miscellaneous stores	99
<b>259</b>	<b>257</b>		<b>275</b>

## 18. Debtors

An analysis of current debtors is shown below:-

Balance at 31 March 2009 £'000	Balance at 31 March 2010 £'000	Debtor type	Balance at 31 March 2011 £'000
1,703	3,806	Central Government bodies	1,713
89	868	Other local authorities	1,093
1,468	1,452	Housing rents	1,263
3,569	2,541	Other entities and individuals	3,176
6,829	8,667		7,245
(1,717)	(1,673)	Less – provision for doubtful debts	(1,324)
<b>5,112</b>	<b>6,994</b>	<b>Total</b>	<b>5,921</b>

## 19. Cash and Cash Equivalents

The balance of cash and cash equivalents is made up of the following elements:

Balance at 31 March 2009 £'000	Balance at 31 March 2010 £'000		Balance at 31 March 2011 £'000
34	26	Cash held by the Authority	31
(383)	206	Bank Current Accounts	224
0	0	Short Term Deposits	2,500
<b>(349)</b>	<b>232</b>	<b>Total Cash and Cash Equivalents</b>	<b>2,755</b>

During the year an on call deposit account was opened to facilitate the management of the Council's cash flow.

## 20. Assets Held for Sale

	Current 2009/10 £'000	Current 2010/11 £'000
<b>Balance outstanding at start of year</b>	<b>0</b>	<b>0</b>
Assets newly classified as held for sale:		
- Property, plant & equipment	0	2,643
Revaluation losses	0	(106)
<b>Balance outstanding at year end</b>	<b>0</b>	<b>2,537</b>

The Council has a number of land assets that are held for sale. These are plots of land which are surplus to the Councils operational needs. These are being actively marketed and disposal is expected within twelve months of the balance sheet date. A gain of £2.6million has been recognised in the accounts on classification of these assets as Held for Sale.

## 21. Creditors

An analysis of current creditors is shown below:-

Balance at 31 March 2009 £'000	Balance at 31 March 2010 £'000	Creditor type	Balance at 31 March 2011 £'000
946	400	Central Government bodies	495
266	1,272	Other Local Authorities	1,288
357	400	Housing rents prepaid	415
-	7	NHS bodies	0
2,457	2,608	Other entities and individuals	1,989
<b>4,026</b>	<b>4,687</b>		<b>4,187</b>

## 22. Provisions

An analysis of provisions is as follows:

	Opening Balance 01/04/10 £'000	Contributions		Closing Balance 31/03/11 £'000
		To £'000	From £'000	
Self insurance (injury and damage compensation claims)	582	173	166	589
<b>Total</b>	<b>582</b>	<b>173</b>	<b>166</b>	<b>589</b>

## 23. Usable Reserves

Movement in the Authority's usable reserves are detailed in the Movement in Reserves.

## 24. Unusable Reserves

An analysis of the unusable reserves is shown below:

	Opening Balance 2009/10 £'000	Contributions		Opening Balance 01/04/10 £'000	Contributions		Closing Balance 31/03/11 £'000
		To £'000	From £'000		To £'000	From £'000	
Pensions reserve	(42,585)	0	(12,680)	(55,265)	11,201	0	(44,064)
Accumulated absences account	(156)	156	(135)	(135)	135	(172)	(172)
Deferred Capital Receipts Reserve	86	0	(15)	71	0	(12)	59
Capital adjustment account	269,628	5,352	(6,210)	268,770	6,306	(62,902)	212,174
Revaluation reserve	41,199	2,397	(150)	43,446	3,475	(40,045)	6,876
Collection fund adjustment account	30	20	0	50	3	0	53
<b>Total unusable reserves</b>	<b>268,202</b>	<b>7,925</b>	<b>(19,190)</b>	<b>256,937</b>	<b>21,120</b>	<b>(103,131)</b>	<b>174,926</b>

### Pensions Reserve

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

2009/10 £'000		2010/11 £'000
42,585	<b>Balance at 1 April</b>	55,265
10,326	Actuarial gains or losses on pension assets and liabilities	(5,712)
	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,450)
5,058	Employer's pension contributions and direct payments to pensioners payable in the year	(3,039)
(2,704)		(3,039)
<u>55,265</u>	<b>Balance at 31 March</b>	<u>44,064</u>

### Accumulated Absences Account

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

2009/10 £'000		2010/11 £'000	2010/11 £'000
156	<b>Balance at 1 April</b>		135
(156)	Settlement or cancellation of accrual made at the end of preceding year	(135)	
135	Amounts accrued at the end of the current year	172	
(21)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in accordance with statutory requirements		37
<u>135</u>	<b>Balance at 31 March</b>		<u>172</u>

### Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve

2009/10 £'000		2010/11 £'000
86	<b>Opening Balance at 1 April</b>	71
(15)	Transfer to the Capital Receipts Reserve upon receipt of cash	(12)
<u>71</u>	<b>Closing Balance at 31 March</b>	<u>59</u>

### Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains the accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007.

<b>2009/10</b>		<b>2010/11</b>
<b>Restated</b>		<b>£'000</b>
<b>£'000</b>		<b>£'000</b>
<b>269,628</b>	<b>Opening Balance at 1 April</b>	<b>268,770</b>
	<i>Capital Financing applied in the year:</i>	
550	Use of Capital Receipts to finance new expenditure	307
3,723	Use of Major Repairs Reserve to finance Capital Expenditure	4,300
146	Capital Grants and Contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	879
286	Statutory provision for the financing of capital investment	295
93	Application of grants to capital financing from the Capital Grants Unapplied Account	232
0	Revenue Contributions to Capital Expenditure	0
<b>4,798</b>		<b>6,013</b>
	<i>Reversal of items relating to capital expenditure debited or credited to Comprehensive Income and Expenditure Statement:</i>	
(121)	Impairment of non-current assets	(1)
-	Loss on revaluation of housing stock	(56,218)
(5,135)	Depreciation of non-current assets	(5,262)
(131)	Amortisation of intangible assets	(215)
(25)	Finance lease IFRS transition adjustment	(26)
(370)	Revenue expenditure funded from capital under statute	(462)
(428)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(613)
<b>(6,210)</b>		<b>(62,797)</b>
<b>137</b>	Adjusting Amounts written out of Revaluation Reserve	<b>130</b>
<b>417</b>	Movements in the market value of Investment Property debited or credited to the Comprehensive Income and Expenditure Account	<b>163</b>
<b>0</b>	Movements in the value of Held for Sale assets	<b>(105)</b>
<b>268,770</b>	<b>Closing Balance at 31 March</b>	<b>212,174</b>

## Revaluation Reserve

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

- revalued downwards or impaired
- used in the provision of services, or
- disposed of

The Reserve contains only revaluation gains accumulated since 1 April 2007 when the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.



2009/10 £'000		2010/11 £'000
41,199	<b>Opening Balance at 01 April</b>	43,446
2,397	Revaluations during the year	3,475
(120)	Depreciation of revaluations	(130)
(12)	Impairment of Revaluations	(39,915)
(18)	Disposal of Revaluations	0
43,446	<b>Closing Balance at 31 March</b>	6,876

The impairment of revaluations includes £35,574,000 reduction in the valuation of housing stock resulting from the change in the adjustment factor for valuation of social housing from 49% to 34%.

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £'000		2010/11 £'000
30	<b>Balance at 1st April</b>	50
	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	
20		3
50	<b>Balance at 31st March</b>	53

## 25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10 £'000		2010/11 £'000
(478)	Interest received	(190)
360	Interest paid	436

## 26. Cash Flow Statement – Investing Activities

2009/10 £'000		2010/11 £'000
10,741	Purchase of property, plant & equipment, investment property and intangible assets	11,015
22,550	Purchase of short-term & long-term investments	32,400
296	Other payments for investing activities	29
(611)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(973)
(23,950)	Proceeds from short-term & long-term investments	(37,100)
(37)	Other receipts from investing activities	(33)
8,989	<b>Net cash flows from investing activities</b>	5,338

## 27. Cash flow statement – financing activities

2009/10 £'000		2010/11 £'000
(123,930)	Cash receipts of short-term & long-term borrowing	(126,218)
	Other receipts from financing activities:	
0	<ul style="list-style-type: none"> <li>• Difference between cash collected from NNDR taxpayers and the amount paid to the pool</li> </ul>	(2,282)
(7)	<ul style="list-style-type: none"> <li>• Difference between the preceptors' share of council tax cash collected and net cash paid to preceptors for their precept and settlement of estimated surplus/deficit on the Collection Fund</li> </ul>	(208)
117,290	Repayments of short- and long-term borrowing	125,340
	Other payments from financing activities:	
2,699	<ul style="list-style-type: none"> <li>• Difference between cash collected from NNDR taxpayers and the amount paid to the pool</li> </ul>	0
<b>(3,948)</b>	<b>Net cash flows from financing activities</b>	<b>(3,368)</b>

## 28. Amounts reported for resource allocation decisions

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

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current services cost benefits accrued in the year

The following tables detail the Council's net revenue expenditure by service as reported under management reporting arrangements and how this reconciles to the comprehensive income and expenditure statement and the subjective analysis within the explanatory forward.

<b>2010/11</b>	<b>Policy, Performance &amp; Partnership</b>	<b>Finance &amp; Resources</b>	<b>Planning, Regulatory, Regeneration &amp; Housing</b>	<b>Leisure, Environmental &amp; Community</b>	<b>Chief Exec</b>	<b>Total Net Expenditure by Service</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income	(356)	(1,864)	(1,432)	(5,387)	(192)	(9,231)
Government grants	-	(29,579)	(157)	(279)	-	(30,015)
Recharge to Service	(572)	(6,708)	(2,612)	(6,250)	(1,121)	(17,263)
	<b>(928)</b>	<b>(38,151)</b>	<b>(4,201)</b>	<b>(11,916)</b>	<b>(1,313)</b>	<b>(56,509)</b>
Employee expenses	441	4,278	2,241	8,412	240	15,612
Other expenses	279	32,689	1,484	9,944	1,073	45,469
Support service recharges	156	3,272	2,091	2,790	12	8,321
	<b>876</b>	<b>40,239</b>	<b>5,816</b>	<b>21,146</b>	<b>1,325</b>	<b>69,402</b>
<b>Net Cost of Services</b>	<b>(52)</b>	<b>2,088</b>	<b>1,615</b>	<b>9,230</b>	<b>12</b>	<b>12,893</b>
<b>2009/10 Comparative Figures</b>	<b>Policy, Performance &amp; Partnership</b>	<b>Finance &amp; Resources</b>	<b>Planning, Regulatory, Regeneration &amp; Housing</b>	<b>Leisure, Environmental &amp; Community</b>	<b>Chief Exec</b>	<b>Total Net Expenditure by Service</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income	(47)	(2,289)	(749)	(4,774)	-	(7,859)
Government grants	-	(27,732)	(112)	(377)	-	(28,221)
Recharge to Service	(625)	(7,846)	(2,950)	(6,235)	(111)	(17,767)
	<b>(672)</b>	<b>(37,867)</b>	<b>(3,812)</b>	<b>(11,386)</b>	<b>(111)</b>	<b>(53,847)</b>
Employee expenses	434	4,990	2,704	8,425	752	17,305
Other expenses	237	31,142	838	9,116	349	41,681
Support service recharges	190	3,850	1,906	3,236	28	9,210
	<b>861</b>	<b>39,982</b>	<b>5,448</b>	<b>20,777</b>	<b>1,129</b>	<b>68,197</b>
<b>Net Cost of Services</b>	<b>189</b>	<b>2,115</b>	<b>1,636</b>	<b>9,391</b>	<b>1,018</b>	<b>14,350</b>

## Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

	2009/10 £'000	2010/11 £'000
Net Cost of Service from Service Analysis	14,350	12,893
Add amounts not reported to management	(110)	47,682
Amounts not included in the Comprehensive Income and Expenditure Statement	(715)	(304)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>13,525</b>	<b>60,271</b>

## Reconciliation to Subjective Analysis

2010/11	Service analysis £'000	Not reported to management £'000	Not included in CIES £'000	Net Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, Charges and other income	(9,231)	(27,717)	1,478	(35,470)	(685)	(36,155)
Interest and Investment income	-	(28)	-	(28)	(190)	(218)
Income from Council Tax	-	-	-	-	(5,767)	(5,767)
Government grants and Contributions	(30,015)	(32)	-	(30,047)	(6,555)	(36,602)
Internal Recharge	(8,942)	2,824	4,691	(1,427)	-	(1,427)
<b>Total Income</b>	<b>(48,188)</b>	<b>(24,953)</b>	<b>6,169</b>	<b>(66,972)</b>	<b>(13,197)</b>	<b>(80,169)</b>
Employee Expenses	15,612	268	(758)	15,122	-	15,122
Other Service Expenses	43,818	68,558	(5,715)	106,661	(833)	105,828
Capital Charges	1,651	3,809	-	5,460	-	5,460
Interest Payments	-	-	-	-	2,700	2,700
Precepts	-	-	-	-	8	8
Payments to Housing Capital Receipts Pool	-	-	-	-	449	449
<b>Total Expenditure</b>	<b>61,081</b>	<b>72,635</b>	<b>(6,473)</b>	<b>127,243</b>	<b>2,324</b>	<b>129,567</b>
<b>Surplus/deficit on the provision of Services</b>	<b>12,893</b>	<b>47,682</b>	<b>(304)</b>	<b>60,271</b>	<b>(10,873)</b>	<b>49,398</b>

<b>2009/10 Comparative Figures</b>	<b>Segmental analysis</b>	<b>Not reported to management</b>	<b>Not included in CIES</b>	<b>Net Cost of Services</b>	<b>Corporate Amounts</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, Charges and other income	(7,859)	(19,956)	1,412	(26,403)	127	(26,276)
Interest and Investment income	-	(40)	(7)	(47)	(1,428)	(1,475)
Income from Council Tax Government grants and Contributions	-	-	-	-	(5,607)	(5,607)
Support Service Recharge	(28,221)	(221)	23	(28,419)	(6,871)	(35,290)
	(8,556)	3017	3,122	(2,417)	-	(2,417)
<b>Total Income</b>	<b>(44,636)</b>	<b>(17,200)</b>	<b>4,550</b>	<b>(57,286)</b>	<b>(13,779)</b>	<b>(71,065)</b>
Employee Expenses	17,306	991	342	18,639	-	18,639
Other Service Expenses	40,315	12,357	(5,578)	47,094	(183)	46,911
Capital Charges	1,365	3,742	(29)	5,078	-	5,078
Interest Payments	-	-	-	-	3,556	3,556
Precepts	-	-	-	-	8	8
Payments to Housing Capital Receipts Pool	-	-	-	-	389	389
<b>Total Expenditure</b>	<b>58,986</b>	<b>17,090</b>	<b>(5,265)</b>	<b>70,811</b>	<b>3770</b>	<b>74,581</b>
Surplus/deficit on the provision of Services	<b>14,350</b>	<b>(110)</b>	<b>(715)</b>	<b>13,525</b>	<b>(10,009)</b>	<b>3,516</b>

## 29. Trading Operations

Trading undertakings are activities of a commercial nature which are financed substantially by charges made to the recipients of the service. Commercial properties, business centres and the outdoor market are operated on this basis.

Trading operations are not integral or support the authority's services to the public therefore the trading services deficit should be charged to other operating expenditure and investment property surplus should be charged as financing and investment income and expenditure.

2009/10 £'000	Service	2010/11 £'000
	<i>Investment property</i>	
(829)	Land and property holdings	(497)
8	Business centres	38
	<i>Trading services</i>	
18	Civic suite hire	22
4	Market	(17)
<b>(799)</b>	<b>Net surplus on trading operations</b>	<b>(454)</b>

Turnover and expenditure details for significant trading undertakings are as follows:-

Undertaking		2009/10 £'000	2010/11 £'000
The Council manages and lets industrial and commercial units located in various parts of the borough - the trading objective is to maximise the surplus.	Turnover	(1,231)	(973)
	Expenditure	402	476
	<b>Surplus</b>	<b>(829)</b>	<b>(497)</b>
The Council operates three business centres which provide affordable premises for new and small businesses - the trading objective is to break even after excluding capital charges.	Turnover	(385)	(382)
	Expenditure	393	420
	<b>Deficit</b>	<b>8</b>	<b>38</b>
The Council operates an outdoor market generating rental income from stallholders - the trading objective is to maximise the surplus.	Turnover	(121)	(123)
	Expenditure	125	106
	<b>Deficit/(Surplus)</b>	<b>4</b>	<b>(17)</b>

## 30. Members Allowances

Member's allowances paid in the year were £139,479 (£140,229 in 2009/10). Expenses of £3,615 (£3,871 in 2009/10) were paid in addition to members allowances. The scheme for member's allowances was introduced in 2002/03. An independent panel has been formed to evaluate the remuneration to be made to members for the duties they perform.

2009/10 £'000		2010/11 £'000
93	Basic allowances	92
47	Special responsibility	47
4	Expenses	4
<b>144</b>	<b>Total</b>	<b>143</b>

### 31. Employee Remuneration

From 20<sup>th</sup> April 2010 Redditch Borough Council and Bromsgrove District Council have employed a joint management team; all the costs of this are shared equally.

The Chief Executive, Section 151 Officer and Monitoring Officer are all employed by Bromsgrove District Council and therefore are not included in the table below. The cost of all Directors and Heads of Service employed by Redditch Borough Council are 50% funded from Bromsgrove District Council with the exception of the Head of Housing Services who is 100% Redditch Borough Council.

2009/10 Number	Remuneration band	2010/11 Number
1	Between £50,000 and £54,999	-
3	Between £55,000 and £59,999	-
1	Between £60,000 and £64,999	1
-	Between £65,000 and £69,999	-
-	Between £70,000 and £74,999	4
3	Between £75,000 and £79,999	-
2	Between £80,000 and £84,999	-
3	Between £85,000 and £89,999	1
-	Between £90,000 and £94,999	-
-	Between £95,000 and £99,999	1
13		7

The total remuneration of senior employees (including pension contributions) earning between £50,000 and £150,000 per year was:

#### 2010/11

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Compensation for loss of Employment	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£	£
Head of Environment	72,884	322	-	73,206	13,046	86,252
Head of Planning and Building Control	72,522	-	-	72,522	12,981	85,503
Head of Housing Services	61,090	201	-	61,291	10,935	72,226
Head of Strategy and Partnership	73,036	-	-	73,036	13,073	86,109
Head of Finance, Revenues and Benefits	73,551	277	-	73,828	13,166	86,994
Director of Environment and Planning	88,136	-	-	88,136	15,776	103,912
Deputy Chief Executive	98,527	-	-	98,527	17,636	116,163
	<b>539,746</b>	<b>800</b>	-	<b>540,546</b>	<b>96,613</b>	<b>637,159</b>

**2009/10**

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Compensation for loss of Employment	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£	£
Head of Customer and IT Services	51,479	26	30,020	81,525	47,137	128,662
Head of HR and Communications	49,383	176	28,549	78,108	5,531	83,639
Head of Operations	53,830	251	28,058	82,139	81,069	163,208
Head of Environment	54,456	329	-	54,785	6,029	60,814
Head of Planning and Building Control	55,565	-	-	55,565	6,223	61,788
Head of Leisure and Arts	57,484	34	29,907	87,425	149,626	237,051
Head of Housing Services	58,112	92	-	58,204	6,460	64,664
Head of Strategy and Partnership	58,173	104	-	58,277	6,470	64,747
Head of Finance, Revenues and Benefits	61,315	176	-	61,491	6,758	68,249
Head of Legal, Democratic and Property Services	59,074	108	30,275	89,457	6,473	95,931
Director of Housing, Leisure and Customer Services	75,868	173	-	76,041	8,406	84,447
Director of Environment and Planning	79,008	-	-	79,008	8,849	87,857
Deputy Chief Executive	86,883	-	-	86,883	9,624	96,508
	<b>800,630</b>	<b>1,469</b>	<b>146,809</b>	<b>948,908</b>	<b>348,655</b>	<b>1,297,563</b>

Officers in the joint management team employed by Bromsgrove District Council are 50% funded by Redditch Borough Council. Their total remuneration is shown in the table below.



**2010/11**

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Compensation for loss of Employment	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£	£
Chief Executive	124,499	1,434	-	125,933	11,671	137,604
Executive Director of Finance & Resources	87,960	897	-	88,857	8,180	97,037
Director of Policy, Performance & Partnerships	80,670	631	-	81,301	7,561	88,862
Head of Legal & Democratic Services	73,215	787	-	74,002	6,809	80,811
	<b>366,344</b>	<b>3,749</b>	<b>-</b>	<b>370,093</b>	<b>34,221</b>	<b>404,314</b>

**32. External Audit Costs**

External audit services to the Council are provided by the Audit Commission in relation to the audit of the Statement of Accounts and certification of grant claims.

2009/10 £'000		2010/11 £'000
136	Accrued fees payable with regard to external audit services	132
61	Fees paid with regard to the certification of grant claims and returns	55
<b>197</b>	<b>Total</b>	<b>187</b>

**33. Related Parties**

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

**Central Government**

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 35.

**Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in note 31. During 2010/11, no material works and services were commissioned from companies in which members had an interest.

Grants totalling £82,500 to voluntary organisations in which 6 Members had an interest. These organisations were:

Redditch Play Council (£53,000)  
 Where Next (£19,000)  
 Age Concern (£7,500)  
 Redditch Arts Council (£3,000)

In all instances, the grants were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' interest, open to public inspection at the Town Hall during office hours.

### Officers

There were no disclosures made by officers in 2010/11.

### Entities Controlled or Significantly Influenced by the Authority

The Council shares a number of services with Bromsgrove District Council. Total receivable as the host to these services was £967,000 (£662,000 of which was unpaid at 31 March 2011), whilst £1,127,000 (£225,000 of which was unpaid at 31 March 2011) was payable to Bromsgrove District Council in 2010/11.

Under the Worcestershire Enhanced Two Tier (WETT) programme, Asset & Estates and Audit Services are provided by the partner Councils. In 2010/11, payable to the Worcestershire County Council and Worcester City Council was a total of £467,000 (£182,000 of which was unpaid at 31 March 2011).

As part of Worcestershire Regulatory Services, payable to Bromsgrove District Council was £716,000 (£3,000 of which was unpaid at 31 March 2011) for hosting Environmental Services. £60,000 was payable to Worcestershire Regulatory Services (£60,000 of which was unpaid at 31 March 2011).

## 34. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2009/10 £'000	2010/11 £'000
<b>Credited to Taxation and Non Specific Grant Income</b>		
Revenue Support Grant	1,205	819
ABG	71	97
Business Growth	23	0
<b>Total</b>	<b>1,299</b>	<b>916</b>
<b>Credited to Services</b>		
Benefits administration	771	815
Concessionary Fares	291	251
Planning Delivery Grant	220	0
Homelessness	85	141
Free swimming	70	24
Mortgage rescue scheme	12	0
Town Centre Grant	53	0
Alcohol Related Partnership	16	0
Environmental health	3	0
New Burden Grant (Local Land Charges)	0	34
NDR administration	0	7
<b>Total</b>	<b>1,521</b>	<b>1,272</b>

### Capital Grants and contributions

Decent Homes Grant	77	77
Disabled Facilities Grant (applied to revenue)	240	295
CCTV/ Lifeline	0	210
BMX track	0	230
Developers contributions	49	135
Playbuilder	98	0
Youth Fund	36	0
Other	66	33
<b>Total</b>	<b>566</b>	<b>980</b>

## 35. Capital expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed below.

2009/10 £'000		2010/11 £'000
<b>18,900</b>	<b>Opening capital financing requirement</b>	<b>25,618</b>
	<b>Capital investment:</b>	
10,975	Property, plant and equipment	10,815
16	Investment properties	20
155	Intangible assets	164
1,063	Revenue expenditure funded from capital under statute	462
	<b>Sources of finance:</b>	
(550)	Capital receipts	(307)
(932)	Government grants & other contributions	(1,111)
(3,723)	Sums set aside from revenue:	(4,300)
	Direct revenue contributions	
(286)	MRP/loans fund principal (excluding PFI)	(295)
<b>25,618</b>	<b>Closing capital financing requirement</b>	<b>31,066</b>
	<b>Explanation of movements in year</b>	
6,718	Increase in underlying need to borrow (unsupported by government financial assistance)	5,448
<b>6,718</b>	<b>Increase / (decrease) in capital financing requirement</b>	<b>5,448</b>

## 36. Leases

### The Council as Lessee

#### Finance Leases

The Council currently has no Finance Leases.

#### Operating Leases

The Council has acquired part of its fleet of motor vehicles by entering into operating leases, over a period of five years.

The future minimum lease payments due under non-cancellable leases in future years are:-

	31 March 2010	31 March 2011
	£'000	£'000
Not Later than one year	349	0
Later than one year and not later than five years	1,187	1,211
Later than five years	0	0
	1,536	1,211

## The Council as Lessor

### Finance Leases

The Council has leased out property at Threadneedle House to the Post Office and Barclays Bank on financing leases each with remaining terms of 21 years.

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

	31 March 2009	31 March 2010	31 March 2011
	£'000	£'000	£'000
Finance lease debtor	1,415	1,391	1,365
Unearned finance income	2,046	1,920	1,795
Unguaranteed residual value of property	203	203	203
Gross investment in the lease	3,665	3,514	3,363

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

	31 March 2009	31 March 2010	31 March 2011
	£'000	£'000	£'000
<b>Gross investment in the lease</b>			
Not Later than one year	151	151	151
Later than one year and not later than five years	602	602	602
Later than five years	2,912	2,761	2,611
	3,665	3,514	3,363
<b>Minimum lease payments</b>			
Not Later than one year	151	151	151
Later than one year and not later than five years	602	602	602
Later than five years	2,709	2,558	2,408
Gross investment in the lease	3,462	3,311	3,161

## 37. Impairment losses

The Council recognised an impairment loss of £0.397million in relation to its community centres. The reduction in the value of these assets was attributed to the location and use of the buildings rather than to a general reduction in market prices. Only £20,000 of this impairment loss was chargeable to the Surplus or Deficit on the Provision of Services.

## 38. Termination Benefits

The Council terminated the contracts of 23 employees in 2010/11, incurring liabilities of £137,519 (£218,269 in 2009/10).

Of this total, £32,053 was payable to the Director of Housing, Leisure and Customer Services whose post was made redundant in April 2010.

The remaining £105,466 was payable to 13 officers from Leisure and Cultural Services, 8 officers for Community Services and 1 officer from Environmental Services.

Enhanced pension benefits costs of £78,114 were also incurred.

### 39. Defined Benefit Pension Schemes

As part of the terms and conditions of employment the Council offers retirement benefits to its employees. Although these benefits are not actually paid until the employee retires, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in one defined benefit scheme which is administered by Worcestershire County Council. This means that retirement benefits are determined independently of the investments of the fund and the Council has an obligation to make contributions where assets are insufficient to meet employee benefits. The Council and employees pay contributions into the fund, calculated at a level intended to balance pensions' liabilities with investment assets.

#### Transactions Relating to Post-employment Benefits

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

<b>Local Government Pension Scheme 2009/10 £'000</b>		<b>Local Government Pension Scheme 2010/11 £'000</b>
	<b>Comprehensive Income and Expenditure Statement</b>	
	<b>Cost of services:</b>	
1,476	Current Service Cost	2,194
(12)	Past Service Costs(Gain)	(6,998)
432	Settlements and Curtailments	89
	<b>Financing and investment income and expenditure:</b>	
5,912	Interest Costs	6,551
(2,750)	Expected Return on scheme assets	(4,287)
<b>5,058</b>	<b>Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>(2,451)</b>
	<b>Other Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	
(10,327)	Actuarial Gains and (Losses)	5,712
<b>(5,269)</b>	<b>Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>(3,261)</b>
	<b>Movement in Reserves Statement</b>	
(5,058)	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment Benefits in accordance with the code	2,451
	<b>Actual Amount charged against the General Fund Balance for pensions in the year</b>	
<b>2,703</b>	Employers contributions payable to the scheme	<b>3,039</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a gain of £5.751 million.

## Change from Retail Price Index to Consumer Prices Index for pensions increases

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

This has the effect of reducing Redditch Borough Council's liabilities in the Worcestershire County Council Pension Fund by £6.813 million (and the Shared Regulatory Services' liabilities by £0.118 million) and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the charge is considered to be a change in benefit entitlement. There is no impact upon the General Fund or Housing Revenue Account.

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

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

Local Government Pension Scheme RBC			Redditch Borough Council LGPS		Shared Regulatory Services LGPS
<i>Unfunded benefits</i>	All benefits		<i>Unfunded benefits</i>	All benefits	All benefits
2009/10	2009/10		2010/11	2010/11	2010/11
£'000	£'000		£'000	£'000	£'000
<b>3,441</b>	<b>83,989</b>	<b>Opening Balance at 1 April</b>	<b>4,092</b>	<b>115,941</b>	<b>1,740</b>
-	1,476	Current Service Cost	-	2,139	55
235	5,912	Interest Cost	222	6,468	83
-	869	Members Contributions	-	775	23
683	27,037	Actuarial (Gains)/Losses	(417)	(5,877)	126
(267)	(3,774)	Benefits Paid	(258)	(3,789)	1
-	0	Past Service Costs	(190)	(6,813)	(118)
-	432	Curtailments	-	80	9
<b>4,092</b>	<b>115,941</b>	<b>Closing Balance at 31 March</b>	<b>3,449</b>	<b>108,924</b>	<b>1,919</b>

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme RBC			Redditch Borough Council LGPS		Shared Regulatory Services LGPS
<i>Unfunded benefits</i>	All benefits		<i>Unfunded benefits</i>	All benefits	All benefits
2009/10	2009/10		2010/11	2010/11	2010/11
£'000	£'000		£'000	£'000	£'000
-	<b>42,241</b>	<b>Opening Balance at 1 April</b>	-	<b>61,499</b>	<b>1,613</b>
-	2,750	Expected rate of return	-	4,191	96
-	16,710	Actuarial (Gains)/Losses	-	(72)	160
267	2,703	Employer Contributions	258	2,987	52
-	869	Member Contributions	-	775	23
(267)	(3,774)	Benefits Paid	(258)	(3,789)	(1)
-	<b>61,499</b>	<b>Closing Balance at 31 March</b>	-	<b>65,591</b>	<b>1,945</b>

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

Expected yields on equity investments reflect long term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £5.104 million (2009/10 £19.460 million) for Redditch Borough Council and £0.256million for the shared Regulatory Services.

## Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:	90,163	99,210	83,989	117,681	110,843
Fair value of Assets	(59,680)	(55,309)	(42,241)	(63,112)	(67,536)
<b>Surplus/deficit in the scheme</b>	<b>30,483</b>	<b>43,901</b>	<b>41,748</b>	<b>54,569</b>	<b>43,307</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £110.861 million has a substantial impact on the net worth of the Council as recorded in the balance sheet, resulting in a negative overall balance of £43.307 million. Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

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

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 are £2.979 million.

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Local Government Pension Scheme has been assessed by Mercer Ltd, an independent firm of actuaries, and estimates for the Council fund are based on the latest full valuation of the scheme as at 1 April 2010. Where different assumptions are made for Redditch Borough Council and Regulatory Services valuations, these are detailed.

The principal assumptions used by the actuary are:

2009/10 Redditch Borough Council	2009/10 Regulatory Services – where different		2010/11 Redditch Borough Council	2010/11 Regulatory Services – where different
		<b>Long term expected rate of return on assets in the scheme</b>		
7.5%		Equity investments	7.5%	
4.5%		Government Bonds	4.4%	
5.2%		Other bonds	5.1%	
0.5%		Cash/liquidity	0.5%	
		<b>Mortality assumptions</b>		
		Longevity at 65 for current pensioners:		
21.2		• Men	22	
24.1		• Women	24.5	
		Longevity at 65 for former pensioners:		
22.2		• Men	23.4	
25.0		• Women	26.1	
		<b>Financial assumptions</b>		
3.3%		Rate of RPI inflation	3.4%	3.5%
2.8%		Rate of CPI inflation	2.9%	3.0%
4.8%		Rate of increase in salaries	4.4%	4.5%
3.3%		Rate of increase in pensions	2.9%	3.0%
5.6%		Rate of discounting scheme liabilities	5.5%	
50%		Take up option to convert annual pension into retirement lump sum	50%	

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

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

(determined as at 31 March 2010)

(determined as at 31 December 2010)

## History of experience gains and losses

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

	<b>2006/07</b>	<b>2007/08</b>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	
	<b>Restated</b>				<b>Redditch Borough Council</b>	<b>Regulatory Services</b>
	%	%	%	%	%	%
Experience gains / (losses) on assets	0.2	(15.4)	(40.1)	27.2	(0.1)	8.2
Experience gains / (losses) on liabilities	0.0	1.8	0.0	0.0	4.7	0.0

## 40. Nature and Extent of Risks Arising from Financial Instruments

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Head of Financial and Revenue Services, under policies approved by the Council in the annual treasury management policy statement. The Council provides written principles for overall risk, credit risk, and the investment of surplus cash.

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Deposits are not made with banks and financial institutions unless they are rated independently with credit ratings acceptable to the Head of Financial and Revenue Services. The Council has a policy of not lending more than £2.5 million to any one bank or financial institution. Council funds are managed by officers on a daily basis and the Council has a policy not to lend to any institutions outside of the UK, to minimise the exposure to risk.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council's investments at 31 March 2011 are as below:-

	<b>Commencement Date</b>	<b>Maturity Date</b>	<b>Investment Principal £'000</b>	<b>Interest Rate %</b>
Lloyds Bank plc	07/10/10	07/04/11	1,600	0.95%
Moray Council	04/02/11	04/05/11	2,500	0.60%
Santander Bank plc	08/11/10	09/05/11	2,500	1.18%
Aberdeen Council	24/02/11	24/05/11	2,000	0.60%
Coventry Building Society	06/01/11	25/07/11	1,000	1.06%
Lloyds Bank plc	22/01/11	22/11/11	900	2.00%



The Council regularly reviews outstanding debtors and calculates a potential for default, based on default and collectability over the last five financial years, adjusted if necessary to reflect market conditions.

	<b>Balance sheet at 31 March 2011</b>	<b>Historical experience of default</b>	<b>Estimated maximum exposure to default And uncollectability at 31 March 2011</b>	<b>Estimated maximum exposure to default And uncollectability at 31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade and other debtors	2,291	5%	112	140

The Council does not generally allow credit for customers. The past due but not impaired amount can be analysed by age as follows:

	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>£'000</b>	<b>£'000</b>
Less than three months	1,977	1,123
Three to six months	30	21
Six months to one year	59	41
More than one year	225	155
	<b>2,291</b>	<b>1,340</b>

## Liquidity risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. Until 2007/08 the Council was debt free and now has only relatively small long term borrowing and limited risk.

The maturity analysis of financial liabilities is summarised as follows:

Less than one year	28,657,472
More than five years	5,000,000
	<u>33,657,472</u>

The £5,000,000 loan is due to mature in 2032; the interest rate is 4.71%. The loan is a maturity loan and the fair value of this loan as at the 31 March 2011 is £5,096,780. The Council has been able to benefit from borrowing on a short term basis at lower rates.

The Council entered into a Salix Energy Efficiency Loan Scheme which is repayable over 4 years and the amount outstanding as at the 31 March 2011 is £167,706.

The Councils short term borrowing at 31 March 2011 is as below:-

	<b>Commencement Date</b>	<b>Maturity Date</b>	<b>Investment Principal £'000</b>	<b>Interest Rate %</b>
Coventry Building Society	14/03/11	15/04/11	5,000	0.62%
Edinburgh City Council	17/03/11	28/04/11	2,000	0.65%
East Lindsey District Council	09/02/11	09/05/11	500	0.65%
Edinburgh City Council	07/02/11	09/05/11	2,000	0.65%
Edinburgh City Council	09/02/11	09/05/11	2,000	0.65%
Devon County Council Pension Fund	22/02/11	23/05/11	1,000	0.60%
Hyndburn Borough Council	02/12/10	01/06/11	1,000	0.75%
South Lanarkshire Council	14/03/11	14/06/11	2,000	0.70%
East Renfrewshire Council	15/03/11	15/06/11	2,000	0.70%
Hyndburn Borough Council	17/03/11	17/06/11	1,000	0.70%
Devon County Council Pension Fund	22/03/11	22/06/11	1,000	0.70%
South Lanarkshire Council	22/03/11	23/06/11	3,000	0.70%
Northampton Borough Council	15/03/11	15/09/11	2,000	0.80%
Monmouthshire Council	21/01/11	21/09/11	4,000	0.82%

## Market risk

### Interest rate risk

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

- borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise
- borrowings at fixed rates – the fair value of the liabilities will fall
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact upon the Comprehensive Income and Expenditure Account.

To limit interest rate risk the Council does not currently have any of its borrowing in variable rate loans. The Head of Financial and Revenue Services has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget.

The Council minimises its risks using the following measure

- By adopting the requirements of the CIPFA Treasury Management in the Public Service Code of Practice
- By limiting the Council's borrowing and approving prudential indicators for the current year plus 2 future years.
- By approving a Treasury Management Strategy annually, this includes only lending to major banks and F1 rated Building Societies, other Local Authorities and AAA rated Money Market Funds. Also, there is a maximum limit of £2.5 million to any one bank or institution.

Although the Council does not anticipate any loss on investments, the estimated maximum exposure to default on investments is as detailed below: At the 31st of March all funds were deposited with F1 rated Building Societies.

The Council revised the cost of Finance Charges during 2010/11 due to the cost of borrowing being lower than had been budgeted for, these savings were then taken into account while setting 2011/12 budgets.

<b>Deposits with banks and financial institutions</b>	<b>Amount at 31 March 2011</b>	<b>Adjustment for market conditions at 31 March 2011</b>	<b>Estimated maximum exposure to default</b>
	<b>£'000</b>		<b>£'000</b>
F1 rated counterparties	13,000	0.00	13,000

### **Price risk**

The Council does not invest in equity shares and is therefore not exposed to losses arising from movement in the price of shares.

### **Foreign exchange risk**

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

## The HRA Income and Expenditure Statement

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. Authorities charge rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis of which rents are raised, is shown in the Movement on the HRA Statement.

2009/10 £'000	Notes		2010/11 £'000	2010/11 £'000
		<b>Expenditure</b>		
4,005		Repairs and Maintenance	4,033	
4,611		Supervision and Management	4,267	
144		Rent, rates, taxes and other charges	167	
5,929	8	Negative HRA Subsidy payable	5,809	
3,723	7	Depreciation	3,774	
17		Debt Management costs	32	
(267)	11	Movement on allowance for bad debts	155	
<b>18,162</b>		<b>Total expenditure</b>		<b>18,237</b>
		<b>Income</b>		
(19,265)	1	Dwelling Rents	(19,788)	
(507)		Non-dwelling Rents	(522)	
(192)		Charges for Services and Facilities	(195)	
<b>(19,964)</b>		<b>Total income</b>		<b>(20,505)</b>
(1,802)		Net cost of HRA services as included in Comprehensive Income and Expenditure Account		(2,268)
677		HRA share of Corporate and Democratic Core		699
<b>(1,125)</b>		<b>Net Income for HRA Services</b>		<b>(1,569)</b>
		<b>HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement</b>		
(213)		Gain or (loss) on sale of HRA non-current assets		(192)
338		Interest payable and similar charges		178
(14)		Interest received		(50)
720		Pension interest costs and expected return on pension assets		578
<b>(294)</b>		<b>Surplus for the year on HRA services</b>		<b>(1,055)</b>

## Movement on the HRA Statement

2009/10 £'000	Notes		2010/11 £'000	2010/11 £'000
(584)		Balance on the HRA at 1 April		(1,106)
(294)		Surplus for the year on HRA services	(1,055)	
(228)	12	Adjustments between accounting basis and funding basis under statute	(181)	
(522)		Net increase before transfers to reserves	(1,236)	
0	13	Transfers to reserves	1,019	
(522)		Increase in the year on the HRA		(217)
<b>(1,106)</b>		<b>Balance on the HRA at 31 March</b>		<b>(1,323)</b>

## Notes to the HRA Income and Expenditure Statement

### 1. Dwelling rent income

This is the total rent income due for the year after allowance is made for voids etc. During the year 0.71% of properties were vacant (0.63% in 2009/10). Average rents were £63.41 a week (52 week basis) in 2010/11, an increase of £0.54 or 0.86% over the previous year.

### 2. Housing stock

The Council was responsible for managing an average stock of 6038 dwellings during 2010/11. The change in the number of properties is shown below.

2009/10 Number of Properties		2010/11 Number of Properties
6,047	Owned on April 1	6,041
(6)	Sales in year	(6)
<b>6,041</b>	<b>Owned on 31 March</b>	<b>6,035</b>

The dwelling stock is made up of the following types of properties

2009/10 Number of Properties	Property type	2010/11 Number of Properties
1,595	One bedroom flats	1,595
567	Two bedroom flats	566
28	Three or more bedroom flats	28
662	One bedroom houses	661
948	Two bedroom houses	946
2,018	Three bedroom houses	2,016
178	Four or more bedroom houses	178
45	Non permanent dwellings	45
<b>6,041</b>		<b>6,035</b>

The balance sheet value of the land, houses and other property within the housing revenue account at 31 March 2011 was £212 million. Council dwellings were re-valued at 31 March 2011. The valuation was made in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors (RICS) 5<sup>th</sup> Edition. The valuation was carried out by the Council's valuer, Mr J Dunstall, and valuers who conform to the requirements of these Practice Statements. The valuation was based on Existing Use Value for Social Housing. The housing stock was valued at £212 million (the balance sheet valuation prior to revaluation was £304million). The valuation did not include the notional directly attributable acquisition costs that were determined to be £5.9 million.

	Dwellings, garages, other Land and buildings £'000
<b>Gross value at 1 April 2010</b>	304,429
Additions in year	7,216
Disposals in year	(410)
Revaluations	(99,512)
<b>Gross balance sheet value at 31 March 2011</b>	<b>211,723</b>
Depreciation	0
<b>Net balance sheet value at 31 March 2011</b>	<b>211,723</b>

The revaluation includes a reduction in value of £91,792,000 due to a change in the adjustment factor used to determine Existing Use Value –Social Housing from 49% to 34%. The adjustment

factor measures the difference between private open market rented and socially rented property at a regional level. There has been a material change in the adjustment factor since it was last set in 2005. This is mainly due to difference in the yields, in 2005 a 1 per cent difference between the private and public sector was used. This is no longer considered to accurately reflect the additional risk and liability the public sector landlords undertake when compared to private sector investors.

The vacant possession value of dwellings within the housing revenue account as at 31 March 2011 was £ 612 million.

The vacant possession value and the balance sheet value of dwellings within the housing revenue account show the economic costs to Government of providing council housing at less than open market rents.

The valuation includes 36 properties used for purposes other than as a dwelling in addition to the 6,035 properties listed in the dwelling type schedule above.

### 3. Major repairs reserve

The Council is required to maintain a major repairs reserve. The main credit to the major repairs reserve is an amount equivalent to the depreciation charge on housing revenue account assets. The reserve can be used only for capital expenditure on housing revenue account assets.

	<b>Major Repairs Reserve £'000</b>
<b>Balance at 1 April 2010</b>	<b>526</b>
Transfer from Capital Adjustment Account	3,774
Reversal of Major Repairs Allowance credited to the HRA	(4,300)
<b>Balance at 31 March 2011</b>	<b>0</b>

### 4. Housing repairs account

The movements on the housing repairs account are summarised below:-

<b>2009/10 £'000</b>		<b>2010/11 £'000</b>
3,821	Expenditure in year	3,787
184	Administration costs	246
(4,005)	Contribution from Housing Revenue Account	(4,033)
<b>0</b>	<b>Transfer from/to specific reserve</b>	<b>0</b>

### 5. Capital expenditure

During the year a total of £7.216 million capital expenditure was incurred on land, houses and other assets within the housing revenue account.

<b>2009/10 £'000</b>		<b>2010/11 £'000</b>
3,723	Housing Major Repairs Reserve	4,300
5,827	Borrowing	2,916
<b>9,550</b>	<b>Total capital expenditure</b>	<b>7,216</b>

### 6. Capital receipts

The Council received £0.601 million capital receipts including income from the sale of 6 houses under the Right to Buy scheme.

### 7. Depreciation

The Council is required to charge depreciation on all housing revenue account properties calculated in accordance with proper practices. For housing revenue account dwellings these proper practices need

to be considered in the context of the major repairs allowance which the government has introduced. It represents the estimated average annual cost of maintaining the condition of the housing stock over a 30 year period, based on the Council's own mix of dwelling types. It is accepted that the major repairs allowance is likely to constitute a reasonable estimate of depreciation. Accordingly, the major repairs allowance has been used as an estimate of depreciation charges in respect of housing revenue account dwellings in these accounts. Use of the major repairs (MRA) is still considered an appropriate depreciation policy for the re-valued housing assets. The cost of maintaining the condition of the housing stock represented by the MRA has not increased in line with the increase in the housing stock valuation. The total charge for depreciation on operational assets for 2010/11 is £3,773,872.

## 8. Housing revenue account subsidy

The amount of subsidy payable for 2010/11 was calculated in accordance with the formula set out in paragraph 3.1 of the General Determination of Housing Subsidy for 2010/11.

Subsidy element	£'000
Allowance for management and maintenance	(9,187)
Allowance for major repairs	(3,774)
	<u>(12,961)</u>
Less:	
Rent	18,884
Interest	50
Adjustment of 2009/10 subsidy	(164)
<b>Negative subsidy repaid to DCLG</b>	<b><u>5,809</u></b>

## 9. HRA share of contributions to or from the Pensions Reserve

Contributions to or from the Pensions Reserve have been apportioned to the Housing Revenue Account pro rata pensionable pay.

Pension Reserve movement	£'000
Current service pensions costs adjustment	(215)
Expected return on pensions assets	(1,063)
Pensions interest cost	1,641
	<u>363</u>
Housing Revenue Account share of contributions to/from Pensions Reserve	
Sum of items	(1,121)
Employers contributions	758
<b>Net effect on Housing Revenue Account</b>	<b><u>0</u></b>

## 10. Rent arrears

During the year 2010/11 gross rent arrears as a proportion of gross rent income has decreased from 8% to 6%. Arrears at 31 March 2011 were £1,187,908 (31 March 2010 £1,519,634). Arrears written off during the year amounted to £155,225 (£143,408 in 2009/10).

## 11. Provision for bad debts

2009/10 £'000		2010/11 £'000
1,103	Balance at 1 April	693
(267)	(Decrease)/increase in provision	155
(143)	Written off in year	(298)
<b>693</b>	<b>Balance at 31 March</b>	<b><u>550</u></b>

## 12. Adjustments between accounting basis and funding under regulations

2009/10 £'000		2010/11 £'000
(6)	Short term compensated absences adjustment	10
441	Pension Reserve movements	363
(213)	Gain/loss on sale of assets	(192)
6	Depreciation adjustment	0
<b>228</b>	<b>Adjustments between accounting basis and funding under regulations</b>	<b>181</b>

## 13. Transfers to from earmarked reserves

2009/10 £'000		2010/11 £'000
4,450	Balance at 1 April	4,450
0	(Decrease)/increase in provision	1,019
<b>4,450</b>	<b>Balance at 31 March</b>	<b>5,469</b>



## The Collection Fund

2009/10 £'000	Note		2010/11 £'000	2010/11 £'000
		<b>Income</b>		
(34,142)		Income from council tax (net of benefits)		(34,986)
		Transfers from general fund		
(6,227)		• council tax benefits		(6,542)
(33,418)		Income collectable from business ratepayers		(33,103)
<b>(73,787)</b>				<b>(74,631)</b>
		<b>Expenditure</b>		
39,904	4	Precepts and demands		41,231
		Business rates		
33,301		• payment to national pool	32,989	
117		• costs of collection	114	33,103
		Bad and doubtful debts		
221	5	• increased provision		208
		Contributions		
100		• towards previous year's estimated collection fund surplus		73
<b>(144)</b>		<b>Movement on fund balance</b>		<b>(16)</b>
(217)		Fund (surplus)/deficit brought forward		(361)
<b>(361)</b>	6	<b>Fund (surplus)/deficit carried forward</b>		<b>(377)</b>

## Notes to the Collection Fund

### 1. General

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund, which shows transactions relating to non-domestic rates and council tax. It illustrates the way these have been distributed to preceptors and the general fund.

### 2. Income from council tax - the council tax base

Council tax income derives from charges raised according to the residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by Worcestershire County Council, Redditch Borough Council, the West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority for the forthcoming year and dividing this by the tax base (the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent). The council tax base for 2010/11 was 27,470.42 (27,270.10 for 2009/10). The basic amount of council tax for a band D property (£1,500.60 for 2010/11) is multiplied by the proportion specified for the particular band to give the amount due for each band. Council tax bills were based on the following proportions for bands A to H: -

Tax band	Number of properties	Adjusted for discounts	Proportion of band D	Band D equivalent	Council tax £
A(disabled)	12	11.00	5/9	6.11	833.66
A	7,236	6,131.50	6/9	4,087.67	1,000.42
B	11,376	10,375.25	7/9	8,069.64	1,167.15
C	7,099	6,608.00	8/9	5,873.78	1,333.87
D	4,122	3,884.00	1	3,884.00	1,500.60
E	3,062	2,947.00	11/9	3,601.89	1,834.09
F	1,094	1,052.00	13/9	1,519.56	2,167.55
G	420	404.25	15/9	673.75	2,501.02
H	17	15.75	18/9	31.50	3,001.22
Total	34,438	31,428.75		27,747.90	
			Multiply by assumed collection rate	99.00%	
			<b>Tax base</b>	<b>27,470.42</b>	

### 3. Business rates

Business rating is organised on a national basis. The government specifies an amount and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. A revaluation of business properties was carried out for 2010/11 and the multipliers were set at 41.4p and 40.7p for small businesses (the multipliers were 48.5p and 48.1p for small businesses in 2009/10). The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a Non Domestic Rate Pool administered by the government. The government redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

The total non-domestic rateable value at 31 March 2011 was £86,235,729 (£78,208,742 at 31 March 2010).

### 4. Precepts and demands

The following authorities made a precept or demand on the collection fund:

2009/10	Authority	2010/11
£'000		£'000
27,644	Worcestershire County Council	28,543
5,573	Redditch Borough Council	5,755
4,735	West Mercia Police Authority	4,910
1,952	Hereford & Worcester Fire & Rescue Authority	2,023
<b>39,904</b>		<b>41,231</b>

### 5. Bad and doubtful debts

The following provisions and write offs were made for council tax in the year:-

2009/10	Provision for bad debts - Council Tax	2010/11
£'000		£'000
1,726	Balance at 1 April	1,903
221	Increase in provision	208
(44)	Written off in year	(211)
<b>1,903</b>	<b>Balance at 31 March</b>	<b>1,900</b>

Provisions and write offs for business rates were made as follows:-

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>	<b>Provision for bad debts – Business rates</b>	<b>£'000</b>
1,006	Balance at 1 April	1,051
199	Increase/(decrease) in provision	238
(154)	Written off in year	(213)
<b>1,051</b>	<b>Balance at 31 March</b>	<b>1,076</b>

## 6. Collection fund surpluses and deficits

The surplus on the collection fund at 31 March 2011 will be repaid to Worcestershire County Council, Redditch Borough Council, the West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority in proportion to the respective precepts or demands made by those authorities on the collection fund as shown below:

<b>2009/10</b>		<b>2010/11</b>
<b>£'000</b>	<b>Authority</b>	<b>£'000</b>
(250)	Worcestershire County Council	(261)
(51)	Redditch Borough Council	(53)
(43)	West Mercia Police Authority	(45)
(17)	Hereford & Worcester Fire & Rescue Authority	(18)
<b>(361)</b>		<b>(377)</b>

The proportion attributable to Redditch Borough Council appears on the balance sheet as the Collection Fund Adjustment Account balance.

## **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 the Head of Financial Services (Chief Financial Officer);
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

### ***The Chief Financial Officer's responsibilities***

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in Great Britain* (the SORP).

In preparing this statement of accounts, the Chief Financial Officer has:

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

The Chief Financial 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.

In accordance with the Accounts and Audit Regulations 10(2) I certify that the Statement of Accounts 2010/11 present a true and fair view of the financial position of the Council at 31 March 2011 and its income and expenditure for the year.

..... 26 September 2011  
**Jayne Pickering C.P.F.A.**  
**Director of Finance and Corporate Resources**

.....26 September 2011  
**Councillor Bill Hartnett**  
**Chair Audit & Governance Committee**

# Independent Auditors Report

## Glossary of terms

### **Accounting Period**

The period of time covered by the accounts. This is the twelve months starting on 1 April 2010. The end of the accounting period is the balance sheet date.

### **Accounting policies**

The policies and concepts used in the preparation of the accounts.

### **Accruals**

Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

### **Audit of accounts**

An examination by an independent accountant of the Council's financial affairs to check the relevant legal obligations and codes of practice have been followed.

### **Balance sheet**

A summary of the Council's assets, liabilities and other reserves at the end of the Accounting Period.

### **Best value accounting code of practice**

Standard definitions of services and total cost which enables spending comparisons to be made with other local authorities.

### **Budget**

A statement defining the Council's policies over a period of time in monetary terms.

### **Capital charge**

A charge to services to reflect the cost of fixed assets used in the provision of services.

### **Capital expenditure**

Expenditure on the acquisition or construction of assets which have a value to the Council for more than a year e.g. vehicles, land and buildings.

### **Capital financing**

The sources of money used to pay for capital expenditure. The sources include capital receipts, capital grants, contributions from revenue and reserves.

### **Capital receipts**

Income from the sale of capital assets such as land and buildings.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy – the professional body that defines the way the Council's accounts are prepared.

### **Collection Fund**

A separate fund for recording the expenditure and income relating to council tax and non domestic rates.

**Creditors**

The amounts owed by the Council for goods and services provided for which payment has not been made by the end of the accounting period.

**Current Asset**

Something owned by the Council that has a monetary value that will be used by the end of the financial year.

**Debtors**

Amounts due to the Council but unpaid by the end of the accounting period.

**Revenue expenditure funded from capital under statute**

Capital expenditure for which no tangible fixed asset exists, for example a capital grant made to another organisation or person.

**Depreciation**

The fall in value of an asset due to wear and tear, age and obsolescence.

**Fixed assets**

A tangible asset which is intended to be used for several years such as a vehicle or a building.

**Housing Benefits**

The national system for giving financial assistance to individuals towards certain housing costs.

**Impairment**

A reduction in the value of a fixed asset below its value in the balance sheet.

**Liability**

A liability is an amount owed by the Council to others.

**Non Domestic Rates**

The contribution collected from businesses towards the cost of local government services.

**Operating lease**

A lease where the ownership of the asset leased remains with the leasing company.

**Precept**

A charge made by the County Council, the Police and the Fire and Rescue Services for the cost of providing their services. The Council collects this from council taxpayers on their behalf.

**Provisions**

Money set aside to meet any liabilities or losses which are likely to occur, but the amounts and date on which they will arise is uncertain.

**Reserves**

Money set aside to meet the cost of specific future expenditure.

**Revenue Contributions to Capital**

Capital expenditure met from the annual revenue budget.

**Revenue expenditure**

The day to day expenditure associated with the provision of services.

**Revenue Support Grant**

A general grant paid by the Government in support of annual revenue expenditure.

**Statement of Recommended Practice (SORP)**

The code of practice used in the preparation of the accounting statements.

**Temporary borrowing**

Money borrowed for a period of less than one year.

**Trust funds**

Funds administered by the Council on behalf of charities.