

Redditch Borough Council Statement of Accounts 2011/12

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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 2012. 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 Council, 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 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. 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 Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves - those reserves that the Council 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 Council 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 Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

Notes to the Accounts

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

Housing Revenue Account (HRA) Income & Expenditure Account

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

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.

3. Review of the Financial Year

This section sets out the key features of the Council's financial performance for 2011/12.

There was a small overspend on General Fund during this period resulting in a use of balances of £492K. This was mainly due to a change in interest rates and a refund from HMRC that was not received during the year.

The outturn position is summarised below:

	Approved budgets 2011/12 £'000	Actual 2011/12 £'000	Variance £'000
Chief Executive	136	15	(121)
Finance & Resources	2,027	1,739	(288)
Policy, Performance & Partnership	168	228	60
Leisure, Environmental & Community Services	7,561	7,370	(191)
Planning, Regeneration, Regulatory & Housing	1,743	1,509	(234)
Net Directorate expenditure	11,635	10,861	(774)
Transfers to reserves/provisions	(348)	(7)	341
Other	(111)	462	573
Total General Fund Expenditure	11,176	11,316	140
Income from Grants & Local Taxation	(10,786)	(10,824)	(38)
Contribution (to)/from General Fund Balances	390	492	102

Housing Revenue Account (HRA)

The Statement of Accounts also includes the ring-fenced Housing Revenue Account for the provision of Council housing. The HRA overspent by £100,787, the balances held being reduced to £918,000.

The overspend is due to additional work being carried out in the service with regards to transformation and improving the customer experience. This work should bring savings in future years.

On 5th October 2010 the Government announced in a written Ministerial Statement its intention to replace the Housing Revenue Account subsidy system with a devolved system of Council housing finance called self-financing. The proposal in the form of a financial settlement will mean a redistribution of the 'national' housing debt. During this financial year the Council borrowed £98 million of long term borrowing to fund this. The council has created a 30 year Business Plan, this covers the cost of borrowing as well as the proposed capital spend over the period to maintain the Council Homes at Decent Homes Standards.

The Council currently holds reserves for the HRA totalling £9million. This includes £6.5million in earmarked reserves, £1 million of which was transferred during this financial year, which is budgeted for in the Business Plan to maintain the current stock, and £1.6 million in the Major Repairs Reserve.

Capital Spending

	Approved budgets 2011/12 £'000	Actual 2011/12 £'000	Variance £'000
Leisure	7,292	4,757	(2,535)
Other General Fund	3,428	2,234	(1,194)
Housing	8,325	6,466	(1,859)
Total	19,045	13,457	(5,558)

The Council incurred capital expenditure of £13.5 million during 2011/12; the majority of this (over £6 million) being spent on Council Housing and £5 million has been spent on improving leisure facilities including the Abbey Stadium which opened in February 2012.

Financing source	£'000
Grants & contributions	632
Capital Receipts	434
MRA	2,268
Borrowing	10,091
Revenue	32
Total	13,457

Borrowing

The Council 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 Council 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 Council. The Council 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 Council will not invest more than £2.5million with any financial institution.

Future Outlook

Redditch Borough Council has had a joint management team with Bromsgrove District Council since April 2010. The majority of other services have also now been shared between the two authorities; a large tranche came into effect from April 2012, as well as several which are shared across Worcestershire including Regulatory Services and Audit. The Council has made a financial saving from sharing these services, which has assisted with the reduction in grant funding following the Comprehensive Spending Review 2010.

The Council needs to make additional savings during future years following the Comprehensive Spending Review, with balances now diminishing; the Council is transforming services so that they are more customer focused and removing waste. This is planned to save money alongside shared services with Bromsgrove District Council and other Worcestershire authorities, thus creating a balanced budget in future years.

The Council currently holds balances of £1.073 million; it is recommended that these do not fall below £750K.

Annual Governance Statement 2011/12

1. Scope and responsibility

Redditch Borough Council is responsible for ensuring that:

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

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

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

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

2. The purpose of the governance framework

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

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

The governance framework has been in place at Redditch Borough Council for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts.

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, Executive 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.

3. The governance framework

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

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

- A clear statement of the Council's purpose, vision and priorities for the next three years is set out in the Council Plan 2011/14. This brings together the national, regional and local agenda, in terms of policy, performance and customer feedback, and sets out the recommended priorities and strategic key deliverables for the year ahead, so that they provide a strategic framework for setting the Council's budget.
- For each priority there are clear outcomes for residents and service users, together with identified actions that will deliver the vision.

- Progress against the Council Plan's targets and actions are monitored monthly at Corporate Management Team and Executive. In addition key projects are managed through the Project Management Board
- Posters are widely available to communicate priorities and goals
- The residents magazine "Redditch Matters" is sent to all households 3 times per annum
- Regular staff forums are held by Senior Management Team to communicate key issues and aims of the Council
- The budget jury undertakes annual reviews of the priorities and the link to the budget considerations.
- Use of Worcestershire Viewpoint to support the measurement of resident satisfaction
- Consultation informs our Community Strategy which is available to the public
- The Community Strategy and Annual Report articulate the Council's activities and achievements
- The medium term financial plan underpins corporate aims and links funding to the key priorities of the Council
- The Council's budget monitoring statements show financial plans at a detailed level for the financial year
- Effective budgetary monitoring takes place regularly and is reported on a quarterly basis as an integrated report with performance to Executive, Overview and Scrutiny and Full Council
- Service standards have been published and are available to the public
- Scrutiny task groups are supported by officers and have delivered tangible outcomes

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

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

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

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

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

There is an established and effective Overview and Scrutiny Committee

- There is an established and effective Audit and Governance Committee to advise Council on the effectiveness of Internal Control arrangements
- Shared Service Board receives regular progress and benefit realisation updates
- A review of the constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions

- There is a cross party constitutional working group in place to consider improvements across the organisation
- A formal Service level agreement is in place with Worcester City Council to ensure Internal Control arrangements are reviewed in a consistent and professional way
- Decisions taken are formally minuted
- An amended standard report template is in place which is subject to regular review by officers to ensure appropriate information is available to members in making informed decisions.
- The Executive forward plan is rolled forward and reviewed regularly at Corporate Management Team.
- Overview and Scrutiny have an annual workplan supported by any considerations from the forward plan and have the authority to pre-scrutinise any Executive decisions. During 2011/12 Overview and Scrutiny undertook pre-scrutiny of :
 - Town Centre Landscape Improvements
 - Gritting and Snow Clearance
 - Street Naming and Numbering Policy
 - Housing Revenue Account
- Regular Task Groups are established to review service areas and to make recommendations for their improvement. These have included during 2011/12:
 - Work Experience Opportunities
 - Increasing Rates of Recycling
 - Youth Services Provision
 - Promoting Sporting Participation
- Formal governance arrangements are in place for the shared services. The Shared Service Board meets on a regular basis to consider the impact of shared services and the benefits realised from the transformational activities being undertaken by the Council.
- Consideration of risk implications in committee reports and the decision making process
- Audit and Governance Committee have a workplan that is reviewed at each meeting for completeness
- Full risk register for corporate and shared service risks.
- Active health and safety arrangements, including a robust policy, Member champion, regular consideration of issues at SMT and Health and Safety Committee
- Regular Trade Union liaison meetings with Senior Management Team
- Clear and approved plan to implement shared services by April 2012. This has included full and comprehensive consultation with unions and members. This will ensure the Council delivers the savings required and to improve resilience and capacity across the organisation
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:
 - monthly review of budgetary control information by Officers and the appropriate Portfolio Holder, to compare expected and actual performance
 - formal quarterly budgetary monitoring reports to the Executive and Overview and Scrutiny Committee
- Active performance management arrangements to Corporate Management Team , Executive and Overview and Scrutiny Committee
- A revised and effective complaints/ compliments procedure is in place and is widely publicised – this has been revised in 2011/12 to include reporting of customer feedback to the Executive Committee.
- A whistle blowing policy is in place and available on the Council’s web site
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council’s priorities and objectives, and address as appropriate any financial, staffing, risk, legal, procurement and customer implications

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

- The Council operates a Member Development Programme, overseen by a cross party Member Development Steering Group. The Programme is extensive and includes: induction, chairmanship training, performance training, portfolio holder training and mock Full Councils.

- Portfolio Holders meet on a regular basis with Directors and Heads of Service to ensure they are aware of all issues within their service and to enable them to present reports at Executive in relation to their portfolio area
- The shared services have continued to develop across Redditch Borough Council and Bromsgrove District Council to improve resilience and capacity to deliver services
- There have been numerous opportunities for staff to take part in transformation sessions to include an understanding of systems thinking methods and to review current systems to enable an awareness of how improvements could be made.
- All staff has the opportunity to attend training courses, provided through the staff training directory. Each member of staff receives a monthly one to one with their manager, at which training is also discussed.
- An induction programme is in place for Officers and Members
- A managers conference takes place every 2 years to develop managers understanding of new initiatives (transformation)
- Deputy s151 and Monitoring Officers are in place
- Staff Leadership Training is available
- Development of roles and responsibilities for staff managing the transformation of services.

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

- The Sustainable Community Strategy is positively used and developed in conjunction with the Redditch Partnership
- The Council has an Inclusive Equalities Scheme, operates a Community Forum and a disabled access group
- The Council has a service level agreement with the voluntary sector infrastructure organisation, Bromsgrove and Redditch Network (BARN) to support the Compact and enable BARN to attend Redditch Partnership Board meetings
- Surveys are conducted on the Council's website, at the Customer Service Centre and resident feedback is obtained at Council events (e.g. summer events at local parks)
- Executive, Committee and Council meetings are open to the public, with papers available on the internet
- Clear and colourful publications e.g. Annual Report, residents' magazine.
- Customer complaints are tracked and monitored and actions reported to residents via the website.

4. Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its Governance framework including the system of internal control. This responsibility is in practice carried out by senior and fourth tier managers, with the S151 officer informing the Executive of any significant matters warranting their attention.

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

- Regular reporting to the Shared Service Board
- Business Cases approved for a number of further shared services between Redditch Borough Council and Bromsgrove District Council
- Developed and received approval for business cases to share:
 - Building Control (across Redditch Borough Council, Bromsgrove District Council and Wyre Forest)
 - Emergency Planning (across Redditch Borough Council, Bromsgrove District Council and Wyre Forest)

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

Internal Audit

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

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

Managers

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

External auditors and other review agencies/inspectorates

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

Other external reviews during the year included:

- External Auditor work, for example subsidy claim audits and annual audit
- Customer Service Excellence review of the Customer Service Centres run in partnership with Worcestershire County Council.

5. Significant governance and internal control issues

Between 1 April 2011 and 31 March 2012 there was one complaint made against an elected member of Redditch Borough Council. The initial Assessment sub-Committee decided that no action should be taken in respect of the allegations and there was no matter for investigation.

During the same period there were 7 Decisions made by the Local Government Ombudsman regarding complaints made against Redditch Borough Council; 1 where there was “no power to investigate” ; 2 where Investigation not justified; 2 where there was no or minor injustice and 2 where injustice was remedied as a result of investigation.

The review of Redditch system of governance and internal control has not identified any significant weaknesses.

The Annual Audit Letter and internal reviews have identified a number of actions to be undertaken to improve the governance arrangements these include:

- A robust risk management arrangement for departmental and corporate registers to be developed. This will focus the Management Team and Audit and Governance Committee on the corporate risks associated with the delivery of services within the future financial constraints.
- Clarity of savings from shared services and transformation within reporting for members
- Review cost allocation within transformation of services to ensure accurate reflection of revised service cost.
- Ensure performance is reviewed during the year to address any impact from system changes and trials.

.....**26 September 2012**
Jayne Pickering C.P.F.A
Director of Finance & Corporate Resources

Acting Worcestershire Internal Audit Shared Services Manager's Opinion on the Effectiveness of the System of Internal Control at Redditch Borough Council (the Council) for the Year Ended 31st March 2012

1. Audit Opinion

- 1.1 The internal audit of Redditch Borough Council's systems and operations during 2011/12 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit and Governance Committee on 18th April 2011 with a revised version being approved by the Audit and Governance Committee on the 23rd January 2012.
- 1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City, for 5 district councils. The shared service operates in accordance with the Institute of Internal Auditors Standards and the CIPFA Code of Practice 2006 and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.
- 1.3 The Internal Audit Plan for 2011/2012 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:
- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' and other corporate systems for example governance and
 - a number of operational systems, for example Howell Road Baths, Car Parking and Markets were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.
- 1.4 A revised plan was necessary as planned targets were not met due to the impact on the service of long term sickness. The revised plan was considered by the S151 Officer and was compiled to reflect the requirements of the remainder of the year and ensuring that the 'high' and 'medium' priority audits were delivered.
- 1.5 Based on the audits performed in accordance with the approved revised plan, the Acting Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2011/12 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate objectives have been met.
- 1.6 In relation to the twenty one reviews that have been undertaken, sixteen audits have been completed and five are to be finalised. Little work has been undertaken on risk during 2011/12.
- 1.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. Two areas of high risk identified are Housing Capital and Housing Repairs and Maintenance. Any concerns raised by managers will be assessed and addressed by the Authorities Corporate Management Team.
- 1.8 All of the completed audits have been allocated an audit assurance of either moderate or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of significant transformation and change.

Andy Bromage
Acting Worcestershire Internal Audit Shared Services Manager
May 2012

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

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 Council Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31st March 2011	1,565	2,927	1,323	5,469	1,252	0	581	13,117	174,926	188,043
<u>Movement in Reserves during 2011/12</u>										
Surplus/ (deficit) on the provision of services	(2,576)	0	(100,060)	0	0	0	0	(102,636)	0	(102,636)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(7,653)	(7,653)
Total Comprehensive Income and Expenditure	(2,576)	0	(100,060)	0	0	0	0	(102,636)	(7,653)	(110,289)
8 Adjustments between accounting basis & funding basis under regulations	2,078	0	100,665	0	434	1,576	(182)	104,571	(104,571)	0
Net Increase/ Decrease before Transfer to Earmarked Reserve	(498)	0	605	0	434	1,576	(182)	1,935	(112,224)	(110,289)
9 Transfers to/ from Earmarked Reserves	6	(6)	(1,010)	1,010	0	0	0	0	0	0
Increase/ Decrease in 2011-12	(492)	(6)	(405)	1,010	434	1,576	(182)	1,935	(112,224)	(110,289)
Balance at 31st March 2012	1,073	2,921	918	6,479	1,686	1,576	399	15,052	62,702	77,754

Core Financial Statements

Comprehensive Income & Expenditure Statement

This statement shows the accounting cost in the year of 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.

Gross Expenditure £'000	2010/11 Gross Income £'000	Net Expenditure £'000	Notes	Gross Expenditure £'000	2011/12 Gross Income £'000	Net Expenditure £'000
8,321	(7,361)	960		8,146	(7,294)	852
14,858	(6,959)	7,899	Central Services to the public	14,851	(6,552)	8,299
1,892	(524)	1,368	Cultural, Environmental, Regulatory and Planning Services	742	(314)	428
18,237	(20,505)	(2,268)	Highways and Transport Services	19,709	(21,696)	(1,987)
56,218	-	56,218	Local Authority Housing (HRA)	2,134	-	2,134
-	-	-	Loss on revaluation of housing stock	98,929	-	98,929
25,053	(24,648)	405	6 Housing Settlement	26,009	(25,430)	579
2,205	(44)	2,161	Other Housing Services	2,330	(56)	2,274
459	-	459	Corporate and Democratic Core	606	(74)	532
-	(6,931)	(6,931)	Non Distributed Costs	-	-	-
127,243	(66,972)	60,271	Pension past service gain	173,456	(61,416)	112,040
		203	Cost of Services			24
		1,931	10 Other operating Expenditure			1,525
		(13,007)	11 Financing and Investment income and Expenditure			(10,953)
		49,398	12 Taxation and non-specific grant income			102,636
		867	(Surplus) or Deficit on Provision of Services			(2,382)
		35,574	(Surplus)/deficit on revaluation of non current Assets			-
		(5,712)	Deficit on revaluation of housing stock (change in adjustment factor)			10,035
		30,729	Actuarial (gains)/losses on pension assets/liabilities			7,653
		80,127	Other Comprehensive Income & Expenditure			110,289
			Total Comprehensive Income & Expenditure			

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 Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 Council 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".

31 March 2011		Notes	31 March 2012
£'000			£'000
235,443	Property, plant and equipment	13	242,027
9,999	Investment property	14	9,741
568	Intangible assets	15	356
2,660	Long-term debtors	16	2,283
248,670	Long term assets		254,407
2,537	Assets held for sale	20	3,046
10,550	Short-term investments	16	8,651
5,921	Short-term debtors	18	6,101
2,755	Cash and cash equivalents	19	8,259
275	Inventories	17	295
22,038	Current assets		26,352
(28,561)	Short-term borrowing	16	(37,817)
(4,187)	Short-term creditors	21	(6,476)
(32,748)	Current liabilities		(44,293)
(589)	Provisions	22	(535)
(5,264)	Long-term borrowing	16	(104,183)
(44,064)	Other long term liabilities	38	(53,954)
0	Capital Grants Receipts in Advance		(40)
(49,917)	Long-term liabilities		(158,712)
188,043	Net assets		77,754
	Financed by:		
13,117	Usable reserves	23	15,052
174,926	Unusable reserves	24	62,702
188,043	Total reserves		77,754

CORE FINANCIAL STATEMENTS

Cash flow statement

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

2010/11 £'000	Notes	2011/12 £'000
49,398	Net (surplus)/deficit on the provision of services	102,636
(54,864)	Adjustment to net (surplus)/deficit on the provision of services for non cash movements	(10,457)
973	Adjustments for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities	1,232
(4,493)	25 Net cash flows from Operating Activities	93,411
5,338	26 Investing Activities	9,565
(3,368)	27 Financing Activities	(108,480)
(2,523)	Net (increase)/decrease in cash or cash equivalents	(5,504)
(232)	Cash and cash equivalents at the beginning of the reporting period	(2,755)
(2,755)	Cash and cash equivalents at the end of the reporting period	(8,259)

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 2011/12 financial year and its position at the year end of 31 March 2012. 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 2011/12 and supplemented by the Service Reporting Code of Practice 2011/12. 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:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will follow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue or expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of 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 4.9% (based on the indicative rate of return on high quality corporate bonds)

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

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

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

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

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

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

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

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

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement 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.

Discretionary benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

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 *Service Reporting Code of Practice 2011/12 (SeRCOP)*. 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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Expenditure.

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. Heritage Assets

The Council has undertaken a full review of all service areas to identify any collections of Heritage Assets which are held in support of the primary objective of the service provision. The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment. Sale proceeds are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment.

xiv. 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.

xv. 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 Major Repairs Allowance is considered 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

xvi. 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.

xvii. 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.

xviii. 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 Council 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.

xix. 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.

xx. 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.

xxi. Events after the Reporting Period

Events arising after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. 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.

xxii. 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.

xxiii. 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.

xxiv. 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.

xxv. 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.

xxvi Accounting for shared services

Redditch Borough Council provides the hosting for a number of shared service arrangements with Bromsgrove District and Wyre Forest District Council. A number of other shared services are hosted by Bromsgrove District (including Worcestershire Regulatory Services which is a Jointly Controlled Operation), Worcester City Council and Wyre Forest District Council.

Each arrangement is accounted for within the records of Redditch Borough Council with a monitoring report prepared for the partner authority on a monthly basis for consideration of the operational costs together with an annual statement of assets and liabilities extracted from the accounts of Redditch Borough Council. There is a responsibility for each partner Council to account for their share of the arrangement within their statement of accounts.

When entering into shared services with Bromsgrove District Council, all capital assets that are purchased are financed by each authority separately and accounted for on their own balance sheet. Any assets purchased prior to the start of the shared service are not included in the shared service; the costs associated with this remain on the accounts of the authority that purchased the asset only.

The Management team is shared across both authorities as well as other services. Cross charging occurs where a resource is used by the other authority where there is not a formal shared service in place.

Each authority pays a fair share of services which are shared, in line with the Business Case; all direct expenditure is shared on this basis, with income staying with the home authority. Where a cost is only in relation to one authority, this falls outside the Business Case and the authority that gains the benefit for this is fully charged.

Where support services are fully recharged across direct services a review of these has been undertaken. On doing this it has been established that currently no internal recharges are to be charged to/from Redditch Borough Council with the exception of accommodation in one area. The work has shown that as Services become shared each authority is already paying its full share of internal recharges within the splits of the live shared services. Services that were not shared during this period have been looked at by each authority and Redditch Borough Council is already paying its share of all support services.

Shared Services	Host Council	Basis of split
ICT/Business Transformation	Bromsgrove District	Redditch 50% Bromsgrove 50%
Elections/Electoral Registration	Bromsgrove District	Redditch 46.5% Bromsgrove 53.3%
Building Control	Bromsgrove District	Based on existing budget split
Policy, Performance & Communications	Bromsgrove District	Redditch 50% Bromsgrove 50%
Land Charges	Bromsgrove District	Redditch 40% Bromsgrove 60%
Internal Audit	Worcester City	Agreed audit work
Bromsgrove Community Safety	Redditch Borough	100% Bromsgrove
North Worcestershire Regeneration	Wyre Forest District	Service level agreement

Payroll	Redditch Borough	Payroll numbers
Climate Change	Redditch Borough	Redditch 50% Bromsgrove 50%
Directorate Support	Redditch Borough	Agreed support work
Management Team	Joint Redditch & Bromsgrove	Redditch 50% Bromsgrove 50% (Housing 100% Redditch)
Land Drainage	Wyre Forest District	Based on existing budget split
Legal & Committee Services	Bromsgrove District	Redditch 50% Bromsgrove 50%
Leisure Services	Redditch Borough	Various dependent on facility
CCTV/Lifeline	Redditch Borough	Redditch 60% Bromsgrove 40%

xxvii Jointly controlled assets/operations

The Council is a partner in the Worcestershire Regulatory Shared Services Joint Committee together with Bromsgrove District Council (the host), Wyre Forest District Council, Worcester City Council, Wychavon District Council, Malvern Hills District Council and Worcestershire County Council. This partnership is a jointly controlled operation that uses the assets and resources of the partner authorities without the establishment of a separate entity. Under this arrangement each participant accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows.

Notes to the Core Financial Statements

2. Accounting standards that have been issued but have not yet been applied IFRS 7 Financial Instruments: Disclosures

It is considered that this standard will not have a material impact on the Council's financial statements.

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 2012/13 and 2013/14 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 Council. 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 Council's Balance Sheet at 31 March 2012 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
Pensions liability	<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"> • Actual asset returns are likely to be different from those assumed • Actuarial assumptions at the end of the year could be different from those at the start of the year • Other actuarial experience over the year could be different from that assumed. 	<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"> • a 0.1% p.a. increase in the discount rate as at 31.03.12 would result in a £1.96 million reduction • a 0.1% p.a. increase in inflation gives a £2.00 million increase • 1 year added to members' life expectancy gives a £2.35 million increase

5. Material Items of Income and Expenditure

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 Code requires that heritage assets are reported on the face of the Balance Sheet. Separate accounting requirements for heritage assets were introduced for the first time in the 2011/12 Code.

The Council undertook an exercise to identify any heritage assets held. While a number of assets were identified as heritage assets these have not been included in the Balance Sheet. The assets could not be valued as, because of their diverse nature, cost or valuation information is not available as conventional approaches lack sufficient reliability. The Council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived.

Significant assets identified were:

Asset	Accounting treatment	Comment
Forge Mill Museum building and visitors centre	Reclassified as Other Land & Buildings	The museum provides the function of a council service and the economic benefit or service potential generated is as a result of the operational service it will provide for the council.
Museum Collections	Heritage asset not included on balance sheet	Artefacts and machinery exhibited in the museum cannot be valued because of the diverse nature of the assets and therefore cost or valuation information is not available as conventional approaches lack sufficient reliability. The council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived.
Archaeological artefacts	Heritage asset not included on balance sheet	The collection of artefacts from the Bordesley Abbey cannot be valued because of their unique nature. Therefore cost or valuation information is not available as conventional approaches lack sufficient reliability. The council is of the opinion that the costs of obtaining the valuations for these items would be disproportionate in terms of the benefit derived.
Bordesley Abbey site	Heritage asset not included on balance sheet	There is no market for an archaeological site so it is not possible to provide a reliable estimate of replacement cost due to lack of comparative information.

As part of the exercise a review of assets classed as Community Assets was carried out. The Forge Mill Museum buildings were reclassified as Other Land and Buildings.

Paolozzi Murals

The Redditch Development Corporation, whilst building the Kingfisher Centre in Redditch, commissioned a set of 12 murals from Sir Eduardo Paolozzi CBE RA. The murals are displayed in Millward Square in the Kingfisher Centre. The murals are held on trust by Redditch Borough Council and its co-trustees. The trust deed requires the owners of the Kingfisher Centre to clean, maintain and insure the murals. The purpose of the trust is to ensure that the murals remain in Millward Square and can be readily viewed by the public. When the trust was created a fund was set aside for the maintenance of the murals. The mural fund balance currently amounts to £135,576 and is held by Redditch Borough Council.

While the Council is co-trustee for their care, ownership of the murals has yet to be clarified, so they are not included as assets in the Council's accounting statements. The mural fund does not represent the assets of the council and has not been included in the balance sheet.

6. Exceptional Items

Housing Revenue Account - transactions in relation to the Settlement Payments Determination

In preparation for the commencement of self-financing of the Housing Revenue Account (HRA) from 1 April 2012, the Council made a settlement payment to the Secretary of State. The abolition of the housing subsidy system required the Council as a housing authority to take on additional borrowing to buy itself out of the subsidy system. The Council was required to make a payment of £98.929million to the Secretary of State on or before 28 March 2012. The Council took on new debt in order to make this payment.

The settlement payment has been identified separately in the HRA Income and Expenditure Statement and the Consolidated Income & Expenditure Statement. As this expenditure has been defined by statute to be capital expenditure, the transaction has been written out of the HRA via the Movement in the Housing Revenue Account Statement.

The new loan is included in the Long Term Borrowing figure in the Balance Sheet.

7. Events after the Balance Sheet Date

There are no events after the balance sheet date.

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 Council in year in accordance with proper accounting practice to the resources that are specified by the statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11 Adjustments	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
Adjustments primarily involving the Capital Adjustment Account:							
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
Adjustments primarily involving the Capital Grants Unapplied Account:							
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

Adjustments primarily involving the Capital Receipts Reserve:

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

Adjustments primarily involving the Major Repair Reserve:

Reversal of Major Repairs Allowance credited to Housing Revenue Account	0	(3,774)	3,774	0	0	0	0
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Adjustments primarily involving the Pensions Reserve:

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

Adjustments primarily involving the Collection Fund Adjustment Account:

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
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Adjustment primarily involving the Accumulated Absences Account

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)
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Total adjustments	(4,701)	56,399	(526)	227	(117)	51,282	(51,282)
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2011/12 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
Adjustments primarily involving the Capital Adjustment Account:							
Reversal of items debited or credited to the CI&E Statement:							
• Charges for depreciation and impairment of non-current assets	1,457	3,894	0	0	0	5,351	(5,351)
• Impairment/valuation losses(reversal previous losses)	(55)	2,134	0	0	0	2,079	(2,079)
• Amortisation of intangible assets	236	0	0	0	0	236	(236)
• Capital grants and contributions applied	(431)	0	0	0	0	(431)	431
• Revenue expenditure funded from capital under statute	968	0	0	0	0	968	(968)
• Amounts of non-current assets written off on disposal or sale as part of gain/loss on disposal to the CI&E	462	381	0	0	0	843	(843)
• Use of Major Repairs Reserve to finance new capital expenditure	0	0	(2,268)	0	0	(2,268)	2,268
• Finance lease reclassification	28	0	0	0	0	28	(28)
• Revenue contribution to finance capital	(32)	0	0	0	0	(32)	32
• Housing settlement payment	0	98,929	0	0	0	98,929	(98,929)
Insertion of items not debited or credited to the CI&E Statement:							
• Statutory provision for the financing of capital investment	(471)	0	0	0	0	(471)	471
Adjustments primarily involving the Capital Grants Unapplied Account:							
Capital grants & contributions unapplied credited to the CI&E Statement	(20)	0	0	0	20	0	0
Application of grants to capital financing transferred to Capital Adjustment Account	0	0	0	0	(202)	(202)	202

Adjustments primarily involving the Capital Receipts Reserve:							
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the CI&E Statement	(477)	(754)	0	1,272	0	41	(41)
HRA capital receipts to housing pool	404	0	0	(404)	0	0	0
Use of Capital Receipts Reserve to finance new capital expenditure	0	0	0	(434)	0	(434)	434
Adjustments primarily involving the Major Repair Reserve:							
Reversal of Major Repairs Allowance credited to Housing Revenue Account	0	(3,844)	3,844	0	0	0	0
Adjustments primarily involving the Pensions Reserve:							
Reversal of items relating to retirement benefits debited or credited to the CI&E Statement	3,269	(103)	0	0	0	3,166	(3,166)
Employer's pension contributions and direct payments to pensioners payable in the year	(3,311)	0	0	0	0	(3,311)	3,311
Adjustments primarily involving the Collection Fund Adjustment Account:							
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	(10)	0	0	0	0	(10)	10
Adjustment primarily involving the Accumulated Absences Account							
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	61	28	0	0	0	89	(89)
Total adjustments	2,078	100,665	1,576	434	(182)	104,571	(104,571)

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 2011/12.

	Balance at 31 March 2010 £'000	Contribution in year £'000	Used in Year £'000	Balance at 31 March 2011 £'000	Contribution in year £'000	Used in Year £'000	Balance at 31 March 2012 £'000
General Fund							
Third party insurance	61	0	(61)	0	0	0	0
Community development	54	257	(28)	283	161	(76)	368
Community Safety	71	168	(5)	234	3	(75)	162
Sport Development	36	15	0	51	27	(11)	67
Arts	5	27	(1)	31	7	(17)	21
Housing Benefits implementation	0	16	0	16	7	0	23
Housing support	143	141	(98)	186	54	(49)	191
Lifeline	11	28	(15)	24	0	0	24
Car loan guarantee scheme	6	0	0	6	1	0	7
Hemming Road Enterprise Centre	45	0	0	45	0	0	45
Environmental Health	3	0	(3)	0	2	0	2
Regulatory Services balance	0	71	0	71	0	(1)	70
Taxi licensing	41	0	(35)	6	0	0	6
Public donations	98	15	(50)	63	0	(22)	41
Mercury emissions	240	62	0	302	73	0	375
Capital expenditure (General fund)	332	0	0	332	0	0	332
Concessionary Fares	67	0	(67)	0	0	0	0
Job evaluation	600	155	0	755	0	0	755
Shared services/transformation	0	250	0	250	0	(200)	50
Risk	0	15	0	15	6	0	21
IT licences	30	0	(30)	0	0	0	0
Recycling	0	26	0	26	0	(17)	9
Land charges	0	100	0	100	0	0	100
Planning Services	20	37	0	57	38	0	95
Town Centre	53	3	0	56	15	(19)	52
Economic Development	0	10	0	10	0	(10)	0
Administrative support	0	0	0	0	20	0	20
Grants to voluntary bodies	0	0	0	0	13	0	13
Play areas	0	0	0	0	24	0	24
Countryside centre	0	0	0	0	6	0	6
Electoral services	0	0	0	0	22	0	22
Land drainage	8	0	0	8	12	0	20
Total General Fund	1,924	1,396	(393)	2,927	491	(497)	2,921
Housing Revenue Account							
Housing capital	4,450	1,000	0	5,450	1,000	0	6,450
Supporting people	0	19	0	19	10	0	29
Total Housing Revenue Account	4,450	1,019	0	5,469	1,010	0	6,479
Total Earmarked Reserves	6,374	2,415	(393)	8,396	1,501	(497)	9,400

10. Other Operating Expenditure

2010/11 £'000	Expenditure	2011/12 £'000
8	Parish Precept	8
449	Payments to the Government Housing Capital Receipt Pool	404
(360)	Gain/losses on disposal of non-current assets	(389)
	Trading services	1
106	Write down of Assets Held for Sale	-
203	Total	24

11. Financing and Investment Income and Expenditure

2010/11 £'000	Expenditure	2011/12 £'000
436	Interest Payable and similar charges	508
2,264	Pension Interest Cost and Expected Return on Pensions Assets	1,337
(190)	Interest Receivable and Similar Income	(202)
(454)	Income and Expenditure in relation to Investment Properties and Changes in Fair Value	5
(125)	Finance lease Income	(123)
1,931	Total	1,525

12. Taxation and non Specific Grant Income

2010/11 £'000	Income source	2011/12 £'000
(5,767)	Council Tax Income	(5,805)
(5,639)	Non Domestic Rate Income	(3,588)
(819)	Revenue Support Grant	(1,109)
-	Council Tax Freeze Grant	(144)
(685)	Capital Grants and Contributions	(118)
(97)	Non-ring fenced government grants	(189)
(13,007)	Total	(10,953)

13 Property, Plant and Equipment movements in 2011/12

	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
Cost or Valuation								
At 1 April 2011	211,723	17,503	8,369	1,545	1,213	0	2,963	243,316
Additions	6,125	7,455	614	539	219	0	0	14,952
Revaluation increases / (decreases) recognised in the Revaluation Reserve	0	2,074	0	0	0	0	0	2,074
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(5,978)	(1,471)	0	0	0	0	0	(7,449)
De-recognition – Disposals	(380)	0	0	0	0	0	0	(380)
De-recognition – Other	0	0	(134)	0	0	0	0	(134)
Assets reclassified	(701)	562	0	0	(562)	192	0	(509)
Other movements in costs or valuation	0	(100)	0	0	0	0	(2,430)	(2,530)
At 31 March 2012	210,789	26,023	8,849	2,084	870	192	533	249,340

	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
Accumulated Depreciation and Impairment								
At 1 April 2011	0	2,463	5,161	123	126	0	0	7,873
Depreciation Charge	3,844	461	979	67	0	0	0	5,351
Depreciation written out to the Revaluation Reserve	0	(967)	0	0	0	0	0	(967)
Depreciation written out to the Surplus/Deficit on the Provision of Services	(3,844)	(278)	0	0	0	0	0	(4,122)
Impairment losses/(reversals) recognised in the Revaluation Reserve	0	(458)	0	0	0	0	0	(458)
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	(130)	0	0	0	0	0	(130)
De-recognition – Disposals	0	0	(134)	0	0	0	0	(134)
Assets reclassified (to)/from Community Assets	0	126	0	0	(126)	0	0	0
Other movements in depreciation and impairment	0	(100)	0	0	0	0	0	(100)
At 31 March 2012	0	1,117	6,006	190	0	0	0	7,313
Net Book Value								
At 31 March 2011	211,723	15,040	3,208	1,422	1,087	0	2,963	235,443
At 31 March 2012	210,789	24,906	2,843	1,894	870	192	533	242,027

NOTES TO CORE FINANCIAL STATEMENTS

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, although the value of all assets is reviewed annually for impairments and changes in market conditions. 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	Vehicles Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historic cost	-	-	8,849	2,084	870	-	533	12,336
Valued at current value in:								
2007/08	-	953	-	-	-	-	-	953
2008/09	-	7,362	-	-	-	-	-	7,362
2009/10	-	927	-	-	-	-	-	927
2010/11	-	3,471	-	-	-	192	-	3,663
2011/12	210,789	13,310	-	-	-	-	-	224,099
Gross value	210,789	26,023	8,849	2,084	870	192	533	249,340
Cumulative depreciation	-	(1,117)	(6,006)	(190)	-	-	-	(7,313)
Net book value at 31 March 2012	210,789	24,906	2,843	1,894	870	192	533	242,027

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.

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

2010/11 £'000		2011/12 £'000
(1,192)	Rental income from investment property	(983)
896	Direct operating expenses arising from investment	988
(163)	Movement in market value of investment property	-
(459)	Net (gain)/loss on investment properties	5
5	Loss on trading operations	1
(454)		6

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council 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.

2010/11 £'000		2011/12 £'000
10,017	Balance at the start of the year	9,999
	Additions:	
0	• Purchases	0
0	• Construction	0
19	• Subsequent expenditure	204
(200)	Disposals	(462)
163	Net gains/losses from fair value adjustments	0
9,999	Balance at end of the year	9,741

15 Intangible Assets

The Council 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 Council. 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 £0.236 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:

2010/11 £'000		2011/12 £'000
	Balance at start of the year:	
1,368	- Gross carrying amounts	1,533
(750)	- Accumulated amortisation	(965)
618	Net carrying amount at the start of the year	568
	Additions:	
165	- Purchases	24
(215)	Amortisation for the period	(236)
568	Net carrying amount at end of year	356
	Comprising:	
1,533	Gross carrying amount	1,557
(965)	Accumulated amortisation	(1,201)
568		356

16. Financial Instruments

Categories of Financial Instruments

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

31 March 2011			31 March 2012	
Long-term £'000	Current £'000		Long-term £'000	Current £'000
		Investments		
-	10,550	Loans & receivables	-	8,651
-	10,550	Total investments		8,651
		Debtors		
114	2,291	Loans & receivables	70	2,043
114	2,291	Total debtors	70	2,043
		Borrowings		
(5,264)	(28,561)	Financial liabilities at amortised cost	(104,183)	(37,817)
(5,264)	(28,561)	Total borrowings	(104,183)	(37,817)
		Creditors		
-	(2,540)	Financial liabilities at contract cost	-	(2,578)
-	(2,540)	Total creditors	-	(2,578)
-	2,755	Cash & cash equivalents	-	8,259

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

Income, Expense, Gains and Losses

31 March 2011				31 March 2012		
Financial Liabilities £'000	Financial Assets £'000	Total £'000		Financial Liabilities £'000	Financial Assets £'000	Total £'000
401	-	401	Interest expense	455	-	455
			Total expense in Surplus or Deficit in Provision of Services			
-	(190)	(190)	Interest income	-	(202)	(202)
-	(190)	(190)	Total income in Surplus or Deficit in Provision of Services	-	(202)	(202)
401	(190)	211	Net (gain)/loss for the year	455	(202)	253

Fair Value of assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value has been calculated by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

- For PWLB loans the premature repayment rates at 31st March 2012 and the debt redemption procedure of the PWLB have been applied
- The fair value of other temporary borrowing and deposit loans is taken as amortised cost since there is no trade in these assets
- The fair value of debtors and creditors is taken as the invoiced or billed amount.

The fair value figures for PWLB loans have been provided by the PWLB.

31 March 2011			31 March 2012	
Carrying amount	Fair value		Carrying amount	Fair value
£'000	£'000		£'000	£'000
		Financial liabilities		
5,264	5,264	Long term	104,183	108,184
28,561	28,561	Current	37,817	37,817
		Financial Assets		
10,550	10,550	Loans & receivables	8,651	8,651
114	114	Long term debtors	70	70

17. Inventories

Details of inventories held are shown below:-

Balance at 31 March 2011 £'000	Stock	Balance at 31 March 2012 £'000
176	Depot stores	246
99	Other miscellaneous stores	49
275		295

18. Debtors

An analysis of current debtors is shown below:-

Balance at 31 March 2011 £'000	Debtor type	Balance at 31 March 2012 £'000
1,713	Central Government bodies	682
1,093	Other local authorities	2,260
1,263	Housing rents	974
3,176	Other entities and individuals	3,366
7,245		7,282
(1,324)	Less – provision for doubtful debts	(1,181)
5,921	Total	6,101

19. Cash and Cash Equivalents

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

Balance at 31 March 2011 £'000		Balance at 31 March 2012 £'000
31	Cash held by the Council	32
224	Bank Current Accounts	5,727
2,500	Short Term Deposits	2,500
2,755	Total Cash and Cash Equivalents	8,259

20. Assets Held for Sale

	Current 2010/11 £'000	Current 2011/12 £'000
Balance outstanding at start of year	0	2,537
Assets newly classified as held for sale:		
- Property, plant & equipment (HRA)	2,643	701
Assets reclassified as surplus:-		
- Property, plant & equipment		(192)
Revaluation losses	(106)	
Balance outstanding at year end	2,537	3,046

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. Where the sale is no longer expected within twelve months the asset has been reclassified as surplus property within property, plant and equipment.

21. Creditors

An analysis of current creditors is shown below:-

Balance at 31 March 2010 £'000	Creditor type	Balance at 31 March 2012 £'000
495	Central Government bodies	636
1,288	Other Local Authorities	2,621
415	Housing rents prepaid	305
0	NHS bodies	36
1,989	Other entities and individuals	2,878
4,187		6,476

22. Provisions

An analysis of provisions is as follows:

	Opening Balance 01/04/11 £'000	Contributions		Closing Balance 31/03/12 £'000
		To £'000	From £'000	
Self insurance (injury and damage compensation claims)	589	133	(187)	535

23. Usable Reserves

Movement in the Council's usable reserves are detailed in the Movement in Reserves Statement and Note 8 "Adjustments between accounting basis and funding basis under regulation".

24 Unusable Reserves

An analysis of the unusable reserves is shown below:

	Opening	Contributions		Closing
	Balance	To	From	Balance
	01/04/11			31/03/12
	£'000	£'000	£'000	£'000
Pensions reserve	(44,064)	3,311	(13,201)	(53,954)
Accumulated absences account	(172)	172	(261)	(261)
Deferred Capital Receipts Reserve	59	609	(40)	628
Capital adjustment account	212,174	4,032	(109,099)	107,107
Revaluation reserve	6,876	2,665	(422)	9,119
Collection fund adjustment account	53	10	-	63
Total unusable reserves	174,926	10,799	(123,023)	62,702

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.

2010/11		2011/12
£'000		£'000
55,265	Balance at 1 April	44,064
(5,712)	Actuarial (gains) or losses on pension assets and liabilities	10,035
	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)	Employer's pension contributions and direct payments to pensioners payable in the year	3,166
(3,039)		(3,311)
44,064	Balance at 31 March	53,954

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.

2010/11		2011/12	2011/12
£'000		£'000	£'000
135	Balance at 1 April		172
(135)	Settlement or cancellation of accrual made at the end of preceding year	(172)	
172	Amounts accrued at the end of the current year	261	
37	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		89
172	Balance at 31 March		261

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. The balance represents mortgages granted on sales of council houses and loans for improvements to private sector houses secured by charges on the properties.

2010/11 £'000		2011/12 £'000
71	Opening Balance at 1 April	59
(12)	Transfer to the Capital Receipts Reserve upon receipt of cash	(40)
-	Lifetime loans balance transferred from Capital Adjustment Account	546
-	Lifetime loans issued in year	63
59	Closing Balance at 31 March	628

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.

2010/11 £'000		2011/12 £'000	2011/12 £'000
268,770	Opening Balance at 1 April		212,174
	<i>Capital Financing applied in the year:</i>		
307	Use of Capital Receipts to finance new expenditure	434	
4,300	Use of Major Repairs Reserve to finance Capital Expenditure	2,268	
879	Capital Grants and Contributions credited to Comprehensive Income and Expenditure Statement that have been applied to capital financing	431	
295	Statutory provision for the financing of capital investment	471	
232	Application of grants to capital financing from the Capital Grants Unapplied Account	202	
0	Revenue Contributions to Capital Expenditure	32	
6,013			3,838
	<i>Reversal of items relating to capital expenditure debited or credited to Comprehensive Income and Expenditure Statement:</i>		
(1)	Impairment of non-current assets	55	
(56,218)	Loss on revaluation of housing stock	(2,134)	
(5,262)	Depreciation of non-current assets	(5,352)	
(215)	Amortisation of intangible assets	(236)	

(26)	Finance lease IFRS transition adjustment	(28)
(462)	Revenue expenditure funded from capital under statute	(1,577)
(613)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal	(843)
(62,797)		(10,115)
130	Adjusting Amounts written out of Revaluation Reserve	139
163	Movements in the market value of Investment Property debited or credited to the Comprehensive Income and Expenditure Account	-
-	Reversal Housing Revenue Account Settlement	(98,929)
(105)	Movements in the value of Held for Sale assets	-
212,174	Closing Balance at 31 March	107,107

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.

2010/11 £'000		2011/12 £'000
43,446	Opening Balance at 01 April	6,876
3,475	Revaluations during the year	2,665
(130)	Depreciation of revaluations	(139)
(39,915)	Impairment of Revaluations	(177)
0	Reversal previous revaluation losses	(106)
6,876	Closing Balance at 31 March	9,119

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.

2010/11 £'000		2011/12 £'000
50	Balance at 1st April	53
	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	
3		10
53	Balance at 31st March	63

25. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2010/11 £'000		2011/12 £'000
(190)	Interest received	(200)
436	Interest paid	461

26. Cash Flow Statement – Investing Activities

2010/11 £'000		2011/12 £'000
11,015	Purchase of property, plant & equipment, investment property and intangible assets	12,750
32,400	Purchase of short-term & long-term investments	50,100
29	Other payments for investing activities	62
(973)	Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,232)
(37,100)	Proceeds from short-term & long-term investments	(52,000)
(33)	Other receipts from investing activities	(115)
5,338	Net cash flows from investing activities	9,565

27. Cash flow statement – financing activities

2010/11 £'000		2011/12 £'000
(126,218)	Cash receipts of short-term & long-term borrowing	(202,454)
	Other receipts from financing activities:	
(2,282)	• Difference between cash collected from NNDR taxpayers and the amount paid to the pool	(213)
(208)	• 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	(86)
125,340	Repayments of short- and long-term borrowing	94,273
(3,368)	Net cash flows from financing activities	(108,480)

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.

2011/12	Policy, Performance & Partnership	Finance & Resources	Planning, Regulatory, Regeneration & Housing	Leisure, Environmental & Community	Chief Exec	Total Net Expenditure by Service
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(125)	(2,283)	(1,644)	(5,850)	(84)	(9,986)
Government grants	-	(30,265)	(139)	(11)	-	(30,415)
Recharge to Services	(480)	(6,147)	(1,677)	(6,147)	(1,153)	(15,604)
	(605)	(38,695)	(3,460)	(12,008)	(1,237)	(56,005)
Employee expenses	223	4,186	1,778	7,646	199	14,032
Other expenses	516	33,314	3,062	8,944	1,038	46,874
Support service recharges	94	2,934	129	2,788	15	5,960
	833	40,434	4,969	19,378	1,252	66,866
Net Cost of Services	228	1,739	1,509	7,370	15	10,861

2010/11 Comparative Figures	Policy, Performance & Partnership	Finance & Resources	Planning, Regulatory, Regeneration & Housing	Leisure, Environmental & Community	Chief Exec	Total Net Expenditure by Service
	£'000	£'000	£'000	£'000	£'000	£'000
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 Services	(572)	(6,708)	(2,612)	(6,250)	(1,121)	(17,263)
	(928)	(38,151)	(4,201)	(11,916)	(1,313)	(56,509)
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
	876	40,239	5,816	21,146	1,325	69,402
Net Cost of Services	(52)	2,088	1,615	9,230	12	12,893

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

	2010/11 £'000	2011/12 £'000
Net Cost of Service from Service Analysis	12,893	10,861
Add amounts not reported to management	47,682	93,681
Amounts not included in the Comprehensive Income and Expenditure Statement	(304)	7,498
Net Cost of Services in Comprehensive Income and Expenditure Statement	60,271	112,040

Reconciliation to Subjective Analysis

2011/12	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	(9,986)	(22,426)	1,146	(31,266)	-	(31,266)
Interest and Investment income	-	-	-	-	(202)	(202)
Income from Council Tax	-	-	-	-	(5,805)	(5,805)
Government grants and Contributions	(30,415)	-	-	(30,415)	(5,148)	(35,563)
Internal Recharge	(9,644)	2,405	7,504	265	(265)	-
Total Income	(50,045)	(20,021)	8,650	(61,416)	(11,420)	(72,836)
Employee Expenses	14,032	1,462	(82)	15,412	1,337	16,749
Other Service Expenses	45,182	11,081	(1,070)	55,193	202	55,395
Capital Charges	1,692	2,182	-	3,874	-	3,874
Interest Payments	-	48	-	48	455	503
Precepts	-	-	-	-	7	7
Loss on disposal of Assets	-	-	-	-	(389)	(389)
Housing Settlement Payments to Housing Capital Receipts Pool	-	98,929	-	98,929	-	98,929
	-	-	-	-	404	404
Total Expenditure	60,906	113,702	(1,152)	173,456	2,016	175,472
Surplus/deficit on the provision of Services	10,861	93,681	7,498	112,040	(9,404)	102,636

2010/11 Comparative Figures	Segmental analysis	Not reported to management	Not included in CIES	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'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)
Support Service Recharge	(8,942)	2,824	4,691	(1,427)	-	(1,427)
Total Income	(48,188)	(24,953)	6,169	(66,972)	(13,197)	(80,169)
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
Total Expenditure	61,081	72,635	(6,473)	127,243	2,324	129,567
Surplus/deficit on the provision of Services	12,893	47,682	(304)	60,271	(10,873)	49,398

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 Council'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.

2010/11 £'000	Service	2011/12 £'000	2011/12 £'000
(497)	<i>Investment property</i>		
38	Land and property holdings	(64)	
	Business centres	69	
(459)	Financing and investment income and expenditure		5
	<i>Trading services</i>		
22	Civic suite hire	27	
(17)	Market	(26)	
5	Other operating expenditure		1
(454)	Net (surplus)/loss on trading operations		6

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

Undertaking		2010/11 £'000	2011/12 £'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	(973)	(574)
	Expenditure	476	510
	Surplus	(497)	(64)
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	(382)	(408)
	Expenditure	420	477
	Deficit	38	69
The Council operates an outdoor market generating rental income from stallholders - the trading objective is to maximise the surplus.	Turnover	(123)	(156)
	Expenditure	106	130
	Deficit/(Surplus)	17	(26)

30. Members' Allowances

Members' allowances paid in the year were £138,186 (£139,479 in 2010/11). Expenses of £4,131 (£3,615 in 2010/11) were paid in addition to members' allowances. The scheme for members' 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.

2010/11 £'000		2011/12 £'000
92	Basic allowances	93
47	Special responsibility	45
4	Expenses	4
143	Total	142

31. Employee Remuneration

From 20th 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.

2010/11 Number	Remuneration band	2011/12 Number
-	Between £50,000 and £54,999	-
-	Between £55,000 and £59,999	1
1	Between £60,000 and £64,999	1
-	Between £65,000 and £69,999	-
4	Between £70,000 and £74,999	1
-	Between £75,000 and £79,999	2
-	Between £80,000 and £84,999	-
1	Between £85,000 and £89,999	-
-	Between £90,000 and £94,999	1
1	Between £95,000 and £99,999	-
-	Between £100,000 and £104,999	1
7		7

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

2011/12

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£
Head of Environmental Services	75,054	-	75,054	8,475	83,529
Head of Planning	75,071	-	75,071	8,475	83,546
Head of Housing Services	62,500	-	62,500	7,062	69,562
Head of Community Services	56,250	-	56,250	6,356	62,606
Head of Resources	74,900	-	74,900	8,452	83,352
Director of Planning, Regeneration, Regulatory & Housing	90,751	-	90,751	10,255	101,006
Deputy Chief Executive	100,163	-	100,163	11,315	111,478
	534,689	-	534,689	60,390	595,079

2010/11 comparative figures

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£
Head of Environmental Services	72,884	322	73,206	13,046	86,252
Head of Planning & Regeneration	72,522	-	72,522	12,981	85,503
Head of Housing Services	61,090	201	61,291	10,935	72,226
Head of Community Services	73,036	-	73,036	13,073	86,109
Head of Resources	73,551	277	73,828	13,166	86,994
Director of Planning, Regeneration, Regulatory & Housing	88,136	-	88,136	15,776	103,912
Deputy Chief Executive	98,527	-	98,527	17,636	116,163
	539,746	800	540,546	96,613	637,159

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.

Employee Title	Salary, Fees and Allowances	Expenses Allowance	Total Remuneration (excluding Pension Contributions)	Employer's Pension Contribution	Total Remuneration
	£	£	£	£	£
Chief Executive	126,035	1,547	127,581	13,388	140,969
Executive Director of Finance & Resources	90,313	845	91,157	9,529	100,686
Director of Policy, Performance & Partnerships	85,941	0	85,941	6,623	92,564
Head of Legal & Democratic Services	74,625	1,895	76,520	7,875	84,395
	376,914	4,287	381,199	37,415	418,614

2011/12 Termination costs

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the tables below. All officers were made redundant as part of the shared service agenda so the costs incurred at each authority are shared on a 50% basis.

Redditch Borough Council

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £	2011/12 £
£0-£20,000	0	21	19	10	19	31	79,037	175,849
£20,001-£40,000	0	1	4	2	4	3	136,597	87,941
£40,001-£60,000	0	0	0	0	0	0	0	0
Total	0	22	23	12	23	34	215,634	263,790

Bromsgrove District Council

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages		Total cost of exit packages	
	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11 £	2011/12 £
£0-£20,000	6	2	19	7	25	9	96,884	109,922
£20,001-£40,000	1	1	0	3	1	4	22,642	117,297
£40,001-£60,000	0	1	0	0	0	1	0	42,405
£60,001-£80,000	0	0	0	2	0	2	0	141,576
£80,001-£100,000	0	0	0	1	0	1	0	81,317
Total	7	4	19	13	26	17	119,526	492,517

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.

2010/11 £000		2011/12 £000
132	Accrued fees payable with regard to external audit services	117
55	Fees paid with regard to the certification of grant claims and returns	31
187	Total	148

33. Related Parties

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

Central Government

Central government has effective control over the general operations of the Council– it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the forms of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council tax bills, housing benefits). Grants received from the 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 2011/12 is shown in Note 30. During 2011/12, no material works and services were commissioned from companies in which members had an interest.

Grants totalling £77,360 were paid to voluntary organisations in which 4 members had an interest. These organisations were:

Redditch Play Council (£50,000)
Age Concern (£13,360)
Where Next (£10,000)
Carers' Careline (£4,000)

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 2011/12.

Entities Controlled or Significantly Influenced by the Council

The Council shares a number of services with Bromsgrove District Council. Total receivable from Bromsgrove District Council, including the cost of hosting these services was £2,331,000 (£1,909,000 of which was unpaid at 31 March 2012), whilst £2,289,000 (£904,000 of which was unpaid at 31 March 2012) was payable to Bromsgrove District Council in 2011/12.

Under the Worcestershire Enhanced Two Tier (WETT) programme, Asset & Estates and Audit Services are provided by partner Councils. In 2011/12, payable to the Worcestershire County Council and Worcester City Council was a total of £441,000 (£191,000 of which was unpaid at 31 March 2012).

As part of Worcestershire Regulatory Services, payable to Bromsgrove District Council was £642,000 (none of which was unpaid at 31 March 2012) for hosting Environmental Health and Licensing. £18,000 was receivable from Worcestershire Regulatory Services (£7,000 of which was unpaid at 31 March 2012).

34. Grant Income

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

	2010/11 £'000	2011/12 £'000
Credited to Taxation and Non Specific Grant Income		
Revenue Support Grant	819	1,109
Area Based Grant	97	-
New Homes Bonus	-	189
Council Tax Freeze Grant	-	144
Total	916	1,442
Credited to Services		
Benefits Administration	815	718
Concessionary Fares	251	11
Homelessness	141	139
Free Swimming	24	-
New Burden Grant (Local Land Charges)	34	-
NDR administration	7	2
Total	1,272	870
Capital Grants and contributions		
Decent Homes Grant	77	-
Disabled Facilities Grant (applied to revenue)	295	321
CCTV/ Lifeline	210	-
BMX track	230	-
Developers contributions	135	20
"Aiming High" Worcestershire County Council (Abbey Stadium)	0	98
DEFRA –Contaminated land (applied to revenue)	0	12
Other	33	-
Total	980	451

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.

2010/11 £'000		2011/12 £'000
25,618	Opening capital financing requirement	31,066
Capital investment:		
10,815	Property, plant and equipment	12,522
20	Investment properties	205
164	Intangible assets	25
462	Revenue expenditure funded from capital under statute	1,577
Sources of finance:		
(307)	Capital receipts	(434)
(1,111)	Government grants & other contributions	(632)
(4,300)	Major repairs allowance	(2,268)
	Sums set aside from revenue	
-	Direct revenue contributions	(32)
(295)	MRP/loans fund principal (excluding PFI)	(471)
31,066	Closing capital financing requirement	41,558
Explanation of movements in year		
5,448	Increase in underlying need to borrow (unsupported by government financial assistance)	10,492
5,448	Increase / (decrease) in capital financing requirement	10,492

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. It also leases photocopiers and other office equipment. The Rubicon Centre is leased with a remaining lease period of just over five years. This is a business centre sub let to small businesses. At 31 March 2012 the minimum payments expected under sub-leases was £712,000 (£889,000 at 31 March 2011).

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

	31 March 2011 £'000	31 March 2012 £'000
Not Later than one year	428	954
Later than one year and not later than five years	1,242	381
Later than five years	146	54
	1,816	1,389

The expenditure charged to the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2011 £'000	31 March 2012 £'000
Minimum lease payments	430	455
Sub-lease payments receivable	(135)	(128)
	295	327

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 20 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 2011 £'000	31 March 2012 £'000
Finance lease debtor	1,365	1,338
Unearned finance income	1,795	1,672
Unguaranteed residual value of property	203	203
Gross investment in the lease	3,363	3,213

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

	31 March 2011 £'000	31 March 2012 £'000
Gross investment in the lease		
Not Later than one year	151	151
Later than one year and not later than five years	602	602
Later than five years	2,610	2,460
	3,363	3,213

	31 March 2011 £'000	31 March 2012 £'000
Minimum lease payments		
Not Later than one year	151	151
Later than one year and not later than five years	602	602
Later than five years	2,408	2,257
	3,161	3,010

37. Impairment losses

The Council recognised impairment and revaluation losses of £2.134million in relation to HRA property. Expenditure spent on housing improvements did not produce a corresponding increase in value, due to housing market conditions.

A charge of £2.134million was chargeable to the Surplus or Deficit on the Provision of Services for the Housing Revenue Account.

38. 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:

Local Government Pension Scheme 2010/11 £'000		Local Government Pension Scheme 2011/12 £'000
	Comprehensive Income and Expenditure Statement	
	Cost of services:	
2,194	Current Service Cost	1,901
(6,998)	Past Service Costs(Gain)	-
89	Settlements and Curtailments	73
	Financing and investment income and expenditure:	
6,551	Interest Costs	6,057
(4,287)	Expected Return on scheme assets	(4,720)
(2,451)	Total Post-employment Benefit charged to the Surplus or Deficit on the Provision of Services	3,311
	Other Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	
5,712	Actuarial Gains and (Losses)	(10,035)
3,261	Total Post-employment Benefit charged to the Comprehensive Income and Expenditure Statement	(6,724)
	Movement in Reserves Statement	
2,451	Reversal of net charges made to the Surplus or Deficit on the Provision of Services for Post-employment Benefits in accordance with the code	(3,166)
3,039	Actual Amount charged against the General Fund Balance for pensions in the year	3,311
	Employers contributions payable to the scheme	

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £10.035million.

Assets and Liabilities in Relation to Post-employment Benefits

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

Redditch Borough Council LGPS			Shared Regulatory Services LGPS		
<i>Unfunded benefits</i>	<i>All benefits</i>	<i>All benefits</i>	<i>Unfunded benefits</i>	<i>All benefits</i>	<i>All benefits</i>
2010/11	2010/11	2010/11	2011/12	2011/12	2011/12
£'000	£'000	£'000	£'000	£'000	£'000
4,092	115,941	1,740	3,449	108,924	1,919
-	2,139	55	-	1,841	60
222	6,468	83	182	5,951	106
-	775	23	-	749	23
(417)	(5,877)	126	78	3,899	-
(258)	(3,789)	1	(264)	(4,032)	(55)
(190)	(6,813)	(118)	-	-	-
-	80	9	-	73	-
3,449	108,924	1,919	3,445	117,405	2,053

Reconciliation of fair value of the scheme assets:

Redditch Borough Council LGPS			Shared Regulatory Services LGPS		
<i>Unfunded benefits</i>	<i>All benefits</i>	<i>All benefits</i>	<i>Unfunded benefits</i>	<i>All benefits</i>	<i>All benefits</i>
2010/11	2010/11	2010/11	2011/12	2011/12	2011/12
£'000	£'000	£'000	£'000	£'000	£'000
-	61,499	1,613	-	65,591	1,945
-	4,191	97	-	4,584	136
-	(72)	161	-	(5,959)	(177)
258	2,987	52	264	3,267	44
-	775	23	-	749	23
(258)	(3,789)	(1)	(264)	(4,032)	(55)
-	65,591	1,945	-	64,200	1,916

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 -£1,374 million (2010/11 £5,104 million) for Redditch Borough Council and £-0.041million (2010/11 £0.256million) for the shared Regulatory Services.

Scheme History

	2007/08	2008/09	2009/10	2010/11	2011/12
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities:	99,210	83,989	117,681	110,843	119,458
Fair value of Assets	(55,309)	(42,241)	(63,112)	(67,536)	(66,116)
Surplus/deficit in the scheme	43,901	41,748	54,569	43,307	53,342

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment benefits. The total liability of £119,459 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 £53.342million. 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 2013 are £2.871million.

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:

2010/11 Redditch Borough Council	2010/11 Regulatory Services – where different		2011/12 Redditch Borough Council	2011/12 Regulatory Services – where different
Long term expected rate of return on assets in the scheme				
7.5%		Equity investments	7.0%	
4.4%		Government Bonds	3.1%	
5.1%		Other bonds	4.1%	
0.5%		Cash/liquidity	0.5%	
Mortality assumptions				
Longevity at 65 for current pensioners:				
22		• Men	22.1	
24.5		• Women	24.6	
Longevity at 65 for former pensioners:				
23.4		• Men	23.5	
26.1		• Women	26.1	
Financial assumptions				
2.9%	3.0%	Rate of CPI inflation	2.5%	2.6%
4.4%	4.5%	Rate of increase in salaries	4.0%	4.1%
2.9%	3.0%	Rate of increase in pensions	2.5%	2.6%
5.5%		Rate of discounting scheme liabilities	4.9%	5.1%
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:

31 March 2011 %		31 March 2012 %
92.7	Equity investments	88.9
2.6	Government bonds	3.2
3.8	Other bonds	4.0
0.9	Cash / liquidity	3.9
100.0	Total	100.0

(Determined as at 31 March 2011)

(Determined as at 31 March 2012)

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.

	2007/08	2008/09	2009/10	2010/11		2011/12	
	Restated			Redditch Borough Council	Regulatory Service	Redditch Borough Council	Regulatory Services
	%	%	%	%	%	%	%
Experience gains / (losses) on assets	(15.4)	(40.1)	27.2	(0.1)	8.2	(9.3)	(9.2)
Experience gains / (losses) on liabilities	1.8	0.0	0.0	4.7	0.0	0.0	0.0

39. 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 2012 are as below:-

Invested with	Commencement Date	Maturity Date	Investment Principal £'000	Interest Rate
Lloyds Bank plc	07/04/11	05/04/12	1,600	2.00%
Nationwide Building Society	29/03/12	02/05/12	1,000	0.56%
Coventry Building Society	15/06/11	13/06/12	1,000	1.52%
Principality Building Society	27/03/12	27/06/12	500	0.67%
Yorkshire Building Society	27/03/12	27/06/12	500	0.50%
Santander Bank plc	30/03/12	02/07/12	2,500	1.15%
Coventry Building Society	30/03/12	28/09/12	1,500	1.35%

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.

	Balance sheet at 31 March 2012	Historical experience of default	Estimated maximum exposure to default and uncollectability at 31 March 2012	Estimated maximum exposure to default and uncollectability at 31 March 2011
	£'000	£'000	£'000	£'000
Trade and other debtors	2,043	5%	115	112

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

	31 March 2011 £'000	31 March 2012 £'000
Less than three months	1,977	1,216
Three to six months	30	73
Six months to one year	59	162
More than one year	225	592
	2,291	2,043

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.

The maturity analysis of financial liabilities is summarised as follows:

	£'000
Less than one year	37,951
Between one & five years	120
More than five years	103,929
	142,000

The Council has been able to benefit from borrowing on a short term basis at low rates.

Included within the long-term borrowing is a £5,000,000 loan due to mature in 2032 with an interest rate of 4.71%. The loan is a maturity loan and the fair value of this loan as at the 31 March 2012 is £5,098,071. In addition, the Council was required to take on additional borrowing of £98,929,000 in order to fund the Housing Settlement payment, secured through the Public Works Loan Board. This is made up of the following loans:

Commencement Date	Maturity Date	Investment Principal £'000	Interest Rate	Fair Value at 31 March 2012 £'000
28/03/12	28/03/27	15,000	3.01%	15,574
28/03/12	28/03/32	25,000	3.30%	25,975
28/03/12	28/03/37	40,000	3.44%	41,654
28/03/12	28/03/42	18,929	3.50%	19,762
		98,929		102,965

The Council entered into an interest free Salix Energy Efficiency Loan Scheme in 2010/11 which is repayable over 4 years. The amount outstanding as at the 31 March 2012 is £119,791.

The Councils short term borrowing at 31 March 2012 is as below:-

Borrowed from	Commencement Date	Maturity Date	Investment Principal £'000	Interest Rate
Neath and Port Talbot Council	03/02/12	03/04/12	2,000	0.32%
South Lanarkshire Council	04/01/12	03/04/12	3,000	0.30%
Worcestershire County Council	20/03/12	16/04/12	1,000	0.30%
Worcestershire County Council	13/03/12	17/04/12	2,000	0.35%
London Borough of Ealing Council	01/02/12	01/05/12	1,600	0.40%
South Lanarkshire Council	08/02/12	02/05/12	3,000	0.35%
London Borough of Ealing Council	19/03/12	19/06/12	2,000	0.50%
Surrey Heath Borough Council	22/02/12	19/06/12	600	0.42%
Gwent Police Authority	21/02/12	19/06/12	2,000	0.42%
Derbyshire Superannuation Fund	20/03/12	20/06/12	1,000	0.50%
Caerphilly Borough Council	30/12/11	28/06/12	1,500	0.42%
Derbyshire Superannuation Fund	27/02/12	27/07/12	1,000	0.50%
Aberdeenshire Council	01/03/12	01/08/12	2,000	0.50%
South Yorkshire Joint Secretariat	01/03/12	01/08/12	3,000	0.50%
South Lanarkshire Council	15/02/12	15/08/12	3,000	0.45%
West Sussex County Council	13/03/12	13/09/12	2,600	0.65%
Tendring District Council	13/03/12	13/09/12	1,000	0.60%
Solihull Metropolitan District Council	19/03/12	19/09/12	1,000	0.65%
Derbyshire Superannuation Fund	20/03/12	20/09/12	1,500	0.60%
South Yorkshire Joint Secretariat	16/03/12	15/03/13	3,000	0.85%
			<u>37,800</u>	

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 Resources 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 measures:

- 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 March 2012, all funds were deposited with F1 rated Banks or Building Societies.

Deposits with banks and financial institutions	Amount at 31 March 2012	Adjustment for market conditions at 31 March 2012	Estimated maximum exposure to default
	£'000		£'000
Fixed Term Deposits	8,600	0.00	8,600
Call Account	2,500	0.00	2,500

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 nor liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

40. Trust Funds

The Council acts a custodian trustee for two trust funds and as co-trustee for the Paolozzi Mural Fund. The funds of these trusts do not represent the assets of the Council and therefore they have not been included in the Balance Sheet.

Trust	Income £,000	Expenditure £,000	Assets £,000	Liabilities £,000
2011/12				
Paolozzi Mural Fund	1	-	136	-
<i>The purpose of the trust is to ensure that the murals remain in Millward Square and can be readily viewed by the public</i>				
Other trust funds	-	-	1	-
	1	-	137	-
2010/11				
Paolozzi Mural Fund	1	-	135	-
Other trust funds	-	-	1	-
	1	-	136	-

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.

2010/11 £'000	Notes		2011/12 £'000	2011/12 £'000
		Expenditure		
4,033		Repairs and Maintenance	4,162	
4,267		Supervision and Management	4,064	
167		Rent, rates, taxes and other charges	167	
5,809	8	Negative HRA Subsidy payable	6,838	
3,774	7	Depreciation	3,895	
32		Debt Management costs	64	
-		Subsidy limitation transfer to General Fund	271	
-		Revaluation loss	2,134	
-	14	Settlement payment	98,929	
155	11	Movement on allowance for bad debts	108	
18,237		Total expenditure		120,632
		Income		
(19,788)	1	Dwelling Rents	(20,877)	
(522)		Non-dwelling Rents	(454)	
-	8	HRA subsidy	(35)	
(195)		Charges for Services and Facilities	(190)	
(20,505)		Total income		(21,556)
(2,268)		Net cost of HRA services as included in Comprehensive Income and Expenditure Account		99,076
699		HRA share of Corporate and Democratic Core		709
(1,569)		Net (Income)/expenditure for HRA Services		99,785
		HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement		
(192)		Gain or (loss) on sale of HRA non-current assets		(374)
178		Interest payable and similar charges		298
(50)		Interest received		(80)
578		Pension interest costs and expected return on pension assets		431
(1,055)		(Surplus)/deficit for the year on HRA services		100,060

Movement on the HRA Statement

2010/11 £'000	Notes		2011/12 £'000	2011/12 £'000
(1,106)		Balance on the HRA at 1 April		(1,323)
(1,055)		(Surplus)/deficit for the year on HRA services	100,060	
(181)	12	Adjustments between accounting basis and funding basis under statute	(100,665)	
(1,236)		Net increase before transfers to reserves	(605)	
1,019	13	Transfers to reserves	1,010	
(217)		(Increase)/decrease in the year on the HRA		405
(1,323)		Balance on the HRA at 31 March		(918)

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 0.81% of properties were vacant (0.71% in 2010/11). Average rents were £67.24 a week (52 week basis) in 2010/11, an increase of £3.86 or 6.09% 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.

2010/11 Number of Properties		2011/12 Number of Properties
6,041	Owned on April 1	6,035
-	Reclassified	2
-	Available for sale	(31)
(6)	Sales in year	(7)
6,035	Owned on 31 March	5,999

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

2010/11 Number of Properties	Property type	2011/12 Number of Properties
1,595	One bedroom flats	1,565
566	Two bedroom flats	565
28	Three or more bedroom flats	29
661	One bedroom houses	661
946	Two bedroom houses	924
2,016	Three bedroom houses	2,034
178	Four or more bedroom houses	178
45	Non permanent dwellings	43
6,035		5,999

The balance sheet value of the land, houses and other property within the housing revenue account at 31 March 2012 was £211 million. Council dwellings were re-valued at 31 March 2012. 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) 5th 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 £211million (the balance sheet valuation prior to revaluation was £212million). The valuation did not include the notional directly attributable acquisition costs that were determined to be £4.2 million.

	Assets held for sale £'000	Dwellings, garages £'000
Gross value at 1 April 2011	-	211,723
Additions in year –subsequent expenditure	-	6,125
Transfers in year	701	(701)
Disposals in year	-	(380)
Revaluations	-	(5,978)
Gross balance sheet value at 31 March 2012	701	210,789
Depreciation	-	-
Net balance sheet value at 31 March 2012	701	210,789

The vacant possession value of dwellings within the housing revenue account as at 31 March 2012 was £ 610 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 61 properties used for purposes other than as a dwelling in addition to the 5,999 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.

	Major Repairs Reserve £'000
Balance at 1 April 2011	0
Transfer from Capital Adjustment Account	2,268
Reversal of Major Repairs Allowance credited to the HRA	(3,844)
Balance at 31 March 2012	(1,576)

4. Housing repairs account

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

2010/11 £'000		2010/12 £'000
3,787	Expenditure in year	3,860
246	Administration costs	302
(4,033)	Contribution from Housing Revenue Account	(4,162)
0	Transfer from/to specific reserve	0

5. Capital expenditure

During the year a total of £6,125 million capital expenditure was incurred on land, houses and other assets within the housing revenue account.

2010/11 £'000		2011/12 £'000
4,300	Housing Major Repairs Reserve	2,268
2,916	Borrowing	3,857
7,216	Total capital expenditure	6,125

6. Capital receipts

The Council received £0.754 million capital receipts including income from the sale of 12 houses under the Right to Buy scheme and disposals on the open market.

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 total charge for depreciation on operational assets for 2011/12 is £3,894,537 (£3,843,949 MRA for council dwellings and £50,588 Vehicles, plant, furniture and equipment).

8. Housing revenue account subsidy

The amount of subsidy payable for 2011/12 was calculated in accordance with the formula set out in paragraph 3.1 of the General Determination of Housing Subsidy for 2011/12.

Subsidy element	£'000
Allowance for management and maintenance	(9,547)
Allowance for major repairs	(3,844)
	<u>(13,391)</u>
Less:	
Rent	20,146
Interest	76
Adjustment of 2010/11 subsidy	7
Negative subsidy repaid to DCLG	<u>6,838</u>
Interest on self-financing settlement payment	(35)
Subsidy received from DCLG	<u>(35)</u>

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	(533)
Expected return on pensions assets	(1,445)
Pensions interest cost	1,875
	<u>(103)</u>
Housing Revenue Account share of contributions to/from Pensions Reserve	
Sum of items	(927)
Employers contributions	1,030
Net effect on Housing Revenue Account	<u>0</u>

10. Rent arrears

During the year 2011/12 gross rent arrears as a proportion of gross rent income has decreased from 6% to 5%. Arrears at 31 March 2012 were £973,991 (31 March 2011 £1,187,908). Arrears written off during the year amounted to £224,000 (£298,000 in 2010/11).

11. Provision for bad debts

2010/11 £'000		2011/12 £'000
693	Balance at 1 April	550
155	(Decrease)/increase in provision	108
(298)	Written off in year	(224)
<u>550</u>	Balance at 31 March	<u>434</u>

12. Adjustments between accounting basis and funding under regulations

2010/11 £'000	Adjustment	2011/12 £'000
10	Short term compensated absences adjustment	28
363	Pension Reserve movements	(103)
(192)	Gain on sale of assets	(374)
-	Revaluation loss	2,134
-	Settlement payment	98,929
-	Depreciation adjustment	51
181	Adjustments between accounting basis and funding under regulations	100,665

13. Transfers to from earmarked reserves

2010/11 £'000		2011/12 £'000
4,450	Balance at 1 April	5,469
1,019	(Decrease)/increase in provision	1,010
5,469	Balance at 31 March	6,479

14. Settlement payment

In preparation for the commencement of self-financing of the Housing Revenue Account (HRA) from 1 April 2012 the Council made a settlement payment to the secretary of State. The abolition of the housing subsidy system required the Council as a housing authority to take on additional borrowing to buy itself out of the subsidy system. The Council was required to make a payment of £98.929million to the Secretary of State on or before 28 March 2012. The Council took on new debt in order to make this payment.

As this expenditure has been defined by statute to be capital expenditure the transaction has been written out of the HRA via the Movement in the Housing Revenue Account Statement.

The Collection Fund

2010/11 £'000	Note		2011/12 £'000	2011/12 £'000
		Income		
(34,986)		Income from council tax (net of benefits)		(35,193)
		Transfers from general fund		
(6,542)		• council tax benefits		(6,444)
(33,103)		Income collectable from business ratepayers		(33,755)
(74,631)				(75,392)
		Expenditure		
41,231	4	Precepts and demands		41,378
		Business rates		
32,989		• payment to national pool	33,642	
114		• costs of collection	113	33,755
		Bad and doubtful debts		
208	5	• increased provision		45
		Contributions		
73		• towards previous year's estimated collection fund surplus		143
(16)		Movement on fund balance		(71)
(361)		Fund (surplus)/deficit brought forward		(377)
(377)	6	Fund (surplus)/deficit carried forward		(448)

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 2011/12 was 27,569.18 (27,470.42 for 2010/11). The basic amount of council tax for a band D property (£1,500.60 for 2011/12) 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)	14	12.50	5/9	6.94	833.66
A	7,282	6,175.00	6/9	4,116.67	1,000.42
B	11,471	10,466.25	7/9	8,140.42	1,167.15
C	7,066	6,567.00	8/9	5,837.33	1,333.87
D	4,145	3,902.50	1	3,902.50	1,500.60
E	3,082	2,962.25	11/9	3,620.53	1,834.09
F	1,100	1,054.00	13/9	1,522.44	2,167.55
G	419	401.00	15/9	668.33	2,501.02
H	17	16.25	18/9	32.50	3,001.22
Total	34,596	31,556.75		27,847.66	

Multiply by assumed collection rate 99.00%
Tax base **27,569.18**

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. The multipliers were set at 43.3p and 42.6p for small businesses (the multipliers were 41.4p and 40.7p for small businesses in 2010/11). 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 2012 was £ 85,844,948 (£86,235,729 at 31 March 2011).

4. Precepts and demands

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

2010/11	Authority	2011/12
£'000		£'000
28,543	Worcestershire County Council	28,646
5,755	Redditch Borough Council	5,775
4,910	West Mercia Police Authority	4,927
2,023	Hereford & Worcester Fire & Rescue Authority	2,030
41,231		41,378

5. Bad and doubtful debts

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

2010/11	Provision for bad debts - Council Tax	2011/12
£'000		£'000
1,903	Balance at 1 April	1,900
208	Increase in provision	45
(211)	Written off in year	(159)
1,900	Balance at 31 March	1,786

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

2010/11		2011/12
£'000	Provision for bad debts – Business rates	£'000
1,051	Balance at 1 April	1,076
238	Increase/(decrease) in provision	360
(213)	Written off in year	(340)
1,076	Balance at 31 March	1,096

6. Collection fund surpluses and deficits

The surplus on the collection fund at 31 March 2012 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:

2010/11		2011/12
£'000	Authority	£'000
(261)	Worcestershire County Council	(310)
(53)	Redditch Borough Council	(63)
(45)	West Mercia Police Authority	(53)
(18)	Hereford & Worcester Fire & Rescue Authority	(22)
(377)		(448)

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 Chief Financial Officer.
- 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 Code).

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 Code.

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 2011/12 present a true and fair view of the financial position of the Council at 31 March 2012 and its income and expenditure for the year.

..... 26 September 2012
Jayne Pickering C.P.F.A.
Director of Finance and Corporate Resources

..... 26 September 2012
Derek Taylor
Chair Audit and Governance Committee

Independent Auditor's Report to the Members of Redditch Borough Council

Opinion on the Authority financial statements

I have audited the financial statements of Redditch Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Redditch Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Redditch Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Redditch Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Redditch Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Elizabeth Cave
District Auditor

Audit Commission
West Mercia Police HQ
Hindlip Hall
PO Box 55
Worcester
WR3 8SP

28 September 2012.

Glossary of terms

Accounting Period

The period of time covered by the accounts. This is the twelve months starting on 1 April 2011. 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.

Actuary

An independent company which advises on the assets and liabilities of the pension fund with the aim of ensuring that payment of pensions and future benefits are met.

Assets under construction

Capital expenditure on assets where the work is incomplete.

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.

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.

Code of practice on local authority accounting

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

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.

Depreciation

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

Earmarked reserve

Money set aside for specific reason.

Fair value

The amount for which an asset could be exchanged or a liability settled.

Financial instrument

A contract giving rise to a financial asset or liability, for example a loan or an investment.

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.

Minimum revenue provision (MRP)

The amount set aside out of the revenue budget to repay loans.

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.

Public Works Loan Board (PWLB)

A government agency which provides long-term loans to local authorities at favourable interest rates.

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 balances

This is the general reserve of the Council.

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.

Revenue Support Grant (RSG)

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

Service Reporting Code of Practice

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

Temporary borrowing

Money borrowed for a period of less than one year.

Trust funds

Funds administered by the Council on behalf of charities.