

# Council

Mon 27 Oct  
2008  
7.00 pm

Council Chamber  
Town Hall  
Redditch



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# Access to Information - Your Rights

The Local Government (Access to Information) Act 1985 widened the rights of press and public to attend Local Authority meetings and to see certain documents. Recently the Freedom of Information Act 2000, has further broadened these rights, and limited exemptions under the 1985 Act.

Your main rights are set out below:-

- Automatic right to attend all Council and Committee meetings unless the business would disclose confidential or “exempt” information.
- Automatic right to inspect agenda and public reports at least five days before the date of the meeting.
- Automatic right to inspect minutes of the Council and its Committees (or summaries of business undertaken in private) for up to six years following a meeting.
- Automatic right to inspect lists of background papers used in the preparation of public reports.
- Access, upon request, to the background papers on which reports are based for a period of up to four years from the date of the meeting.
- Access to a public register stating the names and addresses and electoral areas of all Councillors with details of the membership of all Committees etc.
- A reasonable number of copies of agenda and reports relating to items to be considered in public must be made available to the public attending meetings of the Council and its Committees etc.
- Access to a list specifying those powers which the Council has delegated to its Officers indicating also the titles of the Officers concerned.
- Access to a summary of the rights of the public to attend meetings of the Council and its Committees etc. and to inspect and copy documents.
- In addition, the public now has a right to be present when the Council determines “Key Decisions” unless the business would disclose confidential or “exempt” information.
- Unless otherwise stated, all items of business before the Executive Committee are Key Decisions.
- (Copies of Agenda Lists are published in advance of the meetings on the Council’s Website:  
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**If you have any queries on this Agenda or any of the decisions taken or wish to exercise any of the above rights of access to information, please contact**

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**Minicom: 595528**

آپ انگریزی میں مدد چاہتے ہیں— نسلیاتی رسائی [Ethnic Access] سے رابطہ کریں ٹیلیفون: 01905 25121

ইংরেজি ভাষার বিষয়ে সাহায্য চান – এথনিক অ্যাকসেস্ [Ethnic Access] এর সঙ্গে যোগাযোগ করুন,  
টেলিফোনঃ 01905 25121

‘Potrzebujesz pomocy z Angielskim – skontaktuj się z Ethnic Access Tel: 01905 25121’

# Welcome to today's meeting.

## Guidance for the Public

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### **Agenda Papers**

The **Agenda List** at the front of the Agenda summarises the issues to be discussed and is followed by the Officers' full supporting **Reports**.

### **Chair**

The Chair is responsible for the proper conduct of the meeting. Generally to one side of the Chair is the Committee Support Officer who gives advice on the proper conduct of the meeting and ensures that the debate and the decisions are properly recorded. On the Chair's other side are the relevant Council Officers. The Councillors ("Members") of the Committee occupy the remaining seats around the table.

### **Running Order**

Items will normally be taken in the order printed but, in particular circumstances, the Chair may agree to vary the order.

**Refreshments** : tea, coffee and water are normally available at meetings - please serve yourself.

### **Decisions**

Decisions at the meeting will be taken by the **Councillors** who are the democratically elected representatives. They are advised by **Officers** who are paid professionals and do not have a vote.

### **Members of the Public**

Members of the public may, by prior arrangement, speak at meetings of the Council or its Committees. Specific procedures exist for Appeals Hearings or for meetings involving Licence or Planning Applications. For further information on this point, please speak to the Committee Support Officer.

### **Special Arrangements**

If you have any particular needs, please contact the Committee Support Officer.

Infra-red devices for the hearing impaired are available on request at the meeting. Other facilities may require prior arrangement.

### **Further Information**

If you require any further information, please contact the Committee Support Officer (see foot of page opposite).

### **Fire/ Emergency instructions**

**If the alarm is sounded, please leave the building by the nearest available exit – these are clearly indicated within all the Committee Rooms.**

**If you discover a fire, inform a member of staff or operate the nearest alarm call point (wall mounted red rectangular box). In the event of the fire alarm sounding, leave the building immediately following the fire exit signs. Officers have been appointed with responsibility to ensure that all visitors are escorted from the building.**

**Do Not stop to collect personal belongings.**

**Do Not use lifts.**

**Do Not re-enter the building until told to do so.**

**The emergency Assembly Area is on the Ringway Car Park.**

# Declaration of Interests: Guidance for Councillors

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DO I HAVE A "PERSONAL INTEREST" ?

- Where the item relates or is likely to affect your **registered interests** (what you have declared on the formal Register of Interests)

**OR**

- Where a decision in relation to the item might reasonably be regarded as affecting **your own** well-being or financial position, or that of your **family**, or your **close associates** more than most other people affected by the issue,

you have a personal interest.

WHAT MUST I DO? **Declare the existence, and nature, of your interest and stay**

- The declaration must relate to specific business being decided - a general scattergun approach is not needed
- **Exception** - where interest arises only because of your membership of another **public body**, there is no need to declare unless you **speak** on the matter.
- You **can vote** on the matter.

IS IT A "PREJUDICIAL INTEREST" ?

In general only if:-

- It is a personal interest **and**
- The item affects your **financial position** (or conveys other benefits), or the position of your **family, close associates** or bodies through which you have a **registered interest** (or relates to the exercise of **regulatory functions** in relation to these groups)

**and**

- A member of public, with knowledge of the relevant facts, would reasonably believe the interest was likely to **prejudice** your judgement of the public interest.

WHAT MUST I DO? **Declare and Withdraw**

BUT you may make representations to the meeting before withdrawing, **if** the public have similar rights (such as the right to speak at Planning Committee).



Monday, 27th October, 2008

7.00 pm

# Council

Council Chamber Town Hall

## Agenda

### Membership:

Cllrs:	J Field (Mayor)	
	M Hall (Deputy Mayor)	W Hartnett
	P Anderson	N Hicks
	K Banks	D Hunt
	K Boyd-Carpenter	R King
	M Braley	W King
	J Brunner	C MacMillan
	M Chalk	P Mould
	A Clayton	W Norton
	B Clayton	J Pearce
	J Cookson	B Quinney
	D Enderby	M Shurmer
	R J Farooqui	D Smith
	A Fry	D Taylor
	C Gandy	D Thomas

<b>1. Mayor's Welcome</b>	The Mayor will open the meeting and welcome all present.  The Mayor's Chaplain, the Reverend Mike Herbert, will lead the Council in prayer.
<b>2. Apologies</b>	To receive any apologies for absence on behalf of Council members.
<b>3. Declarations of Interest</b>	To invite Councillors to declare any interests they may have in items on the agenda.
<b>4. Minutes</b> Chief Executive Officer	To confirm as a correct record the minutes of the meeting of the Council held on 15 September 2008.  <b>(Minutes circulated in Minute Book 4 - 2008/09)</b>  <b>Various Wards</b>

<p><b>5. Communications and Mayor's Announcements</b></p>	<p>To receive a report from the Mayor on civic matters which have arisen since the last meeting or events which may be occurring in the near future.</p> <p>To give notice of any variation to the items listed in the Forward Plan and/or items accepted as "Urgent Business".</p> <p>(No separate report / oral update)</p>
<p><b>6. Local Democracy Day</b></p>	<p>To receive a brief report from the Council's Youth Champions and the Chair of the Student Council on recent Local Democracy Week Events.</p> <p>(No separate report)</p> <p><b>(No Specific Ward Relevance)</b></p>
<p><b>7. Executive Committee</b> Chief Executive Officer</p>	<p>A. To formally receive the minutes from the meeting of the Executive Committee held on <u>3 September 2008</u>:</p> <p>(All decisions here have previously been fully resolved. There are no outstanding recommendations or referrals which require the Council's consideration.)</p> <p>B. To receive the minutes and consider the recommendations and/or referrals from the following meeting of the Executive Committee:</p> <p><u>17 September 2008</u></p> <p>Matters requiring the Council's consideration are:</p> <ul style="list-style-type: none"><li>• Sustainable Community Strategy;</li><li>• Prudential Indicators 2007/08 and 2008/09;</li><li>• Sports and Leisure Facilities – Birchensale Playing Fields – Section 106 Improvements;</li><li>• Microgeneration Technology - Grant Scheme; and</li><li>• Lease of Unit 1, Matchborough Centre.</li></ul> <p><b>(Minutes circulated in Minute Book 4 – 2008/09 – to follow)</b></p> <p>C. To receive the Decision Notices and consider the recommendations and/or referrals from the following meetings of the Executive Committee:</p>

8 October 2008

Matters requiring the Council's consideration are:

- Freedom of Information Act 2000 – Publication Scheme;
- Advisory Panels etc. – Update Report; and
- Redevelopment Clauses within Commercial Leases.

**(Decision Notice previously circulated / copy attached)**

22 October 2008

Matters potentially requiring the Council's consideration are:

- Hackney Carriage – Fare Tariff;
- Outcomes of Issues and Options Core Strategy Development Plan Document and Sustainability Appraisal Consultation and Preferred Draft Core Strategy; and
- Bromsgrove District Council Town Centre Area Action Plan Issues and Options Consultation – Response.

**(Decision Notice to follow)**

Any matters arising, not covered elsewhere in the agenda, will be considered under this heading.

Confidential matters may be taken after the Exclusion of the Public, subject to notification at this point in the meeting.

**8. Regulatory Committees**

Chief Executive Officer

To formally receive the minutes of the following meeting of the Council's Regulatory Committees:

Planning Committee - 9 September 2008

(All decisions here have been fully resolved.)

**(Minutes circulated in Minute Book 4 – 2008/09 – to follow)**

**Various Wards**

**9. Outside Bodies -  
Council Appointments /  
Nominations**

Chief Executive Officer

To review Borough Council representation on the County Council Highways Forum, following changes to the composition of the body: it will now comprise all Redditch County Councillors, plus up to two Borough Councillors.

The Council currently has three representatives: Councillors Boyd-Carpenter, Fry and Field, one of whom, Cllr Fry, will now automatically have a place as a County representative.

In terms of the remaining representatives, the County Council asks for up to two non-voting members "with a mandate for land drainage and street scene". (The closest match for this requirement would be Cllr MacMillan as the Portfolio Holder for Local Environment, Planning and Transport.)

The Council is requested to **RESOLVE**

**which Member(s) are now to be appointed.**

(No separate report)

**(All Wards)**

**10. Urgent Business –  
Record of Decisions**  
Chief Executive Officer

To note the following decisions taken in accordance with SO36 since the last meeting of the Council:

- 1) Improved Lighting in Redditch Town Centre – Unicorn Hill and Bates Hill  
(Acting Deputy Chief Executive)  
(Decision Reference 473)

The case for urgency was in order that the works might be concluded within proposed timescales and in time for the busy Christmas period. Funding for the scheme is coming from a number of partners, including the Council. To wait for decision at the next full Council meeting on 27 October would have been too late to achieve this.

**It was therefore RESOLVED that**

**Section 106 funding, from the development of the Hewell Road Social Club site, of up to £15,599, be allocated in the Capital Programme to support the scheme.**

(Report previously circulated for the Executive Committee)

**(Abbey Ward)**



- 
- 2) Revised 2007/08 Statement of Accounts  
(Acting Deputy Chief Executive)  
(Decision Reference 474)
- The case for urgency was that the revised 2007/08 Statement of Accounts needed to be agreed by the Council by 30 September 2008 in order to comply with a statutory deadline. To wait for decision at the next full Council meeting on 27 October would have been too late to achieve this.
- It was therefore RESOLVED that**  
**in principle, the Revised Statement of Accounts be approved.**
- As agreed within the terms of the Urgent Approval, the revised statement of accounts, together with District Audit guidance are attached to the agenda for the Council's consideration, subject to which
- the Council is asked to RESOLVE that**  
**the Revised Statement of Accounts be approved.**
- (Report attached)
- (All Wards)**
- 3) Ice Rink Proposal  
(Acting Deputy Chief Executive)  
(Decision Reference 475)
- The case for urgency was to secure an appropriate operator following the recent opportunity arising to provide a temporary ice skating facility over the Christmas 2008 period in Redditch Town Centre. If the matter was not finalised as a matter of urgency, the operator might no longer have been available to the Council as required. Therefore, the next Council meeting on the 27 October 2008 would have been too late to achieve this.
- It was therefore RESOLVED that**
- 1) **a revenue budget of £29,500 be allocated to provide a synthetic ice skating facility in the former market area for 2008/09; and**
  - 2) **a fee of £3.00 per person be agreed.**

	<p>(Report previously circulated for the Executive Committee)</p> <p><b>(Abbey Ward)</b></p>
<p><b>11. Urgent Business - general (if any)</b></p>	<p>To consider any additional items exceptionally agreed by the Mayor as Urgent Business in accordance with the powers vested in him by virtue of Section 100(B)(4)(b) of the Local Government Act 1972.</p> <p>(This power should be exercised only in cases where there are genuinely special circumstances which require consideration of an item which has not previously been published on the Order of Business for the meeting and/or on the Leader's Forward Plan.)</p>
<p><b>12. Exclusion of the Public</b></p>	<p>It may be necessary, in the opinion of the Chief Executive Officer, to consider excluding the public from the meeting in relation to the following items of business on the grounds that exempt information is likely to be divulged. It may be necessary, therefore, to move the following resolution:</p> <p><b>“that, under S.100 I of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, the public be excluded from the meeting for the following matter(s) on the grounds that it/they involve(s) the likely disclosure of exempt information as defined in the relevant paragraphs (to be specified) of Part 1 of Schedule 12 (A) of the said Act, as amended.”</b></p>
	<p>(Note: Anyone requiring copies of any previously circulated reports, or supplementary papers, should please contact Committee Services Officers in advance of the meeting.)</p>



## Executive Committee

8 October 2008

### Notice of Decisions

#### Present:

Councillor Carole Gandy (Chair), Councillor Michael Braley (Vice-Chair) and Councillors P Anderson, J Brunner, B Clayton, M Hall and C MacMillan

#### Also Present

Mr M Collins (Vice-Chair, Standards Committee)

#### Officers:

K Watkins, K Dicks, S Hanley, R Cooke, S Mullins, L Phillips and R Kindon

#### Committee Services Officer:

I Westmore

#### 98. APOLOGIES

There were no apologies for absence.

#### 99. DECLARATIONS OF INTEREST

There were no declarations of interest.

#### 100. LEADER'S ANNOUNCEMENTS

The following items of business, scheduled on the Forward Plan to be dealt with at this meeting, had been re-scheduled to a later meeting:

- Upper Norgrove House Appraisal;
- The Anchorage and Arden House; and
- Hackney Carriage – Fare Tariffs

The Chair also advised that she had accepted the following matter as Urgent Business:

Item 16 - Ice Rink Proposal

.....  
Chair

# Executive

## Committee

8 October 2008

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**101. MINUTES**

**RESOLVED that**

**the minutes of the meeting of the Committee held on 3 September 2008 be confirmed as a correct record and signed by the Chair.**

**102. FREEDOM OF INFORMATION ACT 2000 - PUBLICATION SCHEME**

**RECOMMENDED that**

**the Information Commissioner's Model Publication Scheme attached to the report at Appendix 1 be adopted.**

**103. LEASE OF FLATS 21 & 21A SALTERS LANE**

**RESOLVED that**

- 1) a new three year lease running from 31 October 2008 for the premises 21 and 21a Salters Lane at an initial rent as set out in Appendix 1, Paragraph 1.2, be agreed; and**
- 2) the rent be reviewed by the Council on 31 October 2009.**

(Members were keen to receive a report in due course on the entire policy for the disbursement of grants to the Third Sector to ensure transparency and consistency of approach).

**104. REDDITCH BOROUGH COUNCIL ESTABLISHMENT**

**RESOLVED that**

**the report be noted.**

**105. OVERVIEW AND SCRUTINY COMMITTEE**

**RESOLVED that**

**The minutes of the meeting of the Overview and Scrutiny Committee held on 10 September 2008 be received and noted.**

**106. MINUTES / REFERRALS - OVERVIEW AND SCRUTINY COMMITTEE, NEIGHBOURHOOD GROUPS ETC.**

There were no minutes or referrals under this item.

# Executive

## Committee

8 October 2008

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### 107. ADVISORY PANELS - UPDATE REPORT

#### RECOMMENDED that

- 1) an Economic Advisory Panel be established, with a membership to be determined (membership of 6 = 3+2+1, chaired by the relevant Portfolio Holder); and

#### RESOLVED that

- 2) subject to Members' comments, the reports and updates be noted.

### 108. ACTION MONITORING

Members noted the Action Monitoring sheet, subject to the following comments:

Minute 58 – Library Use of Accommodation – it was suggested that audio books also be considered as part of the proposal for a book swap; and

Minute 89 – Sports and Leisure Facilities – it was noted that the report that Members were expecting was with reference to existing Section 106 funds that had not yet been allocated to or expended on specific projects.

### 109. ICE RINK PROPOSAL

#### RECOMMENDED that

- 1) a revenue budget of £29,500 be established to provide a synthetic ice-skating facility in the former market area for 2008/09; and
- 2) a fee of £3.00 per session be agreed.

### 110. EXCLUSION OF THE PUBLIC

#### RESOLVED that

- 1) under S.100 I of the Local Government Act 1972, as amended by the Local Government (Access to Information) (Variation) Order 2006, the public be excluded from the meeting for the following matter on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12 (A) of the said Act, as amended.

**Minute 111 - Leisure Contracts Advisory Panel**

**Minute 112 - Redevelopment Clauses within Commercial Leases; and**

- 2) non-Member, Mr Collins, be permitted to remain.

**111. LEISURE CONTRACTS ADVISORY PANEL**

**RESOLVED that**

- 1) the notes of the meeting of the Leisure Contracts Advisory panel be received and noted; and
- 2) the consultants work up only the two models at 1) b i) and 1) b ii) for Members further consideration as it was agreed that little purpose would be served by pursuing the model at 1) a).

(Members requested that Officers provide further information on the medium term financial implications and an assessment of the impact on the revenue budget of the proposals under consideration prior to a decision being made on any course of action by Council.

Officers undertook to investigate the terms of the agreement reached on the funding of the Extreme Sports facility at Matchborough to determine whether the decision by Council had been in principle or otherwise).

**112. REDEVELOPMENT CLAUSES WITHIN COMMERCIAL LEASES**

**RECOMMENDED that**

- 1) the inclusion of the redevelopment clause within all new commercial leases, whether upon renewal or as a new let, be approved;
- 2) authority be delegated to the Property Services Manager, in consultation with the Legal Services Manager, to negotiate delays in exercising the redevelopment clause in appropriate cases; and

**RESOLVED that**

- 3) the inclusion of the redevelopment clause in the current cases of lease renewals where the clause was not part of the original lease and its inclusion has been challenged by existing tenants be supported.

# **Executive**

Committee

**8 October 2008**

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The Meeting commenced at 7.00pm  
and closed at 9.07pm

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Chair





**Redditch  
Borough Council  
Statement of  
Accounts  
2007/08**



# Redditch Borough Council

## Statement of Accounts

### 2007/08

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***Independent Auditors' report to Redditch Borough Council***



## ***Explanatory foreword***

This foreword provides a brief summary of the financial aspects of the Council's activities during the year.

### ***Revenue Expenditure***

Revenue expenditure covers the operational cost of services provided during the year including capital charges and contributions to or from reserve accounts. Most revenue expenditure is paid for from the General Fund while council housing is accounted for separately within the Housing Revenue Account.

### ***The General Fund***

General Fund net revenue expenditure (after allowing for fees and charges to services and the use of reserves) is financed from Government grants (Revenue Support Grant and redistributed Non-Domestic Rates) and Council Tax income.

The table below gives a comparison between General Fund actual and budgeted expenditure and income for the year.

<b>2006/07 Actual</b>		<b>2007/08 Original Budget</b>	<b>2007/08 Actual</b>	<b>2007/08 Difference</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
11,956	Net expenditure on services	12,499	12,261	(238)
246	Contributions to/ (from) reserves	-	200	200
(699)	Interest received	(709)	(956)	(247)
<b>11,503</b>	<b>Net General Fund expenditure</b>	<b>11,790</b>	<b>11,505</b>	<b>(285)</b>
	<i>Financed by income from government grants and local taxpayers</i>			
(1,767)	Central Government Grants	(904)	(1,068)	(164)
(5,110)	NDR contribution	(5,383)	(5,383)	-
(4,814)	Council Taxpayers	(5,064)	(5,064)	-
11	Collection Fund surplus	(20)	(20)	-
<b>(177)</b>	<b>Deficit/(Surplus) for the year funded from General Fund reserves</b>	<b>419</b>	<b>(30)</b>	<b>(449)</b>

The amount receivable from government grants and council tax income is fixed for the year, so any difference in actual net expenditure from the budget must be balanced by a contribution to or from General Fund reserves. The difference for 2007/08 was a deficit of £40,278. The original forecast was for a deficit of £419,380 to be funded from revenue balances. The difference of £449,052 has arisen from a net increase in government grants of £164,000 and an increase in interest received of £247,000. An additional £200,000 was transferred to reserves to fund the cost of implementing the job evaluation scheme. The net cost of providing general fund services was £238,000 less than originally estimated.

General Fund reserves amounted to £1.461 million at the year end. These reserves, apart from a contingency provision of £750,000, are required to support future revenue budgets.

### ***The Housing Revenue Account (HRA)***

Revenue expenditure relating to council housing is accounted for separately in the Housing Revenue Account. The expenditure is financed from rents and charges to tenants, interest received and retained balances.

The table below gives a comparison between Housing Revenue Account actual and budgeted expenditure and income for the year.

2006/07 Actual		2007/08 Original Budget	2007/08 Actual	2007/08 Difference
£'000		£'000	£'000	£'000
8,476	Maintenance & management services	8,443	8,824	381
1,250	Revenue contribution to capital	2,000	700	(1,300)
4,462	Negative Subsidy Transfer	5,203	5,216	13
144	Capital Financing Costs	245	398	153
160	Provision for bad debts	200	706	506
3,530	Depreciation	3,570	3,570	-
<b>18,022</b>	<b>Housing Revenue Account expenditure</b>	<b>19,661</b>	<b>19,414</b>	<b>(247)</b>
	<i>Financed by income from rents and government subsidies</i>			
(17,976)	Rents and charges to tenants	(19,100)	(19,062)	38
(11)	Other contributions	(2)	(2)	-
(119)	Interest	(331)	(342)	(11)
<b>(84)</b>	<b>Deficit/(surplus) for the year funded from HRA reserves</b>	<b>228</b>	<b>8</b>	<b>(220)</b>

The actual deficit for the year was £8,000 compared to the original budget surplus of £84,000. £0.7 million was transferred to reserves and earmarked for capital expenditure. There was a reduction in interest received and additional costs associated with the need to borrow to fund capital expenditure. Housing Revenue Account reserves were £659,000 at the year-end. These reserves, apart from a contingency provision of £600,000, are required to support future revenue budgets.

### **Capital expenditure**

Capital expenditure relates to the acquisition or construction of fixed assets, or the renewal and enhancement of fixed assets that will benefit the Council for more than one year. Fixed assets include sports centres and other public buildings, council housing, equipment, vehicles and plant. The Council's capital expenditure in 2007/08 totalled £8.2 million compared to an initial estimate of £12.3 million.

	2007/08 Original Budget	2007/08 Actual*	2007/08 Difference
	£'000	£'000	£'000
Housing	7,400.3	5,483.7	1,916.6
General Fund	4,880.5	2,799.1	2,001.4
<b>Total capital expenditure</b>	<b>12,280.8</b>	<b>8,282.8</b>	<b>3,918.0</b>

\*including Work in Progress

The main items of capital expenditure were improvements to Council and private sector housing; sports centres and other leisure and cultural assets; estate improvements; purchase of new vehicles; and new IT systems. The actual expenditure was lower than the original estimate due to a delayed start on a number of contracts and revisions to the programme during the year.

The Council has previously paid for a significant proportion of the capital programme from capital receipts. The introduction of pooling for Right to Buy (RTB) reduced the proportion any disposal due to the Council to just 25%. In 2006/07 the Council disposed of just 38 dwelling via the RTB process. In 2007/08 the Council borrowed £2.4 million to fund capital expenditure the balance of the required funding coming from housing revenue account major repairs reserve, government and other grants, and developers' contributions.

**Spending plans in 2008/09****General Fund**

Budgeted expenditure for 2008/09 and the way it is financed are shown below.

	<b>2008/09 Original Budget £'000</b>
<b>Net General Fund expenditure</b>	<b>12,335</b>
<i>Financed by income from government grants and local taxpayers</i>	
Government Grants	(931)
NDR contribution	(5,613)
Council Taxpayers	(5,284)
Collection Fund deficit	21
<b>Deficit for the year funded from General Fund reserves</b>	<b>528</b>

Net expenditure is estimated to be £265,150 more than the original budget for 2007/08. The budget includes increases of 3% in employee remuneration, increased superannuation costs, increased energy costs, and an estimated increase in general prices of 3%. Funding from General Fund reserves required to support this expenditure is £108,760 more than in 2007/08.

**The Housing Revenue Account**

The 2008/09 budget for the Housing Revenue Account is shown below.

	<b>2008/09 Original Budget £'000</b>
Maintenance & management services	9,193
Sums transferred under Section 80(2)	5,835
Capital financing costs	492
Revenue contribution to capital	0
Provision for bad debts	200
Depreciation	3,718
<b>Housing Revenue Account expenditure</b>	<b>19,438</b>
Rents and charges to tenants	(19,378)
Interest	(351)
<b>Surplus for the year transferred from Housing Revenue Account reserves</b>	<b>(291)</b>

**Capital expenditure**

Capital expenditure for 2008/09 is an estimated £13.4million.

Work programmed for the year includes improvements to council and private housing, improvements to public buildings, including sports and leisure facilities, purchase of new vehicles and estate enhancements.

**Pensions**

The authority participates in a defined benefit scheme administered by Worcestershire County Council. The Council's share of the assets and liabilities of the pension fund is a £43.9 million liability (2006/07 £30.4 million). The net pensions liability is a position taken at a point in time. Market prices tend to move up or down in the short term, and it is not possible to quantify what long term effect movement in market prices will have on the Pension Fund. The inclusion of pension assets and liabilities has reduced the net worth of the Council by 15.6% and increased net operating expenditure by 5.2%.

**Changes to the accounting statements**

The accounts have been prepared in keeping with the revised Code of Practice on Local Authority Accounting in the United Kingdom 2007 issued by the Chartered Institute of Public Finance and Accountancy which was published in June 2007.



The following main changes have been made to the accounting statements:-

- Fixed Asset Restatement Account (FARA) and Capital Financing Account have been replaced with a Revaluation Reserve and Capital Adjustment Account. The Capital Adjustment Account opening balance has been created by adding together the balances on the FARA and the Capital Financing Account, The 2006/07 balance sheet has been restated to show the same figure as the 2007/08 opening balance. The opening balance on the Revaluation Reserve is required to be zero. From 1 April 2008 the Revaluation Reserve will record any unrealised revaluation gains on fixed assets and the Capital Adjustment Account will show the balance arising from differences between the rate at which assets are depreciated and the rate at which they are financed.
- The valuations of all financial instruments (contracts that give rise to a financial asset of one entity and a financial liability of another), have been reviewed to ensure they are shown in the accounts at fair value. No significant changes have been made to the accounts as a result of this review.

**Statutory functions**

There has been no change in the Council's statutory functions during the year.

**Further information**

Further information about the accounts is available from the Financial Services Section, Town Hall, Walter Stranz Square, Alcester Street, Redditch B98 8AH. It is the Council's policy to provide full information about the Council's affairs. Interested members of the public have a statutory right to inspect the accounts before the audit is completed. Availability of the accounts for inspection is advertised in the local press. The accounts have been audited and the auditor's certificate is on page 2.

## **Statement of accounting policies**

### **1. General principles**

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting* in the United Kingdom – A Statement of Recommended Practice (the SORP). The SORP is reviewed continuously and is normally updated annually. The accounting statements have been prepared in accordance with the 2007 edition of the SORP. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### **2. Accruals of income and expenditure**

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods and 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 stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for 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 income or expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of the debtors is written down and a charge made to revenue for the income that might not be collected.

### **3. Provisions**

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by transfer of economic benefits, but where the timing of the transfer is uncertain. The Council makes a provision for 3<sup>rd</sup> party insurance claims that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not be required (or a lower settlement is made), the provision is reversed and credited back to the service revenue account.

### **4. Reserves**

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

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

### **5. Government grants and contributions (revenue)**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the

monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### **6. Retirement benefits**

The Council participates in a defined benefit scheme administered by Worcestershire County Council. In accordance with the requirements of 'FRS 17 Retirements Benefits', the accounts recognise pensions liabilities when they become due even though the actual pension payment will be made many years in the future. Disclosures detailing the assets and liabilities, their valuation and actuarial assumptions are given in Note 25 to the Core Financial Statements.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

#### **7. VAT**

Income and expenditure excludes any amount related to VAT, as all VAT collected is payable to HM Customs and Excise and all VAT paid is recoverable from it.

#### **8. 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 2007* (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 Income and Expenditure Account as part of the Net Cost of Services.

#### **9. Intangible fixed assets**

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

#### **10. Tangible fixed assets**

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred.

**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use

- infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to the service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1<sup>st</sup> April 2007 only, the date of its implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

**Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there are accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts 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 Usable 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 Statement of Movement on the General Fund Balance.

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 Capital Adjustment Account from the Statement of Movement on the General Fund Balance for the written off value of disposals.

**Depreciation:** depreciation is provided for on all fixed assets with a determinable finite life (except for investment properties), by allocating the value of the assets in the Balance Sheet over the periods expected to benefit from their use.

Where depreciation is provided for the straight-line method of depreciation has been used.

The Joint Committee has accepted that the Major Repairs Allowance is likely to constitute a reasonable estimate of depreciation for housing revenue account properties. An amount equivalent to the Major Repairs Allowance has been used as the annual depreciation charge for HRA assets.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been

chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

**Grants and contributions:** where grants and contributions are received that are identifiable to fixed assets with a useful finite life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

**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 service revenue accounts 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/

### **11. Charges to revenue for fixed assets**

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the capital Adjustment Account for the difference between the two.

### **12. Deferred Charges**

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges 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.

### **13. Leases**

#### **Finance leases**

The Council has no current finance leases.

#### **Operating leases**

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

### **14. Financial liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability multiplied by the effective rate of interest for the instrument. This means that the amount represented in the Balance Sheet is the outstanding principal payable and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

### **15. Financial Assets**

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

**Loans and receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

**Available-for sale assets**

The Council has no available-for-sale financial assets.

**16. Stocks and work in progress**

Stocks are included in the balance sheet at the latest price paid. Some minor stocks are not valued and are charged to services in the year of purchase. This is not in accordance with recommended practice, which states that stocks should be included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

**17. Post balance sheet events**

Events arising after the balance sheet date are reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included. No such events are included in this year's accounts.

## CORE FINANCIAL STATEMENTS

### *Income & Expenditure Account*

2006/07 Net Expenditure	Note		2007/08 Gross Expenditure	2007/08 Gross income	2007/08 Net Expenditure
£'000			£'000	£'000	£'000
1,189	1	Central services to the public	6,735	(5,739)	996
8,693	1	Cultural, environmental and planning services	14,944	(5,394)	9,550
1,310	1	Highways, roads and transport services	1,773	(187)	1,586
(1,979)		Local authority housing (HRA)	17,746	(19,063)	(1,317)
555	1	Other housing services	18,583	(18,094)	489
1,739		Corporate and democratic core	1,606	(3)	1,603
417	2	Non distributed costs	1,519	(21)	1,498
-		Other services	-	-	-
<b>11,924</b>		<b>Net cost of services</b>	<b>62,906</b>	<b>(48,501)</b>	<b>14,405</b>
-		Loss on the disposal of fixed assets			127
5		Precept paid to Feckenham Parish Council			6
(576)	3	Surplus on trading undertakings			(302)
(699)		Interest receivable			(886)
1,553		Contribution of housing capital receipts to Government Pool			2,058
4,421	5	Pensions interest costs			4,854
(3,453)	5	Expected return on pensions assets			(4,072)
509		Interest Payable			609
50	4	Provision for bad debts			100
<b>13,734</b>		<b>Net operating expenditure</b>			<b>16,899</b>
(4,803)	6	Demand on the Collection Fund			(5,084)
(1,767)		General government grants			(1,068)
(5,111)		Non domestic rates redistribution			(5,383)
<b>2,053</b>		<b>Deficit for the year</b>			<b>5,364</b>

### *Statement of Movement on the General Fund Balance*

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Council is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than the council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure. This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

## CORE FINANCIAL STATEMENTS

2006/07 £'000		2007/08 £'000
<b>2,053</b>	<b>Deficit for the year on the Income and Expenditure Account</b>	<b>5,364</b>
(2,230)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(5,394)
<b>(177)</b>	<b>(Increase)/Decrease in General Fund Balance for the year</b>	<b>(30)</b>
(1,254)	General Fund Balance brought forward	(1,431)
<b>(1,431)</b>	<b>General Fund Balance carried forward</b>	<b>(1,461)</b>
<b>(1,431)</b>	<b>Amount of General Fund Balance generally available for new expenditure</b>	<b>(1,461)</b>

### ***Reconciling items for the Statement of Movement on the General Fund Balance***

2006/07 £'000		2007/08 £'000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
(1,113)	Depreciation of fixed assets	(1,264)
-	Impairment losses charged to services	(1,189)
125	Government grants deferred amortisation	240
(111)	Capital expenditure below de minimus charged to services	(180)
(58)	Amortisation of intangible assets	(210)
(376)	Write down of deferred charges to be financed from capital resources	(82)
-	Net loss on sale of fixed assets	(127)
(3,343)	Net charges made for retirement benefits in accordance with FRS17	(4,115)
<b>(4,876)</b>		<b>(6,927)</b>
	<b>Amounts not included in the Income and Expenditure Account but required by statute when determining the Movement on the General Fund Balance for the year</b>	
5	Capital expenditure charged in year to the General Fund Balance	-
(1,553)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(2,058)
2,615	Employers contributions payable to the Worcestershire Pension Fund	2,699
<b>1,067</b>		<b>641</b>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
84	Housing Revenue Account Balance	(8)
1,495	Net transfer to or from earmarked reserves	900
<b>1,579</b>		<b>892</b>
<b>(2,230)</b>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<b>(5,394)</b>



## CORE FINANCIAL STATEMENTS

**Statement of Total Recognised Gains and Losses**

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2006/07 £'000		2007/08 £'000
2,053	<b>Deficit for the year on the Income and Expenditure Account</b>	<b>5,364</b>
8,290	(Surplus)/deficit arising on revaluation of fixed assets	( 43,654)
-	Other (gains)/losses	50
130	(Surplus)/deficit on Collection Fund	157
(4,693)	Actuarial (gain)/loss on pension fund assets and liabilities	12,029
<b>5,780</b>	<b>Total recognised (gain)/loss for the year</b>	<b>(26,054)</b>

## CORE FINANCIAL STATEMENTS

**The Balance Sheet**

31 March 2007			31 March 2008	
£'000	Notes		£'000	£'000
		<b>Intangible assets</b>		
911		• Software licences		828
		<b>Tangible fixed assets</b>		
	<b>13.</b>	<b>Operational assets</b>		
257,292		• Council dwellings	295,094	
13,158		• Other land and buildings	12,424	
62		• Infrastructure	543	
613		• Community assets	1,076	
4,539		• Vehicles, plant, furniture, equipment	3,911	313,048
		<b>Non operational assets</b>		
9,265		• Investment properties		12,761
		• Assets under construction		363
285,840		<b>Total fixed assets</b>		327,000
10,530	<b>15.</b>	Long term investments		-
398	<b>16.</b>	Long term debtors		555
296,768		<b>Total long term assets</b>		327,555
		<b>Current assets</b>		
226	<b>17.</b>	Stocks and stores	203	
6,284	<b>18.</b>	Debtors	6,991	
5,200		Investments	15,500	
32		Cash in hand and at bank	82	22,776
308,510		<b>Total assets</b>		350,331
		<b>Current liabilities</b>		
(5,302)	<b>19.</b>	Creditors	(6,709)	
(17,050)		Short term borrowing	(13,000)	
(603)		Bank overdraft	(132)	(19,841)
285,555		<b>Total assets less current liabilities</b>		330,490
-		Long-term borrowing		(5,000)
(30,456)	<b>25.</b>	Pensions liability		(43,901)
(1,077)	<b>28.</b>	Government grants deferred account		(1,085)
(1,109)	<b>21.</b>	Capital grants and contributions unapplied		(1,462)
(309)	<b>26.</b>	Provisions		(384)
<b>252,604</b>	<b>23.</b>	<b>Total assets less liabilities</b>		<b>278,658</b>
		<b>Financed by</b>		
273,941	<b>32.</b>	Capital adjustment account		270,369
-	<b>31.</b>	Revaluation reserve		42,156
1,983	<b>30.</b>	Usable capital receipts reserve		2,146
120	<b>22.</b>	Deferred capital receipts		109
(30,456)	<b>27.</b>	Pensions reserve		(43,901)
530		Major repairs reserve		528
4,491	<b>29.</b>	Specific reserves		5,391
1,431	<b>24.</b>	General fund balance		1,461
667	<b>24.</b>	Housing revenue account balance		659
(103)	<b>24.</b>	Collection fund balance		(260)
<b>252,604</b>		<b>Total net worth</b>		<b>278,658</b>

T. Kristunas C.P.F.A . 25 September 2008  
Head of Financial Services

J Field 25 September 2008  
Mayor

## CORE FINANCIAL STATEMENTS

**Cash flow statement**

2006/07 £'000	Note		£'000	2007/08 £'000
<b>REVENUE ACTIVITIES</b>				
<b>Cash outflows</b>				
19,302		• Cash paid to and on behalf of employees	18,998	
10,507		• Other operating cash payments	12,069	
5,004		• Housing benefit paid out	5,384	
29,596		• Precept payments	31,542	
29,150		• Non domestic rates payments to national pool	30,792	
2,084		• Payments to the Housing Capital Receipts Pool	2,042	
4,462		• Negative subsidy transfer	5,216	
100,105				106,043
<b>Cash inflows</b>				
(9,335)		• Rents	(9,753)	
(29,463)		• Council tax receipts	(31,723)	
(5,111)		• Non domestic rates payments from national pool	(5,383)	
(29,877)		• Non domestic rates receipts	(30,921)	
(978)		• Revenue support grant	(903)	
(19,317)		• DWP grants for rebates	(20,318)	
(2,525)	33	• Other government grants	(2,171)	
(7,686)		• Cash received for goods and services	(6,941)	
(104,292)				(108,113)
<b>(4,187)</b>	<b>34</b>	<b>Net cash flow from revenue activities</b>		<b>(2,070)</b>
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>				
<b>Cash outflows</b>				
498		• Interest paid		622
<b>Cash inflows</b>				
(540)		• Interest received		(1,218)
<b>CAPITAL ACTIVITIES</b>				
<b>Cash outflows</b>				
14,167		• Expenditure on fixed assets	7,847	
19		• Other capital cash payments	6	7,853
<b>Cash inflows</b>				
(3,945)		• Sale of fixed assets	(3,698)	
-		• Sale of investments	(10,530)	
(1,939)	35	• Capital grants received	(812)	
(102)		• Other capital cash receipts	(18)	(15,058)
<b>3,971</b>		<b>Net cash (inflow)/outflow before financing</b>		<b>(9,871)</b>
<b>MANAGEMENT OF LIQUID RESOURCES</b>				
(3,825)	36	• Net increase/decrease in short term deposits		10,300
<b>FINANCING</b>				
<b>Cash outflows</b>				
-	37	• Repayments of amounts borrowed		4,050
<b>Cash inflows</b>				
-		• New loans raised		(5,000)
-		• New short term loans		-
<b>146</b>	<b>38</b>	<b>(Increase)/decrease in cash</b>		<b>(521)</b>

## Notes to Core Financial Statements

### *Notes to the Income and Expenditure Account*

#### 1. Service analysis

The service classifications used in the Income and Expenditure Account follow the services set out in the Best Value Accounting Code of Practice. A more detailed breakdown of the services included in each classification is given below.

2006/07 Net Expenditure £'000	2007/08 Gross Expenditure £'000	2007/08 Gross income £'000	2007/08 Net Expenditure £'000
<b>Central services to the public</b>			
629 Tax collection- including council tax benefits	6,032	(5,589)	443
88 Registration of electors	91	(2)	89
63 Conducting elections	93	(15)	78
29 Emergency planning	38	-	38
(118) Local land charges	110	(129)	(19)
498 General grants	371	(4)	367
<b>1,189</b>	<b>6,735</b>	<b>(5,739)</b>	<b>996</b>
<b>Cultural, environmental and planning services</b>			
596 Culture and heritage- including Forge Mill Museum and Palace Theatre	1,228	(554)	674
1,673 Recreation and sport	3,792	(1,362)	2,430
1,270 Open spaces	1,535	(207)	1,328
357 Community centres	706	(115)	591
65 Tourism	66	(2)	64
(192) Cemeteries and crematorium	493	(647)	(154)
638 Environmental health	932	(242)	690
592 Community safety	855	(218)	637
79 Land drainage	140	(27)	113
750 Street cleansing	804	(9)	795
1,781 Waste collection-including recycling costs	1,882	(345)	1,537
138 Building control	228	(141)	87
453 Planning policy	721	(355)	366
49 Environmental initiatives	47	-	47
374 Economic development	616	(332)	284
- Sure Start projects	834	(834)	-
70 Community development	65	(4)	61
<b>8,693</b>	<b>14,944</b>	<b>(5,394)</b>	<b>9,550</b>
<b>Highways, roads and transport</b>			
- Road maintenance	5	-	5
38 Lighting	46	(5)	41
1,248 Public transport- incl. concessionary fares	1,685	(182)	1,503
24 Parking	37	-	37
<b>1,310</b>	<b>1,773</b>	<b>(187)</b>	<b>1,586</b>
<b>Housing services</b>			
267 Housing services- general fund	2,330	(2,081)	249
288 Housing benefits	16,253	(16,013)	240
<b>555</b>	<b>18,583</b>	<b>(18,094)</b>	<b>489</b>

#### 2. Non distributed costs

In compliance with the Best Value Code of Practice the following costs are not allocated to services:

## NOTES TO CORE FINANCIAL STATEMENTS

2006/07 £'000	Service	2007/08 £'000
292	Pensions past service costs	(64)
-	Pensions past service loss due to change in scheme benefits	616
	Pensions curtailment loss	616
141	Redundancy and tribunal costs	230
23	Refund of business rates on Town Hall offices	-
(39)	Other unallocated costs	100
<b>417</b>		<b>1,498</b>

Redundancy payments of £199,046 which were incurred following reviews of service provision are included in the above figures. Further redundancy payments of £27,849 are included in service costs following a review of waste collection services. The provisions of the Local Government Pension Scheme were changed during the year, following the introduction of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, together with other supplementary sets of Regulations. The new provisions give rise to some changes in death benefits in relation to accrued service. These changes increase the value of the accrued liabilities which results in a "Past Service Cost" in the FRS17 figures.

### 3. Surplus on trading undertakings

Trading undertakings are activities of a commercial nature which are financed substantially by charges made to the recipients of the service. Commercial properties, business centres and the outdoor market are operated on this basis.

2006/07 £'000	Service	2007/08 £'000
(618)	Land and property holdings	(561)
(24)	Business centres	240
6	Civic suite hire	11
60	Market	8
<b>(576)</b>		<b>(302)</b>

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

Undertaking	2007/08	
	£'000	£'000
The Council manages and lets industrial and commercial units located in various parts of the borough – trading objective is to maximise the surplus.	Turnover	(831)
	Expenditure	270
	<b>Surplus</b>	<b>(561)</b>
	<i>(Surplus 2006/07 £618,000)</i>	
The Council operates three business centres which provide affordable premises for new and small businesses- trading objective is to break even after excluding capital charges.	Turnover	(457)
	Expenditure	697
	<b>Deficit</b>	<b>240</b>
	<i>(Surplus 2006/07 £ 24,000)</i>	
The Council operates an outdoor market generating rental income from stallholders -the trading objective is to maximise the surplus.	Turnover	(132)
	Expenditure	140
	<b>Deficit</b>	<b>8</b>
	<i>(Deficit 2006/07 £60,000)</i>	

### 4. Provision for bad debts

A general provision has been made against future losses or non recovery of general fund income. An increased provision of £550,000 has been made for housing debtors.

## NOTES TO CORE FINANCIAL STATEMENTS

**5. Pension fund transactions**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council 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 a defined benefit pension scheme, administered by Worcestershire County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure after Net Operating Expenditure. Under the projected unit method of calculation the current service cost will increase as the members of the scheme approach retirement. The following transactions have been made in the Expenditure and Income Account during the year:

2006/07 £'000		2007/08 £'000
	<i>Net cost of services</i>	
(2,375)	• Current service cost	(2,101)
-	• Past service costs	(616)
-	• Curtailment loss	(616)
	<i>Net operating expenditure</i>	
(4,421)	• Interest cost	(4,854)
3,453	• Expected return on assets in the scheme	4,072
	<i>Amounts to be met from government grants and local taxation</i>	
728	• Movement on pensions reserve	1,416
	<i>Actual amount charged against council tax for pensions in year</i>	
<b>(2,615)</b>	• Employer's contributions payable to scheme	<b>(2,699)</b>

The current service cost has been calculated using the latest available actuarial valuation. Note 25 (see page 28) to the Balance Sheet contains details of the assumptions made in estimating the figures included in this note.

**6. Demand on the collection fund**

Further details of the movements on the Collection Fund can be found on pages 43-45.

**7. Publicity**

In accordance with Section 5 of the Local Government Act 1986 the Council is required to disclose total spending on publicity during the year. In 2007/08 the Council spent £179,942 on publicity (£291,920 in 2006/07) of which £38,420 related to staff advertising costs (£65,024 in 2006/07).

2006/07 £'000	Expenditure	2007/08 £'000
65	Recruitment advertising	38
143	Promotions and publicity	51
84	Other advertising	91
<b>292</b>		<b>180</b>

**8. Employees' costs**

The Council employed an average of 628 full time equivalent staff during the year. In addition temporary staff were employed during the year to cover vacant posts and for seasonal activities. Staff costs were incurred as follows:

## NOTES TO CORE FINANCIAL STATEMENTS

2006/07 £'000	Expenditure	2007/08 £'000
15,107	Salaries and wages	15,244
1,066	Social security costs	1,048
2,882	Pension costs	2,703
<b>19,055</b>		<b>18,995</b>

Payments of £811,407 were made for agency staff in 2007/08 (£736,620 in 2006/07).

The number of staff whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 was:

2006/07 Number	Remuneration band	2007/08 Number
3	Between £50,000 and £59,999	1
1	Between £60,000 and £69,999	2
-	Between £70,000 and £79,999	1
1	Between £80,000 and £89,999	1

### 9. Members allowances

Member's allowances paid in the year were £101,701 (£107,081 in 2006/07). The scheme for member's allowances was introduced in 2002/03. An independent panel has been formed to evaluate the remuneration to be made to members for the duties they perform.

### 10. Related party transactions

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 be controlled or influenced by the Council. Disclosure of these transactions allows the reader 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** 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 form of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in a note to the Cash Flow Statement.
- **Members of the Council** have direct control over the Council's financial and operating policies. During 2007/08 no material works and services were commissioned from companies in which members had an interest. Grants totalling £72,000 were paid to voluntary organisations in which 5 members had an interest. These organisations were:
  - Age Concern (£7,500)*
  - Redditch Play Council (£53,000)*
  - Redditch Arts Council (£3,000)*
  - Worcestershire Racial Equalities Council (£8,500)*

Most of these members were acting as Council nominated members of the boards of these organisations. The grants were made with proper consideration of declarations of interest. Where required the relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall, Walter Stranz Square, Alcester Street, Redditch.

- **Officers** (no disclosures)
- **Other public bodies.** The Council participates in a defined benefit pension scheme administered by Worcestershire County Council. It also collects precepts on behalf of Worcestershire County Council, West Mercia Police and Hereford and Worcester Fire and Rescue Authority. Disclosures relating to the pension fund are shown on pages 28-30.

## NOTES TO CORE FINANCIAL STATEMENTS

**11. Fees payable to the Audit Commission and appointed auditor**

Fees of £148,708 (£105,500 in 2006/07) were payable for external audit services carried out by the appointed auditors under the Audit Commission's Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998. The timing of the Use of Resources area of the audit resulted in two sets of fees falling into 2007/08 at an additional cost to the Council of £34,600.

Statutory inspection fees of £5,900 (£11,987 in 2006/07) were payable to the Audit Commission under section 10 of the Local Government Act 1999.

Fees of £9,425 (£17,720 in 2006/07) were payable for the certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998.

**12. Building Control trading account**

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – 'details of scheme for setting charges'. However, certain activities performed by the building control unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

<b>Building regulations charging account 2007/08</b>						
	<b>Chargeable</b>		<b>Non-chargeable</b>		<b>Total building control</b>	
	2006/07 £'000	2007/08 £'000	2006/07 £'000	2007/08 £'000	2006/07 £'000	2007/08 £'000
<b>Expenditure</b>						
Employee expenses	101	91	75	67	176	158
Premises	7	4	5	2	12	6
Transport	3	3	2	2	5	5
Supplies and services	10	7	3	2	13	9
Central and support service charges	17	16	13	12	30	28
<b>TOTAL EXPENDITURE</b>	<b>138</b>	<b>121</b>	<b>98</b>	<b>85</b>	<b>236</b>	<b>206</b>
<b>Income</b>						
Building regulation charges	132	141	-	-	132	141
Miscellaneous income	-	-	1	-	1	-
<b>TOTAL INCOME</b>	<b>132</b>	<b>141</b>	<b>1</b>	<b>-</b>	<b>133</b>	<b>141</b>
<b>Surplus/(deficit) for year</b>	<b>(6)</b>	<b>20</b>	<b>(97)</b>	<b>(85)</b>	<b>(103)</b>	<b>(65)</b>



NOTES TO CORE FINANCIAL STATEMENTS

**Notes to the Balance Sheet**

**13. Fixed assets**

• **Fixed assets movements**

	<b>Council Dwellings</b>	<b>Other Land and buildings</b>	<b>Infra- Structure</b>	<b>Community Assets</b>	<b>Vehicles And plant</b>	<b>Investment Properties</b>	<b>Intangible assets</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Historic cost or valuation</b>								
Value at 1 April 2007	<b>264,410</b>	<b>15,765</b>	<b>76</b>	<b>688</b>	<b>6,821</b>	<b>9,265</b>	<b>1,025</b>	<b>298,050</b>
Additions	5,207	315	485	475	367	68	133	7,050
Disposals	(2,898)	(591)	-	-	(119)	(90)	-	(3,698)
Impairments	-	(674)	-	-	-	(515)	-	(1,189)
Reclassifications	(1,105)	(2,829)	-	-	-	3,934	-	-
Revaluations	33,049	1,832	-	-	(122)	99	-	34,858
Non enhancement of asset values	-	-	-	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-
<b>Value at 31 March 2008</b>	<b>298,663</b>	<b>13,818</b>	<b>561</b>	<b>1,163</b>	<b>6,947</b>	<b>12,761</b>	<b>1,158</b>	<b>335,071</b>
<b>Depreciation</b>								
At 1 April 2007	<b>7,118</b>	<b>2,607</b>	<b>14</b>	<b>75</b>	<b>2,282</b>	-	<b>114</b>	<b>12,210</b>
Charge for the year	3,569	398	4	12	873	-	216	5,072
Disposals	-	(14)	-	-	(119)	-	-	(133)
Reclassifications	-	(663)	-	-	-	663	-	-
Revaluations	(7,118)	(934)	-	-	-	(663)	-	(8,715)
Other movements	-	-	-	-	-	-	-	-
<b>Depreciation at 31 March 2008</b>	<b>3,569</b>	<b>1,394</b>	<b>18</b>	<b>87</b>	<b>3,036</b>	-	<b>330</b>	<b>8,434</b>
<b>Net book value at 31 March 2008</b>	<b>295,094</b>	<b>12,424</b>	<b>543</b>	<b>1,076</b>	<b>3,911</b>	<b>12,761</b>	<b>828</b>	<b>326,637</b>
Net book value at 1 April 2007	257,292	13,158	62	613	4,539	9,265	911	285,840

NOTES TO CORE FINANCIAL STATEMENTS

• **Impairment**

Impairment losses totalling £1,189,000 were identified during the revaluation of land and buildings assets. Of these £689,000 were attributable to the clear consumption of economic benefits. The losses related to the Abbey Stadium and Hewell Road Swimming Pool which are reaching the end of their useful lives. The remaining impairment loss of £500,000 was considered to be due to general price changes. No previous revaluation gains existed for the affected assets so the losses have been wholly charged to the relevant service revenue accounts.

• **Fixed asset valuations**

The freehold and leasehold properties which comprise the Council's operational portfolio have been valued by the Council's in house valuers in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Revaluations of fixed assets are undertaken using a five year rolling programme. Fixed plant and equipment is included in the valuation of buildings.

The following statement shows the dates of valuation of each category of fixed assets.

	<b>Council Dwellings</b>	<b>Other land and buildings</b>	<b>Infra-Structure</b>	<b>Community assets</b>	<b>Vehicles And plant</b>	<b>Investment Properties</b>	<b>Intangible Assets</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Valued at historic cost	-	53	561	1,163	6,947	-	-	8,724
Valued at current value in:								
1994/95	-	16	-	-	-	83	-	99
2004/05	-	86	-	-	-	475	164	725
2005/06	-	4,300	-	-	-	103	82	4,485
2006/07	-	1,245	-	-	-	8,454	779	10,478
2007/08	298,663	8,118	-	-	-	3,646	133	310,560
<b>Gross value</b>	<b>298,663</b>	<b>13,818</b>	<b>561</b>	<b>1,163</b>	<b>6,947</b>	<b>12,761</b>	<b>1,158</b>	<b>335,071</b>
Cumulative depreciation	3,569	1,394	18	87	3,036	-	330	8,434
<b>Net book value at 31 March 2008</b>	<b>295,094</b>	<b>12,424</b>	<b>543</b>	<b>1,076</b>	<b>3,911</b>	<b>12,761</b>	<b>828</b>	<b>326,637</b>

Where valuations are not 'as at' the balance sheet date the Council is not aware of any material change and therefore valuations have not been updated.

## NOTES TO CORE FINANCIAL STATEMENTS

- **Depreciation**

All assets other than housing revenue account, freehold land and non-operational investment properties have been depreciated using the straight line method. An amount equivalent to the Major Repairs Allowance (MRA) has been used as the annual depreciation charge for housing revenue account assets. The MRA represents the estimated average annual cost of maintaining the condition of the housing stock over a 30 year period. It is considered that this constitutes a reasonable estimate of depreciation. Depreciation has not been provided for freehold land or for non-operational investment properties.

The useful economic life of the assets has been determined by the Council's valuers and surveyors. Council dwellings have an economic useful life of 60 years. Other land and buildings assets and investment properties have a useful life of between 15 and 100 years. Vehicles and plant assets and software licences have a useful life of between 5 to 10 years.

- **Intangible assets**

These represent the purchase of software and are charged to the revenue account on the basis of cost and estimated life (5 years).

- **Financing of capital expenditure**

Capital expenditure, including capital grants and de minimus expenditure, was financed from the following sources:

<i>Financing source</i>	<b>£'000</b>
Housing Major Repairs Reserve	3,572
Capital receipts	1,248
Government grant and contributions	679
Borrowing	2,784
Revenue contributions	-
	<b>8,283</b>

- **Commitments under capital contracts**

Capital commitments under capital contracts amounted to £355,267.

- **Leasing**

The Council does not currently finance capital expenditure through credit arrangements. The Council holds various assets, principally vehicles, under operating leases. One capital asset value £3,528 was acquired under operating lease during the year (2006/07 £nil). Lease payments for the year amounted to £17,212.

Undischarged options at 31 March 2008 amounted to £22,587.

	Balance at 31 March 2008 £'000
Amounts falling due within 1 year	13
Amounts falling due within 2-5 years	9
	<b>22</b>

#### **14. Deferred charges**

	Expenditure	Funded by grant	Written off In year	Balance at 31 March 2008
	£'000	£'000	£'000	£'000
Improvement grants	609	(402)	(207)	-
Capital grants to other organisations	86	(33)	(53)	-
	<b>695</b>	<b>(435)</b>	<b>(260)</b>	<b>-</b>

Deferred charges that represent revenue expenditure which qualifies as capital for controls purposes, such as improvement grants and non repayable grants to third parties, are written out of the balance sheet to service revenue accounts on the basis of benefit obtained by the service.

## NOTES TO CORE FINANCIAL STATEMENTS

**15. Investments**

Balance at 31 March 2007 £'000	Investment	Balance at 31 March 2008 £'000
10,530	Capital receipts/revenue balances	nil

Capital receipts formerly invested in an externally managed investment fund are now managed internally and the balance is included as investments within current assets.

**16. Long term debtors**

This figure includes all debtors whose amounts fall due after one year or more.

Balance at 31 March 2007 £'000	Long term debtor	Balance at 31 March 2008 £'000
120	Mortgages – Sale of council houses	109
125	Housing associations	124
90	Lifetime grants	270
40	Employee car loans	34
23	Other	18
<b>398</b>		<b>555</b>

**17. Stocks and stores**

Balance at 31 March 2007 £'000	Stock	Balance at 31 March 2008 £'000
156	Depot stores	150
70	Other miscellaneous stores	53
<b>226</b>		<b>203</b>

**18. Debtors**

This balance includes amounts falling due within one year.

Balance at 31 March 2007 £'000	Debtor type	Balance at 31 March 2008 £'000
807	Government departments	1,624
3,021	Collection fund (council tax, business rates etc.)	3,813
583	Interest on investments	250
1,200	Housing rents	1,340
3,365	Sundry debtors	3,412
8,976		10,439
(2,692)	Less – provision for doubtful debts	(3,448)
<b>6,284</b>		<b>6,991</b>

## NOTES TO CORE FINANCIAL STATEMENTS

**19. Creditors**

Balance at 31 March 2007 £'000	Creditor	Balance at 31 March 2008 £'000
509	Government departments	1,133
32	Interest on borrowing	19
271	Housing rents prepaid	355
1,167	Collection fund (council tax, business rates etc.)	2,480
3,323	Sundry creditors	2,722
<b>5,302</b>		<b>6,709</b>

**20. Long term borrowing**

Long term borrowing represents loans taken out for terms greater than 12 months. The Council has £5,000,000 outstanding by way of long term borrowing at the end of the year. This is a single loan maturing in more than 10 years.

**21. Capital grants and contributions unapplied**

Balance at 31 March 2007 £'000		Balance at 31 March 2008 £'000
999	Contractors' contributions unapplied	1,065
110	Capital grants and contributions unapplied	397
<b>1,109</b>		<b>1,462</b>

**22. Deferred capital receipts**

Deferred capital receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses (£113,000), which form the main part of mortgages under long-term debtors. The balance (£7,000) relates to disposals of council houses under the 'Rent to Mortgage' scheme.

**23. Analysis of net assets employed**

Balance at 31 March 2007 £'000		Balance at 31 March 2008 £'000
25,768	General fund	28,623
257,292	Housing revenue account	293,936
(30,456)	Pension fund	(43,901)
<b>252,604</b>	<b>Total net assets employed</b>	<b>278,658</b>

**24. Revenue Funds**

	Balance at 31 March 2007 £'000	Contribution In year £'000	Used in year £'000	Balance at 31 March 2008 £'000
General fund	1,431	30	-	1,461
Housing revenue account	667	-	(8)	659
Collection fund	(103)	-	(157)	(260)
	<b>1,995</b>	<b>62</b>	<b>(197)</b>	<b>1,860</b>

## NOTES TO CORE FINANCIAL STATEMENTS

**25. Disclosure of net pensions asset/liability**

Note 5 to the Income and Expenditure Account contains details of the Council's participation in the Local Government Pensions Scheme (administered by Worcestershire County Council). The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

<b>Worcestershire County Council Pension Fund</b>		
<b>Redditch Borough Council</b>		
<b>£million</b>		<b>£million</b>
<b>2006/07</b>		<b>2007/08</b>
59.6	Market value of assets	55.3
(90.1)	Liabilities	(99.2)
<b>(30.5)</b>	<b>Net liability</b>	<b>(43.9)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The affect of including these assets and liabilities on the Balance Sheet net assets value is as shown below:

	<b>£'000</b>
Total net worth excluding Pension Fund assets and liabilities	281,812
Pension Fund Assets	55,309
Pension Fund Liabilities	(99,210)
<b>Total net worth including Pension Fund assets and liabilities</b>	<b>237,911</b>

The deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuaries. Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc. The liabilities have been assessed by Mercer Limited, Liverpool L2 2QH, an independent firm of actuaries, and estimates on the pension fund are based on the latest full valuation of the scheme as at 1 April 2007 and reflect changes in the year. The value of the pension liabilities is calculated by discounting the expected future benefit payments for the period between the expected date of payment and the date at which they are valued. This enables a valid comparison to be made with the value of the fund's existing assets, allowing the asset coverage on the valuation date to be measured. When the valuation date is moved on one year, one years worth of the discount "unwinds" as the benefit payments are one year closer, and the result is an increase in the value placed on the liabilities of one years "interest". The effect for 2007/08 was a 5.4% increase (based on the discount rate in force at the start of the year).

Assets are valued at fair value, principally market value for investments.

The main assumptions used in their calculations are:

## NOTES TO CORE FINANCIAL STATEMENTS

<b>Worcestershire County Council Pension Fund Redditch Borough Council Actuarial assumptions</b>		
	<b>Beginning of year</b>	<b>End of year</b>
<b>Financial assumptions</b>		
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	5.4%	6.1%
<b>Expected rate of return on assets</b>		
Equities	7.5%	7.5%
Government Bonds	4.7%	4.6%
Other bonds	5.4%	6.1%
Property	N/A	N/A
Cash/liquidity	5.25%	5.25%
<b>Split of assets between investment categories</b>		
Equities	90.3%	88.6%
Government Bonds	5.0%	4.7%
Other bonds	3.6%	3.8%
Property	0.0%	0.0%
Cash/liquidity	1.1%	2.9%
<b>Market value of total fund assets (£ millions)</b>	<b>1,246</b>	<b>1,193</b>
<b>Post retirement mortality assumptions</b>		
-Non-retired members (retiring in the future in normal health)	PA92 Base -2 years	PA92mc YoB Tables +1 year
-Current pensioners (retired in normal health)	PA92 Base	PA92mc YoB Tables +1 year
<b>Life expectancy</b>		
-of a male (female) future pensioner aged 65 in 20 years time	18.6 (21.6) years	22.2 (25.0) years
-of a male (female) future pensioner aged 65	16.9 (19.9) years	21.1 (24.0) years
<b>Commutation of pension for lump sum at retirement</b>	50% take maximum cash, 50% take 3/80ths cash	

The actuarial assumptions used in the calculation of the year end balance sheet liabilities are based on the 2007 actuarial valuation assumptions, other than the financial assumptions which are shown above.

The above expected returns are gross of expenses. A deduction of 0.44% in respect of expenses is made in calculating the expected return for the year.

## NOTES TO CORE FINANCIAL STATEMENTS

**Worcestershire County Council Pension Fund  
Redditch Borough Council**

**Disclosure items – 31 March 2008 year end  
BALANCE SHEET ITEMS AS AT 31 MARCH 2008**

	<b>£'000</b>
Market value of assets	55,309
Liabilities	(99,210)
<b>Surplus/ (Deficit)</b>	<b>(43,901)</b>

**MOVEMENT IN DEFICIT DURING 2007/08**

Surplus/(deficit) at beginning of year	(30,456)
Current service cost	(2,101)
Employer contributions	2,699
Past service cost/ curtailment cost	(1,232)
Net interest/ return on assets	(782)
Actuarial gain or (loss)	(12,029)
<b>Surplus/ (Deficit) at end of year</b>	<b>(43,901)</b>

**REVENUE ITEMS FOR 2007/08**

<b>Operating</b>	
Current service costs	(2101)
Past service costs	(616)
Curtailment loss	(616)
Settlement gain	0
<b>Total loss</b>	<b>(3,333)</b>
<b>Finance</b>	
Expected return on assets	4,072
Interest on pension liabilities	(4,854)
<b>Net gain/ (loss)</b>	<b>(782)</b>

**Disclosure items – 31 March 2008 year end (continued)**

**STATEMENT OF ACTUARIAL GAINS AND (LOSSES)**

Asset gain (loss)	(7,346)	13.3% of Assets
Liability gain (loss)	585	0.6% of Liabilities
Change in assumptions	(5,268)	
<b>Net gain/ (loss)</b>	<b>(12,029)</b>	

**ASSET VALUES BY CATEGORY**

	Assets at 31 March 2007		Assets at 31 March 2008	
	£'000	%	£'000	%
Equities	53,892	90.3%	49,003	88.6%
Government bonds	2,984	5.0%	2,600	4.7%
Other bonds	2,148	3.6%	2,102	3.8%
Property	0	0.0%	0	0.0%
Cash/liquidity	656	1.1%	1,604	2.9%
Other	0	0.0%	0	0.0%
<b>Total</b>	<b>59,680</b>		<b>55,309</b>	



## NOTES TO CORE FINANCIAL STATEMENTS

**26. Other information**• **Trust funds**

The Council acts as sole trustee for four trust funds established to provide benefits to the needy from legacies left by individuals. All funds are invested in bank deposit accounts. The funds do not represent assets of the Council and are not included in the consolidated balance sheet. The aggregated movement on the trusts is summarised below –

Balance at 31 March 2007	Expenditure in year	Receipts in year	Balance at 31 March 2008
£	£	£	£
8,122	-	33	8,155

• **Self insurance provision**

The Council operates a self insurance provision for third party claims up to £27,000. The movements are summarised below:

Balance at 31 March 2007	Contribution in year	Claims paid in year	Balance at 31 March 2008
£'000	£'000	£'000	£'000
309	158	(83)	384

**27. Movement on the pensions reserve**

	Pensions Reserve £'000
Actuarial gain in year	(12,029)
FRS17 adjustments to Income and Expenditure Account	(1,416)
<b>Net movement in year</b>	<b>(13,445)</b>
Balance brought forward at 1 April 2007	(30,456)
<b>Balance at 31 March 2008</b>	<b>(43,901)</b>

	2006/07		2007/08	
	£'000	%	£'000	%
Difference between expected and actual return on assets	n/a		(11,418)	
Gain on liabilities	0	0.0	585	0.6
Effect of changes in demographic and financial assumptions	4,561	5.1	(5,268)	(5.3)

**28. Government grants deferred**

	Government grants deferred £'000
Amounts credited to Income & Expenditure Account in 2007/08	(223)
Government grants deferred in year	231
<b>Movement on government grants deferred</b>	<b>8</b>
Balance brought forward at 1 April 2007	1,077
<b>Balance at 31 March 2008</b>	<b>1,085</b>

Grants received towards the cost of closed circuit television equipment, recycling plant, updated information technology, revenues and benefit software and Dial a Ride vehicles are being used over the life of the assets to offset provisions made for depreciation.

## NOTES TO CORE FINANCIAL STATEMENTS

**29. Movements in specific reserves**

	Balance at 31 March 2007 £'000	Contribution in year £'000	Used in Year £'000	Balance at 31 March 2008 £'000
<b>Housing major repairs</b>	<b>530</b>	<b>3,570</b>	<b>3,572</b>	<b>528</b>
<b>Earmarked reserves:-</b>				
Third party insurance	61	-	-	61
Community development	34	-	1	33
Car loan scheme	7	-	-	7
Hemming Road Enterprise Centre	45	-	-	45
Environmental Health	3	-	-	3
Taxi licensing	22	-	-	22
Public donations	87	1	14	74
Trade waste	89	-	89	-
Mercury emissions	60	60	-	120
Capital expenditure (General fund)	333	-	-	333
Concessionary Fares	-	43	-	43
Job evaluation	-	200	-	200
Capital expenditure(HRA)	3,750	700	-	4,450
	<b>4,491</b>	<b>1,004</b>	<b>104</b>	<b>5,391</b>

The contribution to the major repairs reserve is an amount equivalent to the depreciation charge on housing revenue account (HRA) assets. The contribution is funded within the HRA by the Major Repairs Allowance (MRA) which forms part of the housing subsidy received from the government. Capital expenditure on housing properties is financed from the major repairs reserve.

**30. Movements in realised capital resources**

	Usable capital receipts £'000
Amounts receivable in year	(3,469)
Contribution to housing capital receipts pool	2,058
Amounts applied to finance new capital investment	1,248
<b>Total increase in realised capital resources</b>	<b>(163)</b>
Balance brought forward at 1 April 2007	(1,983)
<b>Balance at 31 March 2008</b>	<b>(2,146)</b>

A proportion of capital receipts from the sale of Council owned assets may be used to finance new expenditure for capital purposes. The proportion that may be used is regulated by the Secretary of State and may be a value between 0% and 100% and may vary according to the source or nature of the receipts or the circumstances of the Council.

The Council received £2.8 million of useable capital receipts from council house sales during the year. Regulations introduced in 2004/05 require receipts from house sales to be paid into a central pool. This requirement is being phased in over 4 years, and £2.1 million of capital receipts were paid into the pool in 2007/08.

A further £0.7 million was received from the sale of non housing assets.

£1.2 millions of usable capital receipts were used to finance capital expenditure during 2007/08.

## NOTES TO CORE FINANCIAL STATEMENTS

**31. Revaluation Reserve**

This reserve was introduced as at 31 March 2007 with an opening balance of zero. It records the accumulated gains on the fixed assets held by the authority arising from increases in value, as a result of inflation or other factors.

The movements on the reserve are summarised below:-

	<b>Revaluation Reserve £'000</b>
Revaluations housing assets	(40,167)
Revaluations other land and buildings	(3,477)
Disposals	1,488
<b>Movement in year</b>	<b>(42,156)</b>
Balance brought forward at 1 April 2007	-
<b>Balance at 31 March 2008</b>	<b>(42,156)</b>

**32 Capital Adjustment Account**

The Capital Adjustment Account accumulates the write down of the historical cost of fixed assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates the resources that have been set aside to finance capital expenditure. The balance on the account represents timing differences between the amount of the historical cost of fixed assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

The movements on the account are summarized below:-

	<b>Capital Adjustment Account £'000</b>
Financing of capital expenditure from capital receipts	(1,248)
Financing of capital expenditure from Major Repairs Allowance	(3,572)
Depreciation and impairment to revenue	6,172
Disposals	3,660
Deferred charges to revenue	83
Transfer from Revaluation Reserve	(1,562)
Other movements	39
<b>Movement in year</b>	<b>3,572</b>
Balance brought forward at 1 April 2007	(273,941)
<b>Balance at 31 March 2008</b>	<b>(270,369)</b>

The credit balance on the Fixed Asset Restatement Account at 31 March 2007 has been written off to the Capital Financing Account to form the new Capital Adjustment Account with an opening balance of £273.941 million.

**33 Nature and extent of risks arising from financial instruments**

The Council's activities expose it to a variety of financial risks:

- 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.

## NOTES TO CORE FINANCIAL STATEMENTS

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Head of Financial and Revenue Services, under policies approved by the Council in the annual treasury management policy statement. The Council provides written principles for overall risk, credit risk, and the investment of surplus cash.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposure to the Council's customers. Deposits are not made with banks and financial institutions unless they are rated independently with credit ratings acceptable to the Head of Financial and Revenue Services. The Council has a policy of not lending more than £2.5 million to any one bank or financial institution.

The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council regularly reviews outstanding debtors and calculates a potential for default. The current bad debt provision in the balance sheet is £3.448 million.

**Liquidity risk**

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. Until 2007/08 the Council was debt free and now has only relatively small long term borrowing and limited risk.

The maturity analysis of financial liabilities is as follows:

	£'000
Less than one year	13,000
More than Five years	5,000
	18,000

**Market risk****Interest rate risk**

The Council is exposed to significant risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance a rise in interest rates would have the following effects:

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

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact upon the Income and Expenditure Account or STRGL.

To limit interest rate risk the Council does not currently have any of its borrowing in variable rate loans.

The Head of Financial and Revenue Services has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget.

**Price risk**

The Council does not invest in equity shares and is therefore not exposed to losses arising from movement in the price of shares.

**Foreign exchange risk**

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

## NOTES TO CORE FINANCIAL STATEMENTS

**Notes to the cash flow statement****33. Government grants**

Amounts received in respect of government grants (other than from DWP for rebates and capital grants) are listed below:

Grant	£'000
Sure Start	830
Benefits administration	650
Planning Delivery Grant	196
Safer Communities	138
Local Authority Business Growth Incentive	94
PSA Reward Grant	70
Homelessness	38
Smokeless Initiative	33
Environmental health	32
Land Drainage	29
Concessionary Fares	26
Waste minimisation	14
Housing defects	11
Elections	10
	<b>2,171</b>

**34. Reconciliation of surplus to net revenue cash flow**

	£'000
<b>Deficit for year (per Income and Expenditure Account on page 13)</b>	<b>5,364</b>
<ul style="list-style-type: none"> <li>• Contributions to HRA Major Repairs Reserve</li> <li>• Interest receivable</li> <li>• Interest payable</li> <li>• Non cash transactions</li> <li>• Contributions to other provisions and reserves</li> <li>• Net loss on sale of fixed assets</li> </ul>	(3,570) 886 (609) (4,105) 157 (127)
Changes in debtors, creditors and stocks:	
<ul style="list-style-type: none"> <li>• Decrease in debtors</li> <li>• Decrease in creditors</li> <li>• Increase in stocks</li> </ul>	960 (1,003) (23)
<b>Net cash flow from revenue activities</b>	<b>(2,070)</b>

**35. Capital Grants**

Grant	£'000
Heritage Lottery Fund	272
Decent Homes	181
ESC Lottery Fund	99
Disabled Facilities	226
Sure Start	22
Other	12
	<b>812</b>

**36. Liquid resources**

The liquid resources of the Council are short term investments.

	1st April 2007 £'000	31 March 2008 £'000	Movement in year £'000
Short term investments	5,200	15,500	10,300

## NOTES TO CORE FINANCIAL STATEMENTS

**37. Repayments of amounts borrowed**

The repayments are loans taken out on a short term basis as part of treasury management activities.

**38. Increase/ decrease in cash**

	1st April 2007 £'000	31 March 2008 £'000	Increase in year £'000
Cash in hand and at bank	(32)	(82)	(50)
Bank overdraft	603	132	(471)
	<b>571</b>	<b>(50)</b>	<b>(521)</b>

## SUPPLEMENTARY FINANCIAL STATEMENTS

<b><i>HRA Income and Expenditure Account</i></b>		
2006/07 £'000	Note	2007/08 £'000
	<b><i>Income</i></b>	
17,229	Dwelling rents(gross)	18,291
571	Non dwelling rents (gross)	586
176	Charges for services and facilities	185
11	Contributions towards expenditure	1
<b>17,987</b>	<b>Total income</b>	<b>19,063</b>
	<b><i>Expenditure</i></b>	
3,490	Repairs and maintenance	3,666
4,149	Supervision and management	4,354
212	Rent, rates, taxes, and other charges	223
-	Rent rebates	-
160	Increase in provision for bad or doubtful debts	706
3,530	Depreciation of fixed assets	3,570
5	Debt management costs	11
4,462	Negative subsidy transferable to DCLG	5,216
<b>16,008</b>	<b>Total expenditure</b>	<b>17,746</b>
<b>(1,979)</b>	<b>Net cost of HRA Services per Council Income and Expenditure Account</b>	<b>(1,317)</b>
625	HRA services share of Corporate and Democratic Core	582
<b>(1,354)</b>	<b>Net cost of HRA Services</b>	<b>(735)</b>
200	Pensions interest cost and expected return on assets	162
139	Interest payable and similar charges	148
(119)	Interest and Investment income	(104)
<b>(1,134)</b>	<b>(Surplus) or deficit for year on HRA Services</b>	<b>(529)</b>

<b><i>Statement of Movement on the HRA Balance</i></b>		
2006/07 £'000		2007/08 £'000
(1,134)	Surplus for the year on the HRA Income and Expenditure Account	(529)
1,050	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA Balance for the year	537
(84)	(Increase)/decrease in Housing Revenue Account balance	8
(583)	Housing Revenue Account surplus brought forward	(667)
<b>(667)</b>	<b>Housing Revenue Account surplus carried forward</b>	<b>(659)</b>

## SUPPLEMENTARY FINANCIAL STATEMENTS

**Note to the Statement of Movement on the HRA Balance**

2006/07 £'000		2007/08 £'000
	<b>Items included in the HRA Income and Expenditure Account but excluded in the Movement on the HRA Balance for the year</b>	
(740)	Net charges made for retirement benefits in accordance with FRS17	(721)
<b>(740)</b>		<b>(721)</b>
	<b>Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year</b>	
1,250	Transfer to earmarked reserves	700
540	Employers contributions payable to the Worcestershire Pension Fund	558
<b>1,790</b>		<b>1,258</b>
<b>1,050</b>	<b>Net additional amount required to be credited to the HRA balance for the year</b>	<b>537</b>

**Notes to the HRA Income and Expenditure Account****1. Dwelling rent income**

This is the total rent income due for the year after allowance is made for voids etc. During the year 1.24% properties were vacant (1.15% in 2006/07). Average rents were £57.39 a week (52 week basis) in 2007/08, an increase of £2.80 or 5.13% over the previous year.

**2. Housing stock**

The Council was responsible for managing an average stock of 6,102 dwellings during 2007/08. The change in the number of properties is shown below.

2006/07 Number of Properties		2007/08 Number of Properties
6,167	Owned on April 1	6127
(40)	Less Sales in year	(38)
	Transfers	(13)
<b>6,127</b>	<b>Owned on March 31</b>	<b>6,076</b>

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

2006/07 Number of Properties	<i>Property type</i>	2007/08 Number of Properties
1,622	One bedroom flats	1,611
585	Two bedroom flats	569
28	Three or more bedroom flats	28
662	One bedroom houses	662
955	Two bedroom houses	950
2,046	Three bedroom houses	2,028
175	Four or more bedroom houses	174
45	Non permanent dwellings	45
9	Multi-occupied dwellings	9
<b>6,127</b>	<b>Total number of properties</b>	<b>6,076</b>



## SUPPLEMENTARY FINANCIAL STATEMENTS

The balance sheet value of the land, houses and other property within the housing revenue account at 31 March 2008 was £295 million. Council dwellings were revalued at 1 April 2007. The valuation was made in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors (RICS) 5<sup>th</sup> Edition. The valuation was carried out by the Council's internal valuer, Mr R Kindon, and valuers who conform to the requirements of these Practice Statements. The valuation was based on Existing Use Value for Social Housing. The housing stock was valued at £296 million (the balance sheet valuation prior to revaluation was £257 million). The valuation did not include the notional directly attributable acquisition costs that were determined to be £5.9 million.

	<b>Dwellings, garages, other land and buildings £'000</b>
<b>Gross value at 1 April 2007</b>	<b>264,410</b>
Additions in year	5,207
Reclassified as investment property	(1,105)
Disposals in year	(2,898)
Revaluations	33,049
<b>Gross balance sheet value at 31 March 2008</b>	<b>298,663</b>
Depreciation	(3,569)
<b>Net balance sheet value at 31 March 2008</b>	<b>295,094</b>

The vacant possession value of dwellings within the housing revenue account as at 1 April 2007 was £600.4 million.

The vacant possession value and the balance sheet value of dwellings within the housing revenue account show the economic cost to Government of providing council housing at less than open market rents.

**3. Major repairs reserve**

The Council is required to maintain a major repairs reserve. The main credit to the major repairs reserve is an amount equivalent to the depreciation charge on housing revenue account assets. The reserve can be used only for capital expenditure on housing revenue account assets.

	<b>Major repairs reserve £'000</b>
<b>Balance at 1 April 2007</b>	<b>531</b>
Transfer from Capital Adjustment Account	3,570
Capital expenditure funded by major repairs reserve	(3,571)
<b>Balance at 31 March 2008</b>	<b>530</b>

**4. Housing repairs account**

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

<b>2006/07 £'000</b>		<b>2007/08 £'000</b>
3,189	Expenditure in year	3,359
300	Administration costs	307
(3,489)	Contribution from housing revenue account	(3,666)
-	<b>Transfer from/ (to) specific reserve</b>	-

## SUPPLEMENTARY FINANCIAL STATEMENTS

**5. Capital expenditure**

During the year a total of £5.375 million capital expenditure was incurred on land, houses and other assets within the housing revenue account.

<b>Financing source</b>	<b>£'000</b>
Housing Major Repairs Reserve	3,571
Borrowing	1,509
Capital receipts	295
<b>Total capital expenditure</b>	<b>5,375</b>

**6. Capital receipts**

The Council received £3.3 million capital receipts including income from the sale of 38 houses under the Right to Buy scheme.

**7. Depreciation**

The Council is required to charge depreciation on all housing revenue account properties calculated in accordance with proper practices. For housing revenue account dwellings these proper practices need to be considered in the context of the major repairs allowance which the government has introduced. It represents the estimated average annual cost of maintaining the condition of the housing stock over a 30 year period, based on the Council's own mix of dwelling types. It is accepted that the major repairs allowance is likely to constitute a reasonable estimate of depreciation. Accordingly, the major repairs allowance has been used as an estimate of depreciation charges in respect of housing revenue account dwellings in these accounts. Use of the major repairs allowance (MRA) is still considered an appropriate depreciation policy for the revalued housing assets. The cost of maintaining the condition of the housing stock represented by the MRA has not increased in line with the increase in the housing stock valuation. The total charge for depreciation on operational assets for 2007/08 is £3,569,645.

**8. Housing revenue account subsidy**

The amount of subsidy payable for 2007/08 was calculated in accordance with the formula set out in paragraph 3.1 of the General Determination of Housing Subsidy for 2007/08.

<b>Subsidy element</b>	<b>£'000</b>
Allowance for management and maintenance	(8,650)
Allowance for major repairs	(3,570)
Rental constraint allowance	(85)
	<u>(12,305)</u>
Less:	
Rent	17,200
Interest	308
Adjustment of 2006/07 subsidy	13
<b>Negative subsidy repaid to DCLG</b>	<b>5,216</b>

**9. HRA share of contributions to or from the Pensions Reserve**

Contributions to or from the Pensions Reserve have been apportioned to the Housing Revenue account pro rata pensionable pay.

<b>FRS17 accounting adjustments</b>	<b>£'000</b>
Current service pensions cost adjustment	4
Past service pensions cost adjustment	127
Pensions interest cost	1,003
Expected return on pensions assets	(842)
	<u>292</u>
Housing Revenue Account share of contributions to/from Pensions Reserve	
Sum of FRS17 movements	-850
Employers contributions	558
<b>Net effect on Housing Revenue Account</b>	<b>nil</b>

## SUPPLEMENTARY FINANCIAL STATEMENTS

**10. Rent arrears**

During the year 2007/08 gross rent arrears as a proportion of gross rent income have increased from 7.5% to 9.8%. Arrears at 31 March 2008 were £1,823,050 (31 March 2007 £1,302,086). Arrears written off during the year amounted to £156,174 (£110,341 in 2006/07).

**11. Provision for bad debts**

<b>2006/07</b>		<b>2007/08</b>
<b>£'000</b>		<b>£'000</b>
500	Balance at 1 April	550
160	Increase in provision	706
(110)	Written off in year	(156)
<b>550</b>	<b>Balance at 31 March</b>	<b>1,100</b>

## SUPPLEMENTARY FINANCIAL STATEMENTS

<b>The Collection Fund</b>			
2006/07 £'000	Note		2007/08 £'000
		<b>Income</b>	
(30,017)		Income from council tax (net of benefits)	(31,815)
(4,673)		Transfers from general fund	
		• council tax benefits	(4,928)
(30,036)		Income collectable from business ratepayers	(30,415)
		Contributions	
(77)		• towards previous year's estimated collection fund deficit	-
<b>(64,803)</b>			<b>(67,158)</b>
		<b>Expenditure</b>	
34,477		Precepts and demands	36,485
		Business rates	
29,918		• payment to national pool	30,297
118		• costs of collection	118
		Bad and doubtful debts	
420		• increased provision	274
		Contributions	
-		• towards previous year's estimated collection fund surplus	141
<b>130</b>		<b>Movement on fund balance</b>	<b>157</b>
(27)		Fund (surplus)/deficit brought forward	103
<b>103</b>	<b>6</b>	<b>Fund (surplus)/deficit carried forward</b>	<b>260</b>

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

#### **1. General**

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund, which shows transactions relating to non-domestic rates and council tax. It illustrates the way these have been distributed to preceptors and the general fund.

#### **2. Income from council tax - the council tax base**

Council tax income derives from charges raised according to the residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by Worcestershire County Council, Redditch Borough Council, the West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority for the forthcoming year and dividing this by the tax base (the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent). The council tax base for 2007/08 was 26,936.56 (26,685.92 for 2006/07). This basic amount of council tax for a band D property (£1,354.24 for 2007/08) is multiplied by the proportion specified for the particular band to give the amount due for each band.

Council tax bills were based on the following proportions for bands A to H: -

## SUPPLEMENTARY FINANCIAL STATEMENTS

Tax band	Number of properties	Adjusted for discounts	Proportion of band D	Band D equivalent	Council tax £
A(disabled)	13	11.75	5/9	6.53	752.36
A	7,094	5,923.00	6/9	3,948.67	902.83
B	11,098	10,043.00	7/9	7,811.22	1,053.30
C	6,952	6,446.75	8/9	5,730.44	1,203.78
D	4,104	3,869.75	1	3,869.75	1,354.24
E	3,028	2,913.00	11/9	3,560.33	1,655.20
F	1,119	1,075.50	13/9	1,553.50	1,956.13
G	395	379.00	15/9	631.67	2,257.07
H	15	14.00	18/9	28.00	2,708.50
Total	33,818	30,675.75		27140.11	
		Multiply by assumed collection rate		99.25%	
		<b>Tax base</b>		<b>26,936.56</b>	

**3. Business rates**

Business rating is organised on a national basis. The government specifies an amount (44.4p and 44.1p for small businesses in 2007/08 and 43.3p and 42.6p for small businesses in 2006/07) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a Non Domestic Rate Pool administered by the government. The government redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

The total non-domestic rateable value at 31 March 2008 was £80,022,637 (£80,174,817 at 31 March 2007).

**4. Precepts and demands**

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

2006/07 £'000	Authority	2007/08 £'000
24,001	Worcestershire County Council	25,423
4,814	Redditch Borough Council	5,064
4,009	West Mercia Police Authority	4,247
1,653	Hereford & Worcester Fire & Rescue Authority	1,751
<b>34,477</b>		<b>36,485</b>

**5. Bad and doubtful debts**

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

2006/07 £'000	Provision for bad debts - Council Tax	2007/08 £'000
782	Balance at 1 April	1,180
420	Increase in provision	274
(22)	Written off in year	(83)
<b>1,180</b>	<b>Balance at 31 March</b>	<b>1,371</b>

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

## SUPPLEMENTARY FINANCIAL STATEMENTS

2006/07 £'000	<b>Provision for bad debts – Business rates</b>	2007/08 £'000
506	Balance at 1 April	562
87	Increase/(decrease) in provision	200
(31)	Written off in year	(173)
<b>562</b>	<b>Balance at 31 March</b>	<b>589</b>

**6. Collection fund surpluses and deficits**

The deficit on the collection fund at 31 March 2008 will be recovered from Worcestershire County Council, Redditch Borough Council, the West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority in proportion to the respective precepts or demands made by those authorities on the collection fund.

**Statement of responsibilities for the statement of accounts**

**The Council's responsibilities**

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council that officer is the Head of Financial Services (Chief Finance Officer);
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

**The Chief Finance Officer's responsibilities**

The Chief Finance Officer is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/ LASAAC *Code of Practice on Local Authority Accounting in Great Britain* (the SORP).

In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

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

In accordance with the Accounts and Audit Regulations 10(2) I certify that the Statement of Accounts 2007/08 represents fairly the financial position of the Council at 31 March 2008 and its income and expenditure for the year.

..... **25 September 2008**  
Teresa Kristunas C.P.F.A.  
Head of Financial Services

**Council Approval**

In accordance with Regulation 10 (3) (b) of the Accounts and Audit Regulations 2003 I certify that the Statement of Accounts for 2007/08 were approved at Council on 30 June 2008.

..... **25 September 2008**  
J Field  
Mayor

*Annual Governance Statement  
2007/08*

**Scope of Responsibility**

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

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the effective management of risk.

**Governance Framework**

The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can 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 Redditch Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, to manage them effectively, efficiently and economically.

The governance framework, as described in the appendix to this Statement, has been in place at Redditch Borough Council for the year ended 31<sup>st</sup> March 2008 and up to the date of approval of the Statement of Accounts.

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of governance (including a review of the effectiveness of Internal Audit). An officer group has been formed to review and progress the development of good governance processes throughout the Council.

**Review of effectiveness**

Redditch Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members, Corporate Directors, Heads of Service, and other managers of the Council, who have



responsibility for the development and maintenance of the governance environment, and the Internal Audit Manager's annual report, and by the external auditors and other review agencies and inspectorates. A senior officer group has undertaken an assessment of the Authority's corporate governance arrangements using CIPFA/SOLACE framework.

Maintaining and reviewing the effectiveness of the governance framework is achieved through:

- The assessment of the Council under the CPA Framework by KPMG, including the annual Use of Resources assessment.
- The review and update of the Corporate Strategic Risk Register and Directorate Risk Register to reflect changes in the nature of the strategic and operational risks faced by the Council.
- The ongoing review and development of the Performance Management Framework.
- Quarterly budget and performance monitoring reports are presented to the Overview and Scrutiny Committee.
- The work plans and outputs of Internal Audit are monitored and challenged by the Audit Committee.
- External Audit review the work of internal audit as part of the Final Accounts audit process.
- The Audit Services Manager's annual internal audit report on the overall adequacy and effectiveness of the authority's internal control environment.
- All Heads of Service and Directors are required to complete an annual position statement on Internal Control.
- An officer group has carried out an assessment of Redditch Borough Council's governance framework against the CIPFA/SOLACE Framework/Guidance and is preparing an action plan for improvement.
- The Council has a Charter Mark award for its Housing Services. The assessment includes a number of corporate policies, processes and procedures.

In addition:

- No elected Member of Redditch Borough Council was found to be in breach of the Code of Conduct during 2007/08.
- No formal complaints regarding Members of Redditch Borough Council were referred to the Standards Committee in 2007/08.

- During 2007/08 Redditch Borough Council there were 4 determinations by the Ombudsman, 2 subject to local settlement and 2 where there was no, or insufficient evidence of maladministration.

**Significant governance issues**

Following a review of the current governance framework, against the 'Delivering Good Governance in Local Government Framework', a group of senior officers, including the Council's Monitoring Officer, Section 151 Officer and Internal Audit Manager, have identified the following as areas for improvement:

- The identification and classification of partners/partnerships is required and an assessment of the governance risks of key partnerships.
- The governance arrangements, with respect to partnerships and other group working, incorporating good practice as identified by the Audit Commission's report on the governance of partnerships, need to be reflected in the authority's overall governance arrangements.
- Redditch Borough Council needs to develop and maintain a Local Code of Corporate Governance to reflect the CIPFA/SOLACE framework.

**Cllr Carole Gandy**  
**Leader of the Council**  
**Borough Director**  
**Dated: 25 September 2008**

**Sue Hanley**  
**Acting Deputy Chief Executive**  
**Dated: 25 September 2008**

## **Appendix - Governance Framework**

The key aspects of the governance framework are derived from strategic leadership, an underlying set of legislative requirements, governance principles and management processes. The governance framework incorporate the policy framework and individual plans/policies/process/procedures; financial and performance management; risk management; the system of internal control, including internal audit; efficiency statements; and external regulation. The key elements of the governance framework are as follows:

### Strategic Leadership

The Council is committed to strong corporate leadership. Members and senior officers have been involved in an externally facilitated 'Visioning' event in order to inform a new Sustainable Community Strategy and the Corporate Plan. The Council's vision for the Borough is communicated via the Corporate Plan and also included in other key publications.

Community engagement is delivered through Focus Groups, Tenants' Panels, Neighbourhood Group/PACT meeting and consultation exercises.

### Roles and Responsibilities

The Council's Constitution, which governs the Council's policy and decision-making arrangements, is updated annually and kept under review. There is a separate Scheme of Delegation to Officers which is updated as required throughout the year. Standing orders for contracts, financial regulations, and the supporting guidance notes/manuals, are reviewed and updated, and training provided, as appropriate.

The Forward Plan, which details key decisions to be made in the coming months, is reviewed, updated and published on a monthly basis.

The Council has designated its Head of Legal, Democratic and Property Services as Monitoring Officer. The function requires compliance with Policies, Procedures, Laws and Regulations. The Monitoring Officer will report to full Council if she considers any proposed action, decision or omission would give rise to unlawfulness or maladministration. The Monitoring Officer ensures that the Constitution is reviewed and updated so that it remains fit for purpose. This officer is assisted by the Legal Services and Committee Services Managers. All reports include a consideration of legal implications before submission to members.

The financial management of the Council is the responsibility of the Head of Financial, Revenues and Benefits Services (Section 151 Officer), and is conducted in accordance with the Constitution and Financial Regulations. This officer is assisted by the Financial Services Manager and professional finance staff within Financial Services.

Overview and Scrutiny Committees have “call-in” powers to consider the appropriateness of executive decisions. They also review Council functions and matters of concern. During 2007/08 they have reviewed the process for setting fees and charges: examined Council communications; and considered the future of the District Centres. The Overview and Scrutiny Committee have produced an annual report detailing their activities and achievements.

The work plans and outputs of Internal Audit are monitored and challenged by the Audit Committee.

#### Development of Members and senior officers

The Council has a Member Induction and Development Programme which has been compiled in conjunction with Members. During 2007/08 Members training sessions have been provided on local government finances, risk management, and the role of the audit committee. Training is provided for Committee chairs and guidance notes are available for members sitting on Outside Bodies. Individual training budgets are provided for each Member.

A Management Development Programme has been devised for senior officers of the Council. In addition, individual officers are required by their professional institutes to undertake Continuous Professional Development (CPD) by their respective institutes. A number of managers have also attended the Leadership Development Programme facilitated by the County Council.

#### Standards of Conduct for Members and Officer

Codes of conduct exist for both Members and officers. Members and Officer interests are regularly audited.

The Standards Committee assists in the setting and promoting the ethics agenda for the Council and monitors the provision of relevant training.

Arrangements for whistle-blowing and for receiving and investigating complaints from the public are in place and are well publicised. The Council has also carried out an Anti-Fraud and Corruption risk assessment.

#### Performance Management

The Council’s approach to performance management continues to be developed. Its Performance Management Framework is currently under review. The objective of the Framework is, through regular monitoring, assessment and review of performance, both at a strategic and operational level, to deliver continuous improvement. In order to support the performance driven culture of the authority the senior management structure of the authority has recently been reviewed.

The Council has a Risk Management Strategy and an established process for the identification of both strategic and operational risks. The key strategic and operational risks for the Authority are included in the authority’s Corporate and Services Plan. The

risks are reviewed on a regular basis by the Corporate and Directorate Management Team.

The Council's Corporate Complaints Procedure is used as a tool to help identify service improvements from the complaints, comments and compliments received.

The outcomes of inspections and audits, including the Annual Audit and Inspection Letter are used to plan and improve Council services.

### Use of Resources

The Council is required to complete an annual CPA Use of Resources self-assessment. This comprises an examination of the Council financial arrangements, internal control and value for money. In addition the Council engages in benchmarking exercises with other authorities through organisations such as Institute of Public Finance and APSE. The quality of services is assessed through Charter Mark (housing), Quest (sports and leisure) and Green Flag (environment). More recently the Council has introduced Lean System Thinking into a number of its customer focussed service areas.

## Glossary of terms

### **Accounting Period**

The period of time covered by the accounts. This is the twelve months starting on 1 April 2007. The end of the accounting period is the balance sheet date.

### **Accounting policies**

The policies and concepts used in the preparation of the accounts.

### **Accruals**

Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

### **Audit of accounts**

An examination by an independent accountant of the Council's financial affairs to check the relevant legal obligations and codes of practice have been followed.

### **Balance sheet**

A summary of the Council's assets, liabilities and other reserves at the end of the Accounting Period.

### **Best value accounting code of practice**

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

### **Budget**

A statement defining the Council's policies over a period of time in monetary terms.

### **Capital charge**

A charge to services to reflect the cost of fixed assets used in the provision of services.

### **Capital expenditure**

Expenditure on the acquisition or construction of assets which have a value to the Council for more than a year e.g. vehicles, land and buildings.

### **Capital financing**

The sources of money used to pay for capital expenditure. The sources include capital receipts, capital grants, contributions from revenue and reserves.

### **Capital receipts**

Income from the sale of capital assets such as land and buildings.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy – the professional body that defines the way the Council's accounts are prepared.

### **Collection Fund**

A separate fund for recording the expenditure and income relating to council tax and non domestic rates.

**Creditors**

The amounts owed by the Council for goods and services provided for which payment has not been made by the end of the accounting period.

**Current Asset**

Something owned by the Council that has a monetary value that will be used by the end of the financial year.

**Debtors**

Amounts due to the Council but unpaid by the end of the accounting period.

**Deferred charges**

Capital expenditure for which no tangible fixed asset exists, for example a capital grant made to another organisation or person.

**Depreciation**

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

**Fixed assets**

A tangible asset which is intended to be used for several years such as a vehicle or a building.

**Housing Benefits**

The national system for giving financial assistance to individuals towards certain housing costs.

**Impairment**

A reduction in the value of a fixed asset below its value in the balance sheet.

**Liability**

A liability is an amount owed by the Council to others.

**Non Domestic Rates**

The contribution collected from businesses towards the cost of local government services.

**Operating lease**

A lease where the ownership of the asset leased remains with the leasing company.

**Precept**

A charge made by the County Council, the Police and the Fire and Rescue Services for the cost of providing their services. The Council collects this from council taxpayers on their behalf.

**Provisions**

Money set aside to meet any liabilities or losses which are likely to occur, but the amounts and date on which they will arise is uncertain.

**Reserves**

Money set aside to meet the cost of specific future expenditure.

**Revenue Contributions to Capital**

Capital expenditure met from the annual revenue budget.

**Revenue expenditure**

The day to day expenditure associated with the provision of services.

**Revenue Support Grant**

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

**Statement of Recommended Practice (SORP)**

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

**Temporary borrowing**

Money borrowed for a period of less than one year.

**Trust funds**

Funds administered by the Council on behalf of charities.





30 September 2008

All Council Members  
Redditch Borough Council  
Town Hall  
Alcester Street  
Redditch  
Worcs  
W98 8AH

**Direct line** 0844 798 7580

Dear Councillor

**Redditch Borough Council – Audit of Accounts 2007/08**

I attach my Annual Governance Report on the 2007/08 audit of accounts. This includes the matters I am required to report to you before I give my opinion on your financial statements later today.

I am sending this to all Council members because as Council members you have final responsibility for the financial statements and Annual Governance Statement and this responsibility has not been delegated to the Audit Committee. My draft report has been discussed by group leaders on behalf of the council under urgent business powers and they have approved the Letter of Representation on your behalf. This letter is for information only, there are no matters that you need to take action on.

Yours sincerely

A handwritten signature in cursive script that reads 'Elizabeth Cave'.

Elizabeth Cave  
District Auditor

The Business Centre  
Blackpole Road  
Worcester WR3 8SQ

Audit Commission, Rooms 13-18 and 24, The Business Centre, Blackpole Road,  
Worcester WR3 8SQ  
T 0844 798 2360 F 0844 798 2369 [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)



# Annual Governance Report

Redditch Borough Council

Audit 2007/08

September 2008



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## Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
  - any third party.
-

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# Summary

## Purpose

- 1 This report summarises the findings from our 2007/08 audit, which are substantially complete. It identifies the key issues that you should consider before we issue our opinion, conclusion and certificate.
- 2 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you.

## Financial statements

- 3 We expect to issue an unqualified opinion on the financial statements. Several issues have arisen during the year and we have worked with your staff to resolve these. Co-operation from staff was good and working papers were adequate.
- 4 The financial statements submitted for audit, have been the subject of a number amendments. There are no further outstanding suggested amendments to the accounts.

## Value for money

- 5 The Council's system of internal control is operating satisfactorily and we therefore propose issuing an unqualified conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

## Next steps

- 6 We ask the Council to:
  - consider the matters raised in the report before approving the financial statements; and
  - approve the representation letter on behalf of the Council before we issue our opinion, conclusion and certificate.

# Financial statements and Annual Governance Statement

- 7 The Council's financial statements and Annual Governance Statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider our findings before you approve the financial statements and the Annual Governance Statement.
- 8 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 9 In addition, auditing standards require us to report to you:
- the draft representation letter which we are asking management and you to sign;
  - our views about the Council's accounting practices and financial reporting;
  - errors in the financial statements;
  - any expected modification to our report;
  - weaknesses in internal control; and
  - certain other matters.

## Key areas of judgement and audit risk

- 10 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit. Our findings are set out in Table 1.

**Table 1 Key areas of judgement and audit risk**

Issue or risk	Finding
During the financial year the authority experienced problems reconciling some feeder systems and the cash system to the general ledger.	By the year end control accounts were reconciled and were tested as part of the audit. No further issues
During the year interim accounts are prepared on a cash basis with accruals being prepared at the year end.	Accruals were tested and there are no issues that require reporting
S106 monies are of a high value and were considered to be a risk area due to length of time the amounts could be outstanding	S106 Monies outstanding were tested substantively and there are no issues that require reporting.

## Financial statements and Annual Governance Statement

### Accounting policies and financial reporting

- We consider the qualitative aspects of your financial reporting and have no issues to report.

### Errors in the financial statements

- 11 We identified a number of errors in the financial statements (other than those of a trivial nature). Management agreed to adjust the financial statements for the errors.
- 12 The Council's five year rolling programme of property revaluations had not been followed in 2006/07 or 2007/08. We requested the revaluation take place and this resulted in a reduction in the asset value of £1.262 million with an impairment adjustment in the Income and Expenditure Account of £1.188 million.
- 13 The council's housing stock had not been revalued in the last two years. This did not comply with the Statement of Recommended Practice 2007 (SORP) we requested that a revaluation take place and this resulted in an increase in asset value in the balance sheet of £38.7 million.
- 14 In the Housing Revenue Account rent rebates had been netted off against the housing subsidy received. This was not in accordance with the SORP and the HRA was amended for this. There was no effect on the net cost of services in the Income and Expenditure Account.

### The audit report

- 15 We plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 2 contains a copy of our draft report.

### Material weaknesses in internal control

- 16 We have not identified any weakness in the design or operation of an internal control that might result in a material error in your financial statements of which you are not aware.

### Other matters

- 17 During the audit we were unable to locate the deeds for the council crematorium and for part of the market area. Although we have no reason to believe that the authority does not own these properties they should be located by the authority as a matter of priority.
- 18 There are no other matters that auditing standards require me to report to you.

### Draft representation letter

- 19 Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:
  - you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
  - you have approved the financial statements;

- you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
- you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
- you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
- you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
- you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

The properties for which deeds could not found are actually the property of the council.

20 Appendix 1 contains the draft of the letter of representation we seek from you.



## Value for money

- 21 We are required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against 12 criteria specified by the Commission. Our conclusion is informed by our work on Use of Resources, a scored judgement reported to the Audit Commission.
- 22 We have assessed the arrangements of the Council as adequate in all 12 areas and we therefore propose to issue an unqualified conclusion.

---

# Formal audit powers

23 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
  - making a decision that might give rise to unlawful expenditure; or
  - taking an unlawful course of action that would give rise to a loss; or
  - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

24 We have not and do not propose to exercise these powers.

# Independence

- 25 The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 26 We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 27 We communicate to you:
- any relationships between us and the Council, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
  - total fees charged to you for audit and non-audit services; and
  - our arrangements to ensure independence and objectivity.

## Relationships with the Council

- 28 We have identified no relationships that might affect objectivity and independence.

### Audit fees

- 29 We reported our fee proposals as part of the Audit Plan for 2007/08 and in the opinion plan issued in May 2008. The table below reports the outturn fee against that plan. This includes the additional fee of £7,500 included in our opinion audit plan and agreed by Audit Committee in May 2008.

**Table 2      Audit fees**

	<b>Plan 2007/08</b>	<b>Actual 2007/08</b>
Financial statements and Annual Governance Statement	63500	63500
Value for Money	48000	48000
National Fraud Initiative	600	600
Total Audit Fees	112100	112100
Other work		

- 30 The analysis above shows that we contained our audit fee within the totals you have already agreed.
- 31 Under the Audit Commission's advice and assistance power it may provide non-audit services to the Council. [Provide description and amount for each area where future services have been contracted or a written proposal submitted].

## Independence

### Our arrangements to ensure independence and objectivity

32 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 3.

**Table 3 Arrangements to ensure independence and objectivity**

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> <li>• do not hold a financial interest in any of our audit clients;</li> <li>• may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and</li> <li>• may not enter into business relationships with UK audit clients or their affiliates.</li> </ul> <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> <li>• the general requirement to carry out work independently and objectively;</li> <li>• safeguarding against potential conflicts of interest;</li> <li>• acceptance of additional (non-audit) work;</li> <li>• rotation of key staff;</li> <li>• other links with audited bodies;</li> <li>• secondments;</li> <li>• membership of audited bodies;</li> <li>• employment by audited bodies;</li> <li>• political activity; and</li> <li>• gifts and hospitality.</li> </ul>
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

---

# Appendix 1 – Draft letter of representation

To:

Elizabeth Cave  
District Auditor  
The Audit Commission  
The Business Centre  
Blackpole Road  
Worcester  
WR3 8SQ

Redditch Borough Council - Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Redditch Borough Council the following representations given to you in connection with your audit of Council's financial statements for the year ended 31 March 2008.

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements which give a true and fair view and for making accurate representations to you.

I acknowledge my responsibilities under the relevant statutory authorities to prepare the Council's accounts in accordance with proper practices as defined in relevant legislation or guidance.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

## Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council meetings, have been made available to you.

## Related party transactions

I confirm the completeness of the information provided regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

## Appendix 1 – Draft letter of representation

### Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements;
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

### Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

In all material respects, the expenditure and income disclosed in the financial statements has been applied to purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

The body has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

### Assets

We confirm that properties for which deeds could not be located i.e. the crematorium and land in the Market area are owned by the council.

The following have been properly recorded and when appropriate adequately disclosed in the financial statements:

- losses arising from sale and purchase commitments;
- agreements and options to buy back assets previously sold; and
- assets pledged as collateral.

### Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect error. There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or

- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Signed on behalf of Redditch Borough Council

Signed:

Name: Teresa Kristunas

Position: Head of Financial Services

Date:

Signed:

Name:

Position: Council Chair

Date:



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# Appendix 2 – Independent auditor’s report to the Members of Redditch Borough Council

## Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Redditch Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Authority Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Redditch Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

## Respective responsibilities of the Director of Resources and auditor

The Director of Resources responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority's accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

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

### **Basis of audit opinion**

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority accounting statements and related notes.

### **Opinion**

In my opinion:

The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

**Authority’s responsibilities**

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

**Auditor’s responsibilities**

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Redditch Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

**Best Value Performance Plan**

My predecessor issued a statutory report on the audit of the authority’s best value performance plan for the financial year 2007/08 on December 2007. He did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

**Certificate**

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

Elizabeth Cave  
District Auditor

Date

The Business Centre  
Blackpole Road  
Worcester  
WR3 8SQ

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# The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

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