

BROMSGROVE DISTRICT COUNCIL

ANNUAL REVIEW AND STATEMENT OF ACCOUNTS 2008/09

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GLOSSARY OF TERMS

ABBREVIATIONS

The symbol “k” following a figure represents thousand.
The symbol “m” following a figure represents million.

ACCRUALS

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

ADDED YEARS

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

CONTINGENT LIABILITIES

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

COUNCIL TAX

The Council Tax is the main form of local taxation in England, Scotland and Wales and is used to fund the service provided by local Council’s and Police and Fire Authorities. The base for the tax is residential property. Each dwelling is allocated to one of eight bands coded by letters A through H on the basis of its assumed capital value as of 1st April 1991. The basic

amount of Council tax, expressed as the annual levy on a Band D property, is calculated by dividing the revenue expenditure requirement by the Council tax base. The Council tax amounts of properties in other bands are calculated by applying ratios set by central Government to the basic amount of Council tax.

CREDITORS

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

CURTAILMENT

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

DEBTORS

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

DEFERRED CAPITAL RECEIPTS

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

DEFERRED CHARGES

Deferred charges are payments of a capital nature where no fixed assets are created but which may be properly financed over a period of years.

DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

These represent amounts received to fund capital expenditure, which are released to the Income & Expenditure Account to offset depreciation in respect of the asset to which it relates.

DEFERRED LIABILITIES

These are creditor balances repayable after at least one year.

DEPRECIATION

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

EARMARKED RESERVES

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

FIXED ASSETS

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

GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE

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

HOUSING SUBSIDY

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

IMPAIRMENT

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

INTANGIBLE ASSETS

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

LEASING

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

NATIONAL NON-DOMESTIC RATE POOL (NNDR/POOL)

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

PRECEPT

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

PROVISIONS

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

RESERVES

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

REVENUE SUPPORT GRANT

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

REVENUE BALANCES

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

STATEMENT OF RECOMMENDED PRACTICE (SORP)

The purpose of the SORP is to act as a guide to preparing and presenting the Council's accounts so that they conform to various legal requirements and so that the accounts present fairly the council's financial activities and financial position.

Introduction from Portfolio Holder for Finance

Welcome to the Council's Statement of Accounts for the year ended 31 March 2009, which are set out in detail on pages 18 to 73. We do hope that you will find the accounts interesting and informative. These pages, together with the accompanying notes, explain the Council's services and how it spent your Council Tax during the year.

The Council has achieved a significant increase in our investment income during 2008/09 from successful management of the funds we have invested. This has enabled us to limit the transfer from balances to £270k for the year.

The Audit Commission has formally recognised the significant improvements the Council has made in awarding a score of "fair" in the Comprehensive Performance Assessment that was undertaken in November 2008. In addition the Use of Resources judgement has improved with a score of 3 (out of 4) being given for the delivery of Risk Management and Internal Control across the Council.

During 2008/09 there have been a number of key achievements delivered by the Council. These included:

- **Completed the consultation on the town centre issues and options paper to enable a master plan of the regeneration of the Town Centre to be developed**
- **Achieved Level 3 of the Equality Standard**
- **Awarded a pilot scheme by the Department of Work and Pensions to enable improved process of benefit claims**
- **Customer Service Centre's performance improvements with answer times now averaging 20 seconds and 73% of residents surveyed saying they would recommend it to a friend**
- **Provided more sports facilities including Multi Use Games Areas (MUGAs) and increased sports development across the District**
- **Establishment of a resident "budget jury " to review budget proposals and identify areas of priority for our customers**
- **Setting up of shared services with Redditch Borough Council for elections and Community Safety**
- **Rolled out street theatres across the District**

There was an improvement in the Value for Money (VFM) delivery by the Council with us now demonstrating adequate standards of VFM in the provision of our services to you. There are further improvements to be made, particularly around comparing our costs with other Councils and looking at working more innovatively in the delivery of our services. We are committed to provide continuous improvements and our officers are constantly looking at alternative ways to provide our services to you at the best price and quality.

Following consultation with you as to what you want the Council to deliver we amended our priorities to reflect customer service being intrinsic in the delivery of our services to you. The delivery of the 2009/10 services will be focused to the following; **Town Centre, Housing, Sense of Community and Clean Streets and recycling**. These were the key areas that

were identified from the consultation. We will continue to ask what you want us to provide so we can always aim to meet your needs.

To enable us to support the priorities a full review of the medium term financial plan (the budget) was undertaken during July 2008 – January 2009. Significant efficiency savings were identified to enable more money to be realigned to our priorities. Service restructures and improved procurement practices have enabled us to fund a number of new developments including:

- The establishment of a community transport scheme to help the elderly and disabled get about across the District
- Additional neighbourhood wardens to provide a visible presence to keep the district safe
- Provision of new play areas in our parks and open spaces
- The provision of a high dependency toilet in the Town Centre

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

In addition the Spatial project is now fully implemented to ensure you can access the Councils information more easily and the planning service can be more efficient in dealing with all our customers.

The medium term financial plan gives clear and strategic direction to the Council's finances through to the end of 2011/12. It will continue to be reviewed and updated on an annual basis. As part of this approach the Council will continue to drive forward plans to improve efficiency and value for money throughout the Council. This has already commenced in working with other councils to share services, as well as introducing new ways of working.

Other key developments planned for 2009/10 include the proposal of establishing a Joint Chief Executive between ourselves and Redditch Borough Council to realise significant savings over the next few years.

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

The District Council's element of the Council Tax for a Band D property (£180.13) represented less than 13% of the total bill of £1,415.82 in 2008/09. The Council's collection rate for council tax was 98.3%, which represents above average performance and is a good achievement in the current economic climate.

The Statement of Accounts gives more detail of the total revenue and capital position for the 2008/09 year and further information on the finances and performance can be found on our website at bromsgrove.whub.org.uk.

The Council is committed to improving its presentation of financial information to enable a better public understanding of its reporting and welcomes readers' suggestions for

improvements. These should be sent to Jayne Pickering, Head of Financial Services at The Council House, Burcot Lane, Bromsgrove, B60 1AA.

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

Cllr Geoff Denaro

Portfolio Holder for Finance

VALUE FOR MONEY (VFM)

The Use of Resources assessment by the Audit Commission in December 2008 included a review of the VFM provided by the Council from which the Council received an improved scoring of 2 out of 4.

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

Key improvements include:

- Developing priorities in conjunction with our stakeholders (PCT, voluntary sector) and our customers (Customer Panel, Customer surveys)
- Improvements to the links between funding and priority to ensure the Council realigns financial resource to key areas of priority
- Establishment of the budget jury to support the Councils consultation process and raise awareness in the community of financial issues
- Development of budget bids by the Equality and Diversity Forum to fund key areas of need for the more vulnerable members of the community
- Cash savings delivered from entering into joint contracts and agreements with other councils across Worcestershire
- Cash savings delivered by staff looking at more efficient ways to procure services (on-line manuals, on-line advertising)
- Value for Money and procurement training delivered to officers and Members
- Supplier seminars undertaken to raise awareness of how to trade with the Council and to support local businesses
- Review of waste management arrangements with resulting replacement vehicles being ordered as current fleet too costly
- Delivery of the Capital Programme to within 10% of the budget allocation
- Procurement savings of £80k achieved and sharing of procurement officer with Redditch Council
- Established a budget jury to review and consult in relation to the budget allocations and other financial issues
- Developed new on-line budget consultation to enable the public to propose their own budget and revised council tax

A VFM action plan was approved by Cabinet in November 2007 to identify the key areas that were to be addressed to improve our demonstration of VFM. The majority of the areas on the action plan have been addressed over the last 2 years to include improvements in processes, procurement and aligning of priorities to funding options.

A revised plan is currently being prepared and will focus on the following areas.

Cost analysis and Benchmarking: to calculate cost basis for a number of the services provided by the Council and to benchmark cost, performance and satisfaction against other District Councils to ensure the Council is providing best use of our resources.

VFM Projects: to review the implementation of a number of projects that have been undertaken by the Council to ensure that the outcomes from the projects matched the initial expectation and that Value for Money has been secured for our customers.

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

Annual Governance Statement

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

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

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

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

Purpose of the Governance Framework

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

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

The Governance Framework has been in place at the Council for the year ended March 2009 and up to the date of approval of the Statement of Accounts.

The Governance Environment

Purpose and Vision

A clear statement of the Council's purpose, vision and priorities for the next three years is set out in the Council Plan 2009/12. Following consideration of feedback from customers and stakeholders the Council has reduced the number of priorities from 5 to 4 with Customer Service being a key value intrinsic in the services we provide rather than a separate priority. For each priority there are clear outcomes for residents and service users, together with

identified actions that will deliver the vision. These are translated into more specific aims and objectives through the Council's Improvement Plan and each department's service business plan. Progress against the Council Plan's targets and actions are monitored monthly at Corporate Management Team, Cabinet and the Performance Management Board.

The Council's vision, priorities and strategic key deliverables are developed through the production of the Council Plan Part One report, which is reported to Cabinet, Performance Management Board, Scrutiny and Full Council in September each year. This report brings together the national, regional and local agenda, in terms of policy, performance and customer feedback, and sets out the recommended priorities and strategic key deliverables for the year ahead, so that they provide a strategic framework for setting the Council's budget.

Partnership Working

The Council is committed to improving the effectiveness of partnership working. Partnership working is one of the Council's four values. The Council strongly believes that in order to meet the aspirations of its residents, it is critical that the three tiers of local government and other public, private and voluntary sector organisations work together on shared objectives.

The Council has established a local strategic partnership, the Bromsgrove Partnership. The Bromsgrove Partnership has a Board, which is chaired by the Leader of the Council and is made up of representatives from the three tiers of local government, the voluntary sector, commercial sector and main public agencies e.g. Police, health etc. The Bromsgrove Partnership has a Governance Framework and a Performance Management Framework.

The key document produced by the Bromsgrove Partnership is its Sustainable Community Strategy, which is in effect, the 10 year vision for the District and business plan for delivering the Vision. Progress against the Strategy is reported to the Bromsgrove Partnership Board bi-monthly. An Annual Report is also produced. The Strategy and the Annual Report are examined by Members at the Performance Management Board each year and approved by Full Council each November. The Strategy is updated every year and fundamentally reviewed every three years.

The fundamental review every three years will include the production of a "locality evaluation", which is also considered by the Performance Management Board and provides the evidence for the selection of the Strategy's priorities. The priorities are also determined by reference to the County wide Local Area Agreement, a contract for improved quality of life outcomes between central government and the Worcestershire Partnership. The Leader of the Council (and Chair of the Bromsgrove Partnership) and Chief Executive represent the Bromsgrove Partnership on the Worcestershire Partnership. The Strategy is currently subject to a fundamental review.

The Bromsgrove Partnership also has a formal arrangement (Compact) with the voluntary sector, which contains a set of protocols to govern the interaction of the Council with the voluntary sector. The District Council has a small service level agreement with the voluntary sector infrastructure organisation, Bromsgrove and Redditch Network (BARN) to support the Compact and enable BARN to attend Bromsgrove Partnership Board meetings.

Delivery Partnerships

The Bromsgrove Partnership Board interfaces with 15 theme groups and sub-groups. These are the delivery arms of the Bromsgrove Partnership and include very established theme groups like the Crime and Reduction Disorder Partnership, through to relatively new groups like the Community Transport Sub-Group. The Theme Groups have been established for approximately three years and as per the Bromsgrove Partnership Performance Management Framework, report their performance to the Bromsgrove Partnership Board bi-monthly.

As part of the fundamental review of the Sustainable Community Strategy, the District Council, which supports the Bromsgrove Partnership through the employment of a dedicated officer, is carrying out a review of the Theme Groups and Sub-Theme Groups with the aim of improving their governance.

Service Level Agreements

The Council and its partners make use of service level agreements (SLAs) to deliver specific aspects of each Theme Group's work, when it is multi-agency and involves paying for a service. For example, the Council operates SLAs for the Artrix, community transport and the Compact work with BARN. These SLAs are subject to consideration by the Council's S151 officer and Monitoring Officer.

The Member's Performance Management Board considers the larger SLAs and progress against them, for example the Artrix SLA.

Effective Service Delivery

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

Councillors usually receive integrated financial and performance information formally i.e. at Cabinet and Performance Management Board, approximately 1.5 months after the month end. This time lag is to allow the collection of information and for managers to manage, so in the first instance the performance information is considered at each departmental management team, then at the Corporate Management Team. Each Cabinet portfolio holder also receives a monthly report from their head of service(s) which is discussed each month. This report brings together, financial, performance, risk, staffing and any other relevant management information. The quality of the data produced and the quality of documents like service business plans are reviewed by the Corporate Communications, Policy and Performance Team. This team is also responsible for the delivery of a Data Quality Strategy,

which ensures the information reported to Councillors is accurate and reliable for decision making purposes.

The basket of performance indicators and the actions reported on to Councillors are reviewed annually through the production of the Council Plan and the Improvement Plan, which flows from the Council Plan. These have been updated to reflect the new County Local Area Agreement. The Council operates a very simple performance management system using Excel. Over the last three years, the Council's performance has gone from being amongst the worst in the England to above the All England average, so this simple system is working. A formal review of the system will be undertaken during the next three years, as set out in the Performance Management Strategy.

Value for Money

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

The Council has considered the recommendations from the Use of Resources assessment in January 2009 and is currently undertaking a full review of cost analysis and benchmarking to address issues raised in the judgement.

Clarity of Roles, Responsibilities and Required Behaviours

The Council's Constitution sets out the roles and responsibilities of Councillors, and the procedural rules for Full Council, Cabinet and the other committees operated by the Council. Working groups have clear terms of reference, for example scrutiny task groups. Councillors' roles and responsibilities are defined in job descriptions. A clear scheme of Councillor/officer delegation exists to provide clarity on the powers entrusted to those appointed to make decisions on behalf of the Council.

The behaviour of Councillors is regulated by the Member Code of Conduct and is supported by a number of protocols. The Standards Committee ensures standards of conduct are maintained. It monitors the effectiveness of the implementation of the Code of Conduct and makes recommendations in relation to any breach of the Code.

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

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

Financial and Risk Management

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

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

The Council has a robust risk management framework which has been recognised by the Audit Commission within the improved Use of Resources judgement for this theme.

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

The Council has a project management methodology, compliance with which has recently been subject to internal audit. The Council also has a Programme Board, chaired by the Chief Executive, to ensure better compliance with the methodology, to ensure projects are managed appropriately and improvements identified through lessons learned

Legal and Regulatory Compliance

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

Member and Officer Development

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

The Council is Investors in People accredited and is committed to developing managers and staff. The Council operates a Modern Managers Framework, which sets out the standards

required of managers. The framework is supported by a comprehensive training programme. All staff has the opportunity to attend training courses, provided through the staff training directory. Individual's training needs are discussed formally at the annual Personal Development Review and at the 6 month review. Each member of staff also receives a monthly one to one with their manager, at which training is also discussed.

Community Engagement and Equalities

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

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

The Council has recently achieved Level 3 of the Local Government Equality Standard through the validation of our self assessment by the Diversity Peer Challenge team. This means that the Council will migrate to Level 2 of the Equality Framework for Local Government (out of 3) which is defined as "Achieving".

Reviewing the Governance Framework's Effectiveness

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

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

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

Significant Governance Issues

The Council has developed an Improvement Programme, Housing Action Plan and Value for Money Plan to address a number of areas that have been identified by Members and officers. These will enable the Council to further improve our Governance arrangements and services provided to the public.

The following actions include a number of those included in the Plans:

- Identifying cost base for comparison with other organisations to assess our value for money provided
- Develop area action plan for the town centre regeneration
- Monitor and support the effectiveness of Partnership homelessness prevention services
- Undertake a review of Disabled Facilities Grants and a number of other transactional processes using the lean system
- Agree and publicise the Community Safety Partnerships 12-month action plan relating to the strategic assessment.
- Report to Council on new governance arrangements required by Local Government and Public Involvement in Health Act 2007 with proposed consultation arrangements
- Adoption of new Code of Conduct for Members
- Review HR policies and processes

In addition the payroll service as currently delivered by Redditch District Council has been subjected to a full internal audit review on service provision together with a review of specific issues raised by the Corporate Management Teams. A number of recommended actions are now to be undertaken to include:

- Review of Service Level agreement to ensure all areas of activity and performance measures are included and are realistic
- Full reconciliations of the transfer of data from the Chris21 system to Agresso
- Ensuring controls over returned BACS payments
- Ensuring the accurate transfer and reconciliation of payroll data (Chris21) to the BDC's accounting system (Agresso),
- Contingency arrangements for recovery of information and to ensure urgent payments can be made
- Processes in place to ensure updates and enhancements to the system are made in accordance with a structured timeline

Kevin Dicks
Chief Executive

Date

Councillor Roger Hollingworth
Leader of the Council

Date

EXPLANATORY FOREWORD

Introduction

This Statement of Accounts presents the overall financial position of Bromsgrove District Council for the year ended March 2009. The format of the Accounts is stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice (Statement of Recommended Practice - SORP). This foreword provides a brief explanation of the financial activities of the Council and a guide to the significant matters reported in the accounts.

There are no major changes in SORP this year. The SORP has clarified issues including Governance matters, the Cash Flow statement, Capital Accounting and the treatment of Pensions. Comparative 2007/08 figures in the core financial statements and accompanying notes have been restated to reflect the change in accounting requirements in relation to the valuation of pension assets. Further details may be found in the pension notes to these accounts. Restatement of the 2007/08 figures have also been made to the Revaluation Reserve and the Capital Adjustment Account to ensure a consistent approach has been adopted to the valuation of fixed assets carried out in previous years.

The Core Financial Statements:

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

The Income and Expenditure Account (I&E Account)

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

Statement of the Movement on the General Fund Balance

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

Statement of Total Recognised Gains and Losses (STRGL)

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

The Balance Sheet

The Balance Sheet summarises the Council's financial position as at 31st March 2009. It includes the assets and liabilities of all activities of the Council.

The Cashflow Statement

This summarises the cash received and payments made by the Council for revenue and capital purposes in 2008/09. The 2008 SORP has clarified that two methods are acceptable for the production of cash flow statements. Cash flows can be presented using either the 'direct method', whereby major categories of gross cash receipts and gross cash payments are disclosed, or the 'indirect method', whereby the net cash flow from revenue activities is derived by means of a reconciliation from the surplus or deficit on the Income and Expenditure Account for the year. Bromsgrove District Council currently uses the indirect method.

The supplementary financial statements:

The Collection Fund

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

Financial Summary

General Fund Revenue Account

At its meeting on 16th January 2008, Bromsgrove District Council set a budget of £11.773m and a Band D equivalent Council Tax of £180.13 (£172.46 in 2007/08) which was an increase of 4.45% on the previous year. During the year further budget approvals were agreed of £0.719m to fund spending brought forward from 2007/08 and costs associated with organisational restructure. This gave a revised budget of £12.492m.

The General Fund Revenue Account produced a year end deficit of £0.270m compared to a budgeted deficit of £1.074m, a variance of £0.804m. This has enabled the Council to limit the transfer from balances to £0.270m. Within these figures the Council has set aside resources to fund future expected payments in a number of areas including costs associated with the implementation of Single Status. The net increase in earmarked reserves for the year is £0.854m. Details of individual earmarked reserves can be found in the notes to these financial statements.

The main reasons for the variances are:

- Income generated from investments was £977k more than budget. Investments benefited from substantially increased returns in response to market conditions. Additionally, the realigning of the capital programme made more funds available for investment over the course of the year.
- Planning & Environment Services (£108k underspend) –savings arising due to a number of vacancies across the department offset by loss of income from land charges and Right-to-Buy sales.
- Street Scene & Community (£278k overspend) – This comprises a variety of contributory factors including increased transport costs arising from breakdowns and increased costs in relation to the enhanced travel concession scheme. The Council did not achieve its budgeted savings targets of £150k due to the decision by Wychavon Leisure not to progress with the transfer of leisure services.

The Income and Expenditure Account details the gross costs of service provision amounting to **£35.850m**. This expenditure has been analysed as follows:

Expenditure Type	2007/08 £000	2008/09 £000
Employee expenses	11,887	11,401
Premises related expenses	1,168	1,225
Transport related expenses	1,005	1,049
Supplies and services	3,937	4,130
Third party payments	1,060	1,172
Transfer payments	13,352	14,064
Capital charges	2,533	2,809
Total	34,942	35,850

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

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

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

The gross income of **£21.017m** shown in the Income and Expenditure Account has been analysed as follows:

Income Type	2007/08 £000	2008/09 £000
Government grants	14,516	15,257
Fees & charges	4,332	4,120
Other grants & contributions	928	1,208
Internal recharges	372	432
Total	20,148	21,017

The figure for government grants income includes £14.226m (£13.652m 2007/08) towards the cost of housing and Council Tax benefits and their administration.

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

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

The General Fund Revenue Balance brought forward as at 31st March 2008 was £2.023m. After appropriations and transferring the deficit in 2008/09, the General Fund Revenue Balance decreased to £1.753m as at 31st March 2009.

General Fund Capital Expenditure and Receipts

Capital expenditure amounted to £9.028m. The main areas of expenditure were ICT Spatial project (£4.776m); replacement vehicles for provision of Street Scene and Waste Management depot services as part of planned programme of replacement (£791k); Homeless Hostel Re-modelling Scheme (£248k); Extra Care Sheltered Housing (£507k); Disabled Facilities Grants (£500k); upgrade to Dolphin Centre Fitness Suite (£798k).

Capital receipts for the year totalled £0.738m. This relates to sales of vehicles and surplus land, and sales of the Council's interest in Low cost Housing schemes and sums received under the VAT Shelter Scheme linked to the housing stock transfer.

Capital contributions of £45k were invoiced relating to Section 106 planning agreements whereby developers and other external sources provide sums to be used to fund capital expenditure. Schemes to be funded by such contributions are specific and may be time limited. Capital grants and contributions of £659k were also received from Government and other organisations to assist with the funding of expenditure on Disabled Facilities Grants, Play Areas, Waste Recycling and Housing.

Housing Services

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

Housing is now a one star service with promising prospects and we are exceeding our affordable housing targets.

Group Accounts

In accordance with the 2008 SORP the Council has considered its relationship with a number of bodies in order to determine whether or not group accounts are required. It has been concluded that no group relationships exist and therefore the Council is not required to prepare group accounts.

Welcome Break Group Limited

The Council opened a joint bank account with the Welcome Break Group Limited at HSBC Plc in June 1999. £150,000 was received from the developers of the Hopwood Service Station on the M42 motorway. The money funds a nature reserve at Hopwood Park. Owing to the nature of the relationship with Welcome Break Group Limited the money in this account is not owned solely by Bromsgrove District Council and as such does not form part of these accounts. The balance at 31 March 2009 was £133,121.

Pension Fund

The Council's share of the assets and liabilities of the Pension Fund is a net liability and has been calculated in accordance with Financial Reporting Standard 17 (FRS17) as revised. The net liability is relatively unchanged at £19.303 million in 2008/09 compared to the restated 2007/08 net liability of £19.334 million (original 2007/08 £19.266 million). A further explanation can be found in note 42 to the Core Financial Statements.

The net pension liability is a position taken at just one point in time. Market prices can move up as well as down in the short term and it is therefore not possible to quantify what long term effect the movement in market process will have on the Pension Fund. The employers' contribution rate was set at the last actuarial valuation on 31 March 2007 with the purpose of fully funding the liabilities of the fund.

Further Information

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

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

For a large print version of this document telephone 01527 881288

STATEMENT OF ACCOUNTING POLICIES

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

1. General Principles

The general policies adopted in compiling the financial statements are those recommended by the CIPFA/LASAAC Joint Committee in the Code of Practice on Local Authority Accounting in the United Kingdom 2008 'A Statement of Recommended Practice' (the 2008 SORP). If exception occurs these are noted at the appropriate place in the statements.

2. Best Value Accounting Code of Practice

All councils have to comply with the Best Value Accounting Code of Practice (BVACOP), the main items being the mandatory charging of depreciation (with some exceptions), identification of trading services, and a standard service expenditure analysis in the Income and Expenditure Account. The 2008/09 Income and Expenditure Account complies with these requirements.

3. Comparative Figures

In line with the 2008 SORP, comparative figures for the previous financial year are shown. Where there have been changes to the presentation or accounting treatment of items the previous year's figures have been restated to ensure that they are comparable.

4. Fixed Assets - Recognition and Valuation

The requirements of the 2008 SORP are that all appropriate assets should be carried at a valuation that would be the lower of the net current value or net realisable value for existing use. Also all those assets should be revalued at least once every five years.

The recorded fixed assets are subject to a review to ensure the completeness of the record and that the valuations are in accordance with the 2008 SORP. A programme of valuations, to be carried out by the County Council's Valuation Officer (under a SLA), is in place to ensure all appropriate fixed assets are revalued every 5 years. There have been no revaluations carried out in this financial year. The County Council's Valuation Officer has been asked to review the impact of the current economic climate on the Council's fixed assets and has confirmed that there is no material impact on their value in the financial year.

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

- Intangible assets such as software are recorded at cost in the balance sheet and are amortised to revenue over an appropriate period.
- Operational assets such as the Council Offices, and Car Parks have been included at existing use value.
- Infrastructure assets such as environmental improvements (eg footbridges, highways furniture and bus shelters) from 2003/04 onwards, are recorded at cost.

- Vehicle, Plant and Equipment are recorded at cost.
- Community assets, such as Parks and Recreation Grounds, are recorded at historic cost.
- Investment Properties, which are assets that are not directly used in the delivery of a service and are held for investment potential with any rental income being negotiated at arms length, such as Industrial Properties, are shown at market value.
- Assets under Construction are new capital works that will result in the creation of a new asset but will involve expenditure over several years are carried on the Balance Sheet at cost and classified as non-operational until they are finished and brought into operational use.
- Specialised operational assets such as the skateboard park, where there is no established market value, have been valued on a depreciated replacement cost.

5. Capital Expenditure

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

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

6. Intangible Assets

Intangible Assets represent expenditure that has been properly capitalised but which does not create a tangible asset for the Council, intangible assets include major software purchases. Expenditure on intangible assets is written off to the Income and Expenditure Account over the period of the benefit to be received from the asset. All expenditure made by the Council for intangible assets is for software and its relevant implementation costs, it is written off to the Income and Expenditure Account over a period of 3 years. However there is a corresponding transfer from the Capital Adjustment Account to neutralise the effect of these charges on the General Fund Balance.

7. Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure Funded from Capital under Statute also represents properly capitalised expenditure, which does not create a tangible asset for the Council. Examples of this type of expenditure include work on property not owned by the Council such as disabled facilities grants, home repair and housing renewal grants, grants to other persons and bodies such as registered social landlords for capital expenditure purposes. All expenditure is charged to the Income and Expenditure Account in the year it is incurred. However, there is a corresponding transfer from the Capital Adjustment Account to neutralise the effect of these charges on the General Fund Balance.

8. Depreciation

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

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

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

	Estimated useful life
Other Land and Buildings	5-50 years
Vehicles, Plant and Equipment	2-7 years
Infrastructure	5-20 years

9. Prudential Code

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

10. Government Grants

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

All capital grants and other contributions, not deemed to be revenue, when received are credited to the government grants and contributions unapplied account. When applied to fund capital expenditure they are transferred to the applied government grants and contributions account, statutorily known as the deferred government grants and contributions applied account. These deferred contributions are released to the Income and Expenditure Account in line with the depreciation of the asset they are funding.

11. Repayment of Debt

Regulation 27 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires Councils to charge a minimum revenue provision (MRP) to its revenue accounts for the repayment of debt. This calculation is based on the Council's Capital Financing Requirement (CFR) as derived from the Balance Sheet. As the Council's capital financing requirement is nil the amount of MRP required is therefore deemed to be nil.

12. Capital Receipts

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

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

The revenue and capital transactions of the Council are maintained on an accruals basis in accordance with the 2008 SORP and FRS 18 'Accounting Policies'. That means that sums due to or from the Council during the year are included irrespective of whether cash has actually been received or paid in the year. Where there was insufficient information available to provide actual figures, estimates have been included although this element is not significant.

14. Reserves and Provisions

Reserves: In addition to the revenue balances, the Council has sums set aside for use in future accounting periods, to meet known or predicted liabilities. These earmarked financial reserves are for specific purposes and are created by appropriating amounts in the Statement of Movement on the General Fund Balance.

Provisions: The 2008 SORP requires that provisions are recognised when the Council has a present obligation as a result of a past event; it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Council maintains provisions for bad and doubtful debts relating to council tax, business rates, housing benefit overpayments and sundry debtors. These have been estimated in accordance with recommended practice and past experience. Provisions for bad and doubtful debts reduce the value of total debtors reflected on the Balance Sheet.

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

15. Financial Instruments

The 2008 SORP requires the classification of financial instruments into separate categories for which the accounting requirement is different. The Council has classified its financial instruments as follows:

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

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

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

16. Support Service Costs

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

17. Stocks and Stores

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

18. Leasing

Finance Leases

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

between the finance charge and the reduction of the liability, with the finance charge being charged to the I&E Account over the term of the lease. The Council does not hold any assets under finance leases.

Operating Leases

If a lease meets the SSAP 21 definition of an operating lease, then the payments under the lease are charged to the service revenue accounts. Details of the Council's operating leases are outlined in Note 19 to the Income and Expenditure Account.

19. Interest

Provision has been made in the accounts for the accrual of loan interest due to/payable by the Council as at 31st March 2009. For 2008/09 investments and borrowings are carried at amortised cost (including accrued interest at 31 March 2009).

20. Pensions

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

The Worcestershire County Council Pension Fund covers eligible members of the Local Government Pension Scheme in Bromsgrove and the Superannuation Fund Regulations require contributions to be sufficient to maintain fully the solvency of the fund. The fund is a defined benefits scheme based on final pensionable salary. Currently the Pension Fund is in a deficit position and the impact of FRS17 requirements has been to show a Pensions Liability in the Balance Sheet of £19.303 million, which is the Council's share of the overall deficit of the fund.

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

There is no impact on the revenue account of the authority as a result of the application of FRS17 requirements as the effects are statutorily removed in the Statement of Movement in the General Fund Balance when calculating amounts chargeable to Council Tax payers. The resulting pension costs charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

Acknowledgements

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

Jayne Pickering
Head of Financial Services

Date

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THE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2009

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

Net Expenditure 2007/08 Restated * £000		Gross Expenditure 2008/09 £000	Gross Income 2008/09 £000	Net Expenditure 2008/09 £000	Note
1,453	Central Services to the Public	1,529	-365	1,164	
9,413	Cultural, Environmental and Planning	13,503	-3,367	10,136	
88	Highways and Transport	1,797	-1,700	97	
1,580	Housing Services	16,612	-14,474	2,138	
1,788	Corporate and Democratic Core	2,144	-1,093	1,051	
472	Non-distributed Costs	265	-18	247	3
14,794	Net Cost of Services	35,850	-21,017	14,833	
-97	Gain or loss on disposal of fixed assets			117	30
0	Other items treated as capital receipts				
562	Precepts of local precepting authorities (Parish Councils)			625	
-51	Surplus(-)/deficit of trading undertakings or other operations including dividends			-3	5
6	Interest payable and similar charges			3	
7	Amounts payable into the Housing Capital Receipts Pool			3	
-1,588	Interest and investment income			-1,434	
122	Pensions interest cost and expected return on pensions assets			945	42
13,755	Net Operating Expenditure			15,089	
-6,836	Precept Demands from Collection Fund (inc Parish Councils)			-7,185	23
-680	Government grants (not attributable to specific services)			-616	22
-4,050	Contribution from Non-Domestic Rates			-4,265	
2,189	Deficit for the year			3,023	

* Comparative figures for 2007/08 have been restated in connection with FRS17 – Retirement Benefits. In the statement above the restated figures are Pensions interest cost and expected return on pensions assets £122k (original 2007/08 £120k), and the resulting totals for Net operating expenditure of £13.755m (original 2007/08 £13.753m) and deficit for the year £2.189m (original 2007/08 £2.187m).

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE FOR THE YEAR
ENDED 31st MARCH 2009**

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

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

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

	Note	31st March 2008 Restated £000	31st March 2009 £000
General Fund Balance as at 1st April		-1,874	-2,023
Surplus or deficit for the year on the Income and Expenditure Account		2,189	3,023
Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year	1	-2,338	-2,753
Increase (-)/Decrease in General Fund Balance for the year		-149	270
General Fund Balance as at 31st March		-2,023	-1,753

Restated figures 2007/08 – Comparative figures for 2007/08 have been restated in connection with FRS17 – Retirement benefits. The resulting changes on the income and expenditure account and Statement of Movement on the General Fund Balance are minor and are as detailed below:

Deficit for the year on the I&E Account £2.189 m (original 2007/08 £2.187m)
Amount required by statute to be credited to the GF balance -£2.338m (original 2007/08 -£2.336m)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR
ENDED 31st MARCH 2009**

31st March 2008 Restated £000		31st March 2009 £000
-2,189	Surplus/deficit(-) on the Income and Expenditure Account for the year	-3,023
**257	Surplus/deficit(-) arising on valuation of fixed assets	0
0	Amendment to revaluation figure pre 1 st April 2007	140
-7,751	Actuarial gains and losses(-) on pension fund assets and liabilities	725
-48	Capital Adjustment Account amendments to financing	0
	Receipts on disposal of assets transferred to I+E	-4
-7	Mortgage receipts transferred to I+E	-6
-35	Collection fund balance	-5
-9,773	Total Recognised Gains and Losses for the year	-2,173

** Restated Figures 2007/08 – The 2007/08 figures in both the Statement of Total Recognised Gains and Losses and the Balance Sheet, have been restated to reflect adjustments for the Surplus/Deficit on the revaluation of fixed assets, which have been restated by £965k, (original 2007/08 £1,222K). This ensures that a consistent approach has been adopted in stating the opening balances, which relate to the restatement of assets in previous years. Also the change in accounting requirements in the SORP 2008, requiring the pension assets to be valued at bid value rather than mid-market value (note 42).

The published 2007/08 Balance Sheet has been adjusted as follows:

	2007/08 £'000
Opening Balance	37,358
Revaluation Reserve Restatement	-965
Capital Adjustment Account Restatement	1,441
Pensions Reserve Restatement	-68
Closing Balance	37,766

BALANCE SHEET AS AT 31st MARCH 2009

2007/08 Restated			2008/09	
£000	Note		£000	£000
468	27	<u>Intangible Assets</u>		5,061
		<u>Fixed Assets:</u>		
		Operational Assets -		
27,627		Other Land and Buildings	27,161	
4,553		Vehicles and Plant	4,270	
425		Infrastructure	393	
1,570		Community Assets	2,109	
		Non Operational Assets -		
7,733		Investment Properties	7,620	
71		Assets under Construction	291	
41,979	24	Total Fixed Assets		41,844
		<u>Other Long Term Assets:</u>		
50	38	Long Term Investments	0	
17	14	Long Term Debtors	8	
42,514		Total Long Term Assets		46,913
		<u>Current Assets:</u>		
79	15	Stocks	125	
3,972	16	Debtors	4,508	
2	17	Cash In Hand and Bank	169	
19,738	39	Short Term Investments	13,925	
		Less: Current Liabilities:		
-6,412	18	Creditors	-8,012	
-51		Bank overdraft	0	
-109	40	Short Term Borrowing	-116	
59,733		Total Assets less Current Liabilities		57,512
		<u>Other Long Term Liabilities</u>		
-2,001	35	Deferred Government Grant and Contributions	-2,138	
-632	20	Provisions	-478	
32,362	42	Asset Related to Defined Benefits Pension Scheme	24,879	
-51,696	42	Liability Related to Defined Benefits Pension Scheme	-44,182	
37,766		Total Assets less Liabilities		35,593
		<u>Financed by:</u>		
0	31	Fixed Assets Restatement Account		
0	31	Capital Financing Account		
55	32	Revaluation Reserve	0	
40,391	33	Capital Adjustment Account	44,767	
13,351	34	Capital Receipts Unapplied	6,256	
17		Deferred Capital Receipts	8	
1,122	21	Earmarked Reserves	1,976	
-19,334	42	Pensions Reserve	-19,303	
2,023		General Fund Balance	1,753	
141		Collection Fund Balance	136	
37,766		Total Equity		35,593

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Board on 29 June 2009.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31st MARCH 2009**

2007/08 £000		Note	2008/09 £000
1,207	Net cash inflow(-)/outflow from Revenue Activities	43	-792
	Returns On Investments And Servicing Of Finance		
	Cash Outflows		
6	Interest paid (Net)		3
	Cash Inflows:		
-1,588	Interest received		-1,434
-375	Net cash inflow(-)/outflow from investments and servicing of finance		-2,223
	Capital Activities		
	Cash Outflows:		
3,899	Purchase of Fixed Assets		9,468
	Cash Inflows:		
-741	Sale of Fixed Assets		-752
-542	Capital Grants		-813
-131	S106 Contributions		-45
2,485	Net Cash Inflow(-)/Outflow on Capital Activities		7,858
2,110	NET CASH INFLOW(-)/OUTFLOW BEFORE FINANCING		5,635
	Management Of Liquid Resources		
-1	Repayments of amounts borrowed		8
-1,874	Net increase/decrease(-) in investments	43	-5,862
235	Net Increase(-)/Decrease in Cash		-219

NOTES TO THE CORE FINANCIAL STATEMENTS

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

31 st March 2008 Restated £000		31 st March 2009 £000	
	<i>Amounts included in the income and expenditure account but are required by statute to be excluded when determining the movement on the General Fund Balance for the year:</i>		
-1,632	Depreciation and impairment of fixed assets	-1,878	
1,245	Government Grants Deferred amortization	876	
-1,945	Write down of deferred charges	-1,656	
-217	Write down of intangible assets	-167	
97	Net gain or loss on sale of fixed assets	-117	
0	Other items treated as capital receipts	0	
-253	Amount by which pension costs calculated in accordance with the SORP (in accordance with FRS 17) are different from the contributions due under the pension scheme regulations	-695	
-2,705	<i>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year:</i>	-3,637	
0	Capital expenditure charged to the General Fund Balance	33	
-7	Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool.	-3	
-7	<i>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year:</i>	30	
0	Statutorily required transfer of the surplus or deficit for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance	0	
374	Net transfer to or from earmarked reserves	854	
374		854	
-2,338	Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year	-2,753	

2. Comparison with Revenue Budget

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

Department	Final Net Budget 2008/09 £000	Net Expenditure 2008/09 £000	Overspend / Underspend (-) 2008/09 £000	Net Transfer to Earmarked Reserves in net exp. £000
Corporate Services	764	939	175	506
E-Government & Customer Services	243	26	-217	25
Financial Services	1,518	1,523	5	16
Legal, Equalities & Democratic Services	885	866	-19	8
Human Resources & Org. Development	-20	59	79	93
Planning & Environment Services	4,345	4,237	-108	178
Street Scene & Community	8,041	8,319	278	28
Interest Payable	0	3	3	0
Investment Income	-457	-1,434	-977	0
Less: Capital Charges in Services above not charged to Council Tax Payers	-2,827	-2,827	0	0
Total Financing Requirement	12,492	11,711	-781	854
Central Government Grants	-4,858	-4,881	-23	0
Council Tax (BDC only)	-6,560	-6,560	0	0
Transfer to/from balances & reserves	-1,074	-270	804	-854
Total Financing	-12,492	-11,711	0	0

3. Non Distributed Costs

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

	2007/08 Net Expenditure £000	2008/09 Net Expenditure £000
Pensions Past Service Costs	325	0
Pensions Curtailment Costs	138	254
Minor adjustments not charged to services	9	-7
Total Non Distributed Costs	472	247

The effect of the FRS17 pension costs included in non distributed costs is reversed by statute in the Statement of Movement on the General Fund Balance and replaced with actual contributions to the pension fund made by the employer. Further details on pension costs may be found in note 42.

4. Comparative figures for 2007/08

Comparative figures have been restated for 2007/08 in relation to retirement benefits (FRS17). This reflects the change in accounting requirements in SORP 2008, which requires assets to be held at bid value rather than mid-market value.

The 2007/08 comparative figures for Fixed Assets - Investment Properties have also been restated to include the assets not previously identified on the industrial units at Sherwood Road, Aston Fields.

Comparative figures for the surplus/deficit arising on the valuation of fixed assets in the Statement of Total Recognised gains and losses has been restated.

5. Trading Operations

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

2007/08		External Trading Services	2008/09	
Turnover £000	Profit(-) /Loss £000		Turnover £000	Profit(-) /Loss £000
89	43	Market Services	77	72
137	-94	Industrial Sites	116	-75
226	-51	Total External Trading Services	193	-3

6. Discretionary Expenditure

Section 137 of the Local Government Act 1972 (as amended by the Local Government Act 2000) empowers local authorities in England and Wales to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. Expenditure under this power amounted to £328,844 in 2008/09 (£330,891 in 2007/08) and has mainly been used in providing grants to the Voluntary sector serving the community in Bromsgrove.

7. Publicity

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

	2007/08 £000	2008/09 £000
General Advertising	33	35
Recruitment Advertising	55	17
Marketing, Promotion and publicity	126	112
Total	214	164

8. Local Authorities (Goods and Services) Act 1970

There were no significant transactions in 2008/09 with organisations covered by the act.

9. Building Control Regulations

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

Building Regulations Total 2007/08 £000		Fee Earning Total 2008/09 £000	Non Fee Earning Total 2008/09 £000	Building Regulations Total 2008/09 £000
	Expenditure:			
1	Printing, Stationery, etc.	1	0	1
307	Building Control IBU	106	219	325
308	Total Expenditure	107	219	326
	Less Income:			
-310	Fees	-268	0	-268
-9	Sundries	-5	0	-5
-319	Total Income	-273	0	-273
-11	Surplus(-)/Deficit for the Year:	-166	219	53

10. Members Allowances

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

	2007/08 £000	2008/09 £000
Basic Allowance	133	138
Special Allowance	65	68
Chairman's Allowance	5	6
Vice Chairman's Allowance	1	1
Total Allowances Paid	204	213

Members' Allowances were reviewed by an Independent Remuneration Panel in accordance with Regulation 5 of the Local Authorities (Members' Allowances) (England) Regulations 2001. Members ceased receiving attendance allowance from 29 July 2001 and instead receive a flat rate £3,536, plus reimbursement for travel, subsistence and telephone line rental expenses. Special responsibility allowances are paid to members undertaking specific duties and responsibilities for nominated roles of office (e.g. Council Leader, Deputy Leader, and Scrutiny Chairs).

11. Payments made to Employees 2008/09

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

Numbers of Employees

Remuneration Bands	2007/08	2008/09
Over £50,000 and up to £60,000	5	3
Over £60,000 and up to £70,000	3	5
Over £70,000 and up to £80,000	2	0
Over £80,000 and up to £90,000	0	2
Over £90,000 and up to £100,000	1	0
Over £110,000 and up to £120,000	0	1

For the latter 8 months of 2008/09 50% of the cost of the Chief Executive's post was recharged to Redditch Borough Council.

12. Related Parties

The 2008 SORP requires disclosure of transactions with related parties in line with FRS8 'Related Party Disclosures'. Parties are defined as related if one party can or has potential to exert control or influence over the other party or are subject to a common control from the same source. Central Government has effective control over the Council's general duties providing the legal framework within which we work, providing funding in the form of grants and sets the terms of many of the relationships that we have with other organisations. Grants are received from various Central Government departments including the Department for Work and Pensions (DWP) and the Department for Communities and Local Government (DCLG).

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

During 2008/09, many Bromsgrove District Councillors were also County Councillors and also elected members of parish councils. The Council also has member representatives on various outside bodies, including Bromsgrove Arts Centre Trust, Bromsgrove District Housing Initiatives, Amphlett Hall Management Committee, West Midlands LGA Council and West Midlands Regional Assembly.

During 2008/09 the Council had the following transactions with related parties. The selection criteria for reporting 2008/09 transactions was subject to a de minimis of £69k on the cumulative value of transactions.

2007/08			2008/09	
Payments £000	Receipts £000		Payments £000	Receipts £000
5,733	-42	West Mercia Police Authority – including precepts	6,037	-6
596	-19	Parish Councils – including precepts	627	-4
2,363	-3	Hereford and Worcester Fire and Rescue Authority – including precepts	2,483	-1
34,693	-458	Worcestershire County Council including precepts	36,248	-298
1,106	-698	Bromsgrove District Housing Trust	959	-392
315	-4	Bromsgrove Housing Initiatives	491	-1
104	-8	Redditch Borough Council	84	-105
120		Bromsgrove Arts Centre Trust T/A Artrix	120	
		Central Government Grants:		
	-680	DCLG - Revenue Support Grant		-616
20,955	-4,050	DCLG – Contribution/Redistribution to NNDR Pool	21,920	-4264
	-13,185	DWP - Housing Benefits		-14931
	-115	DCLG - Other		-211

The amounts due to or to be received from related parties at the 31 March 2009 is detailed in the following table:

Related Party	Debtor £'000	Creditor £'000
Bromsgrove District Housing Trust	11	17
Redditch Borough Council	17	4
Worcester County Council	89	168
DETR – Pool contribution	0	891
DWP – Housing Benefit	0	559

13. External Auditors

Audit Commission has been appointed to be Bromsgrove District Council's External Auditor for the conclusion of the 2008/09 accounts. For the financial year 2008/09 Bromsgrove District Council incurred the following fees in respect of external audit and statutory inspection.

Description	2007/08 £000	2008/09 £000
Certification of grant claims and returns.	15	34
Audit and other services	106	121
Statutory inspection.	39	14
Total	160	169

14. Long Term Debtors

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

	31st March 2008 £000	31st March 2009 £000
Mortgagors re. Sale of Council Houses	17	8

15. Stocks

The stock at the year-end consisted of:

	31st March 2008 £000	31 st March 2009 £000
Postal Franker	15	14
General Stock Items held at the Council's Depot	55	100
Lifeline Stock	7	9
Other minor stocks held	2	2
Total	79	125

16. Debtors

	31st March 2008 £000	31 st March 2009 £000
<u>Amounts falling due within one year</u>		
NNDR Pool Contribution	407	0
NNDR arrears *	1,512	2,493
Council Tax arrears *	1,627	1,979
Government Departments	822	332
Officers car loans	2	0
Payments in advance	432	625
Other debtors	1,117	1,506
Gross Debtors	5,919	6,935
Less Provision for Bad Debts:		
General Fund	-45	-40
Collection Fund	-1,557	-1,970
HB Overpayments	-345	-417
Net Debtors	3,972	4,508

*Due to the recession amounts outstanding from business ratepayers and council taxpayers have increased in 2008/09. The Council has a statutory duty to collect these debts and measures are in place to actively recover them.

17. Cash In Hand and Bank

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

	31st March 2008 £000	31 st March 2009 £000
Cash in hand (Petty cash)	2	2
Cash in bank	0	167
Total	2	169

18. Creditors

	2007/08 £000	2008/09 £000
Employee related	393	400
Sundry Creditors	581	366
Commuted Sums (Revenue Contributions from developers)	154	128
Government Departments	431	1,593
NNDR prepayments	334	267
Collection Fund Balance due to other precepting authorities	874	838
Council Tax prepayments	747	568
Capital Contributions received in advance	915	727
Other creditors	1,983	3,125
Total	6,412	8,012

19. Leases

The Council has acquired a variety of assets such as vehicles, office equipment and vending machines by the means of operating lease agreements. The rentals on these leases have been charged to the I&E Account when payable. The amount paid under the arrangements in 2008/09 was £28k. Future commitments under these existing leases are:

Financial Year	Future Commitment £000
2009/10	22
2010/11	5
2011/12	5

The reduced commitment in future years is due mainly to the cessation of a vehicle lease.

Council as a Lessor

With regard to the Council's activity as a lessor the Council has granted the following operational leases, the table details the activities during 2008/09,

Asset	Gross Value £000	Accumulated Depreciation £000	Rental Income £000
Industrial Units, Sherwood Rd, Aston Fields	1,579	0	131

20. Provisions

The Council maintains a number of provisions for bad and doubtful debts; the movement on these provisions is detailed below.

	Balance at 31 March 2008	Write on/ (off) in year	Contribution to(-)/from provision / Released	Balance at 31 March 2009
	£000	£000	£000	£000
<u>Provision for Bad and Doubtful Debts</u>				
• Council Tax payers	-666	-119	-95	-880
• Business Rate payers	-891	617	-816	-1,090
• Housing Benefit Overpayments	-345	13	-85	-417
• Other	-46	15	-9	-40
All provisions for bad and doubtful debts reduce the value of the related debtor shown on the balance sheet				
<u>Other Provisions</u>				
Provision for Legal Cases	-130	0	86	-44
Provision for restructure	-502	169	-101	-434
Total Other Provisions	-632	169	-15	-478

21. Earmarked Reserves

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

Earmarked Reserve	Balance 1 April 2008 £000	Net Movement in Year £000	Balance 31 March 2009 £000	Purpose
Building Control Partnership	6	4	10	Funds associated with partnership arrangements on Building Control
Neighbourhood Office/Committees	0	54	54	Devolved budgets for area committees together with neighbourhood partnership office
Economic regeneration	0	49	49	Includes Town Centre and regenerative small business grants.
Organisational Development	0	101	101	Organisational training & development
Shared Services	0	262	262	To fund shared services work
Single Status/Job Evaluation		309	309	To fund costs associated with the implementation of Single Status
Local Development Framework	0	143	143	Development of Regional Core Strategy – potential costs of public examination
Housing Schemes	0	14	14	To fund survey work and expected upturn in homelessness cases due to recession.
Planning Delivery Grant	397	-57	340	Accumulation of unused Planning Delivery Grant
Replacement Reserve	536	0	536	Sums set aside to fund future replacement of vehicles and ICT equipment
Other	0	28	28	Planned expenditure on other equipment and maintenance
Litigation Reserve	140	-90	50	Funds set aside based on potential litigation at 31 March 2009.
Leisure/Community Safety Reserve	43	37	80	Unspent funding to be used for ring fenced leisure/safety programmes
Total	1,122	854	1,976	

22. General Government Grants

General grants are received from central government to support spending on local services. Revenue support grant is provided by the Department of Communities and Local Government (DCLG) and is based on the Government's calculations of local spending needs via the Formula spending share. Area based grant is a non ringfenced general grant which has replaced certain grants formally treated as service specific.

	2007/08 £ 000	2008/09 £ 000
Revenue Support Grant	680	594
Area Based Grant	0	22
Total General Grants	680	616

23. Precept Demands from Collection Fund

The Council, along with other precepting bodies, receives a share of the council tax collected in its area. The table below illustrates the amount receivable by Bromsgrove District Council for the financial year together with its share of accumulated surplus distributed. The amount for Parish Councils is shown separately

	2007/08 £ 000	2008/09 £ 000
Precept for year – Bromsgrove DC	6,198	6,523
Share of Surplus Bromsgrove DC	76	37
Precept – Parish Councils	562	625
Total Precept demands	6,836	7,185

Capital Notes

24. Analysis of movements in Fixed Assets

	Operational assets				Non Operational		Total
	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure	Community Assets	Investment Properties	AUC (*)	
	£000	£000	£000	£000	£000	£000	
Gross Book Value at 31st March 2008	28,386	6,747	532	1,570	7,257	71	44,563
Restatement **	0	0	0	0	476	0	476
Restated Gross Book Value at 1 st April 2008	28,386	6,747	532	1,570	7,733	71	45,039
Transfers	0	0	0	71	0	-71	0
Additions	799	857	0	468	0	291	2,415
Disposals	-786	-98	0	0	-113	0	-997
Gross Book Value at 31st March 2009	28,399	7,506	532	2,109	7,620	291	46,457
Depreciation at 1st April 2008	759	2,194	107	0	0	0	3,060
In year	522	1,127	32	0	0	0	1,681
Disposal	-43	-85	0	0	0	0	-128
Depreciation at 31st March 2009	1,238	3,236	139	0	0	0	4,613
Restated Net Value at 1st April 2008	27,627	4,553	425	1,570	7,733	71	41,979
Net Value at 31st March 2009	27,161	4,270	393	2,109	7,620	291	41,844

* Assets under Construction

** Restatement of gross book value due to the revaluation of industrial units not previously identified.

25. Capital Expenditure and Financing

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

	2007/08 £000	2008/09 £000
Opening Capital Financing Requirement	24	0
Capital Investment		
Operational Assets	1,715	2570
Non Operational Assets	71	12
Revenue Expenditure funded from Capital under Statute	1,877	1656
Intangible Assets	173	4790
Total Expenditure	3,836	9028
Source of Finance		
Capital Receipts	2,321	7948
Government Grants and Other Contributions	1,515	1047
Sums set aside from Revenue	0	33
Sum set aside from Capital Receipts	24	0
Total Financing	3,860	9028
Closing Capital Financing Requirement	0	0

26. Valuation of Fixed Assets

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

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

The Council is in the process of reviewing all information on fixed assets held to ensure both completeness and compliance with the requirements of SORP. A programme of valuations, to be carried out by the Council's Valuation Officer, is in place to ensure all appropriate fixed assets are revalued every 5 years with the inclusion of residual land values.

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

	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Investment Property	Total
	£000	£000	£000	£000	£000	£000
Valued at historic cost	144	6,747	532	1,570	0	8,993
Valued at current value						
2004/05	2968	0	0	0	160	3,128
2005/06	4,985	0	0	0	5,562	10,547
2006/07	19,503	0	0	0	469	19,972
2007/08	0	0	0	0	965	965
2008/09	0	0	0	0	464	464
Total Gross Book Value as at 31 st March 2009	27,600	6,747	532	1,570	7,620	44,069

27. Intangible assets

Intangible assets refer to capital expenditure that does not create a fixed asset for the Council but the benefit of which lasts for more than one year. All expenditure on intangible assets relates to purchased software and its relevant installation costs.

This expenditure is charged to the I&E Account over the period of estimated benefits. In the case of expenditure on computer software it is charged over 3 years. An additional review has been carried out on the expenditure incurred to develop the Spatial Project and the period over which benefits will be achieved. This has been assessed as 7 years therefore all related expenditure will be written off to the I & E Account over this period.

	2007/08 £000	2008/09 £000
Original Cost	580	591
Amount Amortised	-207	-123
Balance as at 1st April	373	468
Expenditure in year	173	4,790
Transfer from Assets Under Construction	140	0
Written off to Income and Expenditure Account	-218	-197
Balance as at 31st March 2009	468	5,061

28. Capital Commitments

Future capital expenditure committed as at 31st March 2009 amounted to £174k for the following scheme:

- New Town Centre Toilet Block (£174k)

29. Fixed Assets (Land and Buildings) Held

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

	31st March 2008 No's	31st March 2009 No's
Council Offices at Burcot Lane	1	1
Depot	1	1
Sport Centre	1	1
Customer Service Centre	1	1
Public Conveniences	3	3
Caravan Site	1	1
Car Parks	13	13
Cemeteries	2	2
Tourist Information Centre	1	1
Market Hall	1	1
Hostels	6	1
Other Properties	1	*6
Allotments Sites	8	8
Parks/Recreation Grounds/Open Spaces and Play Areas	62	63

* Restated due to additional information.

30. Profit/ loss on sale of fixed assets

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

	2007/08 £000	2008/09 £000
Proceeds from sale of Fixed Assets	-235	-539
Other items treated as Capital Receipts	-497	-200
Market Value of Fixed assets sold	635	869
Deferred capital grants relating to assets sold	0	-13
Profit/loss for the year	-97	117

31. Fixed Asset Restatement Account/Capital Financing Account

These accounts have been replaced by the Revaluation Reserve and the Capital Adjustment Account. Balances at 31 March 2007 have been transferred to the Capital Adjustment Account. Please refer to note 33 below.

32. Movement in Revaluation Reserve

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

There have been no asset revaluations undertaken during this financial year.

	2007/08 £000	2008/09 £000
Balance as at 1st April	0	55
Gains on revaluation in year	*257	0
Written out on disposal	-202	-55
Balance as at 31st March	55	0

Restated Figures 2007/08 – Comparative figures in the above note for 2007/08, for the Gains on revaluation in year have been restated by £965k (original 2007/08 £1,222k) which relates to investment assets not previously identified. This figure has subsequently been transferred to the Capital Adjustment Account as they were not revaluations.

33. Movement in Capital Adjustment Account

The Capital Adjustment Account is credited with amounts set aside to finance capital expenditure and absorbs the timing differences that might arise as a result of the setting aside of resources being out of line with accounting charges for depreciation and impairment losses.

	2007/08 Restated £000	2008/09 £000
Balance at 1 April	0	40,391
Transfer from Capital Financing Account	70,582	0
Transfer Balances on Fixed Asset Restatement Account *	-30,019	0
Capital Adjustments		
Restatement of Assets	476	0
Depreciation of Assets	-1,792	-1,878
Impairment of Assets	-59	-167
Disposal of Fixed Assets	-646	-869
Write Down of Revenue Expenditure funded from Capital under Statute	-1,945	-1,656
Deferred Government Grants and Contributions Amortised	1,245	876
Deferred Government Grant released on asset sale	0	13
Government Grant – Prior Year Adjustment	0	21
Revaluation written out	202	55
Prior Year Funding Adjustment	-36	118
Capital Financing		
Usable Capital Receipts	2,383	7,830
Revenue Funding	0	33
Balance as at 31 March 2009	40,391	44,767

* Restated Figures 2007/08 – The opening balance in the above note for 2007/08 on the Capital Adjustment Account, which comprised the combined balances on the transfer of the Capital Financing Account and the Fixed Asset Restatement Reserve has been restated by £965k (original 2007/08 Transfer from Balances on Fixed Asset Restatement Account

£30,984k) to ensure a consistent approach in restating the opening balances due to the addition of assets not previously identified.

34. Movement in Capital Receipts Unapplied

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

	2007/08 £000	2008/09 £000
Balance as at 1st April	15,000	13,351
Amounts Receivable	741	738
Capital Receipts Pooled	-7	-3
Applied to finance capital expenditure	-2,383	-7,830
Increase in Realised Capital Resources	-1,649	-7,095
Balance as at 31st March	13,351	6,256

35. Deferred Government Grants and Contributions

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

	2007/08 £000	2008/09 £000
Balance as at 1st April	1,732	2,001
Grants and Contributions applied	1,516	528
Amounts credited to the I&E Account	-325	-391
Amounts written out in year	-922	0
Total movement in year	269	137
Balance as at 31st March	2,001	2,138

Financial Instrument Notes

36. Financial Instruments Balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31 March 2008 £000	31 March 2009 £000	31 March 2008 £000	31 March 2009 £000
Financial Liabilities at amortised cost	0	0	109	117
Total Borrowings	0	0	109	117
Loans and receivables	50	0	8,647	13,925
Financial assets at fair value through profit and loss	0	0	11,091	0
Total investments	50	0	19,738	13,925

37. Interest and investment income

The total interest and investment income relates to the interest received from the temporary investment of surplus revenue and capital balances and the returns on investment crystallised on redemption of the externally managed portfolio.

Where interest is due at the year end it has been accrued against the value of the outstanding deposit.

38. Long Term Investments

The debenture loan to the Association of District Councils (£50k as at 31 March 2008) was redeemed on 31 July 2008. The Council received a redemption premium of £1,848.41 for every £10k of stock held.

39. Short Term Investments

These are surplus monies temporarily invested externally. Under the requirements of the 2008 SORP the Council has to classify its investments into separate categories with different accounting treatments for each category. During the year the Council called back the funds it had placed with an external fund manager.

At 31 March 2009 short term investments comprise:

	31st March 2008 £000	31st March 2009 £000
Loans & Receivables - Deposits with Banks/Building Societies	8,647	13,925
Financial Assets at Fair Value through Profit and Loss - Portfolio managed by Fund Managers	11,091	0
Total	19,738	13,925

40. Short Term Borrowing

The Council remains free of long term debt and is not required to set aside a minimum revenue provision for the repayment of debt. The short term borrowing represents monies repayable on demand and consists of Parish Loans (where parishes have deposited cash balances with the Council and the Council pays them interest on the loans). The value outstanding as at 31 March 2009 (£116k) includes accrued interest payable at the balance sheet date (£1k).

41. Nature and extent of risks arising from Financial Instruments

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

- Credit risk – the possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party
- Liquidity risk – the possibility that a party will be unable to raise funds to meet its commitments associated with financial instruments
- Market risk – the possibility that the value of an instrument will fluctuate because of changes in interest rates, market process, etc.

The Council's Treasury Management Strategy has been developed in accordance with the Prudential Code for Capital Finance prudential indicators and is used to manage these risks. Additionally treasury management practices are followed on a day to day basis.

Credit Risk

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

The Council has not had and does not expect any default losses by any of its counterparties in relation to investments.

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

The credit criteria in respect of financial assets managed in-house by the Council were as detailed below for 2008/09:

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

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

The externally managed funds were subject to the same investment criteria with the additional flexibility to invest in Certificates of deposit (CD's), Gilts (bonds issued by the UK government) and Bonds issued by multilateral development banks that met the Government's criteria for specified investments (i.e. offering high security and high liquidity).

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

The following analysis summarises the Council's exposure at the balance sheet date based on Fitch ratings at point of deposit:

	Short Term Rating	Long Term Rating	Balance Invested 31 Mar 08 £ 000	Balance Invested 31 Mar 09 £ 000
UK Banks	F1+	AA+	2,423	2,000
	F1+	AA	7,788	2,025
	F1+	AA-	1,004	2,400
Total UK Banks			11,215	6,425
European Banks	F1	A+	1,003	0
	F1+	AA-	3,213	0
Total European Banks			4,216	0
UK Building Societies	F1+	AA-	0	2,000
	F1	A	1,004	0
DMADF	F1+	AAA	0	5,500
Other AAA rated investments *	F1+	AAA	3,303	0
Total Investments			19,738	13,925

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

Liquidity Risk

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

Market Risk

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

Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

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

The impact of a 1% rise in interest rates in 2009/10 is estimated as being £93k for a full year.

42. Pensions Benefits (Financial Reporting Standard 17)

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

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

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

The 2007/08 figures have been restated to reflect the change in accounting requirements in SORP 2008, which require assets held to be valued at bid value rather than mid-market value. This has resulted in an asset valuation for 31 March 2009 of £24.879 million and a restated asset valuation for 2007/08 of £32.362 million (original 2007/08 £32.253 million). The change has resulted in a restated 2007/08 deficit of £19.334 million (original £19.266 million).

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

Cost of retirement benefits in Income and Expenditure Account	2007/08 Restated * £000	2008/09 £000
Net Cost of Services		
Current Service Costs	1,117	1,163
Past Service Costs	325	0
Curtailment costs	138	254
Net operating Expenditure		
Interest Costs	2,461	3,144
Expected Return on Assets *	-2,339	-2,199
Statement of Movement on General Fund Balance		
Amount by which pension costs calculated in accordance with the SORP (in accordance with FRS 17) are different from the contributions due under the pension scheme regulations Movement on Pensions Reserve *	-253	-694
Actual amount Charged against Council tax for Pensions in year - Employers Contributions Payable	1,449	1,668

*The restated figures for 2007/08 are:

- Expected return on assets -£2.339m (original 2007/08 -£2.341m)
- Movement on the General Fund Balance -£0.253m (original 2007/08 -£0.251m).

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £0.725 million (2007/08 £7.751 million restated losses) are included in the Statement of Total Recognised Gains and Losses.

Assets and liabilities in relation to retirement benefits

	2007/08 Restated £000	2008/09 £000
Reconciliation of present value of the scheme liabilities		
Scheme liabilities 1 April	-45,647	-51,696
Current service cost	-1,117	-1,163
Interest cost	-2,461	-3,144
Contributions by scheme participants	-420	-449
Actuarial gains / (losses)	-3,288	10,612
Benefits paid	1,700	1,912
Past service / curtailment costs	-463	-254
Scheme liabilities 31 March	-51,696	-44,182
Reconciliation of fair value of the scheme assets		
Scheme assets 1 April	34,317	32,362
Expected rate of return	2,339	2,199
Actuarial losses	-4,463	-9,887
Employer contributions	1,449	1,668
Contributions by scheme participants	420	449
Benefits paid	-1,700	-1,912
Scheme assets 31 March	32,362	24,879
Net pensions liability 31 March	-19,334	-19,303

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Over the year to 31 March 2009, investments have performed significantly worse than FRS17 assumptions contributing to the actuarial losses. The actual return on scheme assets in the year was a loss of £7.688 million (2007/08 £1.881 million loss).

Scheme history

	2004/05 £000	2005/06 £000	2006/07 Restated £000	2007/08 Restated £000	2008/09 £000
Present value of liabilities	-39,281	-45,847	-45,647	-51,696	-44,182
Fair value of assets	25,564	32,543	34,317	32,362	24,879
Deficit	-13,717	-13,304	-11,330	-19,334	-19,303

The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The liability of £19.303 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, the statutory arrangements for funding the deficit by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, means that the financial position of the Council remains healthy.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to March 2010 is £1.818 million.

Basis for estimating assets and liabilities

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

	2007/08	2008/09
Long term expected rate of return on assets in the scheme		
Equity investments	7.5%	7.5%
Government bonds	4.6%	4.0%
Other bonds	6.1%	6.0%
Cash / liquidity	5.3%	0.5%
Mortality assumptions		
Longevity at 65 for current pensioners (years):		
Men	21.1	21.2
Women	24.0	24.0
Longevity at 65 for future pensioners (years):		
Men	22.2	22.2
Women	25.0	25.0
Financial assumptions		
Rate of inflation	3.6%	3.3%
Rate of increase in salaries	5.1%	4.8%
Rate of increase in pensions	3.6%	3.3%
Rate for discounting scheme liabilities	6.1%	7.1%
Take up of option to convert annual pension into retirement lump sum	50.0%	50.0%

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

	31 March 2008 %	31 March 2009 %
Equity investments	88.6	85.6
Government bonds	4.7	8.4
Other bonds	3.8	3.2
Cash / liquidity	2.9	2.8
	100.0	100.0

History of experience of gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009.

	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	Restated %	Restated %	%
Experience gains/(losses) on assets	3.5	14.9	0.2	(13.8)	(40.1)
Experience gains / (losses) on liabilities	3.2	(1.8)	0.0	(0.6)	0.0

Explanation of terms used in assets and liabilities table

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

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

Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged to Net Cost of Services in the I&E Account as part of Non Distributed Costs

Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Net Operating Expenditure in the I&E Account.

Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the long-term return – credited to Net Operating Expenditure in the I&E Account.

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

Actuarial gains and losses – changes in net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged/credited as appropriate to the Statement of Total Recognised Gains and Losses

43. Notes to The Cash Flow Statement

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

	2007/08 £000	2008/09 £000
Surplus(-)/Deficit on General Fund	2,189	3,023
Surplus(-)/Deficit on Collection Fund	261	41
Non Cash Transactions		
Capital Charges	-2,549	-2,825
FRS17 Pension Costs	-251	-695
Contributions to(-)/from Bad Debt Provisions	0	0
Contributions to(-)/from Other Provisions	-632	154
Transfer from Suspense	0	0
Statutory Transfer from HRA	0	0
Contribution to(-)/from Earmarked Reserve	0	0
Contribution to Capital Expenditure	0	33
Contribution from Capital Receipts	0	0
<u>Items on an Accruals Basis</u>		
Increase(-)/decrease in Creditors	532	-2,574
Increase/decrease(-) in Debtors	59	574
Increase/decrease(-) in Stock	16	46
<u>Items included in other classifications</u>		
Interest paid	-6	-3
Interest received	1,588	1,434
Net cash flow from revenue activities	1,207	-792

Liquid Resources

The principal liquid resources of the Council are short term investments with a small amount relating to Long term investments. The opening and closing balances for the financial year 2008/09 are given below:-

	2007/08 £000	2008/09 £000
Balance at 1 st April	21,612	19,738
Balance at 31 st March	19,738	13,925
Movement in Year	-1,874	-5,862

Additionally the long term debenture of £50k held at 31 March 2008 was redeemed in the year to 31 March 2009.

Net increase/Decrease in Cash

	2007/08 £000	2008/09 £000
Increase/Decrease(-) in Cash Overdrawn	52	-52
Increase(-)/Decrease in Petty Cash and Cash in Hand	183	-167
Net Increase(-)/Decrease in Cash	235	-219

Government Grants

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

	2007/08 £000	2008/09 £000
Admin Grant – Local Taxation	115	122
Other	576	698
Planning Delivery Grant	164	211
Benefit Administration Grants	467	453
Total Other Government Grants	1,322	1,484

44. Contingent Liabilities

On 30 September 1992 the Council's then insurer MMI announced that it had ceased taking new business and had placed a moratorium on claims payments. On 6 October 1992 MMI resumed the full payment of claims. Subsequently there has been further strengthening in the company's financial position and its directors remain of the view that a solvent run off can be anticipated. If a solvent run off is not achieved the Council currently has a potential contingent liability of up to £268,216. No provision has been made in the Balance Sheet for this amount.

45. Events after the Balance Sheet Date

The Council approved implementation of Job Evaluation through a dismissal and reengagement process in April 2009. Staff were requested to sign off their new contracts by the end of May 2009, or be reengaged on the new terms and conditions, with a period of protection to May 2011. This process has been undertaken with full consultation with unions and staff to ensure a robust and transparent system has been used.

During the last 12 months the Council has been actively reviewing and implementing Shared Services. This has included the potential of sharing / joint working both across the County and individually with Redditch Borough Council. Since April approval has been given to share Elections and Community Safety Services with Redditch and discussions are being held to share CCTV, Lifeline and ICT. Furthermore, in July 2009 both Redditch and Bromsgrove

Councils agreed to continue sharing the Chief Executive role following the 1 year trial period. The aim is for all services to be shared between the two Councils over the next 3 years to secure efficiencies and improvements in service delivery.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31st MARCH 2009

2007/08 £000		2008/09 £000
	<u>Income:</u>	
-45,363	Income from Council Tax (Net)	-47,588
-3,699	Council Tax Benefits	-4,004
	Reduction in Provision for Bad and Doubtful Debts:	
0	Council Tax	0
-21	Business Rates	0
-20,642	Income from Business Ratepayers	-23,586
-69,725	Total Income	-75,178
	<u>Less Expenditure:</u>	
49,233	Precepts and Demands	51,538
	Business Rates:	
20,549	Contributions to NNDR Pool	22,648
115	Costs of Collection	122
	Increased Provision for Bad and Doubtful Debts:	
89	Council Tax	95
0	NNDR	816
69,986	Total Expenditure	75,219
261	Surplus(-)/Deficit for the year	41
-1,276	Collection Fund Surplus(-) brought forward	-1,015
-1,015	Collection Fund Surplus (-) carried forward	-974

Notes to the Collection Fund Account

1. General

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

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

2. Council Tax Base

The Council set a total Council Tax of £1,398.56 based on Band 'D' equivalent, with a tax base of 36,214.70.

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

Items for parish precepts are additional.

Band	Valuation	Numbers	Ratio	Band D
A	Up to £40,000	2,583.75	6/9	1,723.8
B	Over £40,000 and up to £52,000	6,156.50	7/9	4,788.4
C	Over £52,000 and up to £68,000	7,528.50	8/9	6,692.0
D	Over £68,000 and up to £88,000	6,870.75	9/9	6,870.8
E	Over £88,000 and up to £120,000	6,095.00	11/9	7,449.4
F	Over £120,000 and up to £160,000	3,099.00	13/9	4,476.3
G	Over £160,000 and up to £320,000	2,429.25	15/9	4,048.8
H	Over £320,000	265.50	18/9	531.0
Total Band D equivalent properties				36,580.5
Collection Rate				99.00%
Council tax base				36,214.7

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

3. National Non-Domestic Rates

Non Domestic Rates are collected on behalf of the government and paid into a National Pool. The Collection Fund receives amounts paid by the local ratepayers in the area, and pays this amount over to the national pool net of allowable costs of collection. The National rate specified by government was an amount of 46.2p in the £ for 2008/09 (44.4p for 2007/08) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. A revaluation of all non-domestic properties took effect from 1st April 2000; the rateable value as at 31st March 2009 was £57,222,815.

4. Precepts

The precepts were as follows:

2007/08 £000		2008/09 £000
33,920	Worcestershire County Council	35,663
6,760	Bromsgrove District Council (including Parish Councils)	7,148
5,666	West Mercia Police Authority	5,992
2,337	Hereford and Worcester Fire and Rescue Authority	2,470
	Distribution of Collection Fund Surplus	
384	Worcestershire County Council	184
76	Bromsgrove District Council	37
64	West Mercia Police Authority	31
26	Hereford and Worcester Fire and Rescue Authority	13
49,233	Total Precepts Collected	51,538

5. Bad Debt Provision

Bad and doubtful debt provisions comprised the following amounts:

2007/08 £000		2008/09 £000
1,682	Balance as at 31st March Council Tax	1,557
-35	Written-off during the year	119
89	Movement in Provision	95
	Non-Domestic Rates	
-158	Written-off(-)/on(+) during the year	-617
-21	Movement in Provision	816
1,557	Balance as at 31st March	1,970
	<u>Represented By:</u>	
666	Council Tax Provision	880
891	Non-Domestic Rates Provision	1,090
1,557	Balance as at 31st March	1,970

6. Collection Fund Balance

The Collection Fund Balance is available for distribution to the authorities which precept on the Collection Fund. During 2008/09 a total of **£0.264m** was distributed to the precepting authorities as detailed in Note 4 above. The balance is set out below:

2007/08 £000		2008/09 £000
1,276	Balance brought forward 1st April	1,015
-261	Surplus/Deficit(-) in the Year	-41
1,015	Balance carried forward 31st March	974

The Collection Fund Balance represents Council Tax collected but not paid over to the precepting authorities. This balance has accumulated due to both the collection rates and

income received being higher than budgeted for at the beginning of the financial year. This surplus is available to be shared amongst the precepting authorities (prorate to the amount of the total precepts). The amount attributable to Bromsgrove District Council is £136k (13.94%). This amount is shown with in the total Equity in the Balance Sheet as a Collection Fund Balance. The remainder is shown within creditors.

2007/08 £000		2008/09 £000
141	Bromsgrove District Council Collection Fund Balance	136
874	Creditor - Other precepting bodies	838
1,015	Total Collection Fund balance	974

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is Jayne Pickering, the Head of Financial Services.
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- Approve the Statement of Accounts.

Approval of the Accounts

The Statement of Accounts has been approved at the meeting of the Audit Board on 28 September 2009 in accordance with the Accounts and Audit Regulations 2003, amended 2006.

Councillor Stephen Peters
Chair of the Audit Board

Date

The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2008 (the 2008 SORP) and is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2009.

In preparing these financial statements the Section 151 Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the 2008 SORP.

The Section 151 Officer has also:

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

Issue Date

These financial statements were authorised for issue by the Head of Financial Services on 17 September 2009. All known material events that have occurred up to and including this date which relate to 2008/09 or before have been reflected in the accounts.

The Section 151 Officers Certificate

The Statement of Accounts for Bromsgrove District Council presents fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

Jayne Pickering
Head of Financial Services

Date

Independent auditor's report to Members of Bromsgrove District Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Bromsgrove District Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Bromsgrove District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Head of Financial Services and auditor

The Head of Financial Services' responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword and the content of the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. However, in respect of capital expenditure amounting to £2.4 million relating to the Spatial Project the evidence available to me to support the capital nature of this expenditure was limited because the supporting papers relating to those amounts were not available at the time of the audit. I was unable to obtain sufficient appropriate audit evidence regarding the capital nature of this expenditure by using other audit procedures. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from a disagreement about accounting treatment and a limitation of scope

In addition to the expenditure of 2.4m referred to above, a further £2.1million in respect of the Spatial Project has been capitalised and is being carried on the Council's balance sheet as an intangible fixed asset. In my opinion this expenditure should have been charged to the Income and Expenditure account in the year. Accordingly the carrying value of fixed assets should be reduced by £2.1 million and the deficit for the year should be increased by the same amount, resulting in a negative general fund balance of £347,000.

Except for the financial effects of such adjustments, if any, as might have been necessary had I been able to satisfy myself as to the nature of the £2.4 million expenditure and the effect of the inappropriate capitalisation of the further expenditure on the Spatial Project of £2.1 million referred to above, in my opinion the financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in

relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. 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.

Qualified Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I was unable to obtain sufficient appropriate evidence that Bromsgrove District Council had satisfactory arrangements for preparing accounts that meet statutory requirements and financial reporting standards to present fairly the financial position of the authority.

Having regard to relevant criteria specified by the Audit Commission for principal local authorities, published by the Audit Commission in May 2008 and updated in February 2009, and the supporting guidance. I am satisfied that, in all significant respects, Bromsgrove District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009 except that it did not put in place adequate arrangements for:

- ensuring its financial reporting is timely, reliable and meets the needs of internal users, stakeholders and local people.

Certificate

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

Elizabeth Cave

(Officer of the Audit Commission)

The Business Centre, Blackpole Road, Worcester, WR3 8SQ

30th September 2009

This is an electronic copy of the auditor's report without an electronic signature. The original was signed as dated above and a copy can be obtained from the Head of Financial Services.