

BROMSGROVE DISTRICT COUNCIL

ANNUAL REVIEW AND STATEMENT OF ACCOUNTS 2009/10

CONTENTS

	Page no
Glossary of Terms	<u>4</u>
Introduction from Portfolio Holder for Finance	<u>8</u>
Value for Money	<u>12</u>
Annual Governance Statement (Including Internal Audit Shared Services Managers' Opinion)	<u>13</u>
Explanatory Foreword	<u>22</u>
Statement of Accounting Policies	<u>28</u>
The Core Financial Statements	
Income and Expenditure Account	<u>37</u>
Statement of Movement on the General Fund Balance	<u>38</u>
Statement of Total Recognised Gains and Losses	<u>39</u>
Balance Sheet	<u>40</u> BalanceSheet
Cashflow Statement	<u>41</u>
Notes to the Core Financial Statements	
1. Note of reconciling items for the Statement of Movement on the General Fund Balance	<u>42</u>
2. Prior Year Adjustments and Restated Statements	<u>43</u>
3. Comparison with Revenue Budget	<u>45</u>
4. Non Distributed Costs	<u>46</u>
5. Exceptional Items	<u>46</u>
6. Capitalisation Direction	<u>47</u>
7. Trading Operations	<u>47</u>
8. Publicity	<u>47</u>
9. Members Allowances	<u>48</u>

10. Payments made to Employees	<u>48</u>
11. Related Parties	<u>50</u>
12. External Auditors	<u>52</u>
13. Long Term Debtors	<u>52</u>
14. Stocks	<u>52</u>
15. Debtors	<u>53</u>
16. Cash in Hand and Bank	<u>53</u>
17. Creditors	<u>54</u>
18. Leases	<u>54</u>
19. Provisions	<u>55</u>
20. Earmarked Reserves	<u>56</u>
21. General Government Grants	<u>57</u>

Capital Notes

22. Analysis of movements in Fixed Assets	<u>58</u>
23. Capital Expenditure and Financing	<u>59</u>
24. Valuation of Fixed Assets	<u>59</u>
25. Intangible Assets	<u>60</u>
26. Capital Commitments	<u>61</u>
27. Fixed Assets (Land and Buildings) Held	<u>62</u>
28. Profit/Loss on Sale of Fixed Assets	<u>62</u>
29. Movement in Revaluation Reserve	<u>62</u>
30. Movement in Capital Adjustment Account	<u>63</u>
31. Movement in Capital Receipts Unapplied	<u>64</u>
32. Deferred Government Grants and Contributions	<u>64</u>

Financial Instrument Notes

33. Financial Instruments Balance	<u>65</u>
34. Interest and Investment Income	<u>65</u>
35. Short Term Investments	<u>65</u>
36. Short Term Borrowing	<u>66</u>

37. Nature and Extent of Risks Arising from Financial Instruments	<u>66</u>
38. Pension Benefits (FRS 17)	<u>69</u>
39. Notes to the Cash Flow Statement	<u>73</u>
40. Contingent Liabilities	<u>74</u>
41. Future Development (Transition to Accounting on an IFRS basis)	<u>74</u>
42. Statement of Accounts Authorised for Issue and Events after the Balance Sheet Date	<u>75</u>
Collection Fund Account and Related Notes to the Account	<u>76</u>
1. General	<u>76</u>
2. Council Tax Base	<u>77</u>
3. National Non-Domestic Rates	<u>77</u>
4. Precepts	<u>78</u>
5. Bad Debt Provision	<u>78</u>
6. Collection Fund Balance	<u>78</u>
Statement of Responsibilities for the Statement of Accounts	<u>80</u>
Auditors Report	<u>82</u> <small>Auditors Report</small>

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 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 2010, which are set out in detail on pages 20 to 79. 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.

2009/10 has been a challenging and exciting time for the Council. The formal ending of our period of engagement with the Government in October 2009 was a great achievement for both members and officers and demonstrated that all the hard work and improvements we have made were recognised. The joint Chief Executive, single management team and transformational arrangements that we have agreed with Redditch Borough Council have put us at the forefront of new initiatives nationally and will ensure that we will deliver significant savings over the next 5 years. Furthermore the approval of the Worcestershire Enhanced Two Tier (WETT) projects demonstrates that we are looking to work with all our neighbours to improve services to our customers. The success in being selected as the "host" authority for the Regulatory Shared Service across the County shows that Bromsgrove is seen as having the capacity and capability of hosting a number of complex services to residents, county wide.

Against these new and exciting initiatives the Council and its customers has had to balance increasing service demand within a difficult financial climate. Benefits claims have increased together with the demand on the concessionary fares service. The income received from our investments has seen a dramatic reduction from £1,434k to £89k together with a sharp decline in the search fee income generated. Despite this financial climate the Council has continued to deliver quality services to our customers and when agreeing future years' budgets we have ensured our priorities are funded.

The Audit Commission has formally recognised the significant improvements the Council has made in awarding a score of "fair" in the Comprehensive Area Assessment that was undertaken during 2009/10 in relation to 2008/09 financial year. In addition the Council was judged as 2 (out of 4) against the tougher new Use of Resources framework for the same time period.

2009/10 has been a very successful year for the Council in delivering improvements to our services. The Council has six priorities and some of our headline achievements against each of these are set out below:-

Economic Development

- The Council ran its successful "Fit for Biz" conference and seminars to support companies through the credit crunch.
- We helped a record 50 new business start ups during 2009/2010.
- We helped businesses' cashflow by paying 98% of our invoices within 30 days (and 84% within just 10 days).

- We contacted local businesses we thought may be eligible for small business rate relief.
- We upgraded the Christmas Lights on the Bromsgrove High Street and the market, which was moved to the High Street in March 2009, has been a success.

Value for Money

- During 2009/10 we set a budget for 2010/11, which includes planned savings of £1,119,000.
- We formally agreed to a shared services project between Bromsgrove District Council and Redditch Borough Council, so that we are ready to respond to the expected reductions in public expenditure.
- As part of this, we merged the two management teams of Bromsgrove District Council and Redditch Borough Council, into a single management team.
- We have been successful in winning the hosting of the new county wide Regulatory Services function, as part of the Worcestershire Enhanced Two Tier (WETT) project.
- Our Customer Service Centre continued to deliver an excellent standard of service, with our targets for the percentage of calls answered and the percentage of calls resolved at first point of contact being exceeded
- Members and senior management focused on sickness absence levels, which were too high, and in the second half of 2009/2010 we saw them drop to a level that if projected for a whole year, would give a figure of 7.16 days per full time equivalent member of staff.

One Community

- After listening to our residents, we launched BURT (Bromsgrove Urban and Rural Transport) community transport scheme.
- BURT, along with our work on the new toilets in the town centre, community bids, which have helped fund DIWALI celebrations and Black History Month, helped us achieve Level 3 of the Local Government Equalities Standard.
- We worked with the County Council to run an innovative “U Decide” participatory budgeting event for children and young people, which enabled them to decide how to spend £50,000 on activities for children and young people.
- We have worked hard with our partners to get “The Trunk” up and running in Charford, which offers a range of local services to the Charford community and other communities in the District.

- We had 24,000 residents attend our various events across the District, like Street Theatre, Bonfire Night etc.

Housing

- We gave planning permission for 165 units of affordable housing in Perryfields.
- We exceeded our target of 80 units of affordable housing per annum.
- We worked hard to keep to a minimum the number of families in temporary accommodation and kept the number down to 14, compared to a Government target of 34.

Climate Change

- We recycled 37% of domestic waste.
- We calculated the Council's CO2 emissions for the first time, so that we have a baseline from which to focus our efforts on reducing our emissions.
- We appointed a Joint Climate Change Manager with Redditch Borough Council.

Town Centre

- Regenerating our town centre is a long term project, but we continue to work towards an area action plan or master plan for the town centre.
- Work has started on the Parkside Medical Centre.
- We opened new state of the art toilets in the town centre and with the County Council's help, refurbished the bus station.

The Shared Service, Joint Working and WETT projects will deliver significant savings and improve resilience in services provided to our residents. The planned savings from the single management team across Bromsgrove and Redditch Councils amount to £1.2m over 5 years with the aim to identify further savings to be achieved during this period.

The Council has reviewed the cost of a number of our services and will be continuing to undertake detailed analysis and comparison of services to ensure we are providing best quality and price services to our customers.

To enable us to support the priorities a full review of the medium term financial plan (the budget) was undertaken during July 2009 – January 2010. Significant efficiency savings were identified to enable more money to be realigned to our priorities. The efficiency savings detailed above, together with improved procurement practices have enabled us to fund a number of new developments including:

- The establishment of an older persons directory to enable customers to gain access and information to projects across the County
- To develop a strategic plan for flooding in the District to protect homes and businesses in the future
- To increase the funding to the Local Strategic Partnership to provide services to residents in priority areas

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.

The medium term financial plan gives clear and strategic direction to the Council's finances through to the end of 2012/13. 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.

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 (£188.15) represented less than 13% of the total bill of £1,447.06 in 2009/10.

The Statement of Accounts gives more detail of the total revenue and capital position for the 2009/10 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, Executive Director of Finance and Resources 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 and Resources

VALUE FOR MONEY (VFM)

Bromsgrove District Council is committed to providing Value for Money in all services it provides and will continue to focus on this area in the following ways:

- Recruitment of the single management team with Redditch Borough Council to deliver significant savings over the next 5 years
- Develop a plan of transformation and shared services for a number of other services provided by the Council to realise efficiencies and improve services to the customer
- Transfer services under the Worcestershire Enhanced Two Tier project to improve resilience and achieve savings
- Successfully host the regulatory service for all Councils in the Worcestershire County and to transform the service provision and generate significant cash savings
- Further development of priorities in conjunction with our stakeholders (PCT, voluntary sector) and our customers (Customer Panel, Customer surveys, Budget Jury to be re-established for 2011/12)
- Improvements to the links between funding and priority to ensure the Council realigns financial resource to key areas of priority
- Cash savings delivered from entering into joint contracts and agreements with other councils across Worcestershire
- Developing joint procurement opportunities across the wider County network to realise cash efficiencies
- Value for Money and procurement training delivered to Members and officers
- Supplier seminars undertaken to raise awareness of how to trade with the Council and to support local businesses
- Review of vending contracts to eliminate subsidy on provision of food
- Procurement savings of £80k achieved and sharing of procurement officer with Redditch Council

The significant savings delivered from sharing services across the County and in particular with Redditch Borough Council will further reduce the cost of services provided by the Council. This initiative will be the main focus for the future to improve the value for money achieved by this Council.

In addition to this main focus there are a number of other actions that will be undertaken during 2010/11:

Cost analysis and Benchmarking: further calculation of the 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.

ANNUAL GOVERNANCE STATEMENT (Including Internal Audit Shared Services Managers' Opinion)

Worcestershire Internal Audit Shared Services Managers' Opinion on the Effectiveness of the System of Internal Control at Bromsgrove District Council (the Council) for Year Ended 31 March 2010

1 Audit Opinion

- 1.1 The internal audit of Bromsgrove District Council's systems and operations during 2009/2010 was conducted in accordance with the internal audit plan, approved by the Audit Committee on 16 March 2009.
- 1.2 Based on the audits performed in accordance with the approved plan, the Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2009/2010 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the council's corporate objectives have been met.
- 3.1 It should be noted that as part of the risk based approach to the testing of core financial systems which has been agreed with External Audit no work was performed on Debtors, Creditors and Treasury Management during 2009/10 as these were assessed as low risk to the Council.
- 3.2 The Internal Audit function did not meet the targets set for the time spent or productive time due to block release for study, sickness, time spent on the WETT programme for Internal Audit and carry over of work from 2008/09, none of which were not factored into the plan. In relation to audits undertaken; twenty-one audits were planned for the year, of which four were cancelled, eight were completed in 2009/10 and nine have been completed in 2010/11. The adjustments to the plan were assessed as to the impact of risk to the Council and those cancelled were considered to be low. From the customer perspective, six customer surveys have been returned all of which scored the service as 'good'.
- 3.3 Three of the fourteen areas audited have been given an opinion of "Identified Weaknesses" meaning that the controls in place do not provide an acceptable level of assurance that the system's objectives will be met. These are Procurement, Public Toilet Refurbishment and Travel Concessions.
- 3.4 **Procurement:**
Concerns were raised as to the consistency in approach when dealing with tender submissions, evidence of a relevant and accurate contracts register together with internal monitoring arrangements relating to procurement activities. Officers have reviewed the areas and develop an action plan to address the weaknesses identified. These actions will include; a contracts register being prepared together with further awareness and training sessions on the procurement framework. A procurement steering group has been established, with Member involvement to drive this agenda forward.

3.5 Public Toilet Refurbishment:

A number of issues around the project management and planning of the scheme were raised which may have led to additional expense to the Council. These lessons have been picked up by the project management team and will ensure that future projects are managed in the robust framework that the Council has in place. It is also acknowledged that due to the specialist nature of the toilets there were specific changes made that were not initially considered.

3.6 Travel Concessions

The Audit raised issues relating to the overall monitoring and management of the scheme including the lack of budget information, evidence of formal agreements and evidence of backdated claims. The financial impact of the intention to transfer the service provision to County has not been fully detailed in to Bromsgrove District Council and this is also a concern. Officers have established regular meetings with County colleagues to address this issue and during the transition period more robust monitoring arrangements will be implemented to manage the contract and the financial position.

Gillian Tanfield

Worcestershire Internal Audit Shared Services Manager

September 2010

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 2010 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 2010/13. 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. In addition key projects are managed through the Project Management Board and the Transformational project 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 four 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 community transport and the Compact work with BARN. In addition there are SLAs in place for services delivered by Bromsgrove

District Council to Redditch Borough Council. 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.

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 month 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 has a monthly meeting with their relevant Head of Service / Director to discuss performance, service development and financial management issues. 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 reflect the County Local Area Agreement. The Council operates a very simple performance management system using Excel. A formal review of the system will be undertaken during the next two years, as set out in the Performance Management Strategy.

Value for Money

The Council has a Value for Money Strategy which is due to be revised during 2010/11. The Council actively strives for ways to improve its service delivery to achieve better Value for Money for its customers.

The programme of transformation and shared services demonstrates that the Council is aiming to provide quality services at best cost. The single management team are developing a 3 year plan to transform the majority of services across the Council and to ensure that Value for Money is delivered in services provided.

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 Council makes an annual return to the Standards for England and were identified within the Standards for England Annual Review 2008/9 as having made demonstrable improvements to its approach to Standards and Ethics.

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 Executive Director of Finance and Corporate Resources 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 incorporating 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 Executive Director of Finance and Corporate Resources. 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 and a Programme Board, chaired by the Chief Executive. This group has monitored the delivery of key projects against the planned timescale and outcome and has ensured closure and lessons learned reports have been included in the project completion documents.

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 (Executive Director of Finance and Resources), 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 has been awarded primary status of the member development charter in recognition of this

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 ensured its ward councillors attended these meetings and a senior officer from the Council also attended, for a number of meetings, during 2009/10. The Council also operated a two pilot Neighbourhood Area Committees (NACs) during 2009/10. 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 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

During 2009/10 the Standards Committee received a high number of complaints against elected members. These were managed through the formal assessment process and where appropriate referred for investigation. Notwithstanding this, the process for managing complaints against elected members at Bromsgrove has been acknowledged by Standards for England as being an example of good practice.

To support good governance and the improvements required, the Council has developed an Improvement Programme to address a number of areas that have been identified by Members and officers. This 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:

- Develop a plan and funding arrangement with Network Rail and Worcester County Council in relation to Bromsgrove Railway station.
- Identifying cost base for comparison with other organisations to assess our value for money provided

- Review events package to increase engagement / involvement / participation of children & young people across the district
- Develop Service Level Agreement for working with the Housing Improvement Agency
- Create links with Health Improvement funding bid in relation to older people
- Report to Council on new governance arrangements required by Local Government and Public Involvement in Health Act 2007 with proposed consultation arrangements
- Harmonise HR policies and processes with Redditch Borough Council to support future shared service arrangements
- Review of new Audit Commission Key Lines of Enquiry for Strategic Housing.
- Develop climate change strategy following consultation
- Develop budget jury for supporting budget process and consultation with the wider public
- Agree and publish a policy for petitions
- Develop the Service Level agreements for Internal Audit and Property services with hosting authorities.
- Review proposals and agreements that need to be undertaken for development of the Longbridge works
- Develop plan for monitoring of Service Level Agreements (SLA's)
- Develop monitoring arrangements for Regulatory Services Joint Committee

Kevin Dicks
Chief Executive

Councillor Roger Hollingworth
Leader of the Council

Date

Date

EXPLANATORY FOREWORD

Introduction

This Statement of Accounts presents the overall financial position of Bromsgrove District Council for the year ended March 2010. 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.

Changes to this year's SORP affecting the Council include the accounting treatment of local taxes and National non-domestic rates. Comparative 2008/09 figures in the core financial statements and accompanying notes have been restated to reflect these changes.

Restatement of 2008/09 figures has also been made throughout the core statements and notes to the accounts in respect of amounts incorrectly treated as capital expenditure in the published 2008/09 Statement of Accounts. £2.265 million of expenditure previously treated as capital has now been reflected as revenue expenditure in 2008/09. This has been funded by the use of general fund balances and earmarked reserves, reducing the general fund balance to nil at 31 March 2009. Please refer to note 2 in the section Notes to Core Statements for further details.

The Council received a capitalisation direction during 2009/10 allowing an equivalent amount of revenue expenditure incurred in 2009/10 to be financed from capital resources. This has the effect of reinstating in 2009/10 the general fund balance and earmarked reserves used to fund the £2.265 million of additional revenue expenditure in the 2008/09 restated accounts.

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 bring 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 2010. 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 2009/10. The 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 22 January 2009, Bromsgrove District Council set a budget of £12.006m (net of planned transfers from earmarked reserves) and a Band D equivalent Council Tax of £188.15 (£180.13 in 2008/09) which was an increase of 4.45% on the previous year. During the year further budget approvals were agreed of £0.559m to fund approved projects and costs associated with organisational restructure. This gave a revised budget of £12.565m.

During the year the Council was successful in a claim for a refund of VAT following a decision in the European Courts on what is known as the “Fleming Case”. The Council has received a refund and payment of interest of approximately £260k. This exceptional item of income has been credited to the Income and Expenditure Account in 2009/10 although the VAT claim goes back many years.

The General Fund Revenue Account produced a year end shortfall of £0.487m compared to a budgeted shortfall of £0.731m, a favourable variance of £0.244m. This has enabled the Council to limit the transfer from balances to £0.487m. 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 shared services. Details of individual earmarked reserves can be found in the notes to these financial statements.

The main reasons for the variances are:

- VAT refund – Following a successful claim on the basis of the “Fleming Case” the Council received approximately £260k of income offset by costs incurred of £53k. This produced a favourable variance overall in excess of £200k
- Income generated from investments was £77k less than budget. Market conditions combined with the strategy of maintaining investments in AA rated institutions only, to minimise risk, were contributory factors.
- Planning & Environment Services (£99k underspend) – savings arising due to a number of vacancies across the department and increased income from licensing offset by loss of income from land charges and Right-to-Buy sales.
- Legal and Democratic Services: A refund of national non-domestic rates was received in respect of the Council House and amounted to £85k. This reflects a revaluation of the property dating back to financial year 2005/06.

The Income and Expenditure Account details the gross costs of service provision amounting to **£40.816m**. This expenditure has been analysed as follows:

Expenditure Type	Restated*	
	2008/09	2009/10
	£000	£000
Employee expenses	11,401	11,700
Premises related expenses	1,225	1,299
Transport related expenses	1,049	1,059
Supplies and services	5,786	5,377
Third party payments	1,172	1,329
Transfer payments	14,064	16,741
Exceptional Items	2,265	53
Capital charges	1,606	3,258
Total	38,568	40,816

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 **£25.303m** shown in the Income and Expenditure Account has been analysed as follows:

Income Type	Restated*	
	2008/09 £000	2009/10 £000
Government grants	15,710	18,188
Fees & charges	4,120	5,000
Exceptional Item	0	264
Other grants & contributions	1,208	1,409
Internal recharges	432	442
Total	21,470	25,303

The figure for government grants income includes £17.055m (£14.226m 2008/09) towards the cost of housing and Council Tax benefits and their administration.

Income from fees and charges include 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.

Please refer to note 2 Prior Period Adjustments for further details on restated amounts.

Due to restatement the General Fund Revenue Balance brought forward as at 31st March 2009 was reduced to £nil (original £1.753m). After implementing the capitalisation direction, appropriations and transferring the deficit in 2009/10, the General Fund Revenue Balance increased to £1.266m as at 31st March 2010.

General Fund Capital Expenditure and Receipts

Capital expenditure amounted to £5.632m. This includes the capitalisation direction of £2.265 (see note 6). In addition to this the main areas of expenditure were in Street Scene and Waste Management for the planned replacement vehicle programme and the introduction of the co-mingled service (£1.506m); Town centre development including toilets (320k); Grants to RSL's and Hostels (311k); and Disabled Facilities Grants (£554k).

Capital receipts for the year totalled £1.062m. This relates to sales of vehicles and industrial units, and sales of the Council's interest in Low cost Housing schemes.

Capital contributions of £40k 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 £507k 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.

Group Accounts

In accordance with the 2009 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 2010 was £113,113.

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). The net liability has increased by £4.542m to £23.845m. A further explanation can be found in note 38 to the Core Financial Statements.

The net pension liability is a position taken at just one point in time. Market prices can move up as well as down in the short term and it is therefore not possible to quantify what long term effect the movement in market process will have on the Pension Fund.

Further Information

Further information on the accounts is available from the Executive Director Finance and Corporate Resources, 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 2009 'A Statement of Recommended Practice' (the 2009 SORP). If exception occurs these are noted at the appropriate place in the statements.

2. Significant Changes in Accounting Policies

It is a requirement of the Code of Practice on Local Authority Accounting that the Council adopts the following changes of accounting policies within the Statement of Accounts for 2009/10:

- Accounting Policies (21 and 22) have been added in respect of Council Tax and NNDR Income to reflect changes to the accounting arrangements for these two income streams introduced in the SORP 2009. The introduction of agency accounting results in prior year adjustments to the 2008/09 comparative figures.
- Clarification of the treatment of impairment of Financial Instruments

3. 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 2009/10 Income and Expenditure Account complies with these requirements.

4. Comparative Figures

In line with the 2009 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.

5. Fixed Assets - Recognition and Valuation

The requirements of the 2009 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 2009 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. 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.

6. 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.

7. 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. However there is a corresponding transfer from the Capital Adjustment Account to neutralise the effect of these charges on the General Fund Balance.

8. Revenue Expenditure Funded from Capital Under Statute

Revenue Expenditure Funded from Capital under Statute 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.

9. 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	2-15 years
Infrastructure	5-20 years

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 receipt have been complied with and there is reasonable assurance that the grant will be received.

All capital grants and other contributions when received are credited to the government grants and contributions unapplied account. When applied to fund capital expenditure which creates a fixed asset 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 2009 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

Provisions represent sums set aside for liabilities or losses which are likely, or certain to be incurred, but it is uncertain as to the amounts or the dates on which they will arise. Provisions are charged direct to the appropriate revenue account, and when expenditure is incurred to which the provision relates, it is charged direct to the provision.

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves, transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts. Certain items - the Revaluation Reserve and the Capital Adjustment Account - can only be used for specific statutory purposes and thus are not available for discretionary purposes earmarked by the Council, further details of which appear in the Statement of Total Recognised Gains and Losses.

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. Statements concerning the purpose and usage of all provisions and specific reserves appear in the notes to the core financial statements.

15. Financial Instruments

The 2009 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, 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 18 to the core statements.

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 2010. For 2009/10 investments and borrowings are carried at amortised cost (including accrued interest at 31 March 2010).

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 District Council 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 £23.845 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 carried out as at 31 March 2010 will be implemented with effect from 1 April 2011 and may revise the contribution rates payable by the Council in future years.

There is no impact on the revenue account of the authority as a result of the application of 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.

Further information can be found in Worcestershire County Council's Superannuation Fund Annual Report, available on request from:

Mr M. Weaver CPFA
Director of Financial Services,
Worcestershire County Council

County Hall, Spetchley Road,
Worcester WR5 2NP

21. Accounting for Council Tax

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

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

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

22. Accounting for National Non-Domestic Rates (NNDR)

The Council acts as an agent in the collection of National Non-Domestic Rates on behalf of Central Government. The cost of collection allowance is included as income within the Council's Income and Expenditure Account.

The Council does not include NNDR debtors in the Balance Sheet but instead shows a creditor or debtor for cash collected from NNDR debtors as agent of the Government but not paid to the Government or overpaid to the Government, at the Balance Sheet date.

23. Exceptional Items

Exceptional items are ones that are material in terms of the Authority's overall expenditure and are not expected to recur frequently or regularly. Exceptional items are included in the cost of the service to which they relate (or on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts). A full explanation of each exceptional item is given in the Notes to the Core Financial Statements.

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
Executive Director of Finance and Corporate Resources

Date

This page is left intentionally blank

THE FINANCIAL STATEMENTS

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010

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 2008/09 Restated* £000		Gross Expenditure 2009/10 £000	Gross Income 2009/10 £000	Net Expenditure 2009/10 £000	Note
1,164	Central Services to the Public	2,156	-923	1,233	
10,136	Cultural, Environmental and Planning	14,357	-3,730	10,627	
97	Highways and Transport	1,750	-1,801	-51	
2,138	Housing Services	19,728	-17,946	1,782	
1,051	Corporate and Democratic Core	2,276	-638	1,638	
2,265	Exceptional Item	53	-264	-211	5
247	Non-distributed Costs	496	-1	495	4
17,098	Net Cost of Services	40,816	-25,303	15,513	
117	Gain or loss on disposal of fixed assets			16	28
	Other items treated as capital receipts				
625	Precepts of local precepting authorities (Parish Councils)			628	
-3	Surplus(-)/deficit of trading undertakings or other operations including dividends			818	7
3	Interest payable and similar charges			0	
3	Amounts payable into the Housing Capital Receipts Pool				
-1,434	Interest and investment income			-89	
945	Pensions interest cost and expected return on pensions assets			1,480	38
17,354	Net Operating Expenditure			18,366	
-7,180	Income from Council Tax (inc Parish Councils)			-7,485	
-616	Government grants (not attributable to specific services)			-950	21
-4,265	Contribution from National Non-Domestic Rates			-4,018	
5,293	Deficit for the year			5,913	

* Please refer to note 2 for further details on restated amounts

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE FOR THE YEAR ENDED 31 MARCH 2010

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	31 March 2009 Restated* £000	31 March 2010 £000
General Fund Balance as at 1 April		-2,023	0
Surplus or deficit for the year on the Income and Expenditure Account		5,293	5,913
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	-3,270	-7,179
Increase (-)/Decrease in General Fund Balance for the year		2,023	-1,266
General Fund Balance as at 31 March		0	-1,266

* Please refer to note 2 for further details on restated amounts

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR
ENDED 31 MARCH 2010**

	31 March 2009 Restated* £000	31 March 2010 £000
Surplus/deficit(-) on the Income and Expenditure Account for the year	-5,293	-5,913
Surplus/deficit(-) arising on valuation of fixed assets	0	656
Amendment to revaluation figure pre 1 st April 2007	140	0
Actuarial gains and losses(-) on pension fund assets and liabilities	725	-3,716
Capital Adjustment Account amendments to financing	0	0
Receipts on disposal of assets transferred to I+E	-4	0
Mortgage receipts transferred to I+E	-6	0
Total Recognised Gains and Losses for the year	-4,438	-8,973

* Please refer to note 2 for further details on restated amounts

The published 2008/09 Balance Sheet has been adjusted as follows:

	2008/09 £'000
Opening Balance	35,593
Restatement for Spatial Project. Expenditure treated as revenue not capital.	-2,265
Closing Balance	33,328

BALANCE SHEET AS AT 31st MARCH 2010

2008/09 Restated*			2009/10	
£000	Note		£000	£000
2,796	25	<u>Intangible Assets</u>		2,359
		<u>Fixed Assets:</u>		
		Operational Assets -		
27,161		Other Land and Buildings	31,685	
4,270		Vehicles and Plant	5,939	
393		Infrastructure	383	
2,109		Community Assets	709	
		Non Operational Assets -		
7,620		Investment Properties	895	
291		Assets under Construction	143	
41,844	22	Total Fixed Assets		39,754
		<u>Other Long Term Assets:</u>		
0	37	Long Term Investments	0	
8	13	Long Term Debtors	4	
44,648		Total Long Term Assets		42,117
		<u>Current Assets:</u>		
125	14	Stocks	170	
2,454	15	Debtors	5,591	
169	16	Cash In Hand and Bank	71	
13,925	35	Short Term Investments	8,360	
		Less: Current Liabilities:		
-5,958	17	Creditors	-5,847	
0		Bank overdraft	-297	
-116	36	Short Term Borrowing	-115	
55,247		Total Assets less Current Liabilities		50,050
		Other Long Term Liabilities		
-2,138	32	Deferred Government Grant and Contributions	-1,779	
-478	19	Provisions	-70	
24,879	38	Asset Related to Defined Benefits Pension Scheme	36,662	
-44,182	38	Liability Related to Defined Benefits Pension Scheme	-60,507	
33,328		Total Assets less Liabilities		24,356
		<u>Financed by:</u>		
0	29	Revaluation Reserve	430	
42,502	30	Capital Adjustment Account	39,904	
8,521	31	Capital Receipts Unapplied	5,133	
8		Deferred Capital Receipts	4	
136		Collection Fund Adjustment Account	126	
1,464	20	Earmarked Reserves	1,338	
-19,303	38	Pensions Reserve	-23,845	
0		General Fund Balance	1,266	
33,328		Total Equity		24,356

*Please refer to note 2 prior period adjustments and restatements

These financial statements replace the unaudited financial statements authorised at the meeting of the Council on 30 June 2010.

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31st MARCH 2010**

	Note	2008/09 £000 Restated*	2009/10 £000
Net cash inflow(-)/outflow from Revenue Activities	39	1,473	4,476
Returns On Investments And Servicing Of Finance			
Cash Outflows			
Interest paid (Net)		3	0
Cash Inflows:			
Interest received		-1,434	-79
Net cash inflow(-)/outflow from investments and servicing of finance		42	4,397
Capital Activities			
Cash Outflows:			
Purchase of Fixed Assets		7,203	2,811
Cash Inflows:			
Sale of Fixed Assets		-752	-1,062
Capital Grants		-813	-41
S106 Contributions		-45	-133
Net Cash Inflow(-)/Outflow on Capital Activities		5,593	1,575
NET CASH INFLOW(-)/OUTFLOW BEFORE FINANCING		5,635	5,972
Management Of Liquid Resources			
Repayments of amounts borrowed		8	-2
Net increase/decrease(-) in investments	39	-5,862	-5,575
Net Increase(-)/Decrease in Cash		-219	395

*Please refer to Note 2 Prior Period adjustments and restatements

NOTES TO THE CORE FINANCIAL STATEMENTS

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

31 March 2009 Restated* £000		31 March 2010 £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>		
-1,681	Depreciation of fixed assets	-2,631	
0	Impairment of fixed assets	-1,535	
423	Government Grants Deferred amortization	493	
-1,203	REFCUS and associated grants	-2,625	
-197	Amortisation of intangible assets	-446	
-167	No added value assets	0	
-117	Net gain or loss on sale of fixed assets	-35	
-5	Collection Fund Adjustment	-10	
0	Other items treated as capital receipts		
-695	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	-826	
-3,642	<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>		-7,615
33	Capital expenditure charged to the General Fund Balance	562	
-3	Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool.	0	
30	<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>		
342	Net transfer to or from (-) earmarked reserves	-126	
342			
-3,270	Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year		-7,179

2. Prior Year Adjustments and restated Statements

The following prior year adjustments have been included in the 2008/09 comparison figure due to changes in accounting policies and correction of the accounting treatment of £2.265m expenditure on the Spatial Project in the published 2008/09 accounts.

Balance Sheet Item	2008/09 Original £000	Adjustment £000	2008/09 Restated Amount £000	Key
Intangible assets	5,061	-2,265	2,796	A
Capital Adjustment Account	-44,767	2,265	-42,502	A
Capital Receipts Unapplied	-6,256	-2,265	-8,521	A
Earmarked Reserves	-1,976	512	-1,464	A
General Fund Balance	-1,753	1,753	0	A
Collection Fund Adjustment Account	0	-136	-136	B
Collection Fund Balance	-136	136	0	B
	-49,827	0	-49,827	
Debtors		-1,059		B
		-995		C
	4,508	-2,054	2,454	
Creditors		1,059		B
		995		C
	-8,011	2,054	-5,957	
Total Balance Sheet Changes		0		

Income and Expenditure Account	2008/09 Original £000	Adjustment £000	2008/09 Restated Amount £000	Key
Exceptional Item	0	2,265	2,265	A
Income from Council Tax	-7,185	5	-7,180	B
Total Changes		2,270		

I

I&E analysis in Explanatory Forward	2008/09 Original £000	Adjustment £000	2008/09 Restated Amount £000	Key
Supplies & Services	4,130	1,656	5,786	D
Capital Charges	2,809	-1,656	1,606	D
		453		D
Exceptional Item		2,265	2,265	
Income from government grants	-15,257	-453	15,710	D
Total Changes		2,265		

Statement of Movement of General Fund Balance	2008/09 Original £000	Adjustment £000	2008/09 Restated Amount £000	Key
Transfers to/from earmarked reserves	854	-512	342	A
Income from Council Tax in accordance with regulation	0	-5	-5	B
Total Additional Items changes		-517		

Cashflow Statement	2008/09 Original £000	Adjustment £000	2008/09 Restated Amount £000	Key
Net cash outflow from Revenue Activities	-792	2,265	1,473	A
Capital Activities – Purchase of assets	9,468	-2,265	7,203	A
Total Additional Items changes		0		

- A – Correcting accounting treatment of Spatial Expenditure
- B – Collection Fund – council tax accounted for on an agency basis
- C – Collection Fund – National Non-Domestic Rates accounted for on an agency basis
- D – REFCUS – Expenditure incurred and grants thereon reflected within appropriate subjective headings in net cost of service.

3. 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 2009/10 £000	Net Expenditure 2009/10 £000	Overspend / Underspend (-) 2009/10 £000
Corporate Services	962	948	-14
E-Government & Customer Services	107	52	-55
Financial Services	1,465	1,446	-19
Legal, Equalities & Democratic Services	1,246	1,089	-157
Human Resources & Org. Development	44	-41	-85
Planning & Environment Services	5,196	5,097	-99
Street Scene & Community	8,692	8,662	-30
Service Revenue Budget	17,712	17,253	-459
Investment Income	-166	-89	77
Non service related income	0	-231	-231
Use of Replacement Reserve to Fund Capital Programme	536	536	0
Less: Capital Charges in Services above not charged to Council Tax Payers	-4,478	-4,478	0
Total Financing Requirement	13,604	12,991	-613
General Transfer from earmarked reserves	-1,038	-669	369
Net after general transfers from earmarked reserves	12,566	12,322	-244

Central Government Grants	-4,968	-4968	0
Council Tax (BDC only)	-6,867	-6,867	0
Transfer from general fund balance	-731	-487	244
Total Financing	-12,566	-12,322	244

4. Non Distributed Costs

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

	2008/09 Net Expenditure £000	2009/10 Net Expenditure £000
Pensions Past Service Costs	0	27
Pensions Curtailment Costs	254	463
Minor adjustments not charged to services	-7	5
Total Non Distributed Costs	247	495

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 38.

5. Exceptional Items

2008/09 Figure - Within the 2008/09 published Statement of Accounts £2.265m of expenditure on the Spatial project was incorrectly treated as capital expenditure, funded from capital resources and reflected as part of the Balance Sheet figure for Intangible Assets. The expenditure has now been properly accounted for as revenue and in order to correct the accounting treatment the 2008/09 comparative figures have been restated.

The impact of the restatement removes £2.265m from intangible assets, treating the expenditure as revenue expenditure (an exceptional item) in the year 2008/09. £0.512m of this expenditure has been funded from earmarked reserves in 2008/09 with the balance drawn from general fund balances (please see note 2 prior period adjustments and restatements for further detail and note 6 in reference to successful receipt of a compensating capitalisation direction in 2009/10)

2009/10 Figure - As a result of a successful claim made on the basis of the Fleming case the council received a repayment of £264k in 2009/10 in overpaid Value Added Tax and simple interest thereon in relation to sporting charges and domestic bulky waste. Costs associated with the claim amounted to £53k.

The Council has lodged further claims of this nature as well as a claim for compound interest, but has not accrued for these sums as there is no certainty that they will be paid.

6. Capitalisation Direction

A Capitalisation direction may be awarded by Central Government under specific criteria and/or exceptional circumstances, allowing specified revenue expenditure to be treated as capital expenditure and funded from capital resources. As a result of the correction of accounting treatment in relation to the Spatial Project (see note 5 exceptional items), the Council sought and received permission to capitalise an equivalent amount of revenue expenditure (£2.265m) in 2009/10 and to fund this expenditure from capital resources. As this is properly accounted for as REFCUS the net effect in 2009/10 has been to reinstate the earmarked reserves and general fund balance drawn upon in the 2008/09 restatement of accounts.

7. Trading Operations

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

2008/09		External Trading Services	2009/10	
Turnover £000	Profit(-) /Loss £000		Turnover £000	Profit(-) /Loss £000
77	72	Market Services	-98	655
116	-75	Industrial Sites	-128	163
193	-3	Total External Trading Services	226	818

During 2009/10 asset impairment costs have been reflected in the costs of these services.

8. Publicity

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

	2008/09 £000	2009/10 £000
General Advertising	35	19
Recruitment Advertising	17	6
Marketing, Promotion and publicity	112	141
Total	164	166

9. Members Allowances

In accordance with Regulation the Council publishes each year details of the total amount of basic and special responsibility allowances paid to members of Bromsgrove District Council.

	2008/09 £000	2009/10 £000
Basic Allowance and Car allowance	138	162
Special Allowance	75	75
Total Allowances Paid	213	237

Members' Allowances are reviewed by an Independent Remuneration Panel. Allowances received for 2009/10 include the basic allowance at £3,640 pa, plus reimbursement for travel, subsistence and other 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).

10. Payments made to Employees 2009/10

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

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

Numbers of Employees Remuneration Bands	2008/09	2009/10
Over £50,000 and up to £54,999	0	0
Over £55,000 and up to £59,999	3	3
Over £60,000 and up to £64,999	3	1
Over £65,000 and up to £69,999	2	3
Over £70,000 and up to £74,999	0	0
Over £75,000 and up to £79,999	0	0
Over £80,000 and up to £84,999	2	0
Over £85,000 and up to £89,999	0	1
Over £90,000 and up to £94,999	0	1
Over £95,000 and up to £99,999	0	1
Over £100,000 and up to £104,999	0	0
Over £105,000 and up to £109,999	0	0
Over £115,000 and up to £119,999	1	0
Over £120,000 and up to £124,999	0	1

Senior Officer Remuneration 2009/10

As detailed in LAAP Bulletin 85 the Council is required to report on the remuneration of senior officers in its Statement of Accounts. A senior employee is an employee whose salary is £150,000 or more per year, or an employee whose salary is £50,000 or more per year (to be calculated pro rata for an employee employed for fewer than the usual full time hours for the relevant body concerned) who is either:

1. The Council's designated Head of Paid Service
2. A statutory chief officer or a non-statutory chief officer, as defined by Section 2 of the Local Government and Housing Act 1989
3. Any person having responsibility for the management of the relevant body to the extent that the person has power to direct or control the major activities of the body.

For Bromsgrove District Council this definition represents the senior management team and two statutory posts being the Head of Financial Services as Section 151 officer and the Head of Legal, Equalities and Democratic Services as the Council's statutory monitoring officer.

<i>Post Holder title</i>	<i>Salary</i>	<i>Allowances</i>	<i>Total Remuneration excl pension contributions</i>	<i>Pension Contributions</i>	<i>2009/10 Total Remuneration</i>
	£	£	£	£	£
Chief Executive	119,721	2,093	121,814	22,167	143,981
Executive Director - P/Ships & Projects – Leaving date 22 nd January 2010	92,574	462	93,036	11,885	104,921
Executive Director - Services – Leaving date 8 th March 2010	86,718	0	86,718	13,763	100,481
Assistant Chief Executive	65,929	0	65,929	12,065	77,994
Head of Legal & Democratic Services	65,929	0	65,929	12,065	77,994
Head of Financial Services	65,929	0	65,929	12,065	77,994
	496,800	2,555	499,355	84,010	583,365

For 2009/10 50% of the cost of the Chief Executive's post was recharged to Redditch Borough Council.

11. Related Parties

The 2009 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 2009/10, 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 2009/10 the Council had the following transactions with related parties. The selection criteria for reporting 2009/10 transactions was subject to a de minimis of £69k on the cumulative value of transactions.

2008/09			2009/10	
Payments £000	Receipts £000		Payments £000	Receipts £000
6,037	-6	West Mercia Police Authority – including precepts	6,334	-22
627	-4	Parish Councils – including precepts	640	-5
2,483	-1	Hereford and Worcester Fire and Rescue Authority – including precepts	2,611	0
36,248	-298	Worcestershire County Council including precepts	37,426	-413
959	-392	Bromsgrove District Housing Trust	455	-154
491	-1	Bromsgrove Housing Initiatives	220	0
84	-105	Redditch Borough Council	269	-313
120		Bromsgrove Arts Centre Trust T/A Artrix	121	0
	-616	Central Government Grants: DCLG - Revenue Support Grant		-950
21,920	-4264	DCLG – Contribution/Redistribution to NNDR Pool	24,154	-4,018
	-14931	DWP - Housing Benefits		-14,741
	-211	DCLG - Other		-31

The amounts due to or to be received from related parties are detailed in the following table:

2008/09			2009/10	
Debtor £'000	Creditor £'000	Related Party	Debtor £'000	Creditor £'000
11	17	Bromsgrove District Housing Trust	14	47
17	4	Redditch Borough Council	147	86
89	168	Worcester County Council	47	106
	891	DETR – Pool contribution		0
	559	DWP – Housing Benefit		1,252

12. External Auditors

The Audit Commission has been appointed to be Bromsgrove District Council's External Auditor for the conclusion of the 2009/10 accounts. For the financial year 2009/10 Bromsgrove District Council incurred the following fees in respect of external audit and statutory inspection.

Description	2008/09 £000	2009/10 £000
Certification of grant claims and returns.	34	26
Audit and other services	135	135
Total	169	161

13. 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

	31 March 2009 £000	31 March 2010 £000
Mortgagors re. Sale of Council Houses	8	4

14. Stocks

The stock at the year-end consisted of:

	31 March 2009 £000	31 March 2010 £000
Postal Franker	14	15
General Stock Items held at the Council's Depot	100	134
Lifeline Stock	9	18
Other minor stocks held	2	3
Total	125	170

15. Debtors

An analysis of debtors falling due within a period of one year is shown below. The appropriate level of bad debt provision is based upon an age analysis of the arrears.

	31 March 2009 Restated* £000	31 March 2010 £000
<u>Amounts falling due within one year</u>		
Council Tax arrears	277	282
Government Departments	741	3,485
Payments in advance	625	876
Sundry Debtors (incl. Housing Benefit Overpayments)	953	1,199
Other debtors	439	468
Gross Debtors	3,035	6,310
Less Provision for Bad Debts:		
General Fund	-40	-100
Collection Fund	-124	-139
HB Overpayments	-417	-480
Net Debtors	2,454	5,591

- Please refer to note 2 prior period adjustments

16. 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.

	31 March 2009 £000	31 March 2010 £000
Cash in hand (Petty cash)	2	2
Cash in bank	167	69
Total	169	71

17. Creditors

	31 March 2009 Restated* £000	31 March 2010 £000
Employee related	400	394
Sundry Creditors	366	129
Commuted Sums (Revenue Contributions from developers)	128	102
Government Departments	865	401
Council Tax preceptors	267	285
Council Tax prepayments	80	91
Capital Contributions received in advance	727	766
Other creditors	3,125	3,678
Total	5,958	5,847

18. 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 2009/10 was £21k. Future commitments under these existing leases are:

	Future Commitment £000
Within 1 Year	8
1 – 5 Years	10
After 5 Years	0

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

Council as a Lessor

The Council acts as a lessor by granting leases to third parties for the use of Council land or buildings. The leases are accounted for as operating leases, with the asset remaining under the ownership of the Council and appearing in the Council's Balance Sheet. Any income generated from the lease appears as income in the Council's Income and Expenditure Account. In some cases, where the lease is granted with another council or community organisation, the lease charged is only a peppercorn and is not the full market rental.

The Council owns the following assets that are leased to third parties:

Asset classification	Gross Value £000	Accumulated Depreciation £000	Net Value £000	Rental Income £000
Industrial Units, Sherwood Rd, Aston Fields	555	0	555	130
General properties and land	340	0	340	18
Total	895	0	895	148

19. Provisions

The Council maintains a number of provisions for bad and doubtful debts which reduce the value of the related debtor shown on the balance sheet (see note 15 - Debtors). Additionally the Council has established two further provisions. These relate to legal cases in progress at the balance sheet date and also costs associated with organisational restructure. The movement on these provisions is detailed below.

	Balance at 31 March 2009 £000	Used/released in year £000	Contribution to provision 2009/10 £000	Balance at 31 March 2010 £000
Provision for Legal Cases	-44	44	-10	-10
Provision for restructure	-434	396	-22	-60
Total Other Provisions	-478	440	-32	-70

20. 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 2009 Restated £000	Net Movement in Year £000	Balance 31 March 2010 £000	Purpose
Building Control Partnership	10	12	22	Funds associated with partnership arrangements on Building Control
Local Neighbourhood Partnerships	54	4	58	Remaining balance of original budgets ringfenced for future projects.
Litigation Reserve	50	0	50	Funds set aside based on potential litigation at 31 March 2010.
Economic regeneration	49	13	62	Includes Town Centre and regenerative small business grants.
Organisational Development	101	-101	0	Organisational training & development
Shared Services	262	182	444	To fund shared services opportunities
Single Status/Job Evaluation	309	-163	146	Implementation of Single Status – balance to be used in 2010/11
Local Development Framework	143	100	243	Development of Regional Core Strategy – potential costs of public examination
Housing Schemes	14	-3	11	To fund survey work and expected upturn in homelessness cases due to recession.
Planning Delivery Grant	340	-313	27	Accumulation of unused Planning Delivery Grant
Replacement Reserve	24	-24	0	Fully utilised in 2009/10
Other	28	-16	12	Planned expenditure on other equipment and maintenance
Local Strategic Partnership	0	25	25	LAA reward grant for LSP activities
Legal Monitoring Dept	0	24	24	Members complaints procedure
Recycling Extension	0	129	129	To extend the recycling into other areas of the District
Community Safety	0	25	25	Community Safety – Funding from LNP & WCC

Leisure/Community Safety Reserve	80	-20	60	Unspent funding to be used for ring fenced leisure/safety programmes
Total	1,464	-126	1,338	

21. 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.

	2008/09 £ 000	2009/10 £ 000
Revenue Support Grant	594	927
Area Based Grant	22	23
Total General Grants	616	950

Capital Notes

22. Analysis of movements in Fixed Assets

	Operational assets				Non Operational		Total
	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure	Community Assets	Investment Properties	AUC (*)	
	£000	£000	£000	£000	£000	£000	
Gross Book Value at 1st April 2009	28,399	7,506	532	2,109	7,620	291	46,457
Transfers	12	279				-291	0
Additions	221	1,950	17	68		143	2,399
Disposals	-85	-38			-974		-1,097
Reclassifications	5,701	1,580		-1,468	-5,701		112
Impairments	-890	-725			-246		-1861
Revaluations	169	-139			196		226
Gross Book Value at 31st March 2010	33,527	10,413	549	709	895	143	46,236
Depreciation at 1st April 2009	1,238	3,237	139	0	0	0	4,614
Depreciation	657	1,452	27				2,136
Impairment	-125	-203					-328
Disposals	-4						-4
Reclassifications	340	154					494
Revaluations	-264	-166					-430
Depreciation at 31st March 2010	1,842	4,474	166	0	0	0	6,482
Net Value at 1st April 2009	27,161	4,270	393	2,109	7,620	291	41,844
Net Value at 31st March 2010	31,685	5,939	383	709	895	143	39,754

* Assets under Construction

During the year a piece of computer software was reclassified as plant and equipment in accordance with current accounting practice.

23. 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.

	2008/09 £000	2009/10 £000
Opening Capital Financing Requirement	0	0
Capital Investment		
Operational Assets	2,570	2,256
Non Operational Assets	12	143
Revenue Expenditure funded from Capital under Statute	1,656	3,110
Intangible Assets	*2,525	123
Total Expenditure	*6,763	5,632
Source of Finance		
Capital Receipts	*5,683	4,450
Government Grants and Other Contributions	594	134
Government Grants used to finance REFCUS	453	**486
Sums set aside from Revenue	33	562
Total Financing	*6,763	5,632
Closing Capital Financing Requirement	0	0

- *See note 2
- ** These items are included within capital expenditure for control purposes and for compliance with accounting guidance, however they form part of the surplus or deficit on the Income and Expenditure Account.

24. 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 31 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.

	Other Land & Buildings	Vehicles, Plant and Equipment	Infra-structure	Community Assets	Investment Property	Total
	£000	£000	£000	£000	£000	£000
Valued at historic cost	1,161	10,413	549	709	0	12,832
Valued at current value						
2005/06	9,645	0	0	0	0	9,645
2006/07	19,792	0	0	0	180	19,972
2007/08	0	0	0	0	125	125
2008/09	0	0	0	0	430	430
2009/10	2,929	0	0	0	160	3,089
Total Gross Book Value as at 31 March 2010	33,527	10,413	549	709	895	46,093

Some reclassifications of assets have been made during the year, see note 22.

25. 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.

During the year a piece of computer software was reclassified as plant and equipment in accordance with current accounting practice.

	Computer software £000
Cost	
At 1 April 2009	5,406
Restatement	-2,265
Restated cost at 1 April 2009	3,141
Reclassification	-112
Expenditure in year	123
Amounts written off to Income and Expenditure account	-2
Cost at 31 March 2010	3,150
Amortisation	
At 1 April 2009	345
Amortisation in the year	446
Amortisation at 31 March 2010	791
Net book value at 31 March 2010	2,359
Restated net book value at 1 April 2009	2,796

26. Capital Commitments

Future capital expenditure committed as at 31 March 2010 amounted to £467k for the following schemes:

Scheme Name	Amount Committed £000
ICT Shared Service – Phase 1	11
Government Connect Scheme	18
Houndsfield Lane Caravan Site	280
Choiced Based Lettings	4
DFG- Owner Occupier	64
DFG- BDHT	28
Town Centre Development	10
Discretionary Home Repairs	19
Co Mingled Bins	12
Pay On Foot	21
Total	467

27. Fixed Assets (Land and Buildings) Held

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

	31 March 2009 No's	31 March 2010 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	1	1
Other Properties	6	6
Allotments Sites	8	8
Parks/Recreation Grounds/Open Spaces and Play Areas	63	63

In addition the council holds 30% of 121 properties under the low cost scheme.

28. 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.

	2008/09 £000	2009/10 £000
Proceeds from sale of Fixed Assets	-539	-1,077
Other items treated as Capital Receipts	-200	0
Market Value of Fixed assets sold	869	1,093
Deferred capital grants relating to assets sold	-13	0
Profit/loss for the year	117	16

29. Movement in Revaluation Reserve

This account contains any gains from revaluations of Fixed Assets which have occurred since 1 April 2008. Gains prior to this date are consolidated into the Capital Adjustment Account.

	2008/09 £000	2009/10 £000
Balance as at 1st April	55	0
Gains on revaluation in year	0	656
Written out on disposal	-55	-226
Balance as at 31st March	0	430

30. 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.

	Restated* 2008/09 £000	2009/10 £000
Balance at 1 April	40,391	42,502
Capital Adjustments		
Depreciation of Assets	-1,681	-2,631
Amortisation of Intangible Assets	-197	-446
Impairment of Assets	-167	-1,535
Disposal of Fixed Assets	-869	-1,093
Write Down of Revenue Expenditure funded from Capital under Statute	-1,203	-2,773
Deferred Government Grants and Contributions Amortised	423	493
Deferred Government Grant released on asset sale	13	0
Government Grant – Prior Year Adjustment	21	0
Revaluation written out	55	226
Prior Year Funding Adjustment	118	0
Capital Financing		
Usable Capital Receipts	5,565	4,598
Revenue Funding	33	562
Balance as at 31 March 2010	42,502	39,904

31. 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.

	Restated* 2008/09 £000	2009/10 £000
Balance as at 1st April	13,351	*8,521
Amounts Receivable	738	1062
Unwinding for previous years financing		148
Capital Receipts Pooled	-3	0
Applied to finance capital expenditure	*-5,565	-4,598
Increase in Realised Capital Resources	*-4,830	-3,388
Balance as at 31st March	*8,521	5,133

32. 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.

	2008/09 £000	2009/10 £000
Balance as at 1st April	2,001	2138
Grants and Contributions applied	528	134
Amounts credited to the I&E Account	-391	-493
Amounts written out in year	0	0
Total movement in year	137	-359
Balance as at 31st March	2,138	1,779

Financial Instrument Notes

33. Financial Instruments Balances

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instruments. The Council held no long-term borrowing or investments at the balance sheet date:

	Current	
	31 March 2009 £000	31 March 2010 £000
Financial Liabilities at amortised cost		
Short Term Borrowing (Parish Loans)	117	115
Bank Overdraft	0	297
Sundry Creditors	366	129
Total Financial Liabilities	483	541
Loan and Receivables		
Short Term Investments	13,925	8,360
Bank Deposits	167	69
Sundry Debtors (including housing benefit overpayments)	953	1,199
Total Financial Assets	15,045	9,628

34. 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.

35. Short Term Investments

These are surplus monies temporarily invested externally. Under the requirements of the 2009 SORP the Council has to classify its investments into separate categories with different accounting treatments for each category.

At 31 March 2010 short term investments comprise:

	31 st March 2009 £000	31 st March 2010 £000
Loans & Receivables - Deposits with Banks/Building Societies	13,925	8,360
Total	13,925	8,360

36. 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 2010 was £115k.

37. 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 does not generally allow extended credit for its trade debtors.

At 31 March 2010 sundry debts outstanding comprised £561k of general debt and £638k relating to Housing Benefit overpayments. An assessment has taken place of the likelihood of these debts being defaulted and bad debt provisions of £100k and £479k have been established in respect of the general debts and Housing Benefit Overpayments respectively.

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 2009/10:

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.

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 09 £ 000	Balance Invested 31 Mar 10 £ 000
UK Banks	F1+	AA+	2,000	0
	F1+	AA	2,025	0
	F1+	AA-	2,400	7,860
Total UK Banks			6,425	7,860
European Banks	F1	A+	0	0
	F1+	AA-	0	0
Total European Banks			0	0
UK Building Societies	F1+	AA-	2,000	0
DMADF	F1+	AAA	5,500	500
Other AAA rated investments *	F1+	AAA	0	0
Total Investments			13,925	8,360

* 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 2010/11 is estimated as being £76k for a full year.

38. Pensions Benefits (Financial Reporting Standard 17)

Participation in pension schemes

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.

Transactions relating to retirement benefits

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 in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement of Movement in General Fund Balance during the year.

Cost of retirement benefits in Income and Expenditure Account	2008/09 £000	2009/10 £000
Net Cost of Services		
Current Service Costs	1,163	796
Past Service Costs	0	27
Curtailment costs	254	463
Net operating Expenditure		
Interest Costs	3,144	3,106
Expected Return on Assets *	-2,199	-1,626
Net Charge to Income & Expenditure Account	2,362	2,766
Statement of Movement on General Fund Balance		
Reversal of net charges made for retirement benefits in accordance with FRS17	-694	-826
Actual amount Charged against Council tax for Pensions in year - Employers Contributions Payable	1,668	1,940

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £3.716m (£0.725 gain in 2008/09) were included in the Statement of Total Recognised Gains and Losses.

Assets and liabilities in relation to retirement benefits

	2008/09	2009/10
	£000	£000
Reconciliation of present value of the scheme liabilities		
Scheme liabilities 1 April	-51,696	-44,182
Current service cost	-1,163	-796
Interest cost	-3,144	-3,106
Contributions by scheme participants	-449	-511
Actuarial gains / (losses)	10,612	-13,598
Benefits paid	1,912	2,176
Past service / curtailment costs	-254	-490
Scheme liabilities 31 March	-44,182	-60,507
Reconciliation of fair value of the scheme assets		
Scheme assets 1 April	32,362	24,879
Expected rate of return	2,199	1,626
Actuarial losses	-9,887	9,882
Employer contributions	1,668	1,940
Contributions by scheme participants	449	511
Benefits paid	-1,912	-2,176
Scheme assets 31 March	24,879	36,662
Net pensions liability 31 March	-19,303	-23,845

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

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was £11.508m (£7.688m loss 2008/09)

Scheme history

	2005/06	2006/07	2007/08	2008/09	2009/10
	£000	Restated £000	Restated £000	£000	£000
Present value of liabilities	-45,847	-45,647	-51,696	-44,182	-60,507
Fair value of assets	32,543	34,317	32,362	24,879	36,662
Deficit	-13,304	-11,330	-19,334	-19,303	-23,845

The Council has elected not to restate fair value of scheme assets for 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 £23.845 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 deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary, Mercer Human Resource Consulting Limited.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to March 2011 is £1.943 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.

	2008/09	2009/10
Long term expected rate of return on assets in the scheme		
Equity investments	7.5%	7.5%
Government bonds	4.0%	4.5%
Other bonds	6.0%	5.2%
Cash / liquidity	0.5%	0.5%
Mortality assumptions		
Longevity at 65 for current pensioners (years):		
Men	21.2	21.2
Women	24.0	24.1
Longevity at 65 for future pensioners (years):		
Men	22.2	22.2
Women	25.0	25.0
Financial assumptions		
Rate of inflation	3.3%	3.3%
Rate of increase in salaries	4.8%	4.8%
Rate of increase in pensions	3.3%	3.3%
Rate for discounting scheme liabilities	7.1%	5.6%
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 2009 %	31 March 2010
Equity investments	85.6	92.3%
Government bonds	8.4	2.8%
Other bonds	3.2	3.9%
Cash / liquidity	2.8	1.0%
	100.0	100.0

History of experience of gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March:

	2005/06	2006/07	2007/08	2008/09	2009/10
	%	Restated %	Restated %	%	%
Experience gains/(losses) on assets	14.9	0.2	(13.8)	(40.1)	26.9
Experience gains / (losses) on liabilities	(1.8)	0.0	(0.6)	0.0	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

39. Notes to The Cash Flow Statement

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

	2008/09 £000 Restated	2009/10 £000
Surplus(-)/Deficit on General Fund	5,293	5,913
Surplus(-)/Deficit on Collection Fund	-5	-10
Non Cash Transactions		
Capital Charges	-2,825	-4,119
FRS17 Pension Costs	-695	-826
Contributions to(-)/from Other Provisions	154	408
Contribution to Capital Expenditure	33	562
<u>Items on an Accruals Basis</u>		
Increase(-)/decrease in Creditors	-2,370	-838
Increase/decrease(-) in Debtors	411	3,262
Increase/decrease(-) in Stock	46	45
<u>Items included in other classifications</u>		
Interest paid	-3	0
Interest received	1,434	79
Net cash flow from revenue activities	1,473	4,476

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 2009/10 are given below:-

	2008/09 £000	2009/10 £000
Balance at 1 st April	19,738	13,925
Balance at 31 st March	13,925	8,360
Movement in Year	-5,813	-5,565

Accrued interest of £10k is reflected in the balance sheet figure for short term investments at 31 March 2010.

Net increase/Decrease in Cash

	2008/09 £000	2009/10 £000
Increase/Decrease(-) in Cash Overdrawn	-52	228
Increase(-)/Decrease in Petty Cash and Cash in Hand	-167	167
Net Increase(-)/Decrease in Cash	-219	395

Government Grants

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

	2008/09 £000	2009/10 £000
Admin Grant – Local Taxation	122	118
Other	698	430
Planning Delivery Grant	211	98
Benefit Administration Grants	453	495
Total Other Government Grants	1,484	1,141

40. 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.

41. Future Developments (Transition to accounting on an IFRS basis)

Local authorities will move to accounting on an IFRS basis by 2010/11, a year after central government and the NHS. International Financial Reporting Standards (IFRS) represents a significant change in financial reporting across government and the public sector and will be the way in which government reports its financial results.

The move to IFRS in government is part of a process of aligning public sector financial reporting with what is seen to be the highest standards of financial reporting. Local Authority accounts are currently prepared in compliance with both UK Generally Accepted Accounting Principles (UK GAAP) and the Statements of Recommended Practice (SoRP). The Accounting Standard Board (ASB) is committed to the convergence of UK GAAP with IFRS.

The accounting impact of implementing IFRS will be made less onerous than it would have been due to the SoRP having gradually moved towards IFRS compliance in recent years in order to harmonise with UK GAAP.

Bromsgrove District Council will move to accounting on an IFRS basis in 2010-11, with restated comparative figures for the previous year and a restated opening balance sheet. The move to IFRS is a challenge that will affect many areas of the organisation and will impact on budgeting, investment decisions, performance targets as well as financial reporting.

42. Statement of Accounts Authorised for Issue and Events after the Balance Sheet Date

The accounts were authorised for issue on 21 September 2010, when the Executive Director of Finance and Corporate Resources signed the Statement of Responsibilities. This is the date which has been used to assess any post balance sheet events.

During the last 12 months the Council has been actively reviewing and implementing Shared Services. This has included; the recruitment to a single management team across Bromsgrove District Council and Redditch Borough Council, the establishment of shared services for Elections, Community Safety, Lifeline and ICT across the 2 Councils and the transfer of the Dolphin Centre to Wychavon Leisure Trust in April 2010. In June 2010 a number of services were included with the wider Worcestershire Enhanced Two Tier programme to include; property services, managed by Worcester County Council, Internal Audit by Worcester City Council and Regulatory Services being hosted by Bromsgrove District Council to all other Councils across the County. Employees were subject to TUPE (Transfer of Undertakings and Protection of Earnings) by the Council on 1 June 2010.

The Business case to share Economic Development across the North Worcestershire Districts was approved in May 2010 with Wyre Forest District Council being proposed as the host Authority.

As part of the regeneration of the town centre the market hall was demolished in April 2010. Resulting impairment losses as a result of the decision have been reflected in trading operations. Please refer to note 7.

A transformational plan is currently being developed by Corporate Management team with the aim for all services to be shared between the two Councils over the next 3 years to secure efficiencies and improvements in service delivery.

Since the balance sheet date changes have been announced in relation to public-sector pensions. In his budget statement on 22 June, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Worcestershire County Council Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made.

This change is estimated to reduce the FRS17 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17 figures for the financial year ending 31 March 2011.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31st MARCH 2010

2008/09 £000		2009/10 £000
	<u>Income:</u>	
-47,588	Income from Council Tax (Net)	-49,050
-4,004	Council Tax Benefits	-4,527
	Reduction in Provision for Bad and Doubtful Debts:	
0	Council Tax	0
0	Business Rates	0
-23,586	Income from Business Ratepayers	-23,833
-75,178	Total Income	-77,410
	<u>Less Expenditure:</u>	
51,538	Precepts and Demands	53,423
	Business Rates:	
22,652	Contributions to NNDR Pool	23,124
118	Costs of Collection	122
	Increased Provision for Bad and Doubtful Debts:	
95	Council Tax	228
816	NNDR	587
75,219	Total Expenditure	77,484
41	Surplus(-)/Deficit for the year	74
-1,015	Collection Fund Surplus(-) brought forward	-974
-974	Collection Fund Surplus (-) carried forward	-900

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 £1,447.06 based on Band 'D' equivalent, with a tax base of 36,290.23.

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	2,606.75	6/9	1,738.2
B	Over £40,000 and up to £52,000	6,176.50	7/9	4,803.9
C	Over £52,000 and up to £68,000	7,538.75	8/9	6,701.1
D	Over £68,000 and up to £88,000	6,878.75	9/9	6,878.8
E	Over £88,000 and up to £120,000	6,088.50	11/9	7,441.5
F	Over £120,000 and up to £160,000	3,099.50	13/9	4,477.1
G	Over £160,000 and up to £320,000	2,444.50	15/9	4,074.2
H	Over £320,000	271.00	18/9	542.0
Total Band D equivalent properties				36,656.8
Collection Rate				99.00%
Council tax base				36,290.23

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 48.5p in the £ for 2009/10 (46.2p for 2008/09) 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 2010 was £57,286,700.

4. Precepts

The precepts were as follows:

2008/09 £000		2009/10 £000
35,663	Worcestershire County Council	36,788
7,148	Bromsgrove District Council (including Parish Councils)	7,456
5,992	West Mercia Police Authority	6,301
2,470	Hereford and Worcester Fire and Rescue Authority	2,597
	Distribution of Collection Fund Surplus	
184	Worcestershire County Council	195
37	Bromsgrove District Council	39
31	West Mercia Police Authority	33
13	Hereford and Worcester Fire and Rescue Authority	14
51,538	Total Precepts Collected	53,423

5. Bad Debt Provision

Bad and doubtful debt provisions comprised the following amounts:

2008/09 £000		2009/10 £000
1,557	Balance as at 31st March Council Tax	1,970
119	Written-off during the year	-115
95	Movement in Provision	228
	Non-Domestic Rates	
-617	Written-off(-)/on(+) during the year	-306
816	Movement in Provision	587
1,970	Balance as at 31st March	2,364
	<u>Represented By:</u>	
880	Council Tax Provision	994
1,090	Non-Domestic Rates Provision	1,370
1,970	Balance as at 31 March	2,364

6. Collection Fund Balance

The Collection Fund Balance is available for distribution to the authorities which precept on the Collection Fund. During 2009/10 a total of **£0.28m** was distributed to the precepting authorities as detailed in Note 4 above. The balance is set out below:

2008/09 £000		2009/10 £000
1,015	Balance brought forward 1st April	974
-41	Surplus/Deficit(-) in the Year	-74
974	Balance carried forward 31 March	900

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 £126k (14 %).

2008/09 £000		2009/10 £000
136	Bromsgrove District Council Collection Fund Balance	126
838	Other precepting bodies	774
974	Total Collection Fund balance at 31 March	900

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, Executive Director of Finance and Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- Approve the Statement of Accounts.

Approval of the Accounts

I certify that the above Statement of Accounts were approved at the meeting of the Audit Board held on 27 September 2010.

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 2009 (the 2009 SORP) and is required to present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2010.

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 2009 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 Executive Director Finance and Corporate Resources on 21 September 2010. All known material events that have occurred up to and including this date which relate to 2009/10 or before have been reflected in the accounts.

The Section 151 Officers Certificate

The Statement of Accounts for Bromsgrove District Council present a true and fair view of the financial position of the Council as at 31 March 2010 and its income and expenditure for the year ended 31 March 2010.

Jayne Pickering
Executive Director Finance and Corporate Resources

Date

Independent auditor's report to the Members of Bromsgrove District Council

Opinion on the accounting statements

I have audited the accounting statements and related notes of Bromsgrove District Council for the year ended 31 March 2010 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Executive Director Finance and Corporate Resources and auditor

The Executive Director Finance and Corporate Resources' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 accounting 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. 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 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 for other local government bodies specified by the Audit Commission and published in January 2009. 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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for other local government bodies specified by the Audit Commission and published in January 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 ended 31 March 2010.

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

Blackpole Business Centre,

Blackpole Road,

Worcestershire

WR3 8SQ

30 September 2010

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 Executive Director of Finance and Corporate Resources