

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.

2006/07 Actual £'000		2007/08 Original Budget £'000	2007/08 Actual £'000	2007/08 Difference £'000
11,956	Net expenditure on services	12,499	12,261	(238)
246	Contributions to/ (from) reserves	-	200	200
(699)	Interest received	(709)	(956)	(247)
11,503	Net General Fund expenditure	11,790	11,505	(285)
	<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)	-
(177)	Deficit/(Surplus) for the year funded from General Fund reserves	419	(30)	(449)

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	-
18,022	Housing Revenue Account expenditure	19,661	19,414	(247)
	<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)
(84)	Deficit/(surplus) for the year funded from HRA reserves	228	8	(220)

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
Total capital expenditure	12,280.8	8,282.8	3,918.0

*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.

	2008/09 Original Budget £'000
Net General Fund expenditure	12,335
<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
Deficit for the year funded from General Fund reserves	528

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.

	2008/09 Original Budget £'000
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
Housing Revenue Account expenditure	19,438
Rents and charges to tenants	(19,378)
Interest	(351)
Surplus for the year transferred from Housing Revenue Account reserves	(291)

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 3rd 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 1st 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	-	-	-
11,924		Net cost of services	62,906	(48,501)	14,405
-		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
13,734		Net operating expenditure			16,899
(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)
2,053		Deficit for the year			5,364

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
2,053	Deficit for the year on the Income and Expenditure Account	5,364
(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)
(177)	(Increase)/Decrease in General Fund Balance for the year	(30)
(1,254)	General Fund Balance brought forward	(1,431)
(1,431)	General Fund Balance carried forward	(1,461)
(1,431)	Amount of General Fund Balance generally available for new expenditure	(1,461)

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

2006/07 £'000		2007/08 £'000
	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	
(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)
(4,876)		(6,927)
	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	
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
1,067		641
	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	
84	Housing Revenue Account Balance	(8)
1,495	Net transfer to or from earmarked reserves	900
1,579		892
(2,230)	Net additional amount required to be credited to the General Fund balance for the year	(5,394)

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	Deficit for the year on the Income and Expenditure Account	5,364
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
5,780	Total recognised (gain)/loss for the year	(26,054)

CORE FINANCIAL STATEMENTS

The Balance Sheet

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

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
		REVENUE ACTIVITIES		
		Cash outflows		
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
		Cash inflows		
(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)
(4,187)	34	Net cash flow from revenue activities		(2,070)
		RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
		Cash outflows		
498		• Interest paid		622
		Cash inflows		
(540)		• Interest received		(1,218)
		CAPITAL ACTIVITIES		
		Cash outflows		
14,167		• Expenditure on fixed assets	7,847	
19		• Other capital cash payments	6	7,853
		Cash inflows		
(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)
3,971		Net cash (inflow)/outflow before financing		(9,871)
		MANAGEMENT OF LIQUID RESOURCES		
(3,825)	36	• Net increase/decrease in short term deposits		10,300
		FINANCING		
		Cash outflows		
-	37	• Repayments of amounts borrowed		4,050
		Cash inflows		
-		• New loans raised		(5,000)
-		• New short term loans		-
146	38	(Increase)/decrease in cash		(521)

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
Central services to the public			
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
1,189	6,735	(5,739)	996
Cultural, environmental and planning services			
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
8,693	14,944	(5,394)	9,550
Highways, roads and transport			
- 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
1,310	1,773	(187)	1,586
Housing services			
267 Housing services- general fund	2,330	(2,081)	249
288 Housing benefits	16,253	(16,013)	240
555	18,583	(18,094)	489

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
417		1,498

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
(576)		(302)

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	<u>270</u>	
	Surplus		(561)
	<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	<u>697</u>	
	Deficit		240
	<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	<u>140</u>	
	Deficit		8
	<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>	
(2,615)	• Employer's contributions payable to scheme	(2,699)

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
292		180

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
19,055		18,995

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.

Building regulations charging account 2007/08						
	Chargeable		Non-chargeable		Total building control	
	2006/07 £'000	2007/08 £'000	2006/07 £'000	2007/08 £'000	2006/07 £'000	2007/08 £'000
Expenditure						
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
TOTAL EXPENDITURE	138	121	98	85	236	206
Income						
Building regulation charges	132	141	-	-	132	141
Miscellaneous income	-	-	1	-	1	-
TOTAL INCOME	132	141	1	-	133	141
Surplus/(deficit) for year	(6)	20	(97)	(85)	(103)	(65)

NOTES TO CORE FINANCIAL STATEMENTS

Notes to the Balance Sheet

13. Fixed assets

• **Fixed assets movements**

	Council Dwellings	Other Land and buildings	Infra- Structure	Community Assets	Vehicles And plant	Investment Properties	Intangible assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historic cost or valuation								
Value at 1 April 2007	264,410	15,765	76	688	6,821	9,265	1,025	298,050
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	-	-	-	-	-	-	-	-
Value at 31 March 2008	298,663	13,818	561	1,163	6,947	12,761	1,158	335,071
Depreciation								
At 1 April 2007	7,118	2,607	14	75	2,282	-	114	12,210
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	-	-	-	-	-	-	-	-
Depreciation at 31 March 2008	3,569	1,394	18	87	3,036	-	330	8,434
Net book value at 31 March 2008	295,094	12,424	543	1,076	3,911	12,761	828	326,637
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.

	Council Dwellings	Other land and buildings	Infra-Structure	Community assets	Vehicles And plant	Investment Properties	Intangible Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
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
Gross value	298,663	13,818	561	1,163	6,947	12,761	1,158	335,071
Cumulative depreciation	3,569	1,394	18	87	3,036	-	330	8,434
Net book value at 31 March 2008	295,094	12,424	543	1,076	3,911	12,761	828	326,637

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

- **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
	22

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)	-
	695	(435)	(260)	-

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
398		555

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
226		203

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)
6,284		6,991

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
5,302		6,709

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
1,109		1,462

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)
252,604	Total net assets employed	278,658

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)
	1,995	62	(197)	1,860

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:

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

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:

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

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

Worcestershire County Council Pension Fund Redditch Borough Council Actuarial assumptions		
	Beginning of year	End of year
Financial assumptions		
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%
Expected rate of return on assets		
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%
Split of assets between investment categories		
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%
Market value of total fund assets (£ millions)	1,246	1,193
Post retirement mortality assumptions		
-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
Life expectancy		
-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
Commutation of pension for lump sum at retirement	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**

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

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)
Surplus/ (Deficit) at end of year	(43,901)

REVENUE ITEMS FOR 2007/08

Operating

Current service costs	(2101)
Past service costs	(616)
Curtailment loss	(616)
Settlement gain	0
Total loss	(3,333)

Finance

Expected return on assets	4,072
Interest on pension liabilities	(4,854)
Net gain/ (loss)	(782)

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)	
Net gain/ (loss)	(12,029)	

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%
Total	59,680		55,309	

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)
Net movement in year	(13,445)
Balance brought forward at 1 April 2007	(30,456)
Balance at 31 March 2008	(43,901)

	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
Movement on government grants deferred	8
Balance brought forward at 1 April 2007	1,077
Balance at 31 March 2008	1,085

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
Housing major repairs	530	3,570	3,572	528
Earmarked reserves:-				
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
	4,491	1,004	104	5,391

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
Total increase in realised capital resources	(163)
Balance brought forward at 1 April 2007	(1,983)
Balance at 31 March 2008	(2,146)

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.

£1.2millions 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:-

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

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:-

	Capital Adjustment Account £'000
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
Movement in year	3,572
Balance brought forward at 1 April 2007	(273,941)
Balance at 31 March 2008	(270,369)

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
	2,171

34. Reconciliation of surplus to net revenue cash flow

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

35. Capital Grants

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

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)
	571	(50)	(521)

SUPPLEMENTARY FINANCIAL STATEMENTS

<i>HRA Income and Expenditure Account</i>			
2006/07 £'000	Note		2007/08 £'000
<i>Income</i>			
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
17,987		Total income	19,063
<i>Expenditure</i>			
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
16,008		Total expenditure	17,746
(1,979)		Net cost of HRA Services per Council Income and Expenditure Account	(1,317)
625		HRA services share of Corporate and Democratic Core	582
(1,354)		Net cost of HRA Services	(735)
200		Pensions interest cost and expected return on assets	162
139		Interest payable and similar charges	148
(119)		Interest and Investment income	(104)
(1,134)		(Surplus) or deficit for year on HRA Services	(529)

<i>Statement of Movement on the HRA Balance</i>			
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)
(667)	Housing Revenue Account surplus carried forward		(659)

SUPPLEMENTARY FINANCIAL STATEMENTS

Note to the Statement of Movement on the HRA Balance

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

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		6,127
(40)	<i>Less</i>	
	Owned on April 1	6127
	Sales in year	(38)
	Transfers	(13)
6,127	Owned on March 31	6,076

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
6,127	Total number of properties	6,076

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) 5th 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.

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

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.

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

4. Housing repairs account

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

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

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.

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

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.

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

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.

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

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

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

SUPPLEMENTARY FINANCIAL STATEMENTS

The Collection Fund			
2006/07 £'000	Note		2007/08 £'000
		Income	
(30,017)		Income from council tax (net of benefits)	(31,815)
		Transfers from general fund	
(4,673)		• council tax benefits	(4,928)
(30,036)		Income collectable from business ratepayers	(30,415)
		Contributions	
(77)		• towards previous year's estimated collection fund deficit	-
(64,803)			(67,158)
		Expenditure	
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
130		Movement on fund balance	157
(27)		Fund (surplus)/deficit brought forward	103
103	6	Fund (surplus)/deficit carried forward	260

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%	
			Tax base	26,936.56	

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
34,477		36,485

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)
1,180	Balance at 31 March	1,371

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

SUPPLEMENTARY FINANCIAL STATEMENTS

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

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 31st 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.