

Bromsgrove District Council - Statement of Accounts 2011/12

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Annual Governance Statement

1. Scope and responsibility

Bromsgrove District Council is responsible for ensuring that:

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

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

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

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

2. The purpose of the governance framework

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

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

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

3. The governance framework

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

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

- A clear statement of the Council's purpose, vision and priorities for the next three years is set out in the Council Plan 2011/14. This brings together the national, regional and local agenda, in terms of policy, performance and customer feedback, and sets out the recommended priorities and strategic key deliverables for the year ahead, so that they provide a strategic framework for setting the Council's budget.

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

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

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

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

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

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

- There is an established and effective Overview and Scrutiny Board

- There is an established and effective Audit Board to advise Council on the effectiveness of Internal Control arrangements
- Shared Service Board receives regular progress and benefit realisation updates
- A review of the constitution is undertaken on a regular basis to ensure it enables members to make informed and transparent decisions
- A formal Service level agreement is in place with Worcester City Council to ensure Internal Control arrangements are reviewed in a consistent and professional way
- Decisions taken are formally minuted and all formal member meetings are recorded
- An amended standard report template is in place which is subject to regular review by officers to ensure appropriate information is available to members in making informed decisions.
- The Cabinet forward plan is rolled forward and reviewed weekly at Corporate Management Team.
- Overview and Scrutiny have an annual workplan supported by any considerations from the forward plan and have the authority to pre-scrutinise any Cabinet decisions. During 2011/12 Overview and Scrutiny undertook pre-scrutiny of :
 - Homelessness Grant 2012/13
 - Longbridge Statement of Principals regarding Affordable Housing Provision
 - Enforcement and Fixed Penalty Notices of Environmental Services
 - Proposed joint Environmental Enforcement Strategy
- Regular Task Groups are established to review service areas and to make recommendations for their improvement. These have included during 2011/12:
 - Reduction in Bus Services
 - Recreation Road South Car Park
 - Planning Policy
- Formal governance arrangements are in place for the shared services. The Shared Service Board meets on a regular basis to consider the impact of shared services and the benefits realised from the transformational activities being undertaken by the Council.
- Consideration of risk implications in committee reports and the decision making process
- Audit Board have a workplan that is reviewed at each meeting for completeness
- Full risk register for corporate and shared service risks. In addition the risk management group has met to discuss how risk management can be improved.
- Active health and safety arrangements, including a robust policy, Member champion, regular consideration of issues at SMT and Health and Safety Committee
- Regular Trade Union liaison meetings with Senior Management Team
- Clear and approved plan to implement shared services by April 2012. This has included full and comprehensive consultation with unions and members. This will ensure the Council delivers the savings required and to improve resilience and capacity across the organisation
- Financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:
 - monthly review of budgetary control information by Officers and the appropriate Portfolio Holder, to compare expected and actual performance
 - formal quarterly budgetary monitoring reports to the Cabinet and Overview and Scrutiny Board
- Active performance management arrangements to Corporate Management Team , Cabinet and Overview and Scrutiny Board
- A revised and effective complaints/ compliments procedure is in place and is widely publicised – this has been revised in 2011/12 to include reporting of customer feedback to the Overview and Scrutiny Committee.
- A whistle blowing policy is in place and available on the Council's web site
- Freedom of Information requests are dealt with in accordance with established protocols
- All committee reports include reference where relevant to the potential impact on the Council's priorities and objectives, and address as appropriate any financial, staffing, risk, legal, procurement and customer implications

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

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

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

- The Sustainable Community Strategy is positively used and developed in conjunction with the Bromsgrove Partnership
- The Council has an Inclusive Equalities Scheme, operates an Equalities and Diversity Forum, holds an equalities conference and supports the community events that are funded via the forum budget considerations
- The Council is defined as “achieving” against the Equality Framework for Local Government
- The District Council has a service level agreement with the voluntary sector infrastructure organisation, Bromsgrove and Redditch Network (BARN) to support the Compact and enable BARN to attend Bromsgrove Partnership Board meetings
- The Council has service agreements with the Artrix and Community transport service delivery (WRS) to ensure joint decisions are made on service provision
- Surveys are conducted on the Council’s website, at the Customer Service Centre and resident feedback is obtained at Council events (e.g. summer events at local parks)
- Board, Cabinet and Council meetings are open to the public, with papers available on the internet
- Clear and colourful publications e.g. Annual Report, residents’ magazine.
- Customer complaints are tracked and monitored and actions reported to residents via the website.

4. Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This responsibility is in practice carried out by Senior and 4th tier Managers, with the S151 officer informing the Cabinet of any significant matters warranting their attention.

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

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

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

Internal Audit

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

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

Managers

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

External auditors and other review agencies/inspectors

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

Other external reviews during the year included:

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

5. Significant governance and internal control issues

In 2011/12 there were 13 complaints in relation to members (11 when taking into account complaints for single members). The outcome of the complaints was :

- 6 - no further action without an investigation
- 1 - no further action following new information during investigation
- 1 - complaint determined at final hearing with member having to undergo further training
- 3 - investigation ongoing and not yet concluded

In 2011/12 there were 24 Ombudsman complaints. Following advice given or premature complaints being returned there were a total of 14 passed to the investigative team. The outcome of the investigative team work was :

- 2 – not investigated (no powers or investigation not justified)
- 6 - not enough evidence of fault
- 2 - no or minor injustice
- 4 - injustice remedied during enquiries

The review of Bromsgrove's system of governance and internal control has not identified any significant weaknesses.

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

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

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

1. Audit Opinion

1.1 The internal audit of Bromsgrove District Council's systems and operations during 2011/12 was conducted in accordance with the Internal Audit Annual plan which was approved by the Audit Board on 11th April 2011. The revised plan was considered by the s151 Officer and was compiled to reflect the requirements of the remainder of the year.

1.2 The Internal Audit function was set up as a shared service in 2010/11 and hosted by Worcester City, for 5 district councils. The shared service operates in accordance with the Institute of Internal Auditors Standards and the CIPFA Code of Practice 2006 and objectively reviews on a continuous basis the extent to which the internal control environment supports and promotes the achievement of the Council's objectives and contributes to the proper, economic and effective use of resources.

1.3 The Internal Audit Plan for 2011/2012 was risk based (assessing audit and assurance factors, materiality risk, impact of failure, system risk, resource risk fraud risk, and external risk) using a predefined scoring system. It included:

- a number of core systems which were designed to suitably assist the external auditor to reach their 'opinion' other corporate systems for example governance and
- a number of operational systems, for example waste collection and s106's, were looked at to maintain and improve its control systems and risk management processes or reinforce its oversight of such systems.

1.4 A revised plan was necessary as planned targets were not met due to the impact on the service of long term sickness. The revised plan was considered by the s151 Officer and was compiled to reflect the requirements of the remainder of the year and ensuring that the 'high' and 'medium' priority audits were delivered.

1.5 Based on the audits performed in accordance with the approved revised plan, the Acting Worcestershire Internal Audit Shared Services Manager has concluded that the internal control arrangements during 2011/12 effectively managed the principal risks identified in the audit plan and can be reasonably relied upon to ensure that the Council's corporate objectives have been met.

1.6 In relation to the thirteen reviews that have been undertaken, ten audits have been completed and three are to be finalised. A further audit where Internal Audit has been able to take assurance from has been in respect of ICT and the work performed by the Audit Commission. In addition to the audit work undertaken during the year a lengthy investigation was also undertaken. Little work has been undertaken on risk during 2011/12 due to the Risk Management Steering Group being postponed or cancelled on a number of occasions.

1.7 As part of the process of assessing the Council's control environment, senior officers within the Council are required to complete an annual "Internal Control Assurance Statement" to confirm that the controls in the areas for which they are responsible are operating effectively. No areas of significant risk have been identified. Any concerns raised by managers will be assessed and addressed by the Authorities Corporate Management Team.

1.8 All of the completed audits have been allocated an audit assurance of either moderate or above meaning that there is generally a sound system of internal control in place, no significant control issues have been encountered and no material losses have been identified during a time of significant transformation and change.

Andy Bromage

Acting Worcestershire Internal Audit Shared Services Manager

01/05/2012

Explanatory Foreword

1 Introduction

This section provides background information and a concise summary of the Council's financial position for the year. It also provides an overview of the format of the remainder of the Financial Statements.

The statement is produced in accordance with the requirements of the "Code of Practice on Local Authority Accounting in the United Kingdom 2011/12" (CoP 2011). CoP 2011 adopts International Financial Reporting Standards (IFRS).

2 Structure of the Accounts

The Council's Accounts for the year are set out on the following pages. The major accounts are classified as Single Entity and Supplementary Single Entity Financial Statements. Group Statements follow the format of the Core Single Entity Statements.

The Core Single Entity Statements comprise the following:

- **Movement in Reserves Statement**

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

- **Comprehensive Income and Expenditure Statement**

The Comprehensive Income and Expenditure Statement (CIES) shows the economic cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **Balance Sheet**

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

- **Cash Flow Statement**

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

The Supplementary Single Entity financial statements include the following:

- **Collection Fund**

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

3 Financial Summary

At its meeting on 23 February 2011 Bromsgrove District Council set a budget of £11.683m (net of planned transfers to/from earmarked reserves), including planned use of General Fund balances of £0.323m. Band D equivalent Council Tax was set at £192.85, a freeze on 2010/11 Council Tax levels. During the year further budget approvals of £0.061 were approved from General Fund balances to fund approved projects.

The General Fund Revenue Balance increased by £0.661 compared to a budgeted use of balances of £0.384m, a favourable variance of £1.045m. This has enabled the Council to increase general fund balances to £2.580m. Additionally 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 and transformation. Details of individual earmarked reserves can be found in the notes to these financial statements

The main reasons for the variances are:

- Significant savings from vacancies across the Council.. A number of vacancies have been held open due to the potential redeployment opportunities for staff as part of the shared service restructures.
- Savings from previous year anticipated costs from concessionary travel as this is now transferred to the County Council (£156k)
- Savings arising from only undertaking urgent repairs and maintenance on the Council House together with a refund from Business Rates (£110k)
- Shortfalls in income from planning fees, land charges and building control fees (£96k)
- Refunds from the underspends realised from the Countywide Regulatory Services arrangement (£226k)
- Savings resulting from having National Referendum and District Elections on the same day (£56K)
- Renegotiation of contracts for IT expenditure (£196k)
- An increase in investment income from the anticipated £68k to £99K.
- Additional income was generated from the cemeteries (£43K)

The Income and Expenditure Account details the gross costs of service provision amounting to **£47.873m**. This expenditure has been analysed as follows:

Expenditure Type	2010/11 £000	2011/12 £000
Employee expenses	9,838	9,938
Employee Pensions Costs – Past Service Costs (Exceptional Item)	-3,695	0
Employee Pensions Costs –Past Service/Settlement/ Curtailment	39	85
Premises related expenses	892	946
Transport related expenses	1,175	991
Supplies and services	6,573	5,392
Third party payments	2,601	2,787
Transfer payments	16,990	19,926
Exceptional Items - Valuations	0	5,420
Capital charges	5,559	2,388
Total	39,972	47,873

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.

Employee Pensions – Past service costs/Settlement/Curtailment – arising due to a one-off change in scheme benefits. These form part of the real cost of post employment/retirement benefits and reflect changes to the value of the future pension obligations arising in the current period from the introduction of, or changes to, post-employment benefits together with changes in future liability due to transfers and/or business closures. The charge we are required to make against council tax however is based on the cash payable in the year so these costs are reversed out of the General Fund via the Movement in Reserves Statement. Please refer to notes 7 & 47 to the accounts for further details.

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, amortisation 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 reversed out of the General Fund via the Movement in Reserves Statement.

The gross income of **£29.554m** shown in the Income and Expenditure Account has been analysed as follows:

Income Type	2010/11	2011/12
	£000	£000
Government grants	18,167	20,729
Fees & charges	5,121	6,459
Other grants & contributions	2,087	2,026
Internal recharges	453	340
Total	25,828	29,554

The figure for government grants income includes £20.078m (£17.144m 2010/11) 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.

A reconciliation between the above table and the Comprehensive Income and Expenditure Statement is provided at Note 30 to the accounts.

4 Capital

Capital expenditure amounted to £1.999m. The main areas of expenditure were in Environmental Services replacement of fleet vehicles 767k, Community Services with Grants to RSL's (150k); and Disabled Facilities Grants & Discretionary Home Repairs (£456k); Leisure and Culture recreation areas (83k); IT hardware and software including the new telephone system (227k); Regulatory services improving contaminated land (142k).

Capital receipts for the year totalled £839k. This relates to sales of vehicles and investment property.

Capital contributions of £188k 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 £561k were also received from Government and other organisations to assist with the funding of expenditure on Disabled Facilities Grants, Play Areas, Housing, Contaminated Land and Energy Efficiency.

5 Housing Services

Although the Councils' housing stock was transferred to Bromsgrove District Housing Trust (BDHT) on 29 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.

6 Group Accounts

In accordance with the 2011 Code 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 identified that during the financial year the District Council had a significant influence over the operating and financial policies of Bromsgrove Arts Development Trust in being able to appoint a majority of the Board Members. It has been concluded that a group relationships exists with this Trust and therefore the Council has prepared Group Accounts.

7 Corporate Governance

The Council's governance arrangements are detailed within the Annual Governance Statement which accompanies the Financial Statements.

8 Retirement Benefits (IAS 19)

The Council's share of the assets and liabilities of the Pension Fund is a net liability and has been calculated in accordance with IAS19. The net liability has decreased by £5.475m to £24.849m (£24.983m including joint committee). A further explanation can be found in note 47 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.

9 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 2012 was £133,128.

Shared Services

10 Planned Future Developments

The Council has continued to implement Shared Services with Redditch Borough Council and across North Worcestershire. This has enabled the Council to ensure savings can be delivered, together with improving resilience and capacity across the Organisation. In addition, the Council commenced its programme of transformation to review services within a systems thinking framework to ensure waste is driven from the organisation to realise savings and improvements are made to customer service.

There are a number of developments anticipated in the Town Centre that are being supported by the Council. These include; refurbishment of Parkside School to replace the current Council House offices, renovation of the public realm in the High Street and working with developers to bring retail into the Town.

11 Economic Outlook

The Council's Revenue Support grant has reduced by £1.2m over the comprehensive spending review period with anticipated further reductions of 5% during 2013/14 - 2014/15. This represents 28% cut to funding.

The Council has managed savings over the last few years in recognition of the economic climate . Officers have ensured that areas of non essential expenditure are limited and procurement advice and support has been fundamental to achieving savings through renegotiation of contracts. Where possible vacancies have been held open unless there is an urgent need for the post. The shared services with Redditch Borough Council have generated over £0.9m during the last 3 years and further work with other Councils, including Wyre Forest will continue to deliver efficiencies in the future.

As the host Authority for Worcestershire Regulatory Shared Service the Council has shown that services can be delivered across the County whilst realising significant savings.

The current balances position of over £2.5m is in excess of the prudent level recommended and if required could be utilised to fund the current projected shortfalls in budget to 2014/15.

The Council has started an innovative programme of transformation using the systems thinking methodology. Systems are mapped out to identify any areas of waste and duplication of work within the process. The aim is to reduce the waste and to ensure that processes provide an easy and improved service to the customer whilst realising savings.

A number of specific savings were included in the 2011/12 and 2012/13 budget reports and are therefore already assumed in the Council's future Medium Term Financial Plan.

Full details of the Council's Medium Term Financial Plan are available on the Council's website.

12 Accounts and Audit Regulations

The Accounts and Audit Regulations 2011 provide details on the approval and publication of the statement, detailing the requirement on authorities to ensure that the Statement of Accounts are appropriately signed. This covers the responsibilities of the responsible financial officer (who signs the Statement of Responsibilities) and a further requirement for the statement to be signed and dated by the person presiding at the committee or meeting at which the statement was approved.

13 Borrowing and Funds Available

The Council had a nil capital financing requirement at 31 March 2012.

14 Events after the Reporting Date

There are no material events that have been considered after the Balance Sheet date.

15 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 Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

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

2. Accruals of Income and Expenditure

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

Fees for the provision of goods and services due from customers are accounted for as income at the date the Council provides the relevant goods or services.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

Expenses in relation to services received (including services provided on employees) are recorded as expenditure when the services are received rather than when payments are made.

Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

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

Accruals will be made for items of income and expenditure in excess of £500, lower amounts will only be actioned at the request of the relevant budget holder.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Cash equivalents are investments that are short-term highly liquid investments held at the Balance Sheet date that are readily convertible to known amounts of cash on the Balance Sheet date and which are subject to an insignificant risk of changes in value.

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

4. Exceptional Items

Exceptional items are ones that are material in terms of the Council'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.

5. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

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

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

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

6. Charges to Revenue for Non-Current Assets

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

Depreciation attributable to the assets used by the relevant service

Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which losses can be written off

Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

7. Employee Benefits

Benefits Payable During Employment

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

Termination Benefits

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

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

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

Post Employment Benefits

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

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

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds)

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

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

- i) Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- ii) Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
- iii) Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- iv) Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

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

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

An independent actuary, based on triennial valuations, determines the employers’ contributions. The review carried out as at 31 March 2010 was 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 IAS19 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 P Birch CPFA
Director of Resources
Worcestershire County Council
County Hall, Spetchley Road,
Worcester WR5 2NP

8. Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorized for issue. Two types of events can be identified:

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

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

9. Financial Instruments Review

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Recognition

Financial assets and liabilities are recognised in the Balance Sheet when the council becomes a party to the contractual provisions of the instrument.

De-recognition

All financial assets are de-recognised when the rights to receive cashflows from the assets have expired or the trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Classification and measurement

For the purpose of subsequent measurement, financial assets and liabilities other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

loans and receivables;

financial assets at fair value through income and expenditure;

held to maturity investments; and

available-for-sale financial assets.

Other financial liabilities

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

The Council's loans and receivables comprise: Fixed deposits, principally comprising funds held with banks and other financial institutions, cash and cash equivalents, trade receivables, accrued income, 'other debtors', borrowings and trade payables.

Loans and receivables are recognised initially at fair value, net of transaction costs, and are measured subsequently at amortised cost, using the effective interest method, less provision for impairment.

Financial assets at fair value through profit or loss

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are also categorised as held for trading unless they are designated as hedges.

Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated out from those contracts and measured in this category. Assets and liabilities in this category are classified as current assets and current liabilities.

The Council's financial assets and liabilities at fair value through income and expenditure comprise: Investments managed as a single portfolio by an appointed fund manager

These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in the comprehensive income and expenditure statement.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as held-to-maturity if the Group has the intention and ability to hold them until maturity. The Council currently no assets designated into this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Council currently no assets designated into this category.

Other financial liabilities

All other financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method.

The Council's other financial liabilities comprise: borrowings and trade payables are classified as amortised cost. The comprehensive income and expenditure statement is charged with interest receivable/payable, impairment losses and any gain or loss on disposal/maturity.

10. Grants and Contributions

Grants and contributions are recognised when there is reasonable assurance that the council will comply with the conditions attached to them and the grants or contributions will be received. Grants and contributions are accounted for on an accruals basis and are recognised immediately in the Comprehensive Income and Expenditure Statement as income, except to the extent that the grant or contribution has a condition that the council has not satisfied.

Revenue Grants and contributions are accounted for as follows:-

Revenue grants received with no conditions outstanding are credited to the Comprehensive Income and Expenditure account. As the expenditure to be financed by that grant has not been incurred the grant or contribution is transferred to Earmarked Reserves reflecting its status as a revenue resource available to finance expenditure.

Revenue grants and contributions received where conditions remain outstanding are recognised as part of the Revenue Grants Receipts in Advance on the balance sheet. Once the condition is met, the grant or contribution will be treated as a revenue grant received with no conditions as above.

Capital grants and contributions are accounted for as follows:-

Capital grants and contributions received where expenditure has been incurred, where there are no conditions outstanding, are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement.

Capital grants and contributions received where expenditure has not yet been incurred, where there are no conditions outstanding, are accounted for on an accruals basis and recognised immediately in the Comprehensive Income and Expenditure Statement. As the expenditure to be financed by that grant has not been incurred the grant or contribution is transferred to the Capital Receipts Reserve reflecting its status as a capital resource available to finance expenditure.

Capital grants and contributions received where conditions remain outstanding are recognised as part of the Capital Grants Receipts in Advance on the balance sheet. Once the condition is met, the grant or contribution will be treated as a capital grant received with no conditions as above.

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

10. Heritage Assets

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

11. 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 acquired and internally developed software used in the services provided or administration that qualify for recognition as an intangible asset. They are accounted for using the cost model whereby capitalised costs are amortised over a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and estimated useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note ****. There is a corresponding transfer from the Capital Adjustment Account to neutralise the effect of the amortisation charges on the General Fund Balance. The useful life applied to this classification of assets is 3 – 7 years.

Acquired software licences are capitalised on the basis of the costs incurred to acquire and install the specific software.

Costs associated with maintaining computer software, ie expenditure relating to patches and other minor updates as well as their installation are expensed as incurred.

Expenditure on research (or the research stage of an internal project) is recognised as an expense in the period in which it is incurred.

Costs that are attributable to the development phase of new customised software for IT and telecommunication systems are recognised as intangible assets provided they meet the following recognition requirements:-

Completion of the intangible asset is technically feasible so that it will be available for use or sale;
the council intends to complete the intangible asset and use or sell it;
the council has the ability to use or sell the intangible asset;
the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, it is to be used internally,
the asset will be used in generating such benefits;
there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs not meeting these criteria for capitalisation are expensed as incurred.

Directly attributable costs include employee (other than directors) costs incurred on software development along with an appropriate portion of relevant overheads. Internally generated software developments recognised as intangible assets are subject to the same subsequent measurement method as externally acquired software licences. However, until completion of the development project, the assets are subject to impairment testing only as described below in point 19.

12. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using:-

- The lower of cost and net realisable value, except where inventories are acquired through a non-exchange transaction in which case their cost is deemed to be fair value as at the date of acquisition or;
- The lower of costs and current replacement cost where they are held for distribution at no charge or for a nominal charge, or the consumption in the production process of goods to be distributed at no charge or for a nominal charge.

The council's inventories comprise items for Central Depot Stores, Vending Machine Stock, Pest Control Stock and the Postal Franking Machine.

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

13. Investment Property

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's length. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Comprehensive Income and Expenditure Statement to the Financing and Investment Income and Expenditure line. The same treatment is applied to gains and losses on disposals. Revaluation gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance in the Movement in Reserves Statement and are posted to the Capital Adjustment Account and, for sale proceeds greater than £10,000 the Capital Receipts Reserve.

Rentals received for investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

14. Jointly Controlled Operations and Jointly Controlled Assets

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

The Council is responsible for hosting Worcestershire Regulatory Services under a contractual arrangement which is defined as a Jointly Controlled Operation. Under this arrangement, each participant accounts separately for its own transactions arising within the agreement including the assets, liabilities, income expenditure and cash flows. As host to the Regulatory Shared Service, the Council accounts for the expenditure incurred for Redditch Borough Council, Wyre Forest District Council, Worcester City Council, Wychavon District Council, Malvern Hills District Council and Worcestershire County Council, its partners in the arrangement. However assets and liabilities of the pension scheme are the joint responsibility of the partnership. These have been accounted for in the full accounts of the Council as host and the notes to the Pension Scheme give details of the amounts attributable to the partners as defined in the partnership agreement.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

15. Shared Services/Joint Services Arrangements

Bromsgrove District Council provides the hosting for a number of shared service arrangements with Redditch Borough Council and Wyre Forest District Council. Bromsgrove also hosts Worcestershire Regulatory Services which is a Jointly Controlled Operation. Other Shared Services are also hosted by Worcester City Council and Wyre Forest District Council.

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

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

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

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

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

Shared Services	Host Council	Basis of split
ICT/Business Transformation	Bromsgrove District	Redditch 50% Bromsgrove 50%
Elections/Electoral Registration	Bromsgrove District	Redditch 46.5% Bromsgrove 53.3%
Building Control	Bromsgrove District	Based on existing budget split
Policy, Performance & Communications	Bromsgrove District	Redditch 50% Bromsgrove 50%
Land Charges	Bromsgrove District	Redditch 40% Bromsgrove 60%
Internal Audit	Worcester City	Agreed audit work
Bromsgrove Community Safety	Redditch Borough	100% Bromsgrove
North Worcestershire Regeneration	Wyre Forest District	Service level agreement
Payroll	Redditch Borough	Payroll numbers
Climate Change	Redditch Borough	Redditch 50% Bromsgrove 50%
Directorate Support	Redditch Borough	Agreed support work
Management Team	Joint Redditch & Bromsgrove	Redditch 50% Bromsgrove 50% (Housing 100% Redditch)
Land Drainage	Wyre Forest District	Based on existing budget split
Legal & Committee Services	Bromsgrove District	Redditch 50% Bromsgrove 50%
Leisure Services	Redditch Borough	Various dependent on facility
CCTV/Lifeline	Redditch Borough	Redditch 60% Bromsgrove 40%

16. Leasing

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

The council as lessee

Finance Leases

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

Lease payments are apportioned between:

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

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

Operating leases

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

The council as lessor

Finance leases

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

Lease rentals receivable are apportioned between:

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

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

Operating leases

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

17. Overheads and Support Services

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

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

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

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

18. Property, Plant and Equipment

Recognition

Property, plant and equipment shall be recognised as an asset on the councils balance sheet if:

It is probable that the future economic benefits or service potential associated with the item will flow to the council,

The cost of the item can be measured reliably,

The item has a cost of at least £10,000; or

Collectively, a number of items have a cost of at least £10,000, where the assets are functionally independent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful economic lives.

Measurement

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

Following initial recognition assets shall be valued as follows:-

Infrastructure, community assets and assets under construction shall be measured at historical cost. All other classes of assets are measured at fair value using a valuation method appropriate for the asset in accordance with IAS 16 and the 2010 SORP.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Operational land and buildings, other than low cost housing and rent to mortgage properties (see below), are included at existing use value in accordance with the 2011 SORP.
- Low cost housing and rent to mortgage properties are included at market value.
- Infrastructure assets such as environmental improvements (eg footbridges, highways furniture and bus shelters) are included at depreciated historical cost.
- Vehicles, Plant and Equipment, other than park equipment and play areas (see below), are included at fair value. The council has adopted a historical cost basis as a proxy for fair value as the assets have short useful lives or low values or both.
- Specialised operational assets such as the skateboard park and equipment in play areas and parks where there is no established market value, have been valued on a depreciated replacement cost basis.
- Community assets, such as Parks and Recreation Grounds, are included at depreciated historical costs
- 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 included 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.

A programme of valuations, to be carried out by the County Council's Valuation Officer (under an 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.

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

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 (years)
Other Land and Buildings	5-50
Vehicles, Plant and Equipment	2-15
Infrastructure	5-20

Disposals

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

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

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

Componentisation

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

Residual values

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

De minimus capital expenditure

Purchases of assets or enhancement work with a value of £10,000 or lower are not recorded in the asset register. De minimus assets financed from capital resources are written off to the service in the year that expenditure is incurred. Credits are made from the Capital Adjustment Account to ensure the written down assets do not have an impact on Council Tax.

19. Impairment testing of intangible assets and property, plant and equipment

At each reporting period end, the Authority checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

20. Non-current assets and liabilities classified as held for sale and discontinued operations

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

The asset (or disposal group) is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales, and

The sale is highly probable and sale should be expected to be completed within 12 months of the date of classification as 'held for sale', and

The asset (or disposal group) must be actively marketed for a sale price that is reasonable in relation to its fair value.

When these conditions have been met, the asset or disposal group is classified as 'held for sale' and presented separately in the statement of financial position.

Liabilities are classified as 'held for sale' and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as 'held for sale' and their fair value less costs to sell. No assets classified as 'held for sale' are subject to depreciation or amortisation, subsequent to their classification as 'held for sale'.

21. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (eg from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Contingent Liabilities

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

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

Contingent Assets

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

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

22. Reserves

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

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

23. Revenue Expenditure Funded from Capital under Statute

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

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

24. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

25. 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.

26. 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.

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 (Finance & Resources)

Date

Movement in Reserves Statement for the year ended 31 March 2012

Notes	General Fund Balance	Earmarked GF Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2010	1,266	1,426	5,129	27	7,848	18,162	26,010
<u>Movement in reserves during 2010/11</u>							
Surplus or (deficit) on provision of services	(1,751)	-	-	-	(1,751)	-	(1,751)
Other Comprehensive Income and Expenditure	-	-	-	-	-	2,681	2,681
Total Comprehensive Income and Expenditure	(1,751)	-	-	-	(1,751)	2,681	930
Adjustments between accounting basis & funding basis under regulations	7 2,760	-	(1,375)	(8)	1,377	(1,501)	(124)
Net Increase/Decrease before Transfers to Earmarked Reserves	1,009	-	(1,375)	(8)	(374)	1,180	806
Transfers to/from Earmarked Reserves	8 (357)	357	-	-	-	-	-
Increase/Decrease in Year	652	357	(1,375)	(8)	(374)	1,180	806
Balance at 31 March 2011 carried forward	1,918	1,783	3,754	19	7,474	19,342	26,816
<u>Movement in reserves during 2011/12</u>							
Surplus or (deficit) on provision of services	(7,195)	-	-	-	(7,195)	-	(7,195)
Other Comprehensive Expenditure and Income	-	-	-	-	-	(2,362)	(2,362)
Total Comprehensive Income and Expenditure	(7,195)	-	-	-	(7,195)	(2,362)	(9,557)
Adjustments between accounting basis & funding basis under regulations	7 8,155	-	(396)	(4)	7,755	(7,755)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	960	-	(396)	(4)	560	(10,117)	(9,557)
Transfers to/from Earmarked Reserves	8 (297)	297	-	-	-	-	-
Increase/Decrease in Year	663	297	(396)	(4)	560	(10,117)	(9,557)
Balance at 31 March 2012 carried forward	2,581	2,080	3,358	15	8,034	9,225	17,259

**Comprehensive Income and Expenditure Statement
for the year ended 31 March 2012**

2010/11				2011/12			
£000s	£000s	£000s		£000s	£000s	£000s	
Expenditure	Income	Net	Continuing operations:	Note	Expenditure	Income	Net
7,064	(5,889)	1,175	Central services to the public		7,154	(5,784)	1,370
-	-	-	Central services to the public - Exceptional Costs of downward revaluations	4	278	-	278
2,925	(493)	2,432	Cultural Services		2,897	(347)	2,550
-	-	-	Cultural Services - Exceptional Costs of downward revaluations	4	1,627	-	1,627
7,956	(2,095)	5,861	Environmental & Regulatory Services		7,242	(2,785)	4,457
-	-	-	Environmental & Regulatory Services - Exceptional Costs of downward revaluations	4	378	-	378
2,249	(971)	1,278	Planning Services		2,831	(1,160)	1,671
-	-	-	Planning Services - Exceptional Costs of downward revaluations	4	195	-	195
1,986	(1,800)	186	Highways and transport services		968	(1,461)	(493)
2,727	-	2,727	Highways and transport services - Exceptional Costs of downward revaluations	4	2,435	-	2,435
15,527	(13,278)	2,249	Housing services		17,502	(16,073)	1,429
-	-	-	Housing services - Exceptional Costs of downward revaluations	4	117	-	117
3,191	(1,301)	1,890	Corporate and democratic core		3,742	(1,943)	1,799
-	-	-	Corporate and democratic core - Exceptional Costs of downward revaluations	4	390	-	390
43	(1)	42	Non distributed costs	33	118	(2)	116
(3,695)	-	(3,695)	Exceptional Item - Pension Scheme Actuarial Gain	4	-	-	-
39,973	(25,828)	14,145	Cost Of Services		47,874	(29,555)	18,319
		166	Other Operating Expenditure	9			437
		681	Financing and Investment Income and Expenditure	10			527
		(13,241)	Taxation and Non-Specific Grant Income	11			(12,088)
		1,751	(Surplus) or Deficit on Provision of Services				7,195
		(1,101)	(Surplus) or deficit on revaluation of non current assets				(3,256)
		(1,580)	Actuarial (gains) or losses on pension assets & liabilities				5,618
		(2,681)	Other Comprehensive Income and Expenditure				2,362
		(930)	Total Comprehensive Income and Expenditure				9,557

Bromsgrove District Council - Statement of Accounts 2011/12

Balance Sheet as at 31 March 2012

	Note	31 March 2012 £000s	31 March 2011 £000s
Non-current assets			
Property, plant and equipment	12	31,959	35,275
Investment property	13	531	1,296
Intangible assets	14	1,465	1,874
Assets held for sale	15	250	250
Long Term Debtors	17	-	1
Total non-current assets		34,205	38,696
Current assets			
Short term investments	43	2,750	3,000
Inventories	18	231	161
Short Term Debtors	19	7,297	4,168
Cash and Cash Equivalents	20	5,492	9,898
Total current assets		15,769	17,227
Current liabilities			
Short Term Borrowing	44	(83)	(104)
Short Term Creditors	21	(6,469)	(8,605)
Total current liabilities		(6,552)	(8,709)
Long term liabilities			
Provisions	22	(235)	(283)
Other Long Term Liabilities	23	(24,982)	(19,353)
Capital Grants Receipts in Advance	37	(945)	(761)
Total long term liabilities		(26,162)	(20,397)
Net Assets:		17,260	26,817
Reserves			
Usable reserves	7 & 24	(8,035)	(7,474)
Unusable Reserves	25	(9,226)	(19,342)
Total Reserves:		(17,260)	(26,816)

Statement Of Cash Flows For The Year Ended 31 March 2012

	Note	2011/12 £000s	2010/11 £000s
Net (surplus) or deficit on the provision of services		7,195	1,751
Adjustments to net surplus or deficit on the provision of services for non-cash movements		(3,030)	(7,847)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		130	4,737
Net cash outflow from operating activities	27	4,295	(1,359)
Investing activities	28	(104)	777
Financing activities	29	215	(3,692)
Net (increase) or decrease in cash and cash equivalents		4,406	(4,274)
Cash and cash equivalents at the beginning of the reporting period		(9,898)	(5,624)
Cash and cash equivalents at the end of the reporting period		(5,492)	(9,898)

Note 1: Accounting Standards That Have Been Issued But Have Not Yet Been Adopted

The 2012/13 Code of Practice adopts amendments to IFRS7 Financial Instruments: Disclosures (transfers of financial assets). The adoption is not a change of accounting policy that will require the publication of a Balance Sheet as at the beginning of the earliest comparative period (i.e. a third Balance Sheet) in the 2012/13 financial statements. The amendments are intended to assist users of the financial statements to evaluate the risk exposures that relate to transfers of financial assets and the effect of those risks on the authority's financial position. It is the view of CIPFA/LASAAC that the transfers described by the standard do not occur frequently in local authorities. As the authority has not exercised any such transfers there are no disclosures to be made in relation to the expected impact of adopting such a change.

Note 2: Critical Judgements in Applying Accounting Policies

The critical judgements made in the Statement of Accounts are:

There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision. The Council holds earmarked reserves of £2.080m and General Fund balances of £2.580m

The Council has determined that the Worcestershire Regulatory Services Shared Service meets the definition of a Jointly Controlled Operation. The Council has therefore accounted for its share of the Joint Committee's assets and liabilities and income and expenditure as documented in the Legal Agreement.

The Council has determined that a Group Accounting relationship exists with Bromsgrove Arts Development Trust as it has been identified that the Council is able to appoint the majority of the Board responsible for governing this Trust.

The Council has a contingent liability in relation to Municipal Mutual Insurance Limited, its former insurer, who ceased to accept new business or claims renewals in 1982. No provision is made for this liability because a solvent run off is anticipated.

Note 3: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future, or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual result could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £271k for every year that useful lives had to be reduced.

Note 3: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate would result in a decrease in the pension liability of £1.011m. An increase of 0.1% in the rate of inflation would result in an increase in the pension liability of £0.989m. An increase in life expectancy of 1 year would result in an increase in the pension liability of £1.246m. However the assumptions interact in complex ways.
Bad Debt Provisions	As at 31 March 2012 the Council had sundry debtor balances of £0.456m and Housing Benefit debtor balances of £0.695m Provisions for bad debts are made according to the age of the debt and past experience and a provision of £0.568m is in place in respect of these balances.	If recoverability of these balances were to fall the amount set aside as a provision for bad debts would have to increase. For example, if recoverability of all ages of debt fell by 10% an additional £63k would have to be set aside.
Earmarked Reserves	The Council has reserved £100k for the potential settlement of claims arising from a class action for the recovery of personal search fees.	If the courts rule that the charges were unlawful the Council could be liable for the repayment of personal search fees dating back to the implementation of the Environmental Information Regulations (January 2005)

Note 4: Exceptional Items

2011/12

Asset revaluation losses

During the year a number of assets were valued as part of the normal rolling 5 year programme. This has resulted in a downward revaluation of £5.420m charged to net cost of services in the Comprehensive Income and Expenditure Statement. These items are not charged to Council Taxpayers as amounts are reversed out of the General Fund via the Movement in Reserves.

Included in these valuations were the Council House, Customer Service Centre and Surface Car Parks which were valued using a different methodology to comply with accounting regulations, the change from depreciated replacement cost to market value in existing use resulted generally in lower building values. Of the £5.420m charged to net cost of services, £3.823m related directly to these assets, the remainder relating to general market conditions.

2010/11

Asset revaluation losses

During 2010/11 the multi storey car park was valued using a different methodology to comply with accounting regulations, the change from depreciated replacement cost to market value in existing use resulting in a lower building value. Within the Comprehensive Income and Expenditure Statement, this sum has been charged to Highways and Transport Services.

Pension Liability - Past Service Gain

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

This has the effect of reducing the Council's liabilities in the Worcestershire County Council Pension Fund by £3.580m (£3.695m including joint committee) and has been recognised as an actuarial gain in accordance with guidance set down in UITF Abstract 48 since the change is regarded as an adjustment to the actuarial assumptions previously used to estimate the liability.

Within the Comprehensive Income and Expenditure Statement, this sum has been credited to the Non-Distributed Costs line.

These transactions are then reversed in the Movement in Reserves Statement to ensure that there is no impact upon the General Fund balance.

Note 5: Material Items of Income and Expenditure

As detailed in note 4 exceptional charges relating to revaluation losses have been disclosed separately within Net Cost of Services in the Comprehensive Income and Expenditure Statement.

Note 6: Events after the Balance Sheet Date

There are no material events that have been considered after the Balance Sheet date. The Council implemented its Shared Service single business case on 1 April 2012 and continues to review its shared service and Transformation programme to ensure savings can be realised prior to future grant reductions.

Bromsgrove District Council - Statement of Accounts 2011/12

Note 7: Adjustments between Accounting Basis and Funding Basis under Regulations

2011/12	Usable Reserves			
	General Fund Balance £000s	Capital Receipts Reserve £000s	Capital Grants Unapplied £000s	Movement in Unusable Reserves £000s
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</i>				
Charges for depreciation and impairment of non-current assets	1,956	-	-	(1,956)
Revaluation losses on Property, Plant & Equipment	5,423	-	-	(5,423)
Movements in the market value of investment properties	239	-	-	(239)
Amortisation of intangible assets	430	-	-	(430)
Capital grants and contributions	(54)	-	-	54
Revenue expenditure funded from capital under statute	550	-	-	(550)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(191)	-	-	191
<i>Insertion of items debited or credited to the Comprehensive Income & Expenditure Statement</i>				
Statutory provision for the financing of capital investment	(4)	-	-	4
Capital expenditure charged against the General Fund and HRA balances	(207)	-	-	207
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(4)	4
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-	802	-	(802)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(1,198)	-	1,198
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	15	-	-	(15)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1)	-	-	1
Adjustments involving the Accumulated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)	-	-	1
Total Adjustments	8,155	(396)	(4)	(7,755)

2010/11 Comparative figures

	Usable Reserves			
	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000s	£000s	£000s	£000s
Adjustments involving the Capital Adjustment Account:				
<i>Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement</i>				
Charges for depreciation and impairment of non-current assets	2,196	-	-	(2,196)
Revaluation losses on Property, Plant & Equipment	2,836	-	-	(2,836)
Movements in the market value of investment properties	(13)	-	-	13
Amortisation of intangible assets	527	-	-	(527)
Capital grants and contributions	(422)	-	-	422
Revenue expenditure funded from capital under statute	1,273	-	-	(1,273)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(458)	-	-	458
<i>Insertion of items debited or credited to the Comprehensive Income & Expenditure Statement</i>				
Statutory provision for the financing of capital investment	(3)	-	-	3
Capital expenditure charged against the General Fund balance	(77)	-	-	77
Adjustments involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement	-	-	-	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(8)	8
Adjustments involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-	947	-	(947)
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(2,327)	-	2,327
Other Capital Receipts - reference revenue financing	(4)	4	-	-
Contribution from the Capital Receipts Reserve to finance payments to the Government capital receipts pool	1	(1)	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	1	1	-	(2)
Adjustments involving the Deferred Capital Receipts Reserve:				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-	-	-	-
Adjustments involving the Financial Instruments Adjustment Account:				
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	-	-	-
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	(1,659)	-	-	1,659
Employer's pension contributions and direct payments to pensioners payable in the year	(1,381)	-	-	1,381
New Schemes Added (Share of Joint Committee)	-	-	-	(124)
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(14)	-	-	14
Adjustments involving the Accumulated Absences Adjustment Account:				
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(42)	-	-	42
Total Adjustments	2,761	(1,376)	(8)	(1,501)

Note 8: Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12.

	Balance at 1 April 2010 £000s	Transfers Out 2010/11 £000s	Transfers In 2010/11 £000s	Balance at 31 March 2011 £000s	Transfers Out 2011/12 £000s	Transfers In 2011/12 £000s	Balance at 31 March 2012 £000s
General Fund:							
Building Control Partnership	(22)	-	(5)	(27)	26	(5)	(6)
Community Safety	(25)	25	(85)	(85)	10	(40)	(115)
Economic Regeneration	(62)	52	(43)	(53)	5	(78)	(126)
Election Services	-	-	(21)	(21)	28	(24)	(17)
Financial Services	(9)	6	(56)	(59)	52	(11)	(18)
Housing Schemes	(90)	102	(87)	(75)	67	(185)	(193)
ICT/Systems	-	-	-	-	-	(213)	(213)
Land charges	-	-	(100)	(100)	-	-	(100)
Legal Monitoring Department	(24)	24	-	-	-	-	-
Leisure/Community Safety Reserve	(60)	12	(24)	(72)	32	(45)	(85)
Litigation Reserve	(50)	-	-	(50)	-	(65)	(115)
Local Development Framework	(243)	31	-	(212)	170	-	(42)
Local Neighbourhood Partnerships	(58)	31	(3)	(30)	14	-	(16)
Local Strategic Partnership	(25)	27	(4)	(2)	1	-	(1)
Organisational Development	-	-	(4)	(4)	-	-	(4)
Other minor reserves	(12)	7	(241)	(246)	230	(147)	(163)
Planning Delivery Grant	(27)	27	-	-	-	-	-
Recycling Extension	(129)	55	-	(74)	74	-	-
Regulatory Services (Partner Share)	-	-	(69)	(69)	69	(5)	(5)
Replacement Reserve	-	-	-	-	-	(262)	(262)
Shared Services	(444)	91	(249)	(602)	408	(271)	(465)
Single Status/Job Evaluation	(146)	144	-	(2)	2	-	-
Route Optimisation	-	-	-	-	-	(35)	(35)
Health Improvement Initiatives	-	-	-	-	-	(99)	(99)
Total	(1,426)	634	(991)	(1,783)	1,188	(1,485)	(2,080)

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Note 9: Other Operating Expenditure

	2011/12 £000s	2010/11 £000s
Parish council precepts	664	647
Payments to the Government Housing Capital Receipts Pool	1	1
Gain or loss on the disposal of non-current assets	(227)	(482)
	438	166

Note 10: Financing and Investment Income and Expenditure

	2011/12 £000s	2010/11 £000s
Interest payable and similar charges	-	-
Pensions Interest Cost & Expected Return on Pensions Assets	457	872
Interest Receivable and Similar Income	(100)	(122)
Gain/loss on trading accounts (not applicable to service)	(5)	10
Income and expenditure in relation to investment properties and changes in their value	175	(79)
	527	681

Note 11: Taxation and Non-Specific Grant Income

	2011/12 £000s	2010/11 £000s
Council Tax income	(7,760)	(7,736)
NNDR distribution	(2,926)	(4,407)
Non-ringfenced government grants	(1,349)	(675)
Capital grants and contributions	(54)	(423)
	(12,089)	(13,241)

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Note 12: Non Current Assets - Property, Plant & Equipment

Movements in 2011/12	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation							
At 1 April 2011	31,217	10,935	549	725		448	43,874
Additions	81	1,023	-	-		127	1,231
Donations							-
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	3,225						3,225
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on provision of services	(7,277)	(1,258)					(8,535)
Derecognition-Disposals							-
Derecognitions-Other	(667)	-				(340)	(1,007)
Reclassified to/from Held for Sale	(84)	(2)					(86)
Other Reclassifications	86	15		(1)		(100)	-
At 31 March 2012	26,581	10,713	549	724	-	135	38,702
Accumulated Depreciation and Impairment							
At 1 April 2011	(2,362)	(6,044)	(194)	-	-	-	(8,600)
Depreciation Charge	(609)	(1,310)	(28)				(1,947)
Depreciation written out to the Revaluation Reserve	32						32
Depreciation written out to the Surplus/Deficit on provision of services	1,867	1,246					3,113
Impairment losses/reversals recognised in the Revaluation Reserve							-
Impairment losses/reversals recognised in the Surplus/Deficit on provision of services	(8)	-	-	-	-	-	(8)
Derecognition-Disposals							-
Derecognitions-Other	667						667
Eliminated on reclassification to Held for Sale							-
Reclassifications							-
At 31 March 2012	(413)	(6,108)	(222)	-	-	-	(6,743)
Net Book Value							
At 31 March 2012	26,168	4,605	327	724	-	135	31,959
At 31 March 2011	28,855	4,891	355	725	-	448	35,274

Movements in 2010/11	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	PP&E Under Construction	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation							
At 1 April 2010	33,665	10,913	549	710	-	143	45,980
Additions	57	582	-	15	-	351	1,005
Donations							-
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	49				-		49
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on provision of services	(2,600)	(545)					(3,145)
Derecognition-Disposals	-	-					-
Derecognitions-Other							-
Reclassified to/from Held for Sale		(15)					(15)
Other Reclassifications	46		-			(46)	-
At 31 March 2011	31,217	10,935	549	725	-	448	43,874
Accumulated Depreciation and Impairment							
At 1 April 2010	(2,637)	(4,963)	(166)				(7,766)
Depreciation Charge	(647)	(1,440)	(28)		-		(2,115)
Depreciation written out to the Revaluation Reserve	654						654
Depreciation written out to the Surplus/Deficit on provision of services	268	440					708
Impairment losses/reversals recognised in the Revaluation Reserve	-						-
Impairment losses/reversals recognised in the Surplus/Deficit on provision of	-	(81)					(81)
Derecognition-Disposals	-	-					-
Derecognitions-Other							-
Eliminated on reclassification to Held for Sale							-
Reclassifications							-
At 31 March 2011	(2,362)	(6,044)	(194)	-	-	-	(8,600)
Net Book Value							
At 31 March 2011	28,855	4,891	355	725	-	448	35,274
At 1 April 2010	31,028	5,950	383	710	-	143	38,214

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

Other Land and Buildings - 8-75 years, Land is not depreciated, building lives advised by valuers

Vehicles, Plant, & Equipment - 1-25 years

Infrastructure - 5-20 years

Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £372k. Commitments reported at 31 March 2011 were £566k.

The major commitments are:

Scheme Name	Committed
Sports Facility – Barnsley Hall	210
Sports Facility – Braces Lane	73
DFG - Owner Occupier	17
DFG - BDHT	8
Depot - Various items of plant	58
Discretionary Home Repairs	6
	372

Valuation of Property, Plant and Equipment.

The basis for valuation of the individual classes of 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 the assets belonging to the Council. The Council carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out by the Council's valuation provider, Worcestershire County Council Property Services. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on current prices where there is an active second-hand market or latest list prices adjusted for the condition of the asset.

	Operational Assets					Total
	Other Land & Buildings	Vehicles, Plant & Equipment	Infrastructure	Community Assets	Surplus Assets	
	£000s	£000s	£000s	£000s	£000s	£000s
Valued at Historical Cost	132	10,153	549	709	-	11,543
Valued at fair value as at:						
Current Year	17,562	-	-	-	-	17,562
2010/2011	6,479	-	-	16	-	6,495
2009/2010	2,267	-	-	-	-	2,267
2008/2009	-	-	-	-	-	-
2007/2008	-	-	-	-	-	-
Total Gross carrying amount less impairment at 31/03/2012	26,440	10,153	549	725	-	37,867

Fixed Assets (Land and Buildings) Held

The fixed assets (land and buildings) held by the Council include the following:

	31 March No's 2012	32 March No's 2011
Council Offices at Burcot Lane	1	1
Depot	1	1
Sport Centre	1	1
Customer Service Centre	1	1
Public Conveniences	3	3
Car Parks	14	14
Cemeteries	2	2
Tourist Information Centre	1	1
Hostels	1	1
Other Properties	6	6
Allotments Sites	8	8
Parks/Recreatio Grounds/Open Spaces and Play areas	63	63

In addition the Council holds 30% of 118 properties under the low cost scheme.

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Note 13: Non Current Assets - Investment Property

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

	2011/12	2010/11
	£000s	£000s
Rental income from investment property	(84)	(115)
Direct operating expenses arising from investment property	21	49
Net gain/(loss)	(63)	(66)

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

The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

	31 March 2012	31 March 2011
	£000s	£000s
Balance at the start of the year	1,296	895
Additions:		
Purchases	-	513
Construction	-	-
Subsequent expenditure	-	-
Disposals	(526)	(125)
Net gains/(losses) from fair value adjustments	(239)	13
Transfers		
To/from inventories	-	-
To/from Property, Plant & Equipment	-	-
Other changes	-	-
Balance at the end of the year	531	1,296

Sales were authorised at the Council meeting held on 16 November 2011.