

# Bromsgrove District Council - Statement of Accounts 2011/12

CONTENTS		Page
	Annual Governance Statement	4
	Explanatory Foreword	11
	Statement of Accounting Policies	17
<b>The Core Financial Statements</b>		
	Movement in Reserves Statement	31
	Comprehensive Income and Expenditure Statement	32
	Balance Sheet	33
	Cashflow Statement	34
<b>Notes to the Core Financial Statements</b>		
1	Accounting Standards Issued, not Adopted	35
2	Critical Judgements in Applying Accounting Policies	35
3	Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	35
4	Exceptional Items	36
5	Material Items of Income and Expenditure	37
6	Events after the Balance Sheet Date	37
7	Adjustments between Accounting Basis and Funding Basis under Regulations	38
8	Transfers to/from Earmarked Reserves	40
9	Other Operating Expenditure	41
10	Financing and Investment Income and Expenditure	41
11	Taxation and Non-specific Grant Income	41
<b>Capital Notes</b>		
12	Property, Plant and Equipment	42
13	Investment Properties	46
14	Intangible Assets	47
15	Non-Current Assets held for sale	48
16	Capital Expenditure and Financing	49
17	Long Term Debtors	50
18	Inventories	50
19	Short Term Debtors	50
20	Cash and Cash Equivalents	50
21	Creditors	51
22	Provisions	51
23	Other Long Term Liabilities	51
24	Usable Reserves	51

# Bromsgrove District Council - Statement of Accounts 2011/12

CONTENTS		Page
25	Unusable Reserves	52
26	Movement in Capital Receipts Unapplied	55
27	Operating Activities	56
28	Investing Activities	56
29	Financing Activities	56
30	Amounts reported for Resource Allocation Decisions	57
31	Trading Operations	60
32	Publicity	60
33	Non Distributed Costs	60
34	Members Allowances	60
35	Officers' Remuneration	62
36	External Audit Costs	67
37	Grant Income	68
38	Related Parties	69
39	Leases	71
40	Heritage Assets	72
 <b><i>Financial Instrument Notes</i></b>		
41	Financial Instruments Balances	73
42	Interest and Investment Income	74
43	Short Term Investments	74
44	Short term Borrowing	74
45	Long term Borrowing	75
46	Nature and Extent of Risks Arising from Financial Instruments	75
47	Defined Benefit Pension Schemes	78
48	Contingent Liabilities	83
49	Termination Benefits	83
 <b><i>Collection Fund Account and Related Notes to the Account</i></b>		
1	General	85
2	Council Tax Base	86
3	Council Tax Levels	86
4	Council Tax Income	86
5	Council Tax Major Preceptors	87
6	Collection Fund Balance	87
7	NNDR Gross Rateable Value	87
8	NNDR Multiplier	87
9	NNDR Rates Income	88
10	Bad Debt Provision	88

# Bromsgrove District Council - Statement of Accounts 2011/12

CONTENTS	Page
<b>Group Accounts</b>	
Explanatory Foreword	89
Statement of Accounting Policies	89
<b>Group Financial Statements</b>	
Group Movement in Reserves Statement	90
Group Comprehensive Income and Expenditure Statement	91
Group Balance Sheet	92
Group Cash Flow Statement	93
<b>Notes to the Group Financial Statements</b>	
1. Nature of relationship between Bromsgrove District Council and Bromsgrove Arts Development Trust	94
2. Property, Plant and Equipment	94
3. Reconciliation of Movement in Reserves Statement to the Balance Sheet	95
4. Usable Reserves	95
5. Unusable Reserves	95
6. Group Cash Flow (Operating Activities)	95
7. Group Cash Flow (Investing Activities)	96
8. Group Cash Flow (Financing Activities)	96
Statement of Responsibilities for the Statement of Accounts	97
Auditors Report	98
Glossary of Terms	99

## **DRAFT 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 4<sup>th</sup> 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/inspectorates.

### 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/inspectorates

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

Other external reviews during the year included:

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

## **5. Significant governance and internal control issues**

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 31<sup>st</sup> 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 11<sup>th</sup> 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:

<b>Expenditure Type</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>£000</b>	<b>£000</b>
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
<b>Total</b>	<b>39,972</b>	<b>47,873</b>

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:

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

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.

## **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 £xm 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](mailto: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 x% (based on the indicative rate of return on high quality corporate bond x)

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

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

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

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

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

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

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

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

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

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

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**

The Council has entered into shared services with various other local Councils for the provision of services to ensure economical and efficient service provision. This arrangement is agreed by each of the partner Councils. Under the arrangement each Council accounts separately for its own transactions arising within the agreement including the assets, liabilities, income, expenditure and cash flows. The host for the shared service accounts for the income and expenditure incurred, including income from each of the partners to the arrangement.

## **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)**

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

**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	Note	Expenditure	Income	Net
<b>Continuing operations:</b>						
7,064	(5,889)	1,175		7,154	(5,784)	1,370
-	-	-				
2,925	(493)	2,432		2,897	(347)	2,550
-	-	-	4	1,627	-	1,627
7,956	(2,095)	5,861		7,242	(2,785)	4,457
-	-	-	4	378	-	378
2,249	(971)	1,278		2,831	(1,160)	1,671
-	-	-	4	195	-	195
4,713	(1,800)	2,913		968	(1,461)	(493)
-	-	-	4	2,435	-	2,435
15,527	(13,278)	2,249		17,502	(16,073)	1,429
-	-	-	4	117	-	117
3,191	(1,301)	1,890		3,742	(1,943)	1,799
-	-	-	4	390	-	390
43	(1)	42	33	118	(2)	116
(3,695)	-	(3,695)	4	-	-	-
<b>39,973</b>	<b>(25,828)</b>	<b>14,145</b>		<b>47,874</b>	<b>(29,555)</b>	<b>18,319</b>
		166	9			437
		681	10			527
		(13,241)	11			(12,088)
		<b>1,751</b>				<b>7,195</b>
		(1,101)				(3,256)
		(1,580)				5,618
		(2,681)				2,362
		<b>(930)</b>				<b>9,557</b>



# Bromsgrove District Council - Statement of Accounts 2011/12

## Balance Sheet as at 31 March 2012

	Note	31 March 2012 £000s	31 March 2011 £000s
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>34,205</b>	<b>38,696</b>
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>15,769</b>	<b>17,227</b>
<b>Current liabilities</b>			
Short Term Borrowing	44	(83)	(104)
Short Term Creditors	21	(6,469)	(8,605)
Current tax liability	-	-	-
<b>Total current liabilities</b>		<b>(6,552)</b>	<b>(8,709)</b>
<b>Long term liabilities</b>			
Provisions	22	(235)	(283)
Other Long Term Liabilities	23	(24,982)	(19,353)
Capital Grants Receipts in Advance	37	(945)	(761)
<b>Total long term liabilities</b>		<b>(26,162)</b>	<b>(20,397)</b>
<b>Net Assets:</b>		<b>17,260</b>	<b>26,817</b>
<b>Reserves</b>			
Usable reserves	7 & 24	(8,035)	(7,474)
Unusable Reserves	25	(9,226)	(19,342)
<b>Total Reserves:</b>		<b>(17,260)</b>	<b>(26,816)</b>

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
<b>Net cash outflow from operating activities</b>	27	<b>4,295</b>	<b>(1,359)</b>
<b>Investing activities</b>	28	<b>(104)</b>	777
<b>Financing activities</b>	29	<b>215</b>	<b>(3,692)</b>
Net (increase) or decrease in cash and cash equivalents		<b>4,406</b>	<b>(4,274)</b>
Cash and cash equivalents at the beginning of the reporting period		<b>(9,898)</b>	<b>(5,624)</b>
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(5,492)</b>	<b>(9,898)</b>

**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

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.

2010/11

#### 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
<b>Adjustments involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income &amp; 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 &amp; 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
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
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
<b>Adjustments involving the Capital Receipts Reserve:</b>				
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
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
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	-	-	-	-
<b>Adjustments involving the Pensions Reserve:</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	15	-	-	(15)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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
<b>Adjustments involving the Accumulated Absences Adjustment Account:</b>				
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
<b>Total Adjustments</b>	<b>8,155</b>	<b>(396)</b>	<b>(4)</b>	<b>(7,755)</b>

## 2010/11 Comparative figures

	<b>Usable Reserves</b>			
	<b>General Fund Balance</b>	<b>Capital Receipts Reserve</b>	<b>Capital Grants Unapplied</b>	<b>Movement in Unusable Reserves</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Adjustments involving the Capital Adjustment Account:</b>				
<i>Reversal of items debited or credited to the Comprehensive Income &amp; 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 &amp; Expenditure Statement</i>				
Statutory provision for the financing of capital investment	(3)	-	-	3
Capital expenditure charged against the General Fund balance	(77)	-	-	77
<b>Adjustments involving the Capital Grants Unapplied Account:</b>				
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
<b>Adjustments involving the Capital Receipts Reserve:</b>				
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)
<b>Adjustments involving the Deferred Capital Receipts Reserve:</b>				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	-	-	-	-
<b>Adjustments involving the Financial Instruments Adjustment Account:</b>				
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	-	-	-	-
<b>Adjustments involving the Pensions Reserve:</b>				
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)
<b>Adjustments involving the Collection Fund Adjustment Account:</b>				
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
<b>Adjustments involving the Accumulated Absences Adjustment Account:</b>				
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
<b>Total Adjustments</b>	<b>2,761</b>	<b>(1,376)</b>	<b>(8)</b>	<b>(1,501)</b>

## Bromsgrove District Council - Statement of Accounts 2011/12

### 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
<b>General Fund:</b>							
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)
<b>Total</b>	<b>(1,426)</b>	<b>634</b>	<b>(991)</b>	<b>(1,783)</b>	<b>1,188</b>	<b>(1,485)</b>	<b>(2,080)</b>



## Bromsgrove District Council - Statement of Accounts 2011/12

### Note 9: Other Operating Expenditure

	<b>2011/12</b>	2010/11
	<b>£000s</b>	£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)
	<b>438</b>	166

### Note 10: Financing and Investment Income and Expenditure

	<b>2011/12</b>	2010/11
	<b>£000s</b>	£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)
	<b>527</b>	681

### Note 11: Taxation and Non-Specific Grant Income

	<b>2011/12</b>	2010/11
	<b>£000s</b>	£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)
	<b>(12,089)</b>	(13,241)

**Bromsgrove District Council - Statement of Accounts 2011/12**

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

<b>Movements in 2011/12</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant &amp; Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Surplus Assets</b>	<b>PP&amp;E Under Construction</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Cost or Valuation</b>							
At 1 April 2011	31,217	10,935	549	725		448	<b>43,874</b>
Additions	81	1,023	-	-		135	<b>1,239</b>
Donations							-
Revaluation Increases/(decreases) recognised in the Revaluation Reserve	3,225						<b>3,225</b>
Revaluation Increases/(decreases) recognised in the Surplus/Deficit on provision of services	(7,277)	(1,258)					<b>(8,535)</b>
Derecognition-Disposals							-
Derecognitions-Other	(667)	-				(348)	<b>(1,015)</b>
Reclassified to/from Held for Sale	(84)	(2)					<b>(86)</b>
Other Reclassifications	86	20		(1)		(100)	<b>5</b>
<b>At 31 March 2012</b>	<b>26,581</b>	<b>10,718</b>	<b>549</b>	<b>724</b>	<b>-</b>	<b>135</b>	<b>38,707</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 April 2011	(2,362)	(6,044)	(194)	-	-	-	<b>(8,600)</b>
Depreciation Charge	(609)	(1,310)	(28)				<b>(1,947)</b>
Depreciation written out to the Revaluation Reserve	32						<b>32</b>
Depreciation written out to the Surplus/Deficit on provision of services	1,867	1,246					<b>3,113</b>
Impairment losses/reversals recognised in the Revaluation Reserve							-
Impairment losses/reversals recognised in the Surplus/Deficit on provision of services	(8)	(5)	-	-		-	<b>(13)</b>
Derecognition-Disposals							-
Derecognitions-Other	667						<b>667</b>
Eliminated on reclassification to Held for Sale							-
Reclassifications							-
<b>At 31 March 2012</b>	<b>(413)</b>	<b>(6,113)</b>	<b>(222)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,748)</b>
<b>Net Book Value</b>							
<b>At 31 March 2012</b>	<b>26,168</b>	<b>4,605</b>	<b>327</b>	<b>724</b>	<b>-</b>	<b>135</b>	<b>31,959</b>
<b>At 31 March 2011</b>	<b>28,855</b>	<b>4,891</b>	<b>355</b>	<b>725</b>	<b>-</b>	<b>448</b>	<b>35,274</b>

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

## 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
	<b>372</b>

## 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.

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

## Fixed Assets (Land and Buildings) Held

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

	<b>31 March No's 2012</b>	<b>31 March No's 2011</b>
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.

## Bromsgrove District Council - Statement of Accounts 2011/12

### 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:

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

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

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

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

	<b>31 March 2012</b>	31 March 2011
	<b>£000s</b>	£000s
Balance at the start of the year	<b>1,296</b>	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	<b>531</b>	1,296

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

## Bromsgrove District Council - Statement of Accounts 2011/12

### Note 14: Non Current Assets - Intangible Assets

The Council's intangible assets comprise acquired software licences and own software developments. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

#### Other Assets

Software standard Treatment	3 Years
Shared Software with Redditch BC	5 Years
Large projects with longer term benefits i.e.Spatial Project	7 Years

The carrying amounts for the reporting periods under review can be analysed as follows:

	<b>2011/12</b>	2010/11
	<b>£000s</b>	£000s
Balance at the start of the year:		
Gross carrying amounts	3,163	3,128
Accumulated amortisation	(1,289)	(769)
Net carrying amount at start of year	<u>1,874</u>	<u>2,359</u>
Additions:		
Purchases	21	41
Revaluation increases or decreases	-	-
Amortisation for the period	(430)	(520)
Other changes	-	(6)
<b>Net carrying amount at the end of the year</b>	<b><u>1,465</u></b>	<b><u>1,874</u></b>
<b>Comprising:</b>		
Gross carrying amounts	3,184	3,163
Accumulated amortisation	(1,719)	(1,289)
	<b><u>1,465</u></b>	<b><u>1,874</u></b>

All amortisation and impairment charges (or reversals, if any) are included within 'depreciation, amortisation and impairment of non-financial assets'. No intangible assets have been pledged as security for liabilities.

There is one item of capitalised software that is material to the financial statements.

	<b>Carrying Amount</b>	
	<b>2011/12</b>	2010/11
	<b>£000s</b>	£000s
Spatial Project	1,390	1,720

This is held at historic cost, amortised over the life of the asset in line with our accounting policies. The asset has not been revalued as it is a bespoke system and therefore no market valuation is available. Remaining amortisation period is 4 years.

Intangible assets were acquired during 2011/12 for Election services to the value of £18k. This was financed by revenue, in line with our stated policy, this will be amortised over three years.

**Note 15: Non Current Assets - Assets Held for Sale**

	<b>2011/12</b>	2010/11
	<b>£000s</b>	£000s
Balance outstanding at start of year	250	600
Assets newly classified as held for sale:		
Property, Plant and Equipment	85	15
Intangible Assets	-	-
Other assets/liabilities in disposal groups	-	-
Revaluation losses	-	-
Revaluation gains	-	-
Impairment losses	-	-
Assets declassified as held for sale:		
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Other assets/liabilities in disposal groups	-	-
Assets sold	(85)	(365)
Transfers from non-current to current	-	-
Other movements	-	-
Balance outstanding at year-end	<u><b>250</b></u>	<u>250</u>

During the year ended 31 March 2010 the Council entered into negotiations to sell the Museum for £285,000 (carrying value £250,000). At 31 March 2011 it was considered highly probable that the transaction would complete before 31 March 2012, sale still anticipated however not completed yet.



**Note 16: Capital Expenditure and Financing**

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue (as assets are used by the Authority), the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	<b>31 March 2012</b>	31 March 2011
	<b>£000s</b>	£000s
<b>Opening Capital Financing Requirement</b>	-	-
<b>Capital investment</b>		
Property, Plant and Equipment	1,164	1,013
Investment Properties	-	513
Intangible Assets	22	35
Revenue Expenditure Funded from Capital under Statute	813	1,677
<b>Sources of Finance</b>		
Capital receipts	(1,213)	(2,327)
Government grants and other contributions	(579)	(834)
<i>Sums set aside from revenue:</i>		
Direct revenue contributions	(207)	(77)
Minimum Revenue Position (MRP)	-	-
LSVT Adjustment	-	-
<b>Closing Capital Financing Requirement</b>	<b>-</b>	<b>-</b>
<b>Explanation of movements in year</b>		
Increase in underlying need to borrowing (supported by government financial assistance)	-	-
Increase in underlying need to borrowing (unsupported by government financial assistance)	-	-
Assets acquired under finance leases	-	-
Assets acquired under PFI/PPP contracts	-	-
LSVT Adjustment	-	-
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>-</b>	<b>-</b>

**Note 17: Long Term Debtors**

	<b>31 March 2012</b>	31 March 2011
	<b>£000s</b>	£000s
Mortgagors re Sale of Council Houses	-	1
	<u>-</u>	<u>1</u>

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

**Note 18: Inventories**

	<b>31 March 2012</b>	31 March 2011
	<b>£000s</b>	£000s
Balance at 1 April	162	170
Purchases	621	510
Recognised as an expense in the year	(540)	(483)
Written off	(11)	(35)
Reversals of write offs in previous years	-	-
<b>Balance at 31 March</b>	<b><u>232</u></b>	<b><u>162</u></b>

**Note 19: Debtors**

	<b>31 March 2012</b>	31 March 2011
	<b>£000s</b>	£000s
Central Government Bodies	4,528	459
Other Local Authorities *	1,371	2,058
Other Entities and individuals *	1,259	1,414
Council Tax Payers	139	237
	<b>7,297</b>	<b>4,168</b>
<i>Items marked with a * are reflected as part of the financial instruments balances</i>	2,630	3,472

**Note 20: Cash and Cash Equivalents**

	<b>31 March 2012</b>	31 March 2011
	<b>£000s</b>	£000s
Cash in Hand (Petty Cash)	1	1
Bank current accounts	(509)	322
<i>Current account(s) and cash in hand</i>	<u>(508)</u>	<u>323</u>
Bank call accounts		
HSBC Reward Account	3,000	-
Bank of Scotland	-	3,000
National Westminster Bank	0	3,000
Clydesdale	-	625
Santander	3,000	2,950
<i>Call accounts</i>	<u>6,000</u>	<u>9,575</u>
<b>Total cash and cash equivalents</b>	<b><u>5,492</u></b>	<b><u>9,898</u></b>

Within the total cash and cash equivalents figure as at 31 March 2012 £1.155m (Last Year: £872k) is held on behalf of the Joint Committee (Worcestershire Regulatory Services)

## Note 21: Short Term Creditors

	31 March 2012 £000s	31 March 2011 £000s
Central Government Bodies	(336)	(3,068)
Other Local Authorities *	(3,238)	(2,341)
Other Entities and individuals *	(2,097)	(2,469)
Council Tax payers	(164)	(228)
Council Tax Preceptors	(633)	(498)
<b>Totals</b>	<b>(6,468)</b>	<b>(8,604)</b>

*Items marked with a \* are reflected as part of the financial instruments balances*

	(5,335)	(4,810)
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## Note 22: Provisions

The Council maintains a number of provisions for bad and doubtful debts which reduce the value of the related debtor shown on the balance sheet (reflected in note 19 Debtors).

Additionally the Council has established three further provisions. These relate to legal cases in progress at the balance sheet date and also costs associated with organisational restructure and accumulated absences (employee benefits).

	31 March 2012 £000s	31 March 2011 £000s
Legal Cases	(100)	(50)
Restructure	-	(97)
Employee benefits	(135)	(136)
	<b>(235)</b>	<b>(283)</b>

### Legal Cases

The Council has provided for potential planning enquiries. In order to protect the privacy of individuals and the Council's position in the cases, any further information has been withheld from this publication.

### Restructure

The Council continues to undergo staffing restructures as a result of the planned programme of shared service working. Provision has been made in relation to termination costs where it is deemed probable that the Council will have to make a settlement.

## Note 23: Other Long Term Liabilities

	31 March 2012 £000s	31 March 2011 £000s
Finance lease liability	-	(5)
Net Pensions liability	(24,982)	(19,348)
	<b>(24,982)</b>	<b>(19,353)</b>

## Note 24: Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and Note 7 and Note 8.

**Note 25: Unusable Reserves**

	<b>31 March 2012</b> £000s	31 March 2011 £000s
Revaluation Reserve	(4,630)	(1,461)
Capital Adjustment Account	(29,571)	(37,225)
Deferred Capital Receipts Reserve	-	(1)
Pensions Reserve	24,982	19,348
Collection Fund Adjustment Account	(141)	(140)
Accumulated Absences Account	135	136
	<b><u>(9,225)</u></b>	<b><u>(19,343)</u></b>

**Note 25.1: Movement in Unusable Reserves**

**Note 25.2: Movement in Revaluation Reserve**

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

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

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

	<b>2011/12</b> £000s	2010/11 £000s
<b>Balance at 1 April</b>		<b>(1,461)</b>
Upward revaluation of assets	(3,334)	(1,101)
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	78	-
	<hr/>	<hr/>
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		<b>(3,256)</b>
Difference between fair value depreciation and historical cost depreciation	(16)	3
Accumulated gains on assets sold or scrapped	103	-
Amount written off to the Capital Adjustment Account	<hr/>	<hr/>
		<b>87</b>
<b>Balance at 31 March</b>		<b><u>(4,630)</u></b>
		<b><u>(1,461)</u></b>

### Note 25.3: Movement in Capital Adjustment Account

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

	2011/12 £000s	2010/11 £000s
<b>Balance at 1 April</b>		(41,693)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		<b>(37,225)</b>
· Charges for depreciation and impairment of non-current assets	1,956	2,196
· Revaluation losses on Property, Plant and Equipment	5,423	2,836
· Amortisation of intangible assets	430	527
· Revenue expenditure funded from capital under statute	551	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 and Expenditure Statement	612	490
	<u>8,972</u>	<u>7,322</u>
Adjusting amounts written out of the Revaluation Reserve	(88)	(3)
Net written out amount of the cost of non-current assets consumed in the year		<u>8,884</u>
Capital financing applied in the year:		
· Use of the Capital Receipts Reserve to finance new capital expenditure	(1,213)	(2,327)
· Capital Receipts Reserve adjustments to previous year financing	15	
· Reversal of prior year grant financing	38	-
· Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(93)	(422)
· Application of grants to capital financing from the Capital Grants Unapplied Account	(4)	(8)
· Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(4)	(4)
· Capital expenditure charged against the General Fund	<u>(207)</u>	<u>(77)</u>
	<b>(1,468)</b>	<b>(2,838)</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		<u>239</u>
<b>Balance at 31 March</b>		<u><b>(37,225)</b></u>

## Note 25.4: Movement in Pensions Reserve

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

	2011/12 £000s	2010/11 £000s
<b>Balance at 1 April</b>	<b>19,348</b>	23,845
Business Combinations (Shared Services)	0	124
Actuarial gains or losses on pensions assets and liabilities	5,618	(1,581)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	1,531	(1,659)
Employer's pensions contributions and direct payments to pensioners payable in the year	(1,514)	(1,381)
<b>Balance at 31 March</b>	<b>24,983</b>	19,348

## Note 25.5: Movement in Collection Fund Adjustment Account

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

	2011/12 £000s	2010/11 £000s
<b>Balance at 1 April</b>	<b>(140)</b>	(126)
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(1)	(14)
<b>Balance at 31 March</b>	<b>(141)</b>	(140)

## Note 25.6: Movement in Accumulated Absences Adjustment Account

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

	2011/12 £000s	2010/11 £000s
<b>Balance at 1 April</b>	<b>136</b>	178
Settlement or cancellation of accrual made at the end of the preceding year	(1)	(42)
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1)	(42)
<b>Balance at 31 March</b>	<b>135</b>	136

## Note 26.: Movement in Capital Receipts unapplied

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

	2011/12 £000s	2010/11 £000s
<b>Balance at 1 April</b>	<b>(3,753)</b>	(5,129)
Amounts Receivable	(803)	(951)
Adjustments to previous year funding	(15)	
Applied to finance capital expenditure	1,213	2,327
<b>Balance at 31 March</b>	<b>(3,358)</b>	(3,753)

**Note 27: Cash Flow Statement - Operating Activities**

The cash flows for operating activities include the following items:

	<b>2011/12</b>	2010/11
	<b>£000s</b>	£000s
Interest received	<b>(100)</b>	(123)
Interest paid	-	-
Dividends received	-	-

**Note 28: Cash Flow Statement - Investing Activities**

	<b>2011/12</b>	2010/11
	<b>£000s</b>	£000s
Purchase of property, plant and equipment, investment property and intangible assets	1,260	1,537
Purchase of short-term and long-term investments	-	500
Other payments for investing activities	-	-
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(838)	(971)
Proceeds from short-term and long-term investments	(250)	-
Other receipts from investing activities	(276)	(289)
<b>Net cash flows from investing activities</b>	<b>(104)</b>	<b>777</b>

**Note 29: Cash Flow Statement - Financing Activities**

	<b>2011/12</b>	2010/11
	<b>£000s</b>	£000s
Other receipts from financing activities	-	(3,711)
Repayments of short- and long-term borrowing	26	19
Other payments for financing activities	189	-
<b>Net cash flows from financing activities</b>	<b>215</b>	<b>(3,692)</b>



**Note 30: Amounts Reported for Resource Allocation Decisions**

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

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year

The income and expenditure of the Council's departments recorded in the budget reports for the year is as follows:

<b>Income and Expenditure 2011/12</b>	<b>Finance and Resources</b>	<b>Community Services</b>	<b>Environmental Services</b>	<b>Planning /Leisure /Regulatory Client</b>	<b>Corporate /Legal /Bus Trans /Customer</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Fees, charges & other service income	(656)	(522)	(3,182)	(2,269)	(1,995)	<b>(8,624)</b>
Support Service recharge income	(1,690)	(110)	(1,193)	(1,027)	(4,871)	<b>(8,891)</b>
Government grants	(20,217)	(410)	-	(4)	(99)	<b>(20,730)</b>
<b>Total Income</b>	<b>(22,563)</b>	<b>(1,042)</b>	<b>(4,375)</b>	<b>(3,300)</b>	<b>(6,965)</b>	<b>(38,245)</b>
Employee expenses	1,863	392	3,056	1,491	3,234	<b>10,036</b>
Other operating expenses	21,098	1,926	1,814	3,223	2,143	<b>30,204</b>
Capital Charges	9	196	794	476	915	<b>2,390</b>
Support Service Recharges	1,720	235	2,414	1,932	2,565	<b>8,866</b>
<b>Total Expenditure</b>	<b>24,690</b>	<b>2,749</b>	<b>8,078</b>	<b>7,122</b>	<b>8,857</b>	<b>51,496</b>
<b>Net Expenditure</b>	<b>2,127</b>	<b>1,707</b>	<b>3,703</b>	<b>3,822</b>	<b>1,892</b>	<b>13,251</b>

<b>Income and Expenditure 2010/11 Comparative Figures</b>	<b>Finance and Resources</b>	<b>Community Services</b>	<b>Environmental Services</b>	<b>Planning /Leisure /Regulatory Client</b>	<b>Corporate /Legal /Bus Trans /Customer</b>	<b>Total</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Fees, charges & other service income	(830)	(575)	(3,015)	(1,659)	(1,575)	<b>(7,654)</b>
Support Service recharge income	(2,437)	(112)	(920)	(464)	(5,128)	<b>(9,061)</b>
Government grants	(17,314)	(771)	-	(62)	(26)	<b>(18,173)</b>
<b>Total Income</b>	<b>(20,581)</b>	<b>(1,458)</b>	<b>(3,935)</b>	<b>(2,185)</b>	<b>(6,729)</b>	<b>(34,888)</b>
Employee expenses	1,671	269	2,996	1,760	3,016	<b>9,712</b>
Other operating expenses	18,467	4,097	1,968	2,185	2,087	<b>28,804</b>
Capital Charges	103	191	1,140	445	927	<b>2,806</b>
Support Service Recharges	1,844	255	2,295	1,843	2,686	<b>8,923</b>
<b>Total Expenditure</b>	<b>22,085</b>	<b>4,812</b>	<b>8,399</b>	<b>6,233</b>	<b>8,716</b>	<b>50,245</b>
<b>Net Expenditure</b>	<b>1,504</b>	<b>3,354</b>	<b>4,464</b>	<b>4,048</b>	<b>1,987</b>	<b>15,357</b>

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

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	<b>2011/12</b>	2010/11
	<b>£000s</b>	£000s
Net expenditure in the Directorate Analysis	<b>13,251</b>	15,357
Add services not included in main analysis	71	56
Add amounts not reported to management	4,997	(1,269)
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>18,319</b>	14,144

**Note 30.1: Amounts Reported for Resource Allocation Decisions**

**Reconciliation to Subjective Analysis**

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2011/12	Directorate Analysis	Not reported to Management	Services not in Analysis	Allocation of recharges	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(8,624)	-	196		(8,428)	-	(8,428)
Support Service Recharges	(8,891)			8,891	-	-	-
Interest and investment income	-	-			-	(100)	(100)
Trading Services/Investment Properties	-	-			-	(197)	(197)
Other Income	-	(271)			(271)		(271)
Income from council tax	-	-			-	(7,760)	(7,760)
Government grants and contributions	(20,730)	-	-		(20,730)	(4,329)	(25,059)
<b>Total Income</b>	<b>(38,245)</b>	<b>(271)</b>	<b>196</b>	<b>8,891</b>	<b>(29,429)</b>	<b>(12,386)</b>	<b>(41,815)</b>
Employee expenses	10,036	(442)	(12)	441	10,023	-	10,023
Other service expenses	30,204	-	(86)	(441)	29,677	-	29,677
Support Service recharges	8,866	-	(27)	(8,891)	(52)	-	(52)
Depreciation, amortisation and impairment	2,390	5,710	-		8,100	-	8,100
Interest Payments	-	-	-		-	-	-
Trading Services/Investment Properties	-	-	-		-	367	367
Precepts & Levies	-	-	-		-	664	664
Payments to Housing Capital Receipts Pool	-	-	-		-	-	-
Pensions interest cost and expected rate of return	-	-	-		-	457	457
Gain or Loss on Disposal of Fixed Assets	-	-	-		-	(227)	(227)
<b>Total Expenditure</b>	<b>51,496</b>	<b>5,268</b>	<b>(125)</b>	<b>(8,891)</b>	<b>47,748</b>	<b>1,261</b>	<b>49,009</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,251</b>	<b>4,997</b>	<b>71</b>	<b>-</b>	<b>18,319</b>	<b>(11,125)</b>	<b>7,194</b>

2010/11 Comparative Figures	Directorate Analysis	Not reported to Management	Services not in Analysis	Allocation of recharges	Net Cost of Services	Corporate Amounts	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Fees, charges & other service income	(7,654)	-	238		(7,416)	-	(7,416)
Support Service Recharges	(9,061)			9,012	(49)	-	(49)
Interest and investment income	-	-			-	(122)	(122)
Trading Services/Investment Properties	-	-			-	(238)	(238)
Other Income	-	(196)			(196)		(196)
Income from council tax	-	-			-	(7,736)	(7,736)
Government grants and contributions	(18,173)	5	-		(18,168)	(5,504)	(23,672)
<b>Total Income</b>	<b>(34,888)</b>	<b>(191)</b>	<b>238</b>	<b>9,012</b>	<b>(25,829)</b>	<b>(13,600)</b>	<b>(39,429)</b>
Employee expenses	9,712	(3,953)	(68)	492	6,183	-	6,183
Other service expenses	28,804	42	(66)	(492)	28,288	-	28,288
Support Service recharges	8,923	136	(48)	(9,012)	(1)	-	(1)
Depreciation, amortisation and impairment	2,806	2,697	-		5,503	-	5,503
Interest Payments	-	-	-		-	-	-
Trading Services/Investment Properties	-	-	-		-	169	169
Precepts & Levies	-	-	-		-	647	647
Payments to Housing Capital Receipts Pool	-	-	-		-	1	1
Pensions interest cost and expected rate of return	-	-	-		-	872	872
Gain or Loss on Disposal of Fixed Assets	-	-	-		-	(482)	(482)
<b>Total Expenditure</b>	<b>50,245</b>	<b>(1,078)</b>	<b>(182)</b>	<b>(9,012)</b>	<b>39,973</b>	<b>1,207</b>	<b>41,180</b>
<b>Surplus or deficit on the provision of services</b>	<b>15,357</b>	<b>(1,269)</b>	<b>56</b>	<b>-</b>	<b>14,144</b>	<b>(12,393)</b>	<b>1,751</b>

### Note 31: Trading Operations

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

	2011/12 £000s	2010/11 £000s
<b>External Trading Services</b>		
<b><u>Market Services</u></b>		
Turnover	(114)	(123)
Expenditure	109	132
<b>Profit (-) / Loss Total</b>	<b><u>(5)</u></b>	<b><u>9</u></b>

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement and are charged as Financing and Investment Income and Expenditure

### Note 32: Publicity

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

	2011/12 £000s	2010/11 £000s
General Advertising	8	34
Recruitment Advertising	6	14
Marketing, Promotion and Publicity	93	91
<b>Total</b>	<b><u>107</u></b>	<b><u>139</u></b>

### Note 33: Non Distributed Costs

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

	2011/12 £000s	2010/11 £000s
Pensions Past Service Costs	85	0
Pensions Curtailment Costs	0	39
Other items not charged to services	31	3
<b>Total Non Distributed Costs</b>	<b><u>116</u></b>	<b><u>42</u></b>

### Note 34: Members' Allowances

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

	2011/12 £000s	2010/11 £000s
Basic Allowance	143	146
Special Allowance	64	77
Expenses including car allowances	19	16

**Total**

226

239

Members' Allowances are reviewed by an Independent Remuneration Panel. Allowances received for 2011/12 include the basic allowance at £3,676 p.a., plus reimbursement for travel, subsistence and other expenses. Special responsibility allowances are paid to members undertaking specific duties and responsibilities for nominated roles of office (e.g. Council Leader, Deputy Leader and Scrutiny Chairs).

**Note 35: Employee remuneration**

**Senior Officer Remuneration**

Since 2010/11 the management team has been shared between Bromsgrove District Council and Redditch Borough Council, with each Council charged 50% of the cost of each post.

The remuneration paid to the authority's senior employees is as follows:

This table shows those employed by Bromsgrove District Council and therefore Redditch Borough Council are recharged 50% of their salary and remuneration.

Post holder title 2011/12	Salary ( fees & allowances)	Expenses Allowance	Total remuneration excl pension contributions	Pension Contributions	2011/12 Total remuneration
	£	£	£	£	£
<u>Bromsgrove District Council</u>					
Chief Executive	127,500	82	127,581	13,388	140,969
Executive Director of Finance & Resources	90,751	408	91,157	9,529	100,686
Director of Policy, Performance & Partnerships	85,941	-	85,941	6,623	92,564
Head of Legal & Democratic Services	75,000	1,520	76,520	7,875	84,395
<b>Total</b>	<b>379,192</b>	<b>2,009</b>	<b>381,199</b>	<b>37,415</b>	<b>418,614</b>
Share to Redditch - 50%	(189,596)	(1,005)	(190,600)	(18,708)	(209,307)
<b>Revised Total</b>	<b>189,596</b>	<b>1,005</b>	<b>190,600</b>	<b>18,708</b>	<b>209,307</b>

Post holder title 2010/11	Salary ( fees & allowances)	Expenses Allowance	Total remuneration excl pension contributions	Pension Contributions	2010/11 Total remuneration
	£	£	£	£	£
<u>Bromsgrove District Council</u>					
Chief Executive	124,499	1,434	125,933	11,671	137,604
Executive Director of Finance & Resources	87,960	597	88,557	8,180	97,037
Director of Policy, Performance & Partnerships	80,670	631	81,301	7,561	88,862
Head of Legal & Democratic Services	73,215	787	74,002	6,809	80,811
<b>Total</b>	<b>366,344</b>	<b>3,449</b>	<b>369,793</b>	<b>34,221</b>	<b>404,314</b>
Share to Redditch - 50%	(183,172)	(1,725)	(184,897)	(17,111)	(202,008)
<b>Revised Total</b>	<b>183,172</b>	<b>1,724</b>	<b>184,896</b>	<b>17,110</b>	<b>202,306</b>

This table shows those employed by Redditch Borough Council and therefore Bromsgrove District Council are recharged 50% of their salary and remuneration.

Post holder title 2011/12	Salary ( fees & allowances)	Expenses Allowance	Total remuneration excl pension contributions	Pension Contributions	2011/12 Total remuneration
	£	£	£	£	£
<u>Redditch Borough Council</u>					
Executive Director of Planning & Regeneration, Regulatory & Housing	90,313	438	90,751	10,255	101,006
Executive Director of Leisure, Environmental & Community	99,527	636	100,163	11,315	111,478
<b>Total</b>	<b>189,840</b>	<b>1,074</b>	<b>190,914</b>	<b>21,570</b>	<b>212,484</b>
Share to Bromsgrove - 50%	(94,920)	(537)	(95,457)	(10,785)	(106,242)
<b>Revised Total</b>	<b>94,920</b>	<b>537</b>	<b>95,457</b>	<b>10,785</b>	<b>106,242</b>

Post holder title 2010/11	Salary ( fees & allowances)	Expenses Allowance	Total remuneration excl pension contributions	Pension Contributions	2010/11 Total remuneration
	£	£	£	£	£
<b>Redditch Borough Council</b>					
<b>Executive Director of Planning &amp; Regeneration, Regulatory &amp; Housing</b>	88,136	-	88,136	10,576	98,712
<b>Executive Director of Leisure, Environmental &amp; Community</b>	98,527	-	98,527	11,823	110,350
<b>Total</b>	<b>186,663</b>	<b>-</b>	<b>186,663</b>	<b>22,399</b>	<b>209,062</b>
Share to Bromsgrove - 50%	(93,332)	-	(93,332)	(11,200)	(104,532)
<b>Revised Total</b>	<b>93,331</b>	<b>-</b>	<b>93,331</b>	<b>11,199</b>	<b>104,530</b>

**Note 35.1: Employee remuneration**

**Remuneration Bands**

The number of employees whose taxable remuneration, including benefits, redundancy and other severance payments(excluding pension contributions), exceeded £50,000 is shown below, in bands of £5,000 :

<b>Bromsgrove District Council</b>	<b>Number of Employees</b>	
	<b>2011/12</b>	<b>2010/11</b>
	<b>Council</b>	<b>Council</b>
<b>Remuneration Summary</b>		
<b>Salary Range</b>		
Over £50,000 and up to £54,999	0	0
Over £55,000 and up to £59,999	1	0
Over £60,000 and up to £64,999	1	0
Over £65,000 and up to £69,999	0	1
Over £70,000 and up to £74,999	2	2
Over £75,000 and up to £79,999	1	0
Over £80,000 and up to £84,999	0	0
Over £85,000 and up to £89,999	0	0
Over £90,000 and up to £94,444	0	0
Over £95,000 and up to £99,999	0	0
Over £100,000 and up to £104,999	0	0
Over £105,000 and up to £109,999	0	0
Over £110,000 and up to £114,999	0	0
Over £115,000 and up to £119,999	0	0
Over £120,999 and up to £124,999	0	1
<b>Total</b>	<b>5</b>	<b>4</b>

The table above shows those employed by Bromsgrove District Council. Redditch Borough Council is recharged 50% of their remuneration costs.

Two of the employees reflected in the above table for 2011/12 & 2010/11 form part of the Worcestershire Enhanced Two Tier shared services and costs are shared by all parties to the joint committee.

Amounts for the employee falling into the over £120k banding during 2010/11 include a redundancy payment on termination.

<b>Redditch Borough Council</b>	<b>Number of Employees</b>	
	<b>2011/12</b>	<b>2010/11</b>
	<b>Council</b>	<b>Council</b>
<b>Remuneration Summary</b>		
<b>Salary Range</b>		
Over £50,000 and up to £54,999	0	0
Over £55,000 and up to £59,999	1	0
Over £60,000 and up to £64,999	1	1
Over £65,000 and up to £69,999	0	0
Over £70,000 and up to £74,999	3	4
Over £75,000 and up to £79,999	0	0
Over £80,000 and up to £84,999	0	0
Over £85,000 and up to £89,999	0	1
Over £90,000 and up to £94,999	1	0
Over £95,000 and up to £99,999	0	1
Over £100,000 and up to £104,999	1	0
Over £105,000 and up to £109,999	0	0
Over £110,000 and up to £114,999	0	0
Over £115,000 and up to £119,999	0	0
Over £120,999 and up to £124,999	0	0
<b>Total</b>	<b>7</b>	<b>7</b>

The table above shows those employed by Redditch Borough Council. Bromsgrove District Council is recharged 50% of their remuneration costs, with the exception of the Head of Housing Services post which is charged 100% to Redditch Borough Council.



## Note 35.2: Employee remuneration

### Exit Packages

The total number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

2011/12

<b>Bromsgrove District Council</b>	<b>Number of Compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages in each band</b>	
	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	
<b>Exit package cost band (including special payments)</b>				<b>Payments to Officers</b>	<b>Other costs to the council</b>
£0 - £20,000	2	7	9	82,687	27,235
£20,001 - £40,000	1	3	4	69,860	47,437
£40,001 - £60,000	1	0	1	15,926	26,479
£60,001 - £80,000	0	2	2	41,942	99,633
£80,001 - £100,000	0	1	1	21,549	59,768
£100,001 - £150,000	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>13</b>	<b>17</b>	<b>231,965</b>	<b>260,553</b>

Of the figure above 50% has been charged to Redditch Borough Council as officers were made redundant as part of the Authority's Shared Service Agenda

<b>Redditch Borough Council</b>	<b>Number of Compulsory redundancies</b>	<b>Number of other departures agreed</b>	<b>Total number of exit packages by cost band</b>	<b>Total cost of exit packages in each band</b>	
	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	<b>2011/12</b>	
<b>Exit package cost band (including special payments)</b>				<b>Payments to Officers</b>	<b>Other costs to the council</b>
£0 - £20,000	22	10	32	157,457	23,498
£20,001 - £40,000	0	2	2	31,634	28,377
£40,001 - £60,000	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0
<b>Total</b>	<b>22</b>	<b>12</b>	<b>34</b>	<b>189,091</b>	<b>51,876</b>

Of the figure above 50% has been charged to Bromsgrove District Council as officers were made redundant as part of the Authority's Shared Service Agenda

<u>Bromsgrove District Council</u>	Number of Compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	
	2010/11	2010/11	2010/11	2010/11	
Exit package cost band (including special payments)				Payments to Officers	<i>Other costs to the council</i>
£0 - £20,000	6	19	25	77,233	19,651
£20,001 - £40,000	1	0	1	22,642	0
£40,001 - £60,000	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0
<b>Total</b>	<b>7</b>	<b>19</b>	<b>26</b>	<b>99,875</b>	<b>19,651</b>

Within the total packages agreed 21 officers were part of Worcestershire Regulatory Services and the total cost reflected for those packages is BDC partners share.

3 officers costs were shared with Redditch Borough Council as part of the Authority's Shared Agenda.

<u>Redditch Borough Council</u>	Number of Compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total cost of exit packages in each band	
	2010/11	2010/11	2010/11	2010/11	
Exit package cost band (including special payments)				Payments to Officers	<i>Other costs to the council</i>
£0 - £20,000	0	19	19	61,877	17,160
£20,001 - £40,000	0	4	4	75,642	60,955
£40,001 - £60,000	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>23</b>	<b>23</b>	<b>137,519</b>	<b>78,115</b>

Of the figure above 50% has been charged to Bromsgrove District Council as officers were made redundant as part of the Authority's Shared Service Agenda

**Note 36: External Audit Costs**

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

Description	2011/12 £000s	2010/11 £000s
Fees payable to the Audit Commission with regard to external audit services	89	102
Fees payable to the Audit Commission with regard to statutory inspections	0	7
Fees payable to the Audit Commission for the certification of grant claims	23	19
	<u>112</u>	<u>128</u>

**Note 37: Grant Income**

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

**Capital Grants Receipts in Advance**

Capital grants and contributions received where conditions remain outstanding are recognised as Capital Grants Receipts in Advance on the balance sheet. The grants with conditions outstanding at the year end were as follows:

	31 March 2012 £000s	31 March 2011 £000s
DCLG	11	11
Regional Housing Pot	-	17
Liveability Grant	135	138
Energy Efficiency	40	-
DEFRA	28	-
RIEP	4	-
WCC - Short Breaks	20	-
Section 106 Agreements	<u>707</u>	<u>595</u>
<b>Total</b>	<u><b>945</b></u>	<u><b>761</b></u>

**Note 37: Grant Income**

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

	<b>2011/12</b> <b>£000s</b>	2010/11 £000s
<b>Credited to Taxation and Non Specific Grant Income</b>		
DCLG Revenue Support Grant/NNDR/other non ringfenced	4,275	5,083
Developers S106 Contributions	65	150
Regulatory Services - contributions from other local authorities	(38)	38
Liveability Grant	3	66
WCC - Play Areas		-
WCC - Playbuilder Scheme		50
RIEP	7	100
Other Capital Contributions	17	17
<b>Total</b>	<b>4,329</b>	<b>5,504</b>
<b>Credited to Services</b>		
DWP Housing Benefit Subsidy	19,642	16,675
DWP Housing Benefit Admin	436	462
DWP Housing Benefit Reform	7	0
DWP VRA	0	7
DWP Atlas	0	27
DWP Incapacity Benefit	3	3
DWP Local Housing Allowance	2	4
DWP Performance Bids	0	2
DWP Discretionary Housing	0	7
DWP Employment & Support Allowance	0	0
DWP In & Out of Work Processes	0	0
DCLG Homelessness	0	94
DFT Concessionary Fares	0	267
DCMS Free Swimming	0	11
DCLG Mediation Grant	0	0
DCLG Business Rates Deferral Scheme	0	0
DCLG NNDR Cost of Collection	123	119
DCLG Mortgage Rescue	0	0
DCLG Business Rates Relief	3	8
DCLG Council Tax Efficiencies	0	0
DCLG LABGI	0	0
DFG (Refcus)	350	405
RSG (Refcus)	0	0
HECS (Refcus)	0	0
PCT Health & Well Being	99	24
Elections Core Grant	0	1
Planning Delivery Grant	0	0
IEWM Heartbeat Workshops	0	0
Belne Brook Flood Study	0	0
DEFRA Air Pollution	0	16
DEFRA Recycling Grant	0	0
Local Gov Land Charges	0	34
High 5 Event	3	0
Town Centre Market Stalls	1	0
Social Mobility	30	0
Mortgage Rescue	30	0
<b>Total</b>	<b>20,729</b>	<b>18,166</b>

### **Note 38: Related Parties**

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

#### Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (eg Council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 11 and in detail in Note 37.

#### Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members allowances paid in 2011/12 is shown in Note 34. The Council maintains a register of Councillors interests that is regularly updated and available for public inspection.

During 2011/12, many Bromsgrove District Councillors were also County Councillors and/or elected members of town and parish councils. The Council also has member representatives on various outside bodies, including Bromsgrove & District Citizen's Advice Bureau, Bromsgrove Arts Development Trust, Bromsgrove District Housing Trust. Members also represent the Council on the Worcestershire Regulatory Shared Service Joint Committee.

The Council has paid grants of £215k to Bromsgrove and District CAB £95k and Bromsgrove Arts Centre Trust £120k. The council has entered into a contract with Bromsgrove District Housing Association for the provision of homelessness services and is also part of the Worcestershire wide choice based lettings housing allocations service.

#### Officers

All Senior Officers have been requested to confirm if they or their direct family have any related parties, all have confirmed that this is not the case. However, Bromsgrove District Council and Redditch Borough Council do operate a shared senior management structure where Officers work at both Councils, payments to Officers are detailed at Note 35.

#### Entities Controlled or Significantly Influenced by the Council

The Council is a partner in the Worcestershire Regulatory Shared Service Joint Committee, this partnership is a jointly controlled operation. The Council is also party to the Internal Audit Shared Service provided under an SLA arrangement by Worcester City Council, shared services with Wyre Forest District Council for Markets, Economic Development and Building Control, the Council also has various shared services with Redditch Borough Council.

As host of the Worcester Regulatory Shared Service the council received £547k from Malvern Hills District Council, £625k from Wyre Forest District Council, £954k from Wychavon District Council, £633k Worcester City Council, £1,708k Worcester County Council, £647k from Redditch Borough Council. At 31 March the following amounts were owed to partners of the shared service:

	£000
Worcester City Council	190
Redditch Borough Council	152
Wychavon District council	108
Wyre Forest District Council	75
Malvern Hills District Council	67
Worcester County Council	294

The following amounts were owed to Bromsgrove for hosting the shared service:

	£000
Redditch Borough Council	37
Worcester City Council	10

As part of the shared service with Redditch Borough Council, Bromsgrove District Council has paid £2,139k for services hosted by Redditch and received £2,076k for services hosted by Bromsgrove District Council. As at 31 March £1,981k was owed to Redditch for services hosted by them and £1,150 owed by them for services hosted by Bromsgrove District Council.

A shared service arrangement has also been setup between the council, Redditch Borough Council and Wyre Forest for the provision of Building Control, the receipts from Wyre Forest for the provision of service is £154k.

The Council has also been involved in shared service arrangements for Markets, Economic Development and Land Drainage with Wyre Forest District Council as the host, the Council has paid £193k to Wyre Forest for services hosted by them and received £13k from Wyre Forest for expenses incurred at BDC.

Under the provision of Car Park Services the Council paid £14k to Wychavon District Council.

Under the Internal Audit Shared Service the Council paid £67k to Worcester City Council.

**Note 39: Leases**

**Operating leases**

**Council as lessee**

Operating leases are used as a means of replacing vehicles and equipment that are relatively low cost and are not considered to be finance leases. The Council has acquired a variety of assets such as vehicles, office equipment and land and buildings by way of operating lease agreements. One of these is the lease of Wyatt House for use by Worcestershire Regulatory services. The rentals on these leases have been charged to the I&E Account when payable. The amount paid under the arrangements in 2011/12 was £79k (2010/11 £42k). Future commitments under these existing leases are:

<b>Future minimum lease payments due</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£000s</b>	<b>£000s</b>
Not later than one year	76	70
Later than one year & not later than five years	303	280
Later than five years	286	350
	<b>665</b>	<b>700</b>

**Council as lessor**

The Council leases out Land and Buildings on operating leases these include industrial properties, Sanders Park Café and The Victoria Ground. The income for these have been credited to the I&E. The amounts received in 2011/2012 were £112k.

<b>Future minimum lease payments receivable</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£000s</b>	<b>£000s</b>
Not later than one year	57	112
Later than one year & not later than five years	143	244
Later than five years	71	4,568
	<b>271</b>	<b>4,924</b>

The councils operating lease agreements to not contain any contingent rent clauses. None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding further leasing or additional debt.

**Finance Leases**

**Council as lessee**

The Council has acquired a variety of assets such as vehicles, office equipment and vending machines by the means of finance lease agreements

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

<b>Value of Assets held under Finance Leases</b>	<b>2011/12</b>	<b>2010/11</b>
	<b>£000s</b>	<b>£000s</b>
Property, Plant & Equipment	8	12
<b>Total</b>	<b>8</b>	<b>12</b>

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	<b>Minimum Lease payments</b>	
	2011/12 £000s	2010/11 £000s
<b>Amounts falling due:</b>		
Within 1 year	5	5
Between 1 to 5 years	-	5
Later than five years	-	-
<b>Subtotal</b>	<b>5</b>	<b>10</b>
Finance Charges allocated to future periods	-	(1)
<b>Net obligations</b>	<b>5</b>	<b>9</b>

#### **Note 40: Heritage Assets**

The Authority has conducted a review of its assets and has determined that no material items are held that meet the definition of heritage assets. The Authority owns items of civic regalia but these are de minimus and are not reflected in the authority's balance sheet.



## Bromsgrove District Council - Statement of Accounts 2011/12

### Financial Instruments Notes

The definition of 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". Further details regarding the classification of financial instruments may be found in the section on accounting policies.

### Note 41: Financial Instruments Balances

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

	Long Term		Current	
	31 March 2012 £000s	31 March 2011 £000s	31 March 2012 £000s	31 March 2011 £000s
<b>Investments</b>				
Loans and receivables (principal) reflected as short term investments in the balance sheet	-	-	2,750	3,000
<b>Total investments</b>	<b>-</b>	<b>-</b>	<b>2,750</b>	<b>3,000</b>
<b>Debtors</b>				
Loans and receivables	-	-	2,630	3,472
Financial assets carried at contract amounts	-	-	-	-
<b>Total included in debtors</b>	<b>-</b>	<b>-</b>	<b>2,630</b>	<b>3,472</b>
<b>Borrowings</b>				
Financial liabilities (principal)	-	-	(83)	(104)
Accrued interest	-	-	-	-
<b>Total included in borrowings</b>	<b>-</b>	<b>-</b>	<b>(83)</b>	<b>(104)</b>
<b>Other Long Term Liabilities</b>				
PFI and finance lease liabilities	-	(5)		
<b>Total other long term liabilities</b>	<b>-</b>	<b>(5)</b>		
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	-	-
Financial liabilities carried at contract amount	-	-	(5,335)	(4,810)
<b>Total creditors</b>	<b>-</b>	<b>-</b>	<b>(5,335)</b>	<b>(4,810)</b>

The Council's portfolio of investments consists of fixed term deposits. Term deposits are classed as "Loans and Receivables" and are measured at amortised cost. This form of measurement does not change the amount of cash received under the investment. Short term debtors and creditors are carried at cost as this is a fair approximation of their value. Balances in call accounts are shown under "cash and cash equivalents" in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

## Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

## Note 42: Income, Expense, Gains and Losses

The total interest and investment income relates to the interest received from the temporary investment of surplus revenue and capital balances.

## Note 43: Short Term Investments

	31 March 2012 £000s	31 March 2011 £000s
DMADF	2,750	-
Barclays Bank	-	500
Clyesdale (15 day notice)	-	2,000
Lloyds TSB (Term Deposit)	-	500
	<u>2,750</u>	<u>3,000</u>

Amounts lodged in bank call accounts, available with immediate access without penalty, are reflected as cash and cash equivalents on the balance sheet

## Note 44: Short Term Borrowing

	31 March 2012 £000s	31 March 2011 £000s
Loan repayments within one year:		
Obligations under finance leases	(5)	(4)
Salix energy efficiency loan	(23)	(32)
Parish loans repayable on demand	(55)	(68)
	<u>(83)</u>	<u>(104)</u>

These amounts are also reflected in the borrowings section of financial instruments balances.

## Note 45: Long Term Borrowing

	31 March 2012 £000s	31 March 2011 £000s
Loan repayments due after one year:		
Obligations under finance leases	-	(5)
	<u>-</u>	<u>(5)</u>

## **Note 46: Nature and Extent of Risks arising from financial instruments**

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

### **Overall Procedures for Managing Risk**

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects by implementing procedures and restrictions. The procedures for risk management are through a legal framework and associated regulations. These require the Council to comply with the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice. These procedures require the Council to manage risk in the following ways:

- By formally adopting the Code of Practice
- By approving annually in advance prudential indicators for the following three years limiting:
  - o The Council's overall borrowing
  - o Its maximum and minimum exposures to fixed and variable rates
  - o Its maximum and minimum for exposures to the maturity structure of its debt
  - o Its maximum annual exposures to investments maturing beyond a year
- By approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparts in compliance with Government Guidance.

The Council's Treasury Management Strategy and Prudential Indicators are approved by Cabinet annually prior to the start of the year to which they relate. This document outlines the detailed approach to managing risk in relation to the Council's treasury activity and any financial instrument exposure. Actual performance is reported quarterly to Members.

The Council maintains written principles for overall risk management through its Treasury Management Practices.

### **Credit Risk**

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

The Council does not generally allow credit for its trade debtors. An aged analysis of the Council's sundry debtor balances at 31 March is shown in the table below:

	31-Mar-12	31-Mar-11
	£0	£0
Less than 3 months	372	1,466
Three to six months	37	36
Six months to one year	31	83
More than one year	15	101
<b>Total</b>	<b>455</b>	<b>1,686</b>

The Council's approach to determining appropriate provisions for bad and doubtful debts is outlined in note 19 (Debtors). The Council has not had and does not expect any default losses by any of its counterparties in relation to investments.

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

The credit criteria in respect of financial assets managed in-house by the Council were as detailed below for 2011/12:

Financial Asset Category	Minimum Criteria (Fitch)	Maximum Investment
Term Deposits	Short Term: F1 Long Term: A+	£1 million
Deposits with Debt Management Account – Deposit Facility (DMADF)		£no upper limit *

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

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

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

## Short term investments (financial instruments balance)

	Short Term Rating	Long Term Rating	Balance Invested 31 Mar 12 £0	Balance Invested 31 Mar 11 £0
UK Banks – Term Deposits	F1+	AA-	-	3,000
<b>Total UK Banks - Investments</b>			-	<b>3,000</b>
DMADF	F1+	AAA	2,750	-
Other AAA rated investments *	F1+	AAA	-	-
<b>Total Investments</b>			<b>2,750</b>	<b>3,000</b>

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

### Liquidity Risk

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

### Market Risk

#### 1. Interest rate risk

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

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

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

#### 2. Price Risk

The Council, excluding its exposure to the pension fund, does not generally invest in equity shares.

### Foreign Exchange Risk

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

**Note 47: Defined Benefit Pension Schemes**

**Participation in Pension Schemes**

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

**Transactions Relating to Post-employment Benefits**

IAS19 requires us to recognise the cost of retirement benefits in the reported cost of services when the employees earn the benefits rather than when the benefits are eventually paid as pensions.

However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement.

Worcestershire Regulatory Shared Services is a Jointly Controlled Operation and accordingly the Council accounts for its share of income and expenditure and its share of assets and liabilities in relation to the pension scheme for the joint committee. The shared service commenced on 1 June 2010.

The following transactions have been made in the Comprehensive Income and Expenditure Account and Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2011/12 £000s	2011/12 £000s	2011/12 £000s	2010/11 £000s	2010/11 £000s	2010/11 £000s
	Discretionary Benefits	Excl Joint Committee	Incl Joint Committee	Discretionary Benefits	Excl Joint Committee	
<b>Comprehensive Income and Expenditure Statement</b>						
<i>Cost of Services:</i>						
· Current Service cost	-	930	989	-	1,071	1,125
· Past Service gain	-	-	-	(105)	(3,580)	(3,695)
· Curtailment and Settlements	-	85	85	-	30	39
<i>Financing and Investment Income and Expenditure</i>						
· Interest cost	-	3,128	3,232	109	3,362	3,443
· Expected return on scheme assets	-	(2,642)	(2,775)	-	(2,477)	(2,571)
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	-	<b>1,501</b>	<b>1,531</b>	4	(1,594)	(1,659)
<i>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>						
· Actuarial gains and losses	-	(5,445)	(5,618)	21	(1,547)	(1,580)
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	-	<b>(3,944)</b>	<b>(4,087)</b>	25	(3,141)	(3,239)
<b>Movement in Reserves Statement</b>						
· Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post	-	(1,501)	1,531	(4)	1,594	1,659
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>						
· Employers' contributions payable to scheme	-	<b>1,471</b>	<b>1,514</b>	134	1,330	1,381

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement for 2011/12 is a loss of £5.445m (£5.618m including Joint Committee)

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

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

	2011/12 £000s	2011/12 £000s	2011/12 £000s	2010/11 £000s	2010/11 £000s	2010/11 £000s
	Discretionary Benefits	Excl Joint Committee	Incl Joint Committee	Discretionary Benefits	Excl Joint Committee	Incl Joint Committee
Opening balance at 1 April	(1,909)	(57,401)	(59,276)	(2,018)	(60,507)	(62,207)
Current Service						
Cost	0	(930)	(989)		(1,071)	(1,125)
Interest Cost	(101)	(3,128)	(3,232)	(109)	(3,362)	(3,443)
Contributions by scheme participants	0	(396)	(419)		(402)	(425)
Actuarial gains and losses	(43)	(2,011)	(2,011)	(21)	1,976	1,854
Benefits paid	129	2,392	2,446	134	2,415	2,414
Past service gain	0	0	0	105	3,580	3,695
Entity combinations	-	-	-		-	-
Curtailments	0	(85)	(85)		(30)	(39)
Settlements	-	-	-		-	-
<b>Closing balance at 31 March</b>	<b>(1,924)</b>	<b>(61,559)</b>	<b>(63,566)</b>	<b>(1,909)</b>	<b>(57,401)</b>	<b>(59,276)</b>

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 had the effect of reducing the Council's liabilities in the Worcestershire County Council Pension Fund by £3.580m (£3.695m including Joint Committee) and was recognised as a past service gain in 2010/11 in accordance with guidance set down in UITF Abstract 48, since the change was considered to be a change in benefit entitlement. There was no impact upon the General Fund.

The movement in the fair value of pension scheme assets for the year to 31 March is as follows:

	2011/12 £000s	2011/12 £000s	2010/11 £000s	2010/11 £000s
	Excl Joint Committee	Incl Joint Committee	Excl Joint Committee	Incl Joint Committee
Opening balance at 1 April	38,027	39,928	36,662	38,238
Expected rate of return	2,642	2,775	2,477	2,571
Actuarial gains and losses	(3,434)	(3,607)	(429)	(273)
Employer contributions	1,471	1,514	1,330	1,381
Contributions by scheme participants	396	419	402	425
Benefits paid	(2,392)	(2,446)	(2,415)	(2,414)
Entity combinations	-	-	-	-
Settlements	-	-	-	-
<b>Closing balance at 31 March</b>	<b>36,710</b>	<b>38,583</b>	<b>38,027</b>	<b>39,928</b>
<b>Net Pensions Liability</b>	<b>(24,849)</b>	<b>(24,983)</b>	<b>(19,374)</b>	<b>(19,348)</b>

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

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

The actual return on scheme assets in the year was £(0.792)m (2010/11: £3.017m; £3.267m including Joint Committee).

**Note 47: Defined Benefit Pension Schemes**

**Scheme history**

	2007/08 £000s as restated	2008/09 £000s	2009/10 £000s	2010/11 £000s	2011/12 £000s
Present value of liabilities	(51,696)	(44,182)	(60,507)	(59,276)	<b>(61,559)</b>
Fair value of scheme assets	32,362	24,879	36,662	39,928	<b>36,710</b>
Surplus/(deficit) in the scheme	<b>(19,334)</b>	<b>(19,303)</b>	<b>(23,845)</b>	<b>(19,348)</b>	<b>(24,849)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £24.849m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy; the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (ie before payments fall due), as assessed by the scheme actuary, Mercer Human Resource Consulting Limited.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 is £1.321m (£1.356m including Joint Committee).

**Basis for Estimating Assets and Liabilities**

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

The principal assumptions used by the actuary have been:

	2011/12	2010/11
Long-term expected rate of return on assets in the scheme:		
<i>Equity investments</i>	<b>7.0%</b>	7.5%
<i>Gilts</i>	<b>3.1%</b>	4.4%
<i>Bonds</i>	<b>4.1%</b>	5.1%
<i>Property</i>	<b>6.0%</b>	6.5%
<i>Cash</i>	<b>0.5%</b>	0.5%
<i>Other</i>	<b>7.5%</b>	7.0%
Expenses deduction	<b>0.28%</b>	0.28%
Overall expected return	<b>6.99%</b>	6.23%
Mortality assumptions:		
<i>Longevity at 65 for current pensioners:</i>		
Men	<b>22.1</b>	22.0
Women	<b>24.6</b>	24.5
<i>Longevity at 65 for future pensioners:</i>		
Men	<b>23.5</b>	23.4
Women	<b>26.1</b>	26.1
Other assumptions:		
<i>Rate of inflation (CPI)</i>	<b>2.5%</b>	2.9%
<i>Rate of increase in salaries</i>	<b>4.0%</b>	4.4%
<i>Rate of increase in pensions</i>	<b>2.5%</b>	2.9%
<i>Rate for discounting scheme liabilities</i>	<b>4.9%</b>	5.5%
<i>Take-up of option to convert annual pension into retirement lump sum</i>	<b>50.0%</b>	50.0%



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

	2011/12 %	2010/11 %
Equity investments	88.9	92.7
Gilts	3.2	2.6
Other Bonds	4.0	3.8
Property	0.0	0.0
Cash	3.9	0.9
	<b>100.0</b>	<b>100.0</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March :

	2007/08 % as restated	2008/09 % as restated	2009/10 %	2010/11 %	2011/12 %
Differences between the expected and actual return on assets	(13.80)	(40.10)	26.90	(1.10)	<b>(9.30)</b>
Experience gains and losses on liabilities	(0.60)	-	-	2.90	-

### Explanation of terms used in assets and liabilities table

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

**Current Service Cost** – the increase in liabilities as a result of years of service earned this year – allocated to cost of services in the Comprehensive Income and Expenditure Statement (CIES) to the revenue accounts of services for which the employees worked.

**Past Service Cost** – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – charged to cost of services in the CIES as part of Non Distributed Costs

**Interest Cost** – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – charged to Financing and investment income and expenditure in the CIES and forming part of the Surplus or Deficit on the Provision of Services

**Expected return on assets** – the annual investment return on the fund assets attributable to the Council, based on an average of the long-term return – credited to Financing and investment income and expenditure in the CIES and forming part of the Surplus or Deficit on the Provision of Services.

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

**Actuarial gains and losses** – changes in net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged/credited as appropriate to Other Comprehensive Income and Expenditure in the CIES.

## Pension Liability Relating to Shared Services

The Regulatory Services function is governed by a Joint Committee hosted by Bromsgrove District Council, all of the partners (Malvern Hills District Council, Redditch Borough Council, Wyre Forest District Council, Wychavon District Council, Worcester City Council and Worcestershire County Council) transferred their staff into the Host on a fully funded basis for pension's purchases. The shared services were admitted to the pension fund as a ghost admitted body, as such any liability or surplus that accrues is the responsibility of the partners to the shared service.

The table below shows the overall surplus of the admitted body together with the Council's share as defined by the partnership legal agreement.

	31 March 2012 £'000
Present Value of Liabilities	(18,167)
Fair Value of Assets	<u>16,951</u>
Deficit in scheme	<u>(1,216)</u>
 Bromsgrove District Council Share (11.05%)	 (134)

**Note 48: Contingent Liabilities**

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

**Note 49: Termination Benefits**

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £232k (£100k 2010/11). Of this 50% has been charged to Redditch Borough Council as officers were made redundant as part of the Authority's Shared Service Agenda. Redditch Borough Council also terminated a number of employees in 2011/12, incurring liabilities of £189k (£137k 2010/11). Of this 50% was charged to Bromsgrove District Council as officers were made redundant as part of the Authority's Shared Service Agenda. - see Note 35.2 for the number of exit packages and total cost per band.

**Collection Fund Statement for the year ended 31 March 2012**

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.

	<u>2011/12</u>	2010/11
	£000s	£000s
<b>Income</b>		
Income from Council Tax payers	(50,614)	(50,558)
Council Tax benefits - transfer from General Fund	(4,785)	(4,740)
Income collectable from business ratepayers	(25,005)	(23,234)
Contributions:		
Towards banding adjustments	-	-
<b>Total Income</b>	<b>(80,404)</b>	<b>(78,532)</b>
<b>Expenditure</b>		
Precepts and demands:		
Worcestershire County Council	37,976	37,839
West Mercia Police Authority	6,532	6,508
Hereford and Worcester Fire & Rescue Authority	2,692	2,682
Bromsgrove District Council (including Parishes)	7,712	7,670
	54,912	54,699
<b>Business rate:</b>		
Payments to national pool	24,735	23,179
Cost of collection	123	119
Interest on overpayments	-	-
	24,858	23,298
Net provision for bad debts	794	374
Bad Debts written off	(498)	(307)
	296	67
<b>Contributions:</b>		
Previous years' estimated Collection Fund surplus/deficit	330	369
	330	369
<b>Total Payments</b>	<b>80,396</b>	<b>78,433</b>
<b>( Surplus ) / Deficit for the year</b>	<b>(8)</b>	<b>(99)</b>
<b>Balance at 1st April</b>	<b>(999)</b>	<b>(900)</b>
<b>Balance at 31st March</b>	<b>(1,007)</b>	<b>(999)</b>

## **Notes to the Collection Fund Account**

### **Note 1: General**

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

These accounts represent the transactions of the Collection Fund, a statutory fund separate from the main accounts of the Council. Administration costs are borne by the General Fund.

**Bromsgrove District Council - Statement of Accounts 2011/12**

**Note 2: Council Tax Base**

The Council set a total Council Tax of £1,484.27 based on Band 'D' equivalents, with a taxbase of 36,548.42.

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

Property Category and Council Tax Banding	2011/12		2010/11	
	Number in Category No.	Band D Equivalent No.	Number in Category No.	Band D Equivalent No.
A - up to £40,000	2,693	1,795.10	2,648	1,764.90
B - £40,001 to £52,000	6,223	4,840.30	6,243	4,855.70
C - £52,001 to £68,000	7,565	6,724.40	7,543	6,704.70
D - £68,001 to £88,000	6,926	6,926.00	6,887	6,887.00
E - £88,001 to £120,000	6,117	7,476.30	6,108	7,465.30
F - £120,001 to £160,000	3,117	4,502.30	3,101	4,478.90
G - £160,001 to £320,000	2,466	4,109.20	2,454	4,090.40
H - over £320,000	272	544.00	269	537.50
<b>Gross Tax Base</b>		<b>36,917.60</b>		<b>36,784.40</b>
Non-Collection	1%	(369.18)	1%	(367.84)
<b>Council Tax Base</b>		<b>36,548.42</b>		<b>36,416.56</b>

**Note 3: Council Tax Levels**

Property Category and Council Tax Banding	2011/12 BDC Band D £	2010/11 BDC Band D £
A - up to £40,000	128.57	128.57
B - £40,001 to £52,000	149.99	149.99
C - £52,001 to £68,000	171.42	171.42
D - £68,001 to £88,000	192.85	192.85
E - £88,001 to £120,000	235.71	235.71
F - £120,001 to £160,000	278.56	278.56
G - £160,001 to £320,000	321.42	321.42
H - over £320,000	385.70	385.70

**Note 4: Council Tax Income**

Property Category and Council Tax Banding	2011/12			2010/11
	Number in Category No.	Tax incl. Police & Fire £	Estimated Debit £000s	Estimated Debit £000s
<b>Estimated Income</b>				
A - up to £40,000	2,693	989.52	2,665	2,620
B - £40,001 to £52,000	6,223	1,154.44	7,184	7,207
C - £52,001 to £68,000	7,565	1,319.36	9,981	9,952
D - £68,001 to £88,000	6,926	1,484.28	10,280	10,222
E - £88,001 to £120,000	6,117	1,814.12	11,097	11,081
F - £120,001 to £160,000	3,117	2,143.96	6,683	6,648
G - £160,001 to £320,000	2,466	2,473.80	6,099	6,071
H - over £320,000	272	2,968.53	807	798
<b>Estimated Opening Debit</b>			<b>54,796</b>	<b>54,599</b>

<b>Actual Income</b>	£000s	£000s
Property Charge Total	61,004	60,736
Exemptions	(1,287)	(1,237)
Disabled Relief	(86)	(86)
Discounts	(3,976)	(3,895)
Disregard	(224)	(212)
Empty	(70)	(53)
Second Homes	54	43
	(16)	2
<b>Actual Income Collectable</b>	<b>55,399</b>	<b>55,298</b>

### Note 5: Council Tax Major Preceptors

	2011/12 £000s	2010/11 £000s
Worcestershire County Council	37,976	37,839
West Mercia Police Authority	6,532	6,508
Hereford and Worcester Fire and Rescue Authority	2,692	2,682
Bromsgrove District Council (including Parish Councils)	7,712	7,670
<b><u>Distribution of Collection Fund Surplus</u></b>		
Worcestershire County Council	229	255
West Mercia Police Authority	39	44
Hereford and Worcester Fire and Rescue Authority	16	18
Bromsgrove District Council (including Parish Councils)	46	52

### Note 6: Collection Fund Balance

The Collection Fund Balance is available for distribution to the authorities which precept on the Collection Fund. During 2011/12 a total of £0.33m was distributed to the precepting authorities as detailed in Note 4 above. The balance is set out below:

	2011/12 £000s	2010/11 £000s
Balance brought forward 1st April	999	900
Surplus/Deficit(-) in the year	8	99
	<b>1,007</b>	<b>999</b>

This balance has accumulated due to both the collection rates and income received being higher than budgeted for at the beginning of the financial year. This surplus is available to be shared amongst the precepting authorities (prorate to the amount of the total precepts). The amount attributable to Bromsgrove District Council is £141k (14%)

	2011/12 £000s	2010/11 £000s
Bromsgrove District Council Collection Fund Balance	141	140
Other precepting bodies	866	859
	<b>1,007</b>	<b>999</b>

### Note 7: National Non-Domestic (Business) Rates Gross Rateable Value

	2011/12 £000s	2010/11 £000s
Value at the year-end	69,152	56,822

### Note 8: National Non-Domestic (Business) Rates Multiplier

	2011/12 pence	2010/11 pence
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Multiplier for the year

**43.3p**

41.4p



## Note 9: National Non-Domestic (Business) Rates Income

	2011/12	2010/11
	£000s	£000s
<b>Estimated Opening Debit</b>	<b>24,602</b>	20,437
<b>Actual income</b>		
<b>Actual Opening Debit</b>	29,168	26,998
Additional Adjustments	(1,309)	(1,531)
<b>Property Charge Total</b>	<b>27,859</b>	25,467
<b>Discounts and Reliefs</b>		
Mandatory Relief	(1,346)	(1,222)
Discretionary Relief (net of contribution from General Fund)	(99)	(98)
Small Business Rate Relief Total	(1,402)	(891)
Interest	(8)	(23)
	<b>(2,855)</b>	(2,234)
<b>Actual Income Collectable</b>	<b>25,004</b>	23,233

## Note 10: Bad Debt Provision

	2011/12	2010/11
	£000s	£000s
Balance as at 31st March	2,119	2,364
<u>Council Tax</u>		
Written-off during the year	(116)	(93)
Movement in provision	149	131
<u>Non-Domestic Rates</u>		
Written-off during the year	(382)	(219)
Movement in provision	148	(64)
<b>Balance as at 31st March</b>	<b>1,918</b>	<b>2,119</b>
<u>Represented by:</u>		
Council Tax Provision	1,066	1,033
Non-Domestic Rates Provision	852	1,086
	<b>1,918</b>	<b>2,119</b>

## **GROUP ACCOUNTS**

### **EXPLANATORY FOREWARD**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011-12 requires the preparation of group accounts where “the authority has interests in subsidiaries, associates and/or jointly controlled entities, subject to the consideration of materiality”. 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 with a majority of the Board Members. Therefore group accounts have been prepared using the acquisition method of accounting.

Bromsgrove Arts Development Trust is a registered charity; the District Council has the right to appoint 6 of the 8 delegates on the Trust’s Board. The principal activity of the Trust is to ensure the continued, secure provision of the building known as the Artrix, which is used for the provision of Arts and Cultural Services for the residents of the District. As this Trust’s sole activity is to ensure the continued provision of the Artrix Building rather than the provision of Arts and Cultural Services to the District, the Trust incurs neither expenditure nor receives income and is therefore not required by the Charities Commission to produce independent financial statements. As such it has been agreed with the external auditor, the Audit Commission, that the accounts and accounting policies will be based on the property valuation supplied by an independent valuation service and the Council’s own policies and procedures.

The statements on the following pages have been prepared on the basis of full consolidation consisting of the group income and expenditure account, group balance sheet and group total movement in reserves for the Council and its subsidiary, Bromsgrove Arts Development Trust in 2011-12 and the comparative figures for 2010-11. The statements are produced in accordance with International Financial Reporting Standards.

### **ACCOUNTING POLICIES**

Accounting policies are in line with both the International Financial Reporting Standards and with those of the single entity, Bromsgrove District Council.

Group 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	Authority's Share of Subsidiary	Total Reserves
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Balance at 1 April 2010</b>	<b>1,266</b>	<b>1,426</b>	<b>5,129</b>	<b>27</b>	<b>7,848</b>	<b>18,162</b>	<b>26,010</b>	<b>4,626</b>	<b>30,636</b>
<b><u>Movement in reserves during 2010/11</u></b>									
Surplus or (deficit) on provision of services	(1,751)	-	-	-	(1,751)	-	(1,751)	(81)	(1,832)
Other Comprehensive Income and Expenditure	-	-	-	-	-	2,681	2,681	-	2,681
<b>Total Comprehensive Income and Expenditure</b>	<b>( 1,751)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,751)</b>	<b>2,681</b>	<b>930</b>	<b>(81)</b>	<b>849</b>
Adjustments between accounting basis & funding basis under regulations	2,760	-	(1,375)	(8)	1,377	( 1,501)	(124)	-	(124)
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>1,009</b>	<b>-</b>	<b>(1,375)</b>	<b>(8)</b>	<b>(374)</b>	<b>1,180</b>	<b>806</b>	<b>(81)</b>	<b>725</b>
Transfers to/from Earmarked Reserves	( 357)	357	-	-	-	-	-	-	-
<b>Increase/Decrease in Year</b>	<b>652</b>	<b>357</b>	<b>(1,375)</b>	<b>(8)</b>	<b>(374)</b>	<b>1,180</b>	<b>806</b>	<b>(81)</b>	<b>725</b>
<b>Balance at 31 March 2011 carried forward</b>	<b>1,918</b>	<b>1,783</b>	<b>3,754</b>	<b>19</b>	<b>7,474</b>	<b>19,342</b>	<b>26,816</b>	<b>4,545</b>	<b>31,361</b>
<b><u>Movement in reserves during 2011/12</u></b>									
Surplus or (deficit) on provision of services	(7,195)	-	-	-	(7,195)	-	(7,195)	(71)	(7,266)
Other Comprehensive Expenditure and Income	-	-	-	-	-	(2,362)	(2,362)	-	(2,362)
<b>Total Comprehensive Income and Expenditure</b>	<b>(7,195)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7,195)</b>	<b>(2,362)</b>	<b>(9,557)</b>	<b>(71)</b>	<b>(9,628)</b>
Adjustments between accounting basis & funding basis under regulations	8,155	-	(396)	(4)	7,755	(7,755)	-	-	-
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>960</b>	<b>-</b>	<b>(396)</b>	<b>(4)</b>	<b>560</b>	<b>(10,117)</b>	<b>(9,557)</b>	<b>(71)</b>	<b>(9,628)</b>
Transfers to/from Earmarked Reserves	(297)	297	-	-	-	-	-	-	-
<b>Increase/Decrease in Year</b>	<b>663</b>	<b>297</b>	<b>(396)</b>	<b>(4)</b>	<b>560</b>	<b>(10,117)</b>	<b>(9,557)</b>	<b>(71)</b>	<b>(9,628)</b>
<b>Balance at 31 March 2012 carried forward</b>	<b>2,581</b>	<b>2,080</b>	<b>3,358</b>	<b>15</b>	<b>8,034</b>	<b>9,225</b>	<b>17,259</b>	<b>4,474</b>	<b>21,733</b>

**Group 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	Note	Expenditure	Income	Net
<b>Continuing operations:</b>						
7,064	(5,889)	1,175		7,154	(5,784)	1,370
-	-	-		278	-	278
Central services to the public - Exceptional Costs of downward revaluations						
3,033	(493)	2,540		2,993	(347)	2,646
Cultural Services						
-	-	-		1,627	-	1,627
Cultural Services - Exceptional Costs of downward revaluations						
7,956	(2,095)	5,861		7,242	(2,785)	4,457
Environmental & Regulatory Services						
-	-	-		378	-	378
Environmental & Regulatory Services - Exceptional Costs of downward revaluations						
2,249	(971)	1,278		2,831	(1,160)	1,671
Planning Services						
-	-	-		195	-	195
Planning Services - Exceptional Costs of downward revaluations						
4,713	(1,800)	2,913		968	(1,461)	(493)
Highways and transport services						
-	-	-		2,435	-	2,435
Highways and transport services - Exceptional Costs of downward revaluations						
15,527	(13,278)	2,249		17,502	(16,073)	1,429
Housing services						
-	-	-		117	-	117
Housing services - Exceptional Costs of downward revaluations						
3,191	(1,301)	1,890		3,742	(1,943)	1,799
Corporate and democratic core						
-	-	-		390	-	390
Corporate and democratic core - Exceptional Costs of downward revaluations						
43	(1)	42		118	(2)	116
Non distributed costs						
(3,695)	-	(3,695)		-	-	-
Exceptional Item - Pension Scheme Actuarial Gain						
40,081	(25,828)	14,253		47,970	(29,555)	18,415
<b>Cost Of Services</b>						
			166			437
Other Operating Expenditure						
			681			527
Financing and Investment Income and Expenditure						
			(13,241)			(12,088)
Taxation and Non-Specific Grant Income						
		1,859				7,291
<b>(Surplus) or Deficit on Provision of Services</b>						
			(27)			(24)
Share of the Surplus or deficit on the provision of services by associates						
		1,832				7,267
<b>Group Surplus/Deficit</b>						
			(1,101)			(3,256)
(Surplus) or deficit on revaluation of non current assets						
			-			-
(Surplus) or deficit on revaluation of available for sale financial assets						
			(1,580)			5,618
Actuarial (gains) or losses on pension assets & liabilities						
			-			-
Other Gains and Losses						
			(2,681)			2,362
<b>Other Comprehensive Income and Expenditure</b>						
			(849)			9,629
<b>Total Comprehensive Income and Expenditure</b>						

**Bromsgrove District Council - Statement of Accounts 2011/12**

**Group Balance Sheet as at 31 March 2012**

	Note	31 March 2012 £000s	31 March 2011 £000s
<b>Non-current assets</b>			
Property, plant and equipment	1	37,924	41,335
Investment property		531	1,296
Intangible assets		1,465	1,874
Assets held for sale		250	250
Long term investments		-	-
Investments in Associates and Joint Ventures		-	-
Long Term Debtors		-	1
<b>Total non-current assets</b>		<b>40,170</b>	<b>44,756</b>
<b>Current assets</b>			
Short term investments		2,750	3,000
Inventories		231	161
Short Term Debtors		7,297	4,168
Cash and Cash Equivalents		5,492	9,898
Assets held for sale		-	-
<b>Total current assets</b>		<b>15,769</b>	<b>17,227</b>
<b>Current liabilities</b>			
Cash and Cash Equivalents		-	-
Short Term Borrowing		(83)	(104)
Short Term Creditors		(6,469)	(8,605)
Provisions		-	-
Liabilities in disposal groups		-	-
Current tax liability		-	-
<b>Total current liabilities</b>		<b>(6,552)</b>	<b>(8,709)</b>
<b>Long term liabilities</b>			
Long Term Creditors		-	-
Provisions		(235)	(283)
Long Term Borrowing		-	-
Other Long Term Liabilities		(24,982)	(19,353)
Donated Assets Account		-	-
Donated Inventories Account		-	-
Capital Grants Receipts in Advance		(945)	(761)
Deferred tax liability		-	-
<b>Total long term liabilities</b>		<b>(26,162)</b>	<b>(20,397)</b>
<b>Net Assets:</b>		<b>23,225</b>	<b>32,877</b>
<b>Reserves</b>			
Usable reserves	5	(8,035)	(7,474)
Unusable Reserves	5	(15,191)	(25,403)
<b>Total Reserves:</b>		<b>(23,225)</b>	<b>(32,877)</b>

## Bromsgrove District Council - Statement of Accounts 2011/12

### Statement Of Group 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		<b>7,195</b>	1,751
Adjustments to net surplus or deficit on the provision of services for non-cash movements		<b>(3,030)</b>	(7,847)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		<b>130</b>	4,737
<b>Net cash outflow from operating activities</b>	6	<b>4,295</b>	(1,359)
<b>Investing activities</b>	7	<b>(104)</b>	777
<b>Financing activities</b>	8	<b>215</b>	(3,692)
Net (increase) or decrease in cash and cash equivalents		<b>4,406</b>	(4,274)
Cash and cash equivalents at the beginning of the reporting period		<b>(9,898)</b>	(5,624)
<b>Cash and cash equivalents at the end of the reporting period</b>		<b>(5,492)</b>	(9,898)

## NOTES TO THE GROUP ACCOUNTS

### 1. Nature of the relationship between Bromsgrove District Council and Bromsgrove Arts Development Trust

The Bromsgrove Arts Development Trust was established on 23 April 2003 by Trust Deed, the Trustees have been registered with the Official Custodian of Charities, these include Members of Bromsgrove District Council.

The Council appoints the majority of the Members to this Trust with a representation of 6 of the 8 Trustees. As such this gives them the ability to influence decisions made by this Board. The Council supplies no funding for this Trust which solely hold the building known as the Artrix, it is not responsible for service provision and any assets or liabilities arising there from. As such the figures used for consolidation are based on the property valuation which has been carried out by an independent valuation service, from Worcestershire County Council.

The Arts Development Trust asset in 'Other Land & Buildings is the Artrix. This is used in the provision of Arts and Culture for the Community and is not the property of Bromsgrove District Council. It should be noted that although consolidation is being undertaken for this asset, not only does the Council not own it, in the event of a possible sale the Council has no right to a share in the proceeds nor can the Council determine whether or not sale of this property should be undertaken.

The group income and expenditure account has been prepared by combining the council's share (6/8) of the Trust's deficit with the Council's consolidated revenue account. The Council includes all income and expenditure within 'Cultural, Environmental and Planning Services' in their Income and Expenditure Account.

The Trust is not required to produce accounts by the Charities Commission because it has no actual income

There is no goodwill as the group did not arise through a purchase.

### 2. Property, Plant and Equipment

	31-Mar-12		31-Mar-11	
	BDC £'000	Trust £'000	BDC £'000	Trust £'000
Property, Plant & Equipment	31,698	5,965	35,275	6,060

The Property, Plant and Equipment Asset being consolidated within the group accounts relates solely to the Artrix Building held by Bromsgrove Arts Development Trust.

### 3. Reconciliation of Movement in Reserves Statement to the Balance Sheet

	<b>31-Mar-12</b>	<b>#####</b>
	<b>£'000</b>	<b>£'000</b>
Total Reserves in the Movement in Reserves Statement	<b>21,555</b>	31,362
Minority interest's share of reserves in subsidiaries	<b>1,492</b>	1,515
Total Reserves in the Balance Sheet	<b>23,047</b>	32,877

### 4. Usable Reserves

Movements in the Group's usable reserves are detailed in the Council's Movement in Reserves Statement.

### 5. Unusable Reserves

	<b>31-Mar-12</b>	<b>#####</b>
	<b>£'000</b>	<b>£'000</b>
Revaluation Reserve	4,630	1,461
Capital Adjustment Account	29,571	37,225
Deferred Capital Receipts Reserves	-	1
Pensions Reserve	(24,982)	(19,348)
Collection Fund Adjustment Account	141	140
Accumulated Adjustments Account	(135)	(136)
Group Revaluation Reserve	2,257	2,300
Building Reserve	2,217	2,245
Minority Interest	1,492	1,515
<b>Balance as at 31st March</b>	<b>15,191</b>	25,403

### 6. Operating Activities (Group Cash Flow)

The cash flows for operating activities include the following items

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Interest received	<b>(100)</b>	(123)



## **7. Investing Activities (Group Cash Flow)**

	<b>2011/12</b>	2010/11
	<b>£'000</b>	£'000
Purchase of property, plant and equipment, investment property and intangible asset	1,260	1,537
Purchase of short-term and long-term investments	-	500
Other payments for investing activities	-	
Proceeds from the sale of property, plant and equipment, investment property and in	(838)	(971)
Proceeds from short-term and long-term investments	(250)	-
Other receipts from investing activities	(276)	(289)
	<hr/>	<hr/>
<b>Net cash flows from investing activities</b>	<b>(104)</b>	<b>777</b>

## **8. Financing Activities (Group Cash Flow)**

	<b>2011/12</b>	2010/11
	<b>£'000</b>	£'000
Other receipts from financing activities	-	(3,711)
Repayments of short-term and long-term borrowing	26	19
Other payments for financing activities	189	-
	<hr/>	<hr/>
<b>Net cash flows from financing activities</b>	<b>215</b>	<b>(3,692)</b>

## **Bromsgrove District Council - Statement of Accounts 2011/12**

### **Responsibilities for the Statement of Accounts**

#### **The Council's Responsibilities**

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Executive Director (Finance & Resources);
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts by the date specified by the Secretary of State.

#### **Approval by the Council**

I certify that the above Statement of Accounts was approved by Council at its meeting held on XX September 2012

Signed on behalf of Bromsgrove District Council

**Councillor Roger Hollingworth**  
**Leader of the Council**

**XX September 2012**

#### **The Executive Director (Finance & Resources) Responsibilities**

The Executive Director (Finance & Resources) is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practice as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (the Code of Practice).

In preparing the Statement of Accounts, the Executive Director (Finance & Resources) has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code of Practice.

The Executive Director (Finance & Resources) has also:

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

#### **Certification of the accounts by the Executive Director (Finance & Resources)**

In accordance with the requirements of the Accounts and Audit Regulations 2011, I certify that by signing this statement the Statement of Accounts give a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2012.

**J Pickering CPFA**  
**Executive Director (Finance & Resources)**

Date: 29 June 2012

## **Auditor's Report**

**The Council's Auditors are the Audit Commission**

## **Glossary of Terms**

### **ABBREVIATIONS**

The symbol "k" following a figure represents thousand.

The symbol "m" following a figure represents million.

### **ACCRUALS**

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

### **ADDED YEARS**

Additional years of service awarded to increase benefits of employees taking early retirement. This is

### **BUDGET**

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

### **CAPITAL CHARGE**

A charge to service revenue accounts to reflect the cost of non-current assets used in the provision of a service.

### **CAPITAL EXPENDITURE**

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

### **CAPITAL FINANCING**

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

### **CAPITAL RECEIPTS**

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

### **CODE OF PRACTICE ("THE CODE")**

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

### **COLLECTION FUND**

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

### **COMMUNITY ASSETS**

Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and open spaces.

**CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

**CONTINGENT LIABILITIES**

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

**CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The costs of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

**COUNCIL TAX**

The Council Tax is the main form of local taxation in England, Scotland and Wales and is used to fund the service provided by local Council's and Police and Fire Authorities. The base for the tax is residential property. Each dwelling is allocated to one of eight bands coded by letters A through H on the basis of its assumed capital value as of 1<sup>st</sup> April 1991. The basic amount of Council tax, expressed as the annual levy on a Band D property, is calculated by dividing the revenue expenditure requirement by the Council tax base. The Council tax amounts of properties in other bands are calculated by applying ratios set by central Government to the basic amount of Council tax.

**CREDITORS**

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

**CURTAILMENT**

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

**DEBTORS**

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

**DEFERRED CAPITAL RECEIPTS**

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

**DEFERRED LIABILITIES**

These are creditor balances repayable after at least one year.

**DEPRECIATION**

The measure of the wearing out, consumption or other reduction in the useful economic life of a non-current asset, whether arising from use, effluxion of time or obsolescence through technological or other changes.

**EARMARKED RESERVES**

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

**FIXED ASSETS**

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

**EXCEPTIONAL ITEMS**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the authority and which are not expected to recur. They do not include exceptional items, nor do they include prior period items, merely because they relate to a prior period.

**FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction, less, where applicable, any grants receivable towards the purchase or use of the asset.

**FINANCE LEASE**

A lease that transfers substantially all the risks and rewards of ownership of a non-current asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

**GOING CONCERN**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

**GOVERNMENT GRANTS**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

**HOUSING SUBSIDY**

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

**IMPAIRMENT**

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

**INTANGIBLE ASSETS**

Intangible Assets 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.

**INFRASTRUCTURE ASSETS**

Non-current assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

## **INVENTORIES**

Comprise the following categories:

- a) goods or other assets purchased for resale;
- b) consumable stores;
- c) raw materials and components purchased for incorporation into products for sale;
- d) products and services in intermediate stages of completion;
- e) long-term contract balances; and
- f) finished goods.

## **INVESTMENTS**

A long-term investment is an investment that is being held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments which do not meet the above criteria should be classified as current assets.

## **INVESTMENT PROPERTIES**

Interest in land and/or buildings:

- a) in respect of which construction work and development have been completed; and
- b) which is held for its investment potential, any rental income being negotiated at arm's length.

## **LONG-TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long-term contracts, if they are sufficiently material to the activity of the period.

## **NATIONAL NON-DOMESTIC RATE POOL (NNDR/POOL)**

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

## **NET BOOK VALUE**

The amount at which non-current assets are included in the balance sheet i.e. the historical cost or current value, less the cumulative amounts provided for depreciation.

## **NET REALISABLE VALUE**

The open market value of the asset in its existing use (or open market value in the case of a non-operational asset), less any expenses incurred in realising the asset.

## **NON-CURRENT ASSETS**

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

## **NON-OPERATIONAL ASSETS**

non-current assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

## **OPERATING LEASE**

A lease other than a finance lease.

## **OPERATIONAL ASSETS**

Non-current assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## **PRECEPT**

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

## **PROVISIONS**

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

## **POST BALANCE SHEET EVENTS**

Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

## **PRIOR YEAR ADJUSTMENTS**

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

## **PRUDENCE**

The concept that revenue is not anticipated, but is recognised only when realised, in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

## **RESERVES**

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

## **REVENUE SUPPORT GRANT**

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

## **REVENUE BALANCES**

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

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

## **UNAPPORTIONABLE CENTRAL OVERHEADS/NON DISTRIBUTED COSTS**

These are overheads for which no user now benefits and should not be apportioned to services.

## **USEFUL LIFE**

The period over which the local authority will derive benefits from the use of a non-current asset.