

**DUDLEY METROPOLITAN BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE**  
**YEAR ENDED 31 MARCH 2011**

Page No.

1.	<a href="#">Statement of Responsibilities for the Statement of Accounts</a> .....	2
2.	<a href="#">Certificate of the Treasurer</a> .....	3
3.	<a href="#">Independent Auditor's Report</a> .....	4
4.	<a href="#">Explanatory Foreword by the Treasurer</a> .....	6
5.	<a href="#">Explanatory Foreword - Summary of the 2010/11 Financial Year</a> .....	8
6.	<a href="#">Movement in Reserves Statement</a> .....	12
7.	<a href="#">Comprehensive Income and Expenditure Statement</a> .....	14
8.	<a href="#">Balance Sheet</a> .....	16
9.	<a href="#">Cash Flow Statement</a> .....	19
10.	<a href="#">Notes to the Core Statements</a> .....	20
11.	<a href="#">Housing Revenue Account</a> .....	105
12.	<a href="#">Collection Fund</a> .....	110
13.	<a href="#">Annual Governance Statement</a> .....	112

## **STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

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### **The Authority's Responsibilities:**

The Authority 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. This authority has designated the Treasurer as the responsible officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

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## **APPROVAL OF THE STATEMENT OF ACCOUNTS**

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I confirm that that these accounts were considered and approved by Dudley Metropolitan Borough Council's Audit Committee at the meeting held on 22 September 2011.

Signed on behalf of Dudley Metropolitan Borough Council:

Councillor Alan Taylor  
Chairman of the Audit Committee

Date: 22 September 2011

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**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS  
(Continued)**

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**The Treasurer's Responsibilities:**

The Treasurer is responsible for the preparation of the authority's Statement of Accounts which, in terms of the Code of Practice on Local Authority Accounting in the United Kingdom, is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

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**CERTIFICATE OF THE TREASURER**

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I certify that in preparing this Statement of Accounts:

- I have selected suitable accounting policies and applied them consistently,
- I have made reasonable and prudent judgements and estimates,
- I have complied with the Code of Practice on Local Authority Accounting in the United Kingdom.

I have also kept proper and up-to-date accounting records, and taken reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts set out in the following pages give a true and fair view of the financial position of Dudley Metropolitan Borough Council at 31 March 2011, and its income and expenditure for the year then ended.

I authorise this Statement of Accounts for issue on the date below. This is the date up to which events after the balance sheet date have been considered for their possible effect on the accounts.

.....  
Iain Newman,  
Treasurer

Date: 22 September 2011

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## **DRAFT INDEPENDENT AUDITOR'S REPORT TO DUDLEY METROPOLITAN BOROUGH COUNCIL**

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### **Opinion on the Authority accounting statements**

I have audited the accounting statements of Dudley Metropolitan Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Dudley Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

### **Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on accounting statements**

In my opinion the accounting statements:  
give a true and fair view of the state of Dudley Metropolitan Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and  
have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

### **Opinion on other matters**

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

### **Matters on which I report by exception**

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

#### **Authority's responsibilities**

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

#### **Auditor's responsibilities**

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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**DRAFT INDEPENDENT AUDITOR'S REPORT TO  
DUDLEY METROPOLITAN BOROUGH COUNCIL**

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I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Basis of conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

securing financial resilience; and

challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011. I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Dudley Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

**Certificate**

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

[Signature]

Tony Corcoran  
Officer of the Audit Commission  
Audit Commission  
1st Floor  
No. 1 Friarsgate  
1011 Stratford Road  
Solihull  
B90 4EB

[Date]

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## EXPLANATORY FOREWORD BY THE TREASURER

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The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. The accounts are based on the Code of Practice on Local Authority Accounting in the United Kingdom 2010 (the Code). The 2010 Code introduced substantial changes to some aspects of the accounts. Where relevant, the effects are noted in the accounts and details given in the Statement of Accounting Policies on pages 22 – 33. The main changes are:

- the change to International Financial Reporting Standards (IFRS). The vehicle leases which were previously counted as operating leases are now brought on balance sheet, as are a small number of properties leased in. The effect of the change in these accounts on assets is due to the criteria for inclusion on the balance sheet being control of use of the asset, and benefit of the asset at the end of the contract, instead of the earlier criteria of risk and reward.
- Analysis of property. Properties that are expected to be sold within twelve months are treated as current assets. Investment properties are re-defined as those held solely for income generation or capital appreciation, and they are treated like treasury items.
- Employee benefits. Untaken holiday pay and similar items are accrued for at the year end. As the amounts generally do not vary significantly from year to year, there is little effect on the accounts, but in any case such effect is reversed by an appropriation to or from the short term accumulating absences account. (STACA)
- Grants. Capital grants are recognised as income as soon as there is no chance of having to pay back the money. This differs from the previous practice of carrying grants for capital assets on the balance sheet, and writing down the balance to revenue to match depreciation. There is no change in the actual use of grants to fund capital spend.
- Revenue grants are recognised as soon as there is no risk of having to pay back the money.

The analysis by service in the Comprehensive Income and Expenditure Statement on page 14 follows the Best Value Accounting Code of Practice (BVACOP), which is intended to promote comparability between different authorities. The BVACOP analysis does not match Dudley's structure of directorates. Results by directorate are shown in this foreword.

The pages which follow are the Authority's final accounts for 2010/11 and comprise:

**Statement of Accounting Policies** - this explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies which have been followed in dealing with material items are explained.

### **The Core Statements**

**Movement in Reserves Statement (MiRS)** - a reconciliation showing how the balance of resources generated or consumed in the year links in with statutory requirements for raising council tax. In particular it shows the movement in the General Fund Balance. Further details are disclosed in **Note 7** to the Core Statements.

**Comprehensive Income and Expenditure Statement (CIES)** - This is a summary of the funds raised and used by the authority in the year. It shows the net cost for the year of the functions for which the Authority is responsible and demonstrates how that cost has been financed from general Government grants and income from local taxpayers. The CIES follows International Financial Reporting Statements, and shows the change in the year of the net worth as shown in the balance sheet.

**Balance Sheet** – This sets out the Authority's year end financial position. It shows the balances and reserves at the Authority's disposal and its long-term indebtedness, the fixed and net current assets employed in its operations, and summarised information on the fixed assets held. It includes the Collection Fund, but excludes Trust Funds

**Cash Flow Statement** - this summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.

The Core Statements are followed by a single sequence of **supporting and disclosure notes**.

The remaining statements are regarded as subsidiary to the core statements:

**Housing Revenue Account** - this reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration, and capital financing costs - and how these are met from rents, subsidy, and other income. The layout of this account is an HRA Income and Expenditure Statement, followed by a Movement on the HRA Statement. These accounts are fully included within the main Movement in Reserves Statement and the Comprehensive Income and Expenditure Statement.

**Collection Fund** - This shows the transactions of Dudley as a billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to precepting authorities and to Dudley's General Fund

The **Annual Governance Statement** will be included with the published Statement of Accounts.

### **Points of Interest**

#### **Material and Unusual Items in the CIES**

The book value of council dwellings has dropped by about one third, due to a government change in the factor used to estimate the effect of right-to-buy discounts. This resulted in a charge of £192 million through the HRA Income and Expenditure Statement, reversed in the Movement on the HRA Statement. It does not reflect any change in the condition or ownership of Dudley's housing stock.

The change to public sector pensions announced in the June 2010 budget, of changing the inflation factor used from retail price index (RPI) to consumer price index (CPI) has resulted in a reduction of pension liabilities of £58m. Under accounting rules, this is shown as a credit to the CIES reversed in the MiRS, so that there is no effect on the General Fund Balance, or on the amount raised from council-tax payers. The benefit to council-tax-payers of the change in inflation factor will become visible in the future, as eventually pension contributions will be lower than they would have otherwise have been.

#### **Economic Environment**

The combination of limited government funding, increasing pressures for services to vulnerable residents, and rising costs, and the prospect of severely reduced funding in future, has led to a substantial restructuring exercise, to reduce costs, while maintaining services as far as possible. Every endeavour has been made for the staff savings involved in this to be met by redeployment and by not filling vacancies, but redundancies are also needed. The costs associated with redundancies approved by 31 March 2011, and the likely effect of those in train at that date, is estimated as £8.4m for redundancy costs, and £3.2m for capitalised costs of early access to earned pensions. The pension costs will increase the liability for pension schemes, but will not involve immediate cash costs.

## EXPLANATORY FOREWORD BY THE TREASURER SUMMARY OF THE 2010/11 FINANCIAL YEAR

The accounts distinguish between revenue and capital expenditure. Revenue spending is generally on items which are used within a year. Capital spending is expenditure on the acquisition of new assets or which adds value to existing assets or which extends the life of the asset beyond one year and where it is appropriate to spread the costs across the tax payers who will be receiving benefits over more than one year.

### General Fund Revenue Spending in 2010/11

This summary shows the funds allocated to and used by the various Council Services. It also shows the various sources of funding, from Central Government (Revenue Support Grant, and Contributions from Pooled Business Rates), and Council Taxpayers (the Collection Fund Income).

<b>Service</b>	<b>Budget £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
Children's Services	88.084	88.084	0
Adult, Community & Housing	108.143	108.143	0
Urban Environment	51.942	51.942	0
Chief Executive's	7.233	7.095	(0.138)
Corporate Resources	(5.940)	(6.229)	(0.289)
<b>Total Service Costs</b>	<b>249.462</b>	<b>249.035</b>	<b>(0.427)</b>
Area Based Grant	(19.418)	(19.418)	0
<b>Sub-Total</b>	<b>230.044</b>	<b>229.617</b>	<b>(0.427)</b>
Contribution to General Balances	5.407	5.834	0.427
<b>Net Revenue Expenditure</b>	<b>235.451</b>	<b>235.451</b>	<b>0</b>
Revenue Support Grant	15.923	15.923	0
Business Rate Contributions (NNDR Pool)	109.655	109.655	0
Collection Fund Income	109.873	109.873	0
Collection Fund Surplus	0	0	0
<b>Total Funding</b>	<b>235.451</b>	<b>235.451</b>	<b>0</b>

The underspend in the Chief Executive's Directorate mainly resulted from lower costs of managing English Defence League protests than anticipated.

The overspend in Corporate Resources arose from the net effect of: inflation contingency of £1m not required; redundancy costs in excess of budget by £1.558m; service savings of £0.847m, including extra benefit subsidy, human resource staffing reductions and positive cashflow impact on treasury activity.

The transactions of the ring-fenced Housing Revenue Account are not included above.

The services are shown here as they were operated by the Council in 2010/11, and do not exactly match the standard definitions in the Comprehensive Income & Expenditure Statement. Also, the figures here show the full expenditure and use of funds by each Directorate including use of / contributions to earmarked reserves, and adjustments between accounting basis & funding basis under regulations, whereas the Comprehensive Income & Expenditure Statement excludes these items in order to follow International Financial Reporting Standards. The above figures can be reconciled to the Comprehensive Income and Expenditure Statement as follows:

	<b>£m</b>
<b>Cost of Services (Comprehensive Income and Expenditure Statement)</b>	<b>383.906</b>
Plus: Other Operating Expenditure	25.749
Plus: Financing and Investment Income and Expenditure	29.011
Plus: Income and expenditure in relation to investment properties and changes in their fair value	(0.669)
Income treated as general grant in Income and Expenditure Statement, but included in Total Service Costs in preceding table.	(40.939)
Adjustments between accounting basis & funding basis under regulations	(161.917)
Less: amount in respect of difference between accounting and statutory treatment of Collection Fund surplus	(0.673)
Transfer from HRA general reserve	(0.698)
Transfers to earmarked reserves	15.265
<b>Total Service Costs (as in preceding table)</b>	<b>249.035</b>

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## EXPLANATORY FOREWORD BY THE TREASURER CAPITAL SPENDING AND FINANCING IN 2010/11

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A summary of the Council's total capital expenditure of £90.115m in the year is shown below.

	<b>2010/11 £'000</b>
<b>Housing</b>	
Central Heating & Electrical Installations	4,817
External Works	6,968
New Council Housing	1,093
Void Property Improvements	10,378
Modernity & Decent Homes	3,275
Adaptations	2,765
Other Public Sector Improvements	6,537
Private Sector Assistance	3,882
	<b>39,715</b>
<b>Children's Services</b>	
Children's Centres and Early Years	1,352
Major Primary School Projects	8,826
Major Secondary School Projects	2,412
Old Park School Replacement	4,189
ICT Projects	646
Other Children's Services projects	7,681
	<b>25,106</b>
<b>Highways &amp; Transport</b>	
Structural Maintenance of Roads and Bridges	5,647
Burnt Tree Junction	2,240
Street Lighting Improvements	545
Pedestrian, Cycling and other Safety schemes	1,079
Other Improvements	2,391
	<b>11,902</b>
<b>Other Services</b>	
ICT Developments	2,445
Economic Regeneration	1,025
Adult Care	844
Culture and Leisure	4,133
Recycling, Waste Disposal & Environmental	1,206
Libraries and Archives	545
Vehicle Replacement	1,348
Structural Maintenance of Buildings and other projects	1846
	<b>13,392</b>
<b>Total Expenditure</b>	<b>90,115</b>
Loan	41,423
Capital Receipts	3,250
Major Repairs Allowance (Housing)	5,475
Revenue	2,088
Grants / Contributions (including Lottery)	37,879
<b>Total Funding</b>	<b>90,115</b>

In addition to the capital expenditure set out above, a further £1.064m of revenue costs relating to Redundancy Costs was capitalised under directions issued by the Secretary of State for Communities and Local Government.

### **Reconciliation to Notes on Fixed Asset Movements**

	<b>£'000</b>
<b>Total Capital Expenditure</b>	<b>90,115</b>
Less: spending not on the Council's own assets, e.g. spend on Foundation Schools, and grants to other persons and bodies for capital expenditure.	8,485
<b>Additions at Cost to Fixed Assets – see Notes 12, 13 and 14</b>	<b>81,630</b>

### **Borrowing Facilities**

At 31 March 2011, the Council's external borrowing amounted to £419.4m (31 March 2010 restated £427.2m); of which just over half was for the Council's own purposes, the rest relating to the former West Midlands County Council debt (Dudley is the Debt Administration Authority for the former West Midlands County Council.)

### **Future Developments**

The Council set its revenue budget for 2011/12 on 7 March 2011. The capital programme for 2011/12 was reviewed on 9 February 2011.

Funding of the approved revenue budget and the capital programme for 2011/12 is as follows:

<b>Revenue</b>	<b>£m</b>
Revenue Support Grant	30.250
Council Tax Freeze Grant	2.766
Business Rate Contributions	97.865
Council Tax	110.641
<b>Total Revenue Budget</b>	<b>241.522</b>

<b>Capital</b>	<b>£m</b>
Loan	38.948
Revenue	3.041
Major Repairs Allowance (Housing)	14.526
Capital Receipts	1.534
Grants and Contributions (including Lottery)	34.258
<b>Total Capital Programme</b>	<b>92.307</b>

**MOVEMENT IN RESERVES STATEMENT**

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31/3/10</b>	<b>3,338</b>	<b>56,000</b>	<b>1,216</b>	<b>2,077</b>	<b>469</b>	<b>0</b>	<b>2,390</b>	<b>65,490</b>	<b>797,504</b>	<b>862,994</b>
Surplus /(deficit) on Provision of services	50,179	0	(191,694)	0	0	0	0	(141,515)	0	(141,515)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(50,505)	(50,505)
<b>Total Comprehensive Income and Expenditure</b>	<b>50,179</b>	<b>0</b>	<b>(191,694)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(141,515)</b>	<b>(50,505)</b>	<b>(192,020)</b>
Adjustments between accounting basis and funding basis under regulations	(29,429)	0	191,347	0	(469)	0	(2,390)	159,059	(159,059)	0
<b>Net increase / (decrease) before transfers to/from earmarked reserves</b>	<b>20,750</b>	<b>0</b>	<b>(347)</b>	<b>0</b>	<b>(469)</b>	<b>0</b>	<b>(2,390)</b>	<b>17,544</b>	<b>(209,564)</b>	<b>(192,020)</b>
Transfers to / from earmarked reserves (Note 8)	(14,916)	14,916	(350)	350	0	0	0	0	0	0
<b>Increase / (decrease) in year</b>	<b>5,834</b>	<b>14,916</b>	<b>(697)</b>	<b>350</b>	<b>(469)</b>	<b>0</b>	<b>(2,390)</b>	<b>17,544</b>	<b>(209,564)</b>	<b>(192,020)</b>
<b>Balance at 31/3/11</b>	<b>9,172</b>	<b>70,916</b>	<b>519</b>	<b>2,427</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83,034</b>	<b>587,940</b>	<b>670,974</b>

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31/3/09</b>	<b>5,332</b>	<b>43,708</b>	<b>2,468</b>	<b>1,836</b>	<b>0</b>	<b>0</b>	<b>1062</b>	<b>54,406</b>	<b>897,835</b>	<b>952,241</b>
Surplus / (deficit) on Provision of services	(3,401)	0	10,948	0	0	0	0	7,547	0	7,547
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(96,794)	(96,794)
<b>Total Comprehensive Income and Expenditure</b>	<b>(3,401)</b>	<b>0</b>	<b>10,948</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7,547</b>	<b>(96,794)</b>	<b>(89,247)</b>
Adjustments between accounting basis and funding basis under regulations	13,699	0	(11,959)	0	469	0	1328	3,537	(3,537)	0
<b>Net increase / (decrease) before transfers to/from earmarked reserves</b>	<b>10,298</b>	<b>0</b>	<b>(1,011)</b>	<b>0</b>	<b>469</b>	<b>0</b>	<b>1,328</b>	<b>11,084</b>	<b>(100,331)</b>	<b>(89,247)</b>
Transfers to / from earmarked reserves (Note 8)	(12,292)	12,292	(241)	241	0	0	0	0	0	0
<b>Increase / (decrease) in year</b>	<b>(1,994)</b>	<b>12,292</b>	<b>(1,252)</b>	<b>241</b>	<b>469</b>	<b>0</b>	<b>1,328</b>	<b>11,084</b>	<b>(100,331)</b>	<b>(89,247)</b>
<b>Balance at 31/3/10</b>	<b>3,338</b>	<b>56,000</b>	<b>1,216</b>	<b>2,077</b>	<b>469</b>	<b>0</b>	<b>2,390</b>	<b>65,490</b>	<b>797,504</b>	<b>862,994</b>

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
**for the year ended 31 March 2011**

	2010/11	2010/11	2010/11	2009/10	2009/10	2009/10
	Expenditure	Income	Net	Expenditure	Income	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Education and children's services	370,437	(297,922)	<b>72,515</b>	332,589	(264,410)	<b>68,179</b>
Local authority housing (HRA)	80,552	(78,884)	<b>1,668</b>	62,659	(77,605)	<b>(14,946)</b>
Exceptional Item - Revaluation loss on Housing Stock, due to change in discount factor, charged to CIES	192,330	0	<b>192,330</b>	0	0	<b>0</b>
Other housing services	101,887	(91,565)	<b>10,322</b>	99,731	(87,869)	<b>11,862</b>
Adult social care	121,720	(29,259)	<b>92,461</b>	107,998	(28,623)	<b>79,375</b>
Cultural, Environmental, Regulatory and Planning Services	71,529	(28,711)	<b>42,818</b>	75,852	(26,322)	<b>49,530</b>
Highways and Transport Services	21,044	(4,882)	<b>16,162</b>	18,628	(3,803)	<b>14,825</b>
Central services to the public (including Coroners)	31,608	(27,834)	<b>3,774</b>	31,084	(26,504)	<b>4,580</b>
Corporate and Democratic Core	6,193	(234)	<b>5,959</b>	7,122	(291)	<b>6,831</b>
Non-distributed costs	4,225	0	<b>4,225</b>	10,022	0	<b>10,022</b>
Exceptional Item - Past service gain to pension schemes due to change from RPI to CPI	(58,328)	0	<b>(58,328)</b>	0	0	<b>0</b>
<b>Cost of Services</b>	<b>943,197</b>	<b>(559,291)</b>	<b>383,906</b>	<b>745,685</b>	<b>(515,427)</b>	<b>230,258</b>
Other Operating Expenditure - <a href="#">Note 9</a>	0	0	<b>25,749</b>	0	0	<b>23,035</b>
Financing and Investment Income and Expenditure – <a href="#">Note 10</a>	0	0	<b>29,011</b>	0	0	<b>34,311</b>
Income and expenditure in relation to investment properties and changes in their fair value - <a href="#">Note 13</a>	0	0	<b>(669)</b>	0	0	<b>(55)</b>
Taxation and Non-Specific Grant Income – <a href="#">Note 11</a>	0	0	<b>(296,482)</b>	0	0	<b>(295,096)</b>
<b>(Surplus) or Deficit on Provision of Services</b>	<b>0</b>	<b>0</b>	<b>141,515</b>	<b>0</b>	<b>0</b>	<b>(7,547)</b>

	2010/11	2010/11	2010/11	2009/10	2009/10	2009/10
	Expenditure	Income	Net	Expenditure	Income	Net
	£'000	£'000	£'000	£'000	£'000	£'000
Revaluation gains	0	0	(13,224)	0	0	(34,267)
Revaluation losses (chargeable to revaluation reserve)	0	0	124,486	0	0	12,394
Impairment losses (chargeable to revaluation reserve)	0	0	0	0	0	0
(Surplus) or deficit on revaluation of available for sale financial assets - Generally movement in Available for Sale FI's	0	0	0	0	0	(12,329)
Actuarial (gains) / losses on pension assets / liabilities - Matching the entry to the pensions reserve	0	0	(60,757)	0	0	130,996
<b>Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>50,505</b>	<b>0</b>	<b>0</b>	<b>96,794</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>192,020</b>	<b>0</b>	<b>0</b>	<b>89,247</b>

**BALANCE SHEET**

	31 March 2011	31 March 2010 restated	1 April 2009 restated
	£'000	£'000	£'000
<b>Property, Plant and Equipment (<a href="#">Note 12</a>)</b>			
Council dwellings	693,192	993,509	990,005
Other land and buildings	390,927	390,399	378,007
Vehicles, plant, furniture and equipment	21,673	22,134	17,555
Infrastructure	172,333	168,398	161,969
Community assets	14,281	16,640	13,361
Assets under construction	19,491	5,008	1,250
Surplus assets not held for sale	8,093	9,671	5,698
<b>Investment Property (<a href="#">Note 13</a>)</b>			
Investment Property	11,526	12,112	13,457
<b>Intangible Assets (<a href="#">Note 14</a>)</b>			
Software	400	1,040	2,077
Rights over use of land or other unusual items	597	0	0
<b>Long Term Investments</b>			
Non property Investments ( <a href="#">Note 15</a> )	20,504	20,504	8,177
<b>Long Term Debtors (<a href="#">Note 15</a>)</b>			
	184,101	189,200	199,441
<b>Long Term Assets</b>	<b>1,537,118</b>	<b>1,828,615</b>	<b>1,790,997</b>
<b>Short Term Investments (<a href="#">Note 15</a>)</b>			
Non property investments excluding cash equivalents	2	29	20,227
Inventories ( <a href="#">Note 16</a> )	1,678	1,581	1,636
Short Term Debtors ( <a href="#">Note 18</a> )	37,224	48,203	35,947
Cash and Cash Equivalents ( <a href="#">Note 19</a> )	10,421	(5,288)	(10,688)
Assets held for sale (<1 year) ( <a href="#">Note 20</a> )	463	833	833
<b>Current Assets</b>	<b>49,788</b>	<b>45,358</b>	<b>47,955</b>

	31 March 2011	31 March 2010 restated	31 March 2009 restated
	£'000	£'000	£'000
Bank Overdraft	0	0	0
Short Term Borrowing ( <a href="#">Note 15</a> )	(13,690)	(14,258)	(12,191)
Short Term Creditors ( <a href="#">Note 21</a> )	(71,697)	(58,983)	(53,063)
Short Term Deferred Liabilities ( <a href="#">Note 15</a> )	(1,278)	(1,240)	(1,134)
Provisions ( < 1 year) ( <a href="#">Note 22</a> )	(17,194)	(14,898)	(15,810)
Revenue Grants Received in Advance	(10,168)	(7,458)	(6,220)
<b>Current Liabilities</b>	<b>(114,027)</b>	<b>(96,837)</b>	<b>(88,418)</b>
Long Term Deferred Liabilities ( <a href="#">Note 15</a> )	(41,611)	(42,423)	(42,087)
Provisions ( > 1 Year) ( <a href="#">Note 22</a> )	(62,400)	(66,800)	(76,200)
Long Term Borrowing ( <a href="#">Note 15</a> )	(405,716)	(412,986)	(432,120)
<b>Other Long Term Liabilities</b>			
Net Pension Liabilities ( <a href="#">Note 47</a> )	(280,934)	(380,953)	(238,839)
Capital Grants Received in Advance ( <a href="#">Note 39</a> )	(11,244)	(10,980)	(9,047)
<b>Long Term Liabilities</b>	<b>(801,905)</b>	<b>(914,142)</b>	<b>(798,293)</b>
<b>Net Assets</b>	<b>670,974</b>	<b>862,994</b>	<b>952,241</b>
<b>Usable Reserves</b> (Note 23)			
General Fund	9,172	3,338	5,332
Earmarked Reserves (Note 8)	50,810	40,203	31,458
Schools Reserves (Note 8)	20,107	15,797	12,249
Housing Revenue Account (Note 8)	2,945	3,294	4,304
Usable Capital Receipts Reserve	0	468	0
Capital Grants Unapplied	0	2,390	1,062
<b>Total Usable Reserves</b>	<b>83,034</b>	<b>65,490</b>	<b>54,405</b>

	31 March 2011	31 March 2010 restated	31 March 2009 restated
	£'000	£'000	£'000
<b>Unusable Reserves</b> ( <a href="#">Note 24</a> )			
Revaluation Reserve	81,064	194,276	174,123
Available-for-Sale Financial Instruments Reserves	12,329	12,329	0
Pensions Reserve	(280,934)	(380,953)	(238,839)
Capital Adjustment Account	795,677	995,237	992,294
Deferred Capital Receipts	1,462	151	219
Financial Instruments Adjustment Account	(15,865)	(16,516)	(17,163)
Collection Fund Adjustment Account	676	3	1
Unequal Pay Back Pay Account	0	0	(7,394)
Short Term Accumulating Compensated Absences Account	(6,469)	(7,023)	(5,405)
<b>Total Unusable Reserves</b>	<b>587,940</b>	<b>797,504</b>	<b>897,836</b>
<b>Total Reserves</b>	<b>670,974</b>	<b>862,994</b>	<b>952,241</b>

**CASH FLOW STATEMENT**

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
Net (Surplus) or Deficit on the Provision of Services	141,515	(7,547)
Adjustments to Net Surplus or Deficit on the Provision of Services for non cash movements and Operating Activities	(212,471)	(42,342)
Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	4,242	4,539
<b>Net Cash Flows from Operating Activities</b>	<b>(66,714)</b>	<b>(45,350)</b>
Investing Activities ( <a href="#">Note 26</a> )	45,220	15,903
Financing Activities ( <a href="#">Note 27</a> )	5,784	24,047
<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>(15,710)</b>	<b>(5,400)</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period	5,288	10,688
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>(10,422)</b>	<b>5,288</b>

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**NOTES TO THE STATEMENTS**


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	Page No.
1. <a href="#">Accounting Policies</a> .....	22
2. <a href="#">Accounting Standards Issued, not Adopted</a> .....	34
3. <a href="#">Critical Judgements in Applying Accounting Policies</a> .....	35
4. <a href="#">Assumptions made about the future &amp; other major sources of estimation uncertainty</a> .....	35
5. <a href="#">Material items of income and expense</a> .....	36
6. <a href="#">Events after the balance sheet date</a> .....	36
7. <a href="#">Adjustments between Accounting basis and funding basis under regulation</a> .....	36
8. <a href="#">Transfers to/from Earmarked Reserves</a> .....	43
9. <a href="#">Other Operating Expenditure</a> .....	44
10. <a href="#">Financing and Investment Income and Expenditure</a> .....	45
11. <a href="#">Taxation and Non-Specific Grant Income</a> .....	45
12. <a href="#">Property, Plant and Equipment</a> .....	46
13. <a href="#">Investment Properties</a> .....	52
14. <a href="#">Intangible Assets</a> .....	53
15. <a href="#">Financial Instruments</a> .....	54
16. <a href="#">Inventories</a> .....	56
17. <a href="#">Construction Contracts</a> .....	56
18. <a href="#">Debtors</a> .....	57
19. <a href="#">Cash and Cash Equivalents</a> .....	57
20. <a href="#">Assets Held for Sale</a> .....	58
21. <a href="#">Creditors</a> .....	59
22. <a href="#">Provisions</a> .....	60
23. <a href="#">Usable Reserves</a> .....	60
24. <a href="#">Unusable Reserves</a> .....	61
25. <a href="#">Cash Flow Statement - Operating Activities</a> .....	66
26. <a href="#">Cash Flow Statement - Investing Activities</a> .....	67

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27.	<a href="#">Cash Flow Statement - Financing Activities</a> .....	67
28.	<a href="#">Amounts reported for Resource Allocation decisions</a> .....	69
29.	<a href="#">Acquired and Discontinued Operations</a> .....	76
30.	<a href="#">Trading Operations</a> .....	76
31.	<a href="#">Agency Services</a> .....	76
32.	<a href="#">Road Charging Schemes</a> .....	76
33.	<a href="#">Pooled Budgets</a> .....	76
34.	<a href="#">Members' Allowances</a> .....	78
35.	<a href="#">Officers' Remunerations</a> .....	78
36.	<a href="#">External Audit Costs</a> .....	81
37.	<a href="#">Dedicated Schools Grant</a> .....	82
38.	<a href="#">Grant Income</a> .....	83
39.	<a href="#">Related Parties</a> .....	85
40.	<a href="#">Capital Expenditure and Capital Financing</a> .....	85
41.	<a href="#">Leases</a> .....	86
42.	<a href="#">PFI and Similar Contracts</a> .....	89
43.	<a href="#">Impairment Losses</a> .....	91
44.	<a href="#">Capitalisation of Borrowing Costs</a> .....	91
45.	<a href="#">Termination Benefits</a> .....	91
46.	<a href="#">Pension Schemes Accounted for as Defined Contribution Schemes</a> .....	91
47.	<a href="#">Defined Benefit Pension Schemes</a> .....	92
48.	<a href="#">Contingent Liabilities</a> .....	97
49.	<a href="#">Contingent Assets</a> .....	98
50.	<a href="#">Nature and extent of risks arising from Financial Instruments</a> .....	98
51.	<a href="#">Investments in Companies</a> .....	101
52.	<a href="#">First time adoption of International Financial Accounting Standards</a> .....	102

## **Note 1: Accounting Policies**

### **1. General Principles and Changes for 2010/11**

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

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

The change to International Financial Reporting Standards leads to significant changes in the layout and some of the content of the accounts.

### **2. Accruals of Income and Expenditure**

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

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Works are charged as expenditure when they are largely 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 in the year, to which it relates, on a basis that reflects the overall effect of the loan or investment, rather than cash movements.

Where income and 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. Provisions for doubtful debts are netted off the balance sheet value of the relevant debtors, and a charge made to revenue. The provisions relating to council tax and NNDR are based on historical cash flows, aged debt, and forecast collection levels; that for general debtors is based on full provision for aged debt; and that for housing is calculated by providing for 20% of all current tenants arrears & 100% of all former tenants arrears. These accounting provisions do not affect the Council's policy and practice in collecting income due to it.

- Amounts due from customers which have been secured on property are shown in the balance sheet as loans rather than debtors.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

### **3. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are made for liabilities that have been incurred, but are of uncertain timing or amount. There are three criteria:

- the authority has a present obligation (legal or constructive) as a result of a past event;
- it is more likely than not that money will be needed to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

If any of these criteria are not met, no provision will be made, but a contingent liability may be disclosed in a note. Where the liability is due to be settled within the next financial year, the provisions are shown in current liabilities in the balance sheet. Otherwise provisions are shown as long term liabilities.

The obligation can be "constructive" (e.g. the authority has publicly expressed an intention to do something, and other parties have acted in expectation of this).

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Details of provisions held at 31 March 2011 are shown in [Note 22](#) to the statements.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated obligations are reviewed at the end of each financial year; where it becomes more likely than not that money will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

#### **Provision for Back Pay Arising from Unequal Pay Claims.**

The council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred in the past. However, statutory arrangements allow settlements to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Back Pay Account created from amounts credited to the General Fund balance in the year the provision was made or modified. The balance on the Equal Pay Back Pay Account will be debited back to the General Fund balance in the Movement in Reserves Statement in future financial years as payments are made.

#### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in [Note 48](#) to the statements.

#### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent assets are not recognised in the balance sheet but disclosed in [Note 49](#) to the statements where it is probable that there will be an inflow of economic benefits or service potential.

#### **4. Reserves**

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

There are also reserves that relate to preserved funds of schools for use in future years, under the terms of Dudley's budget delegation scheme. These reserves are committed to be spent in the education service and are not available to the authority for general use.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the council – these reserves are explained in the relevant policies below, and are summarised on the balance sheet as unusable reserves.

#### **5. Government and other Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to Dudley at the date that there is reasonable assurance that the monies will be received and that the authority will satisfy the conditions of entitlement to the grant/contribution.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement (CIES) until conditions attached to the grant or contribution have been

satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired in the form of the grant are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the grant-giver.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors; where there is reasonable assurance that the conditions will be complied with, in the grouping Grants Receipts in Advance. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or to Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the CIES.

This is a change from the previous policy of recognising grants as income only when any the expenditure for which the grant is given has been incurred. The change will mainly affect the treatment of those revenue grants which have been without a formal requirement for payback, which were previously recognised as they were spent, with the unspent amount at a year end treated as a receipt in advance. Under the new policy, the full amount is recognised as income in the year of award, with the amount unspent at the year end carried in a reserve. Grants to cover general expenditure (e.g. Revenue Support Grant, Local Authority Business Growth Incentive, Area Based Grant) are credited to the CIES as Taxation and Non-specific Grant Income.

Capital grants and contributions are treated in the same way, i.e. they are credited to CIES as soon any conditions are complied with and there is reasonable assurance that the money will be received. This is in contrast to the policy up to 31 March 2010, where grants for capital assets were carried on the balance sheet as a long term liability, and written down to revenue to match depreciation on the asset. The change increases the net worth of the authority by £157m on the opening IFRS balance sheet (but has no effect on the real financial standing) and thereafter removes credits to cost of service lines in CIES, but gives potentially volatile credits to the Taxation and Non-specific Grant Income line at the bottom of CIES. The effect on 2009/10 comparative figures is £7.6m of credits taken out of service costs, and £35m credited to Taxation and Non-specific Grant Income.

Any grants or contributions received with conditions where the council does not have reasonable assurance that those conditions will be complied with are carried in the balance sheet as creditors: where there is reasonable assurance that the conditions will be complied with, in the Capital Grants Receipts in Advance account.

Where capital grants and contributions are credited to the CIES, they are reversed out of the General Fund balance in the Movement in Reserves Statement (MiRS). Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account (CAA). Amounts in the Capital Grants Unapplied reserve are transferred to the CAA once they have been applied to fund capital expenditure.

## **6. Employee Benefits**

### **Benefits Payable during Employment**

Short term employee benefits, i.e. those due to be settled within 12 months of the year end, include wages and salaries, paid annual leave and paid sick leave, and bonuses. They are recognised as an expense for services in the year in which employees render service to the council. An accrual is made for the cost of entitlements (for holidays, flexi leave, and time off in lieu of overtime) earned but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is made at the rates applicable in the year in which the entitlement is earned, being a reasonable approximation to the rates in the following year in which the employee will take the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement (SDPS), but then reversed out through the Movement in Reserves Statement (MiRS), so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

This is a change from the previous policy of not accruing for such amounts, as they are relatively stable from year to year, and in general do not result in cash payments. The effect on the opening balance sheet is to increase creditors and unusable reserves by £5.4m.

### Termination Benefits

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

Where termination benefits involve the enhancement of pensions, e.g. through early access to earned pension, statutory provisions require the General Fund balance to be charged with the amount payable by the council to the pension fund or pensioner in the year, not the amount calculated according to accounting standards. To achieve this, appropriations in the MiRS are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid or payable to the pension fund and pensioners.

### Post Employment Benefits

Employees of the council are entitled to be members of one of two separate pension schemes:

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).
- The Local Government Pensions Scheme, administered by Wolverhampton City Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet. The Children's and Education Services revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year. Details are given in [Note 46](#) to the statements.

### The Local Government Pension Scheme

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

- The liabilities of the West Midlands Metropolitan Authorities Pension Fund attributable to the council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of future earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate based on a weighted average of the indicative rate of return on high quality corporate bonds of appropriate period.

The assets of the West Midlands Metropolitan Authorities Pension Fund attributable to the Council are included in the balance sheet at their fair value. Details are given in [Note 47](#) to the statements. Quoted securities held as assets in the scheme are valued at bid price.

The annual change in the net pension's liability is analysed into seven components:

- current service cost – the increase in liabilities as a result of years of service earned this year - allocated in the CIES to the revenue accounts of the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure in the CIES
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure in the CIES
- gains/losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the West Midlands Metropolitan Authorities Pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions in relation to retirement benefits require the council to charge General Fund with the amounts payable by the council to the pension fund in the year. This means that in the MiRS there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance on the Pension Reserve measures the beneficial effect on the General Fund of accounting for pensions on the basis of cash paid, rather than a calculation of benefits earned.

#### **Discretionary Benefits**

The council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

#### **7. VAT**

Only irrecoverable VAT payable is included in the accounts.

#### **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 Code of Practice 2010/11 (BVACOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received. The exceptions are the following two categories of cost which are not recharged to services:

- 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 impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the CIES, as part of net Expenditure on Continuing Services in the Surplus or Deficit on the Provision of Services.

#### **9. Property, Plant and Equipment (PPE)**

Assets that have physical substance and are held for use in or supply of services or the production of goods, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

##### **Recognition**

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

##### **Measurement**

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority. Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement (CIES), unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the CIES, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement (MiRS).

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

- infrastructure – depreciated historical cost
- community assets and assets under construction – historical cost
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

For non-property assets (e.g. vehicles) that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, 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 CIES where they arise from the reversal of a loss previously charged to a service. Assets whose revalued amount falls below the de minimis level of £10,000 are excluded from the Balance Sheet.

Where decreases in value are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

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

### **Impairment**

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the CIES.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the CIES, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Assets are depreciated using the following methods and over the following periods:

Asset Type	Depreciation Method	Period of Years
Buildings	Straight line	Useful Economic Life, as estimated by valuer
Infrastructure (e.g. roads)	Straight line	40 years or Estimated life
Mobile Plant & Vehicles	Straight line	Useful Economic Life
Council Dwellings	The major repairs allowance is used as a proxy for depreciation.	Not Applicable
Purchased software licences	Straight line	Useful Economic Life

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.

### Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, and it is probable that the sale will be completed within 12 months, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the CIES. Gains in fair value are recognised only up to the amount of any losses previously recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal 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 required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement (MiRS).

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the MiRS.

#### 10. Intangible Fixed Assets

Expenditure on assets that do not have 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. Such assets are usually short-lived, and as such are not revalued. The calculated value of certain access agreements are also carried on the balance sheet. These balances are amortised to the relevant service revenue account over the economic life of the assets to reflect the pattern of consumption of benefits.

Assets are amortised using the following methods and over the following periods:

Asset Type	Amortisation Method	Period of Years
Purchased software licences	Straight line	Useful Economic Life, usually 5 years.
Access arrangements for telecoms equipment	Straight line	Likely duration, usually 5 years.

#### 11. Charges to Revenue for Property, Plant, and Equipment

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 and revaluation losses which exceed any balance of 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 requirement (equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves, by way of an adjusting transaction with the Capital Adjustment Account.

#### 12. Revenue Expenditure Funded from Capital under Statute

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003. Such expenditure is charged to the CIES in accordance with the general provisions of the Code. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement (MiRS).

#### 13. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. (For vehicles, this applies when vehicles are leased for the greater part of their working lives.) This is a change from the previous policy, where the criterion was based on the net present value of the lease payments exceeding 90% of the cost of the asset. The effect on vehicle leases is to transfer all existing vehicle operating leases to finance leases. In the opening balance sheet, £6.257million is added to assets, and £6.524million to deferred liabilities. Certain properties have also come onto the balance sheet for the first time – the effect on the opening balance sheet is that £6.497million is added to assets, and £6.507million to deferred liabilities.

All other leases are classified as operating leases. Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are

accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

### **The Authority as Lessee, i.e. paying for the use of assets**

#### **Finance Leases**

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period). The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore replaced by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

### **The Authority as Lessor i.e. receiving rents for property**

#### **Finance Leases**

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. (When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve). The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### **Operating Leases**

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

(Additional policy detail required where an authority has material sale and leaseback assets.)

## **14. Financial liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income and Expenditure Account (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest payable). Interest charged to the CIES is the amount payable for the year in the loan agreement.

Discounts and premiums on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the CIES in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the CIES is spread over the life of the loan by an adjustment to the effective interest rate.

Regulations allow the impact of premiums and discounts on the General Fund Balance to be spread over future years. This is managed by a transfer to or from the Financial Instruments Adjustment Account, through the Movement in Reserves Statement.

## **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 CIES for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable plus accrued interest receivable. The interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the council has made certain loans to organisations at less than market rates (soft loans), where this furthers the objectives of the council. When soft loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the

difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the [MiRS](#).

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the CIES.

Any gains and losses that arise on the derecognition of an asset are credited/debited to the CIES.

**16. Inventories (Stocks and Stores)**

Inventories are included in the balance sheet at the lower of cost and net realisable value, except that inventories of items to be distributed without charge are valued at the lower of cost and current replacement value.

**17. Interests in Companies and Other Entities**

Information relating to individual companies is shown in [Note 51](#) to the statements.

**18. Private Finance Initiative (PFI) and similar schemes**

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. In cases where the Council is deemed to control the services that are provided, and where ownership of the fixed asset will pass to the Council at the end of the contract without further payment, the Council has included these assets in the balance sheet. Details are shown in [Note 42](#) to the statements.

The entries are calculated as if the original recognition of these fixed assets was balanced by a liability for amounts due to the scheme operator to pay for the assets.

Fixed assets recognised on the balance sheet are revalued and depreciated in the same way as any other Council-owned properties.

Payments made by the Council under a contract are analysed as follows:

- fair values of services received during the year – debited to the relevant service in the CIES
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable in the CIES
- payment towards liability – applied to write down the Balance Sheet liability to the PFI or other contractor

**PFI Credits**

Government Grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve to fund future contract expenditure. The grant is treated as a general grant in the CIES.

**19. Landfill Allowances Trading Scheme**

This scheme allocates tradable allowances to each authority in England with responsibility for waste disposal. These allowances can be used to meet the liability for the use of landfill in the year, or sold to other authorities.

The allowances awarded in the year are treated as a revenue grant in the CIES. Allowances held at the balance sheet date are shown as a current asset on the balance sheet, valued at the lower of cost and net realisable value. The liability in regard to the actual landfill used in the year (which will not be formally verified until the following September) is treated as a provision.

**20. Accounting for Council Tax**

The Council Tax income included in the CIES is the accrued income for the year, and not the amount required under regulation to be transferred from the Collection Fund to the General Fund (the Collection Fund Demand). The difference is taken to the Collection Fund Adjustment Account through the MiRS

As the collection of Council Tax for preceptors (the West Midlands Police, and Fire & Rescue Authorities) is an agency arrangement, the cash collected belongs proportionately to the Dudley as billing authority and the preceptors. This gives rise to a debtor/creditor position for the difference between cash collected from tax-payers and cash paid to preceptors under regulation.

**21. Accounting for Collection of National Non-Domestic Rates (NNDR)**

In accounting terms local authorities collect NNDR as an agent of central government, and so account for transactions as an agent rather than according to the statutory rules.

It therefore follows that:

- NNDR income is not Dudley's income and is not included in its CIES. The cost of collection allowance is Dudley's income and is included in the CIES.
- NNDR debtor and creditor balances with taxpayers and the impairment allowance for doubtful debts are not Dudley's assets and liabilities and are not recognised in the Dudley's Balance Sheet.
- Cash collected by Dudley from NNDR taxpayers (net of the cost of collection allowance) belongs to the Government and the amount not yet paid to the Government at the Balance Sheet date is included in the Balance Sheet as a creditor; similarly, if cash paid to the Government exceeds the cash collected from NNDR taxpayers (net of the cost of collection allowance), the excess is included in the Balance Sheet as a debtor.

**22. Cash and Cash Equivalents**

Cash in hand, in bank, and in call accounts, are counted as cash equivalents, as readily converted to a fixed amount of cash. This is a change from the previous policy, where the call accounts were included in short term investments, and more readily reflects the actual availability of liquidity. The effect is to increase the cash figure in the opening balance sheet by £0.072million, and in the 01/04/2010 balance sheet by £1.563million.

**23. Investment Properties**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Rentals received in relation to investment properties are also credited (and expenditure debited) to the Financing and Investment Income and Expenditure line in the CIES, and result in a net gain or loss for the General Fund Balance.

**Note 2: Heritage assets: impact of the adoption of the new standard on the 2011/12 financial statements**

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council, which will need to be adopted fully in the 2011/12 financial statements. The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements. However, the Council is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Balance Sheet in the 2011/12 financial statements.

Heritage assets are assets that are held principally for their contribution to knowledge or culture. The heritage assets held by Dudley are the collections of assets and artefacts either exhibited or stored in the Dudley Museum and Art Gallery, the glass collections at the Redhouse Cone and Broadfield House, and the archive material, currently held in Coseley.

The museum and glass collections are currently shown in the balance sheet at cost for items acquired after 1994, but for items acquired before 1994 at a notional cost (£10) per item. The archive material is not included in the balance sheet.

The Code will require that heritage assets are measured at valuation in the 2011/12 financial statements (including the 2010/11 comparative information). The 2011/12 Code will permit some relaxations in the valuation requirements of heritage assets and this will mean that the authority is able to recognise more of its collections of heritage assets in the Balance Sheet. The Authority anticipates that it will be able to recognise the pictures, prints, and glass collections on the Balance Sheet using as at its base the detailed insurance valuations (which are based on market values) held by the Authority in respect of these collections.

The authority is unlikely to be able to recognise the majority of the other museum holdings in future financial statements as it is of the view that obtaining valuations would involve a disproportionate cost of obtaining the information in comparison to the benefits to the users of the Authority's financial statements – this exemption is permitted by the 2011/12 Code.

The carrying value of heritage assets currently held in the Balance Sheet as Community Assets (at cost) within Property, Plant and Equipment at 1 April 2010 is £0.5 million. The authority also has a value of the prints, pictures, and glass (for insurance purposes) supplied by external valuers as at 1 April 2004 as £3 million. This increase in valuation will be recognised as a gain (of £2.5 million) in the revaluation reserve.

There is no depreciation charged on the heritage assets that are currently classified as community assets because it has been estimated that the assets have a useful life of such length that any depreciation charge on the asset will be negligible and can be ignored on the basis of materiality. The Authority considers that the heritage assets held by the Authority will have indeterminate lives and a high residual value; hence the Authority does not consider it appropriate to charge depreciation for the assets. There will therefore be no change to the depreciation charged in the financial statements in relation to the heritage assets.

### **Note 3: Critical Judgements in Applying Accounting Policies**

In applying the accounting policies set out in [Note 1](#) to the statements, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

1. Depreciation methods – generally straight-line as an adequate approximation for short-lived assets on revolving replacement programmes. Useful lives are given or confirmed by technical officers, based on assumptions about use, maintenance, and the future of council functions. The council accept the Major Repairs Allowance (calculated by the Department for Communities and Local Government to cover the cost of maintaining housing stock over a long period) as a reasonable proxy for depreciation of the same stock.
2. Impairment of outstanding debtors. - The levels of provision for doubtful debts are reviewed in the light of actual experience, but necessarily involve assumptions as to whether past patterns will continue or change.
3. Accruals for future transactions, other than those produced by the accounting systems, involve judgements about amounts and likelihoods. This can lead in to provisions and contingent liabilities and assets which involve similar judgements. These areas are referred to senior officers in directorates as appropriate, for cross-checking of facts and assumptions.
4. Under IFRS, leases have been reviewed for possible reclassification between finance and operating leases. Although based on a schedule of criteria, there is still an element of judgement.
5. Also under IFRS, estimates of levels and lives of components have been made, by joint working between Quantity Surveyors and accountants. These have had the effect that there is no need to componentise any asset, as there would be no significant difference to depreciation charges.
6. The valuation of council housing stock requires a judgement about the effect of ongoing social tenancies on value. Dudley accepts the regional valuation factors set out by the Department for Communities and Local Government as a reasonable approximation to this effect.

### **Note 4: Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty**

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

The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Pension Scheme liability for non-teaching employees	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the councils which are members of the West Midlands Fund with expert advice on the assumptions to be applied. (Details of the assumptions used are given in Note 47.)</p> <p>The effect on the pensions liability of changes in individual assumptions can be measured. However the assumptions interact in complex ways. The actuaries advise that a 0.1% increase in the discount rate as at 31 March 2011 would reduce the liability by £17m. During 2010/11, the actuaries' estimates of net liabilities were reduced by £45m.</p>

Item	Uncertainties
Equal Pay Back Pay Provision	An estimate has been made of the potential liability, and the possible timing of payments. Changes to the level or number of accepted settlements, would lead to a change in the estimate. A 1% change in the estimate would cause a change of £747k in the cost.
Provisions for Doubtful Debts	The various allowances for doubtful debts are based on actual past experience. If it was found that payment rates were worsening, the allowances would have to be increased. For example, if 5% of the general debt now expected to be paid were judged to be doubtful, an increase in provision of £105k would be needed.

### **Note 5: Material Items of Income and Expense**

Impairment of Council Housing Stock: Under DCLG regulations for obtaining the social use value of the council housing stock, the value as 1 April 2010 fell by £319 million, or about one third of its previous book value. The balance on the revaluation reserve for council housing was not sufficient to absorb this loss in value, so that £192 million was charged to the Comprehensive Income and Expenditure Statement (CIES), shown in an Exceptional Items line.

The government decision to change the inflation factor for future public sector pension payments from RPI to CPI reduced the estimated pension liabilities by £53 million. This is credited to the CIES, again shown in an Exceptional Items line.

### **Note 6: Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Treasurer on 14 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	Unusable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and amortisation of non-current assets	34,967	14,478	0	0	0	<b>49,445</b>
Revaluation losses on Property Plant and Equipment	7,535	192,386	0	0	0	<b>199,921</b>
Movements in the market value of Investment Properties	(126)	0	0	0	0	<b>(126)</b>
Capital grants and contributions applied	(25,563)	(3,774)	0	0	0	<b>(29,337)</b>
Revenue expenditure funded from capital under statute	2,386	318	0	0	0	<b>2,704</b>
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,239	5,659	0	0	0	<b>7,898</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Provision for the financing of capital investment	(15,824)	0	0	0	0	<b>(15,824)</b>
Capital expenditure charged against the General Fund and HRA balances	0	(2,088)	0	0	0	<b>(2,088)</b>
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	<b>0</b>
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	(2,390)	<b>(2,390)</b>

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2010/11	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,106)	(3,781)	4,887	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(3,250)	0	0	(3,250)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	0	188	(188)	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,985	0	(1,985)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	34	0	0	34
Write down of Capital Debtors	0	0	33	0	0	33
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(1,345)	0	0	0	(1,345)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	(5,475)	0	5,475	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(5,475)	0	(5,475)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(370)	(281)	0	0	0	(651)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	(10,510)	(1,568)	0	0	0	(12,078)
Employer's pensions contributions and direct payments to pensioners payable in the year	(23,847)	(3,337)	0	0	0	(27,184)

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2010/11	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(673)	0	0	0	0	(673)
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	0	0	0	0	0	0
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(521)	(33)	0	0	0	(554)
<b>Total Adjustments 2010/11</b>	<b>(29,428)</b>	<b>191,347</b>	<b>(469)</b>	<b>0</b>	<b>(2,390)</b>	<b>159,060</b>

	Unusable Reserves					Movement in Unusable Reserves £'000
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£'000	£'000	£'000	£'000	£'000	
<b>2009/10</b>						
<b>Adjustments primarily involving the Capital Adjustment Account:</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and amortisation of non-current assets	25,366	14,127	0	0	0	<b>39,493</b>
Revaluation losses on Property Plant and Equipment	24,445	0	0	0	0	<b>24,445</b>
Movements in the market value of Investment Properties	(344)	0	0	0	0	<b>(344)</b>
Capital grants and contributions applied	(35,774)	(732)	0	0	1,328	<b>(35,178)</b>
Revenue expenditure funded from capital under statute	5,955	0	0	0	0	<b>5,955</b>
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,549	2,134	0	0	0	<b>4,683</b>
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Provision for the financing of capital investment	(15,321)	0	0	0	0	<b>(15,321)</b>
Capital expenditure charged against the General Fund and HRA balances	0	(121)	0	0	0	<b>(121)</b>
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	<b>0</b>
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	0	0	0	<b>0</b>

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2009/10	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(425)	(4,113)	4,538	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	(1,989)	0	0	(1,989)
Contribution from the Capital Receipts Reserve towards administrative costs of noncurrent asset disposals	0	105	(105)	0	0	0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,087	0	(2,087)	0	0	0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	0	0	68	0	0	68
Write down of Capital Debtors	0	0	44	0	0	44
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0	0	0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	0	(22,890)	0	22,890	0	0
Use of the Major Repairs Reserve to finance new capital expenditure	0	0	0	(22,890)	0	(22,890)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(366)	(281)	0	0	0	(647)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see Note 47)	35,908	1,721	0	0	0	37,629
Employer's pensions contributions and direct payments to pensioners payable in the year	(25,226)	(1,285)	0	0	0	(26,511)

	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
2009/10	£'000	£'000	£'000	£'000	£'000	£'000
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(2)	0	0	0	0	(2)
<b>Adjustment primarily involving the Unequal Pay Back Pay Adjustment Account:</b>						
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements	(6,751)	(643)	0	0	0	(7,394)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,598	20	0	0	0	1,618
<b>Total Adjustments 2009/10</b>	<b>13,699</b>	<b>(11,958)</b>	<b>469</b>	<b>0</b>	<b>1,328</b>	<b>3,538</b>

**Note 8: Transfers to/from Earmarked Reserves**

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2010/11. It also sets out the school reserves which are committed to be spent in the education service and are not available to the authority for general use.

	Balance at 31 March 2011 £'000	Transfer Out 2010/11 £'000	Transfer In 2010/11 £'000	Balance at 31 March 2010 £'000	Transfer Out 2009/10 £'000	Transfer In 2009/10 £'000	Balance at 31 March 2009 £'000
<b>HRA Reserves:</b>							
General Reserve	519	(698)	0	1,217	(1,251)	0	2,468
Other Reserves	1,972	(1,573)	1,469	2,076	(585)	1,063	1,598
	<b>2,491</b>	<b>(2,271)</b>	<b>1,469</b>	<b>3,293</b>	<b>(1,836)</b>	<b>1,063</b>	<b>4,066</b>
Housing Repairs Account	454	0	454	0	(238)	0	238
Major Repairs Reserve	0	(5,475)	5,475	0	(22,890)	22,890	0
<b>Total HRA Reserves</b>	<b>2,945</b>	<b>(7,746)</b>	<b>7,398</b>	<b>3,293</b>	<b>(24,964)</b>	<b>23,953</b>	<b>4,304</b>
<b>Schools Reserves:</b>							
LMS Reserves including Foundation Schools	14,721	(5,230)	9,200	10,751	(1,191)	3,629	8,313
Other Schools Reserves	2,974	(1,085)	1,127	2,932	(695)	1,278	2,349
Dedicated Schools Grant	2,412	(688)	986	2,114	(744)	1,271	1,587
<b>Total Schools Reserves</b>	<b>20,107</b>	<b>(7,003)</b>	<b>11,313</b>	<b>15,797</b>	<b>(2,630)</b>	<b>6,178</b>	<b>12,249</b>
<b>Other General Fund Reserves:</b>							
Insurance	7,188	(500)	649	7,039	(500)	1,090	6,449
Working Capital	2,000	0	0	2,000	0	0	2,000
Business Growth Incentive	0	0	0	0	(1,102)	0	1,102
Local Public Service Agreement / Local Area Agreement Reward	1,416	(5,407)	64	6,759	(315)	6,380	694
Single Status	11,597	0	2,303	9,294	0	1,656	7,638
Capital Resources	6,859	0	1,902	4,957	0	4,857	100
Other Corporate Reserves	299	(209)	0	508	(62)	225	345
DGfL & Paragon grants in advance	12,858	(855)	11,330	2,383	(3,229)	0	5,612
Other Directorate Reserves	8,593	(599)	1,929	7,263	(996)	740	7,519
<b>Total Other General Fund Reserves</b>	<b>50,810</b>	<b>(7,570)</b>	<b>18,177</b>	<b>40,203</b>	<b>(6,204)</b>	<b>14,948</b>	<b>31,459</b>
<b>Total General Fund Reserves</b>	<b>70,917</b>	<b>(14,573)</b>	<b>29,490</b>	<b>56,000</b>	<b>(8,834)</b>	<b>21,126</b>	<b>43,708</b>

Local Management of Schools (LMS) - These relate to preserved funds of schools for use in future years, under the terms of Dudley's budget delegation scheme. Of the net balance of £14.721m at 31 March 2011, £14.754m relates to credit, and £0.033m to debit (overdrawn) balances.

Other Schools Reserves - These include reserves relating to Community and Extended Use activities, etc. Of the net balance of £2.973m at 31 March 2011, £3.018m relates to credit, and £0.045m to debit (overdrawn) balances.

Dedicated Schools Grant (DSG) – This reflects the roll forward of unspent grant into the following year. [Note 37](#) to the statements shows how the DSG was used in the year.

The Insurance Fund is maintained at a level consistent with the insurable risks borne by the Council and the level of outstanding claims at any time, and will fluctuate accordingly.

The Working Capital reserve is specifically held to cover unforeseen expenditure or shortfalls in income of an exceptional nature, and is not anticipated to be utilised under normal circumstances.

The Local Area Agreement (LAA) Reward reserve represents the reward monies received in respect of successful achievement of LAA targets, together with an element of similar reward monies remaining from the previous Local Public Service Agreement (LPSA). This will be expended by the Council and its partners on local priorities over the coming years.

The Capital Resources Reserve represents revenue resources carried forward to fund committed capital expenditure.

The DGfL (Dudley Grid for Learning) and Paragon equalisation reserves represent Government revenue support for these PFI schemes received early in the projects, which will be expended over their remaining life.

The Single Status Reserve has been established to help fund the implications of the Single Status agreement, the costs of which remain uncertain.

### **Note 9: Other Operating Expenditure**

	2010/11	2009/10 restated
	£'000	£'000
Levies – Environment Agency and West Midland Joint Committee	140	169
West Midlands Integrated Transport Agency Levy	16,464	16,307
Payments to the Government Housing Capital Receipts Pool	1,985	2,087
(Gains)/losses on the disposal of non-current assets	1,666	144
Derecognition of community assets	5,494	0
Impairment of Assets not linked to any service	0	4,327
<b>Total</b>	<b>25,749</b>	<b>23,034</b>

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

	2010/11	2009/10 restated
	£'000	£'000
Interest payable on debt	12,039	12,125
Interest element of finance leases	979	997
Interest payable on PFI unitary payments	2,473	2,528
Pensions interest cost	55,639	49,362
Expected return on pensions assets	(41,730)	(30,032)
Interest receivable and similar income	(279)	(558)
Dividends receivable	(111)	(111)
<b>Sub-total</b>	<b>29,010</b>	<b>34,311</b>
Income and expenditure in relation to investment properties and changes in their fair value (details in <a href="#">Note 13</a> )	(669)	(55)
<b>Total</b>	<b>28,341</b>	<b>34,256</b>

**Note 11: Taxation and Non Specific Grant Income**

	2010/11	2009/10 restated
	£'000	£'000
Council tax income	110,547	108,184
Distribution from Non domestic rates pool	109,655	99,050
Non-ringfenced government grants (details in <a href="#">Note 38</a> )	46,943	52,684
Capital grants and contributions (further details in <a href="#">Note 38</a> )	29,337	35,178
<b>Total</b>	<b>296,482</b>	<b>295,096</b>

**Note 12: Property Plant and Equipment****Movements on Balances****Movements in 2010/11:**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
At 1st April 2010	1,007,599	419,886	35,693	214,286	16,640	9,690	5,008	<b>1,708,802</b>	37,720
additions	34,767	13,167	5,572	12,071	3,131	462	12,434	<b>81,604</b>	0
donations	0	0	0	0	0	0	0	<b>0</b>	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	(138,257)	299	0	0	0	15	0	<b>(137,943)</b>	(663)
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	(192,330)	(2,148)	0	0	0	0	0	<b>(194,478)</b>	0
derecognition – disposals	(1,859)	(1,984)	(2,835)	0	0	0	0	<b>(6,678)</b>	0
derecognition – other	0	0	0	0	(5,494)	0	0	<b>(5,494)</b>	0
assets reclassified (to)/from Held for Sale	0	(3,800)	0	0	0	0	0	<b>(3,800)</b>	0
other movements in cost or valuation	(2,453)	(2,733)	4	(2,240)	4	(2,047)	2,049	<b>(7,416)</b>	0
<b>At 31st March 2011</b>	<b>707,467</b>	<b>422,687</b>	<b>38,434</b>	<b>224,117</b>	<b>14,281</b>	<b>8,120</b>	<b>19,491</b>	<b>1,434,597</b>	<b>37,057</b>

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>									
At 1st April 2010	(14,090)	(29,487)	(13,559)	(45,888)	0	(16)	0	<b>(103,040)</b>	(1,028)
depreciation charge	(14,275)	(12,486)	(6,037)	(5,896)	0	(3)	0	<b>(38,697)</b>	(1,061)
depreciation written out to the Revaluation Reserve	14,090	10,090	2,835	0	0	0	0	<b>27,015</b>	663
depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>	0
impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	<b>0</b>	0
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>	0
derecognition – disposals	0	115	0	0	0	0	0	<b>115</b>	0
derecognition – other	0	0	0	0	0	0	0	<b>0</b>	0
other movements in depreciation and impairment	0	8	0	0	0	(8)	0	<b>0</b>	0
<b>At 31st March 2011</b>	<b>(14,275)</b>	<b>(31,760)</b>	<b>(16,761)</b>	<b>(51,784)</b>	<b>0</b>	<b>(27)</b>	<b>0</b>	<b>(114,607)</b>	<b>(1,426)</b>
<b>Net Book Value at 31 March 2011</b>	<b>693,192</b>	<b>390,927</b>	<b>21,673</b>	<b>172,333</b>	<b>14,281</b>	<b>8,093</b>	<b>19,491</b>	<b>1,319,990</b>	<b>35,631</b>
<b>Net Book Value at 31 March 2010</b>	<b>993,509</b>	<b>390,399</b>	<b>22,134</b>	<b>168,398</b>	<b>16,640</b>	<b>9,674</b>	<b>5,008</b>	<b>1,605,762</b>	<b>36,692</b>

**Movements on Balances****Movements in 2009/10:**

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
At 1 April 2009	1,004,113	405,659	26,730	203,256	13,361	5,698	1,250	<b>1,660,067</b>	32,233
additions	35,596	17,010	11,930	11,943	3,150	0	3,890	<b>83,519</b>	0
donations	0	0	0	0	0	0	0	<b>0</b>	0
revaluation increases/(decreases) recognised in the Revaluation Reserve	(26,174)	11,051	0	0	0	125	0	<b>(14,998)</b>	5,487
revaluation increases/ (decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(24,445)	0	0	0	1	0	<b>(24,444)</b>	0
derecognition – disposals	(2,135)	(2,699)	(214)	0	0	0	0	<b>(5,048)</b>	0
derecognition – other	0	0	0	0	0	0	0	<b>0</b>	0
assets reclassified (to)/from Held for Sale	0	0	0	0	0	0	0	<b>0</b>	0
assets reclassified - other	(3,800)	0	0	0	0	3,800	0	<b>0</b>	0
other movements in cost or valuation	(1)	13,310	(2,753)	(913)	129	66	(132)	<b>9,706</b>	0
<b>At 31 March 2010</b>	<b>1,007,599</b>	<b>419,886</b>	<b>35,693</b>	<b>214,286</b>	<b>16,640</b>	<b>9,690</b>	<b>5,008</b>	<b>1,708,802</b>	<b>37,720</b>

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2009	(14,108)	(27,653)	(9,175)	(41,287)	0	0	0	<b>(92,223)</b>	(1,753)
depreciation charge	(14,090)	(12,005)	(6,681)	(5,562)	0	0	0	<b>(38,338)</b>	(1,036)
depreciation written out to the Revaluation Reserve	14,108	22,762	0	0	0	0	0	<b>36,870</b>	1,752
depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>	0
impairment losses/(reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	<b>0</b>	0
impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>	0
derecognition – disposals	0	214	214	0	0	0	0	<b>428</b>	0
derecognition – other	0	0	0	0	0	0	0	<b>0</b>	0
other movements in depreciation and impairment	0	(12,805)	2,083	961	0	(16)	0	<b>(9,777)</b>	9
<b>At 31 March 2010</b>	<b>(14,090)</b>	<b>(29,487)</b>	<b>(13,559)</b>	<b>(45,888)</b>	<b>0</b>	<b>(16)</b>	<b>0</b>	<b>(103,040)</b>	<b>(1,029)</b>
<b>Net Book Value at 31 March 2010</b>	<b>993,509</b>	<b>390,399</b>	<b>22,134</b>	<b>168,398</b>	<b>16,640</b>	<b>9,674</b>	<b>5,008</b>	<b>1,605,762</b>	<b>36,692</b>
<b>Net Book Value at 31 March 2009</b>	<b>990,005</b>	<b>378,006</b>	<b>17,555</b>	<b>161,969</b>	<b>13,361</b>	<b>5,595</b>	<b>1,250</b>	<b>1,569,623</b>	<b>30,470</b>

**Depreciation**

Assets are depreciated using the following methods and over the following periods:

Asset Type	Depreciation Method	Period of Years
Buildings	Straight line	Useful Economic Life.
Infrastructure (e.g. roads)	Straight line	40 years or Estimated life
Mobile Plant & Vehicles	Straight line	Useful Economic Life.
Council Dwellings	The major repairs allowance is used as a proxy for depreciation.	Not Applicable

**Capital Commitments**

At 31 March 2011, Dudley had entered into major contractual and other commitments relating to the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years. Budgeted costs for these were as follows:

	£'000
Housing	6,379
Children's Services	10,902
Highways & Transport	3,195
Other Projects	12,368
<b>Total</b>	<b>32,844</b>

Similar commitments at 31 March 2010 were £21,150m

**Effects of Changes in Estimates**

There were no significant changes in accounting estimates used in calculating fair values of properties.

**Revaluations**

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of plant and equipment, where appropriate, are included in the valuation of the buildings. Specialised plant is valued as separate items in the Depreciated Replacement Cost.

Short-lived assets such as vehicles are carried at depreciated historic cost as a proxy for current value. Community Assets (e.g. parks) and Infrastructure Assets (e.g. roads) have not been valued, but are included at historic cost, net of depreciation, in accordance with the Accounting Code of Practice.

**The significant assumptions applied in estimating the fair values**

For specialised property, or assets for which there is little or no market evidence of value, and which therefore have been valued on the basis of Depreciated Replacement Cost (DRC), it is assumed that there will be continuing occupation.

No account has been taken of flooding the market, each property or group of properties being assumed to stand alone.

Where properties have been valued on the basis of DRC, or for redevelopment purposes, it is assumed that the location of services and ground conditions would not adversely affect the layout of buildings, that all relevant services are of adequate capacity and proximate, and that all necessary consents and approvals would be forthcoming.

**Components**

Where identifiable and significant components of a building have a shorter life than the building itself, they should be depreciated separately, to ensure that the annual charge to revenue fully reflects the use of the building. In Dudley, the overall difference between asset lives and actual replacement periods is such that there would not be a significant effect on the accounts if components were separately depreciated. Therefore no componentisation has been carried out.

**Dates of Valuation of Properties within Plant Property and Equipment**

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles Plant and Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Carried at Historical Cost</b>			21,673		21,673
Valued at fair value as at:					
1 April 2010	674,558	98,089		3,954	776,601
1 April 2009		121,644		2,924	124,568
1 April 2008		44,936		400	45,336
1 April 2007		41,900		406	42,306
1 April 2006		71,192		26	71,218
<b>Total Cost or Valuation</b>	<b>674,558</b>	<b>377,761</b>	<b>21,673</b>	<b>7,710</b>	<b>1,081,702</b>

N.B. This table does not show movements in value of assets since the valuation dates given.

**Note 13: Investment Properties**

Dudley has not classified any property interests held under operating leases as investment property.

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

	2010/11	2009/10
	£'000	restated £'000
Rental income from investment property	(1,273)	(1,856)
Direct operating expenses arising from investment property	729	1,457
<b>Net (gain)/loss</b>	<b>(544)</b>	<b>(399)</b>

(More detail is given in [Note 30](#))

There are no restrictions on Dudley's ability to realise the value inherent in its investment property or on Dudley's right to the remittance of income and the proceeds of disposal. Dudley has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancement.

Investment properties are valued at fair (i.e. market) value, reflecting conditions at the balance sheet date [31st March 2010] The valuation is carried out by an internal valuer, appropriately qualified and with local knowledge, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

	2010/11	2009/10
	£'000	restated £'000
<b>Balance at start of the year</b>	<b>12,112</b>	<b>13,457</b>
Additions:		
Purchases	0	0
Construction	0	0
Subsequent expenditure	25	199
Disposals	0	0
Net gains/(losses) from fair value adjustments	126	(344)
Transfers:		
( to)/from Inventories	0	0
(to)/from Property, Plant and Equipment	(737)	(1,200)
Other changes	0	0
<b>Balance at end of the year</b>	<b>11,526</b>	<b>12,112</b>

**Note 14: Intangible Assets**

In 2009/10 these comprised purchased software licences, to the extent that these are not an integral part of the associated hardware. From 1 April 2010, income streams from access to council-owned property, predominantly for telecommunication equipment, were reclassified as intangible, as better reflecting the substance of the transactions. Both categories are amortised straight line, over a five year life for software, and an estimated useful life for access agreements.

	Software		Access Agreements	
	2010/11	2009/10 restated	2010/11	2009/10 restated
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At start of year	5,896	5,776	0	0
Reclassification	0	0	652	0
Additions	0	121	0	0
Other adjustments	0	(2)	94	0
<b>Balance at end of year</b>	<b>5,896</b>	<b>5,895</b>	<b>746</b>	<b>0</b>
<b>Amortisation</b>				
At start of year	(4,854)	(3,699)	0	0
Charge in year	(641)	(1,155)	(149)	0
<b>Balance at end of year</b>	<b>(5,495)</b>	<b>(4,854)</b>	<b>(149)</b>	<b>0</b>
<b>Net carrying value at end of year</b>	<b>400</b>	<b>1,041</b>	<b>597</b>	<b>0</b>

The amortisation of software of £641k charged to revenue in 2010/11 was charged to the ICT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure on Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The amortisation of access agreements of £149k charged to revenue in 2010/11 was charged to the HRA.

**Note 15: Financial Instruments**

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

	Long-term			Current		
	31 March 2011 £'000	31 March 2010 restated £'000	31 March 2009 restated £'000	31 March 2011 £'000	31 March 2010 restated £'000	31 March 2009 restated £'000
<b>Investments</b>						
Loans to Other Local Authorities	500	500	500	2	2	2
Birmingham Airport Shares	20,004	20,004	7,675	0	0	0
<b>Total Investments</b>	<b>20,504</b>	<b>20,504</b>	<b>8,175</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Debtors</b>						
Ex WMCC Debtor Authorities	181,722	187,627	193,101	5,905	5,368	4,880
Soft Loans Provided	861	691	807	0	0	0
Other Long Term Debtors *	1,519	882	651	0	0	0
Short term Debtors ( <a href="#">Note 18</a> )	0	0	0	47,360	58,083	43,050
Less Provision for Doubtful Debts ( <a href="#">Note 18</a> )	0	0	0	(14,990)	(14,502)	(11,573)
<b>Total Debtors</b>	<b>184,102</b>	<b>189,200</b>	<b>194,559</b>	<b>38,275</b>	<b>48,949</b>	<b>36,357</b>
<b>Borrowings</b>						
Dudley Borrowing	207,765	209,182	212,640	1,547	2,443	10,885
Ex WMCC Borrowing	200,933	206,936	219,610	9,203	8,687	1,300
Dudley Accrued Interest	0	0	0	1,391	1,402	1,413
Ex WMCC Accrued Interest	0	0	0	1,548	1,726	1,736
Dudley Premiums Adjusting Carrying Value	(829)	(848)	(867)	0	0	0
Ex WMCC Premiums Adjusting Carrying Value	(2,152)	(2,282)	(2,406)	0	0	0
<b>Total Borrowings</b>	<b>405,717</b>	<b>412,988</b>	<b>428,977</b>	<b>13,689</b>	<b>14,258</b>	<b>15,334</b>
<b>Other Long Term Liabilities</b>						
PFI Liabilities ( <a href="#">Note 42</a> )	27,078	28,313	29,513	1,234	1,201	1,106
Finance Lease Liabilities ( <a href="#">Note 41</a> )	12,732	13,179	10,678	1,816	2,130	1,257
<b>Total Other Long Term Liabilities</b>	<b>39,810</b>	<b>41,492</b>	<b>40,191</b>	<b>3,050</b>	<b>3,331</b>	<b>2,363</b>
<b>Creditors</b>						
Short Term Creditors ( <a href="#">Note 21</a> )	0	0	0	71,697	58,983	52,835
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>71,697</b>	<b>58,983</b>	<b>52,835</b>

### Investments

The authority invests its day to day cash balances in order to generate income by earning interest. At 31 March 2011 such balances amounted to £12,799k and were all held in call accounts, which are now classed as cash equivalents. This is a change from the previous policy, where the call accounts were included in short term investments, and more readily reflects the actual availability of liquidity. Accrued interest on long term investments is shown as short term investments.

The Authority's shareholding investment in Birmingham Airport cost £7.675m but was revalued at 31 March 2010 to £20.004m for Dudley's 5.58% ordinary shareholding. The amount of the revaluation was credited to the Available For Sale Financial Instruments Reserve. The valuation was reviewed this year, and confirmed as still applicable.

### Long Term Debtors

These are debtors which fall due after a period of at least one year. They include amounts in respect of debt formerly held by the West Midlands County Council (WMCC), to be serviced by the West Midlands Borough Councils and Joint Boards, under the terms of the Local Government Reorganisation (Debt Administration) (West Midlands) Order 1986 which designated Dudley as being responsible for the administration of the debt.

#### Other Long Term Debtors

	<b>31 March 2011</b>	<b>31 March 2010</b>	<b>31 March 2009</b>
		<b>restated</b>	<b>restated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Mortgages - Sold Properties	117	151	219
Other Mortgages	17	22	30
Other Local Authorities	99	106	113
Employee Loans	228	239	148
Loans to Individuals and Other bodies	1,057	364	141
<b>Total Other Long Tern Debtors</b>	<b>1,518</b>	<b>882</b>	<b>651</b>

### Borrowings

This table shows the source of long-term borrowing and short-term borrowing including debt formerly held by the West Midlands County Council (WMCC), to be serviced by the West Midlands Borough Councils and Joint Boards, under the terms of the Local Government Reorganisation (Debt Administration) (West Midlands) Order 1986 which designated Dudley as being responsible for the administration of the debt.

All these items are financial liabilities held at amortised cost; the balance sheet figures include amounts relating to premiums occasioned by restructuring of debt. Maturity loans repayable within 12 months and principal on annuity loans repayable within 12 months are now classed as short term borrowing. The table below shows the underlying borrowing, and separately the amounts relating to premiums.

### Fair Values

The fair value of assets and liabilities (at balance sheet dates is shown in the table below). Fair value (i.e. reflecting market values) is defined as the value at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. It reflects changes in expectation of interest rates.

**Fair Value of Assets & Liabilities carried at Amortised Cost**

Assets	31 March 2011		31 March 2010		31 March 2009	
			restated		restated	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000
Loans to other Local Authorities	500	847	500	827	500	909
Birmingham Airport Shares	20,004	20,004	20,004	20,004	7,675	7,675
<b>Total Assets</b>	<b>20,504</b>	<b>20,851</b>	<b>20,504</b>	<b>20,831</b>	<b>8,175</b>	<b>8,584</b>

Liabilities	31 March 2011		31 March 2010		31 March 2009	
			Restated		restated	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000	£'000	£'000
Dudley Public Works Loans Board	192,344	187,710	194,631	206,373	196,231	229,064
Dudley Stock	6,784	8,499	6,784	8,412	6,853	8,985
Dudley Other debt	10,184	11,544	10,205	11,940	22,286	10,055
West Midlands Public Works Loans Board	190,152	209,961	197,839	228,196	202,042	253,758
West Midlands Stock	6,784	8,499	6,784	8,412	6,853	8,985
West Midlands Other	13,200	13,898	11,000	11,928	10,045	11,854
<b>Total Liabilities</b>	<b>419,448</b>	<b>440,111</b>	<b>427,243</b>	<b>475,261</b>	<b>444,310</b>	<b>522,701</b>

**Note 16: Inventories**

An analysis of Inventories (Stocks and Stores) is shown below:

	31 March 2011	31 March 2010	31 March 2009
		restated	restated
	£'000	£'000	£'000
Housing	774	890	947
Engineering & Transportation	591	473	444
Other Stocks and Stores	313	218	243
<b>Total Inventory</b>	<b>1,678</b>	<b>1,581</b>	<b>1,634</b>

**Note 17: Construction Contracts**

Dudley does not undertake major construction contracts on behalf of other organisations.

**Note 18: Debtors**

An analysis of debtors which fall due within one year is shown below.

	31 March 2011	31 March 2010 restated	31 March 2009 restated
	£'000	£'000	£'000
<b>1. General</b>			
Council Tax, Community Charge and Non-Domestic Rate Payers	6,031	6,484	5,861
Housing Tenants	5,626	5,842	5,532
Central Government Bodies	11,977	22,036	15,163
Other Local Authorities	7,227	7,649	1,858
NHS Bodies	1,563	1,707	584
Public Corporations and Trading Funds	135	632	891
Other Debtors	14,801	13,733	13,161
	<b>47,360</b>	<b>58,083</b>	<b>43,050</b>
<b>Less Provisions for Doubtful Debts:</b>			
Council Tax, Community Charge and Non- Domestic Rate Payers	(4,711)	(4,604)	(3,781)
Housing Tenants	(5,530)	(5,621)	(5,222)
Other Debtors	(4,749)	(4,277)	(2,570)
<b>Total Provisions for Doubtful Debts</b>	<b>(14,990)</b>	<b>(14,502)</b>	<b>(11,573)</b>
<b>Total General</b>	<b>32,370</b>	<b>43,581</b>	<b>31,477</b>
<b>2. Payments in Advance</b>			
Central Government Bodies	4	7	468
Other Local Authorities	7	9	92
NHS Bodies	1	1	52
Other Payments in Advance	4,842	4,604	4,628
<b>Total Payments in Advance</b>	<b>4,854</b>	<b>4,621</b>	<b>5,240</b>
<b>Total Debtors</b>	<b>37,224</b>	<b>48,202</b>	<b>36,717</b>

**Note 19 Cash and Cash Equivalents**

	31 March 2011	31 March 2010 restated	31 March 2009 restated
	£'000	£'000	£'000
Cash held by the Authority	5,040	4,560	5,989
Bank current accounts	(7,420)	(11,411)	(16,749)
Short-term deposits with approved bodies	12,801	1,563	72
<b>Total Cash and Cash Equivalents</b>	<b>10,421</b>	<b>(5,288)</b>	<b>(10,688)</b>

The negative balance on current bank accounts in the balance sheet, is due to adjustments for cash held by the Council in its capacity as a trustee for various trust funds which is not part of the Council's cash balance, and adjustments for cheques/BACS payments not cleared from the Council's bank accounts at 31 March 2011.

### **Note 20: Assets Held for Sale**

	Current Assets		Non-Current Assets	
	2010/11	2009/10 restated	2010/11	2009/10 restated
	£'000	£'000	£'000	£'000
Balance at start of year	0	0	833	833
Assets newly classified as held for sale from:				
Property, Plant and Equipment	0	0	3,800	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Revaluation losses	0	0	0	0
Revaluation gains	0	0	0	0
Impairment losses	0	0	0	0
Assets declassified as held for sale & moved to:				
Property, Plant and Equipment	0	0	0	0
Intangible Assets	0	0	0	0
Other assets/liabilities in disposal groups	0	0	0	0
Assets sold	0	0	(4,170)	0
Transfers from non-current to current	0	0	0	0
<b>Balance at end of year</b>	<b>0</b>	<b>0</b>	<b>463</b>	<b>833</b>

**Note 21: Creditors**

An analysis of creditors is shown below.

	<b>31 March 2011</b>	<b>31 March 2010 restated</b>	<b>31 March 2009 restated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>1. General</b>			
Central Government Bodies	14,035	10,297	10,288
Other Local Authorities	6,415	7,831	7,574
NHS Bodies	573	623	659
Public Corporations and Trading Funds	121	167	82
Rent and Council Tax/Community Charge Payers	1,561	1,389	1,067
Other Creditors	32,650	29,341	26,260
	<b>55,355</b>	<b>49,648</b>	<b>45,930</b>
<b>2. Receipts in Advance</b>			
Central Government Bodies	6,764	3,634	779
Other Local Authorities	44	16	68
NHS Bodies	3,057	82	401
Public Corporations and Trading Funds	126	32	32
Other Receipts in Advance	6,351	5,571	5,625
	<b>16,342</b>	<b>9,335</b>	<b>6,905</b>
<b>Total Creditors</b>	<b>71,697</b>	<b>58,983</b>	<b>52,835</b>

**Note 22: Provisions**

Provisions are raised where a liability has been incurred, and it is more likely than not that a payment will be required. Provisions are reviewed annually and returned to revenue if they are no longer required for their original purposes.

	Unequal Pay £'000	Termination Benefits £'000	Other Provisions £'000	Total Provisions £'000
Balance at start of year	80,973	0	725	<b>81,698</b>
Additional provisions made in 2010/11	0	4,301	80	<b>4,381</b>
Amounts used in 2010/11	(5,546)	0	(253)	<b>(5,799)</b>
Unused amounts reversed in 2010/11	(686)	0	0	<b>(686)</b>
Unwinding of discounting in 2010/11	0	0	0	<b>0</b>
<b>Balance at end of year</b>	<b>74,741</b>	<b>4,301</b>	<b>552</b>	<b>79,594</b>
Shown as current liability in balance sheet	12,341	4,301	552	<b>17,194</b>
Shown as non-current liability in balance sheet	62,400	0	0	<b>62,400</b>
<b>Total in balance sheet</b>	<b>74,741</b>	<b>4,301</b>	<b>552</b>	<b>79,594</b>

**Unequal Pay**

The authority has made provision for outstanding settlements with current and former employees in respect of actual or potential claims under Equal Pay legislation. The nature of the settlement process and ongoing litigation means that the ultimate amounts involved and payment timescale remain uncertain. The provision has been calculated prudently on the basis of previous settlement experience and the best information available.

**Termination Benefits**

The authority committed itself to terminate the contracts of a number of employees in 2010/11, mainly in order to make savings necessary to deliver the 2011/12 revenue budget. The provision reflects a prudent estimate of the likely cost of redundancies agreed after 31 March 2011.

**Note 23: Usable Reserves**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement, and in [Note 8](#).

**Note 24: Unusable Reserves**

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Revaluation Reserve	81,064	194,276	174,123
Available for Sale Financial Instruments Reserve	12,329	12,329	0
Capital Adjustment Account	795,677	995,237	992,294
Financial Instruments Adjustment Account	(15,865)	(16,516)	(17,163)
Deferred Capital Receipts Reserve	1,462	151	219
Pensions Reserve	(280,934)	(380,953)	(238,839)
Collection Fund Adjustment Account	676	3	1
Unequal Pay Back Pay Account	0	0	(7,394)
Accumulated Absences Account	(6,469)	(7,023)	(5,405)
<b>Total Unusable Reserves</b>	<b>587,940</b>	<b>797,504</b>	<b>897,836</b>

**Revaluation Reserve**

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

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

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

	2010/11		2009/10 restated	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>194,276</b>		<b>174,123</b>
Upward revaluation of assets	13,224		34,266	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(124,485)		(12,394)	
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>(111,261)</b>		<b>21,872</b>
Difference between fair value depreciation and historical cost depreciation	(1,879)		(1,082)	
Accumulated gains on assets sold or scrapped	(72)		(637)	
Amount written off to the Capital Adjustment Account		(1,951)		(1,719)
<b>Balance at end of year</b>		<b>81,064</b>		<b>194,276</b>

**Available for Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contains the gains made by Dudley arising from increases in the value of its investments that have no quoted market prices. The balance is reduced when investments with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- disposed of and the gains are realised.

	2010/11		2009/10 restated	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>12,329</b>		<b>0</b>
Upward revaluation of investments	0		12,329	
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0		0	
<b>Sub-total</b>		<b>0</b>		<b>12,329</b>
Accumulated gains on assets sold and maturing assets written out to the Comprehensive Income and Expenditure Statement as part of Other Investment Income		<b>0</b>		<b>0</b>
<b>Balance at end of year</b>		<b>12,329</b>		<b>12,329</b>

**Capital Adjustment Account**

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by Dudley. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

[Note 7](#) provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2010/11		2009/10 restated	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>995,237</b>		<b>992,294</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
Charges for depreciation and amortisation of noncurrent assets	(49,446)		(39,493)	
Revaluation losses on Property, Plant and Equipment	(199,921)		(24,445)	
Revenue expenditure funded from capital under statute	(2,704)		(5,955)	
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement.	(7,825)		(4,045)	
<b>Sub-total</b>		<b>(259,896)</b>		<b>(73,938)</b>
Adjusting amounts written out of the Revaluation Reserve (Depreciation)		1,879		1,082
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(258,017)</b>		<b>(72,856)</b>
Capital financing applied in the year:				
Use of the Capital Receipts Reserve to finance new capital expenditure	3,250		1,989	
Use of the Major Repairs Reserve to finance new capital expenditure	5,475		22,890	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	29,337		35,178	
Application of grants to capital financing from the Capital Grants Unapplied Account	2,390		0	
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	15,824		15,321	
Capital expenditure charged against the General Fund and HRA balances	2,088		121	
		<b>58,364</b>		<b>75,499</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		126		344
Write down of capital debtors		(33)		(44)
<b>Balance at end of year</b>		<b>795,677</b>		<b>995,237</b>

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions.

The Authority uses the Account to manage premiums paid on the early redemption of loans.

Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In Dudley's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2011 will be charged to the General Fund over the next 45 years.

	2010/11		2009/10 restated	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>(16,516)</b>		<b>(17,163)</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0		0	
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	635		608	
Effect of granting loans at less than commercial rates of interest	16		39	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements		651		647
<b>Balance at end of year</b>		<b>(15,865)</b>		<b>(16,516)</b>

### Pensions Reserve

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

	2010/11		2009/10 restated	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>(380,953)</b>		<b>(238,839)</b>
Actuarial gains or (losses) on pensions assets and liabilities	60,757		(130,996)	
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	12,078		(37,629)	
Employer's pensions contributions and direct payments to pensioners payable in the year	27,184		26,511	
<b>Balance at end of year</b>		<b>(280,934)</b>		<b>(380,953)</b>

**Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the proceeds recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2010/11		2009/10 restated	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		151		219
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	1345		0	0
Transfer to the Capital Receipts Reserve upon receipt of cash	(34)		(68)	
<b>Balance at end of year</b>		<b>1,462</b>		<b>151</b>

**Collection Fund Adjustment Account**

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

	2010/11		2009/10 restated	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		3		1
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements		673		2
<b>Balance at end of year</b>		<b>676</b>		<b>3</b>

**Unequal Pay Back Pay Account**

The Unequal Pay Back Pay Account compensates for the differences between the rate at which the Authority provides for the potential costs of back pay settlements in relation to Equal Pay cases and the ability under statutory provisions to defer the impact on the General Fund Balance until such time as cash might be paid out to claimants.

	2010/11		2009/10 restated	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>0</b>		<b>(7,394)</b>
Decrease in provision for back pay in relation to Equal Pay cases	0		7,394	
Cash settlements paid in the year	0		0	
Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements		0		7,394
<b>Balance at end of year</b>		<b>0</b>		<b>0</b>

### Accumulated Absences Account

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

	2010/11		2009/10 restated	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>(7,023)</b>		<b>(5,405)</b>
Settlement or cancellation of accrual made at the end of the preceding year	7,023		5,405	
Amounts accrued at the end of the current year	(6,469)		(7,023)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		554		(1,618)
<b>Balance at end of year</b>		<b>(6,469)</b>		<b>(7,023)</b>

### Note 25: Cash Flow Statement - Operating Activities Extract – Interest and Dividends

Interest and dividend balances which form part of the operating activities figure:

	2010/11	2009/10 restated
	£'000	£'000
Interest Received	(273)	(685)
Interest Paid	16,310	14,725
Dividends Received	(111)	(111)
<b>Net Cash Flows from Operating Activities</b>	<b>15,926</b>	<b>13,929</b>

**Note 26: Cash Flow Statement - Investing Activities**

	2010/11	2009/10
	£'000	restated £'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	81,637	80,589
Purchase of Short term and long term investments	0	0
Other payments for Investing Activities	0	0
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(4,276)	(4,535)
Proceeds from Short-Term and Long Term Investments	(28)	(20,100)
Other Receipts from Investing Activities	(32,113)	(40,051)
<b>Net Cash Flows from Investing Activities</b>	<b>45,220</b>	<b>15,903</b>

**Note 27: Cash Flow Statement - Financing Activities and Non Cash Movements****Financing Activities**

	2010/11	2009/10
	£'000	restated £'000
Cash Receipts of Short and Long Term Borrowing	0	0
Other Receipts from Financing Activities	(2,640)	0
Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	774	1,518
Repayment of short and long term borrowing	7,650	17,187
Other payments for financing activities	0	5,342
<b>Net Cash Flows from Investing Activities</b>	<b>5,784</b>	<b>24,047</b>

**Non-Cash Movements**

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>restated £'000</b>
Depreciation	(48,529)	(35,778)
Impairment and Downward Valuations	(192,124)	(26,457)
Amortisation	(790)	(1,036)
Changes in Provision for Bad Debts	2,104	10,312
Changes to Creditors	(12,714)	(8,000)
Changes to Debtors	(8,614)	1,427
Changes to Stock	97	(55)
Pension Liability	27,177	(11,118)
Carrying Amount of Non Current Assets Sold	(7,898)	(2,455)
Other Non-Cash Items Charged to the Net Surplus or Deficit on the Provision of Services	12,894	16,890
<b>Total Non-Cash Movements</b>	<b>(228,397)</b>	<b>(56,270)</b>

**Note 28: Amounts Reported for Resource Allocation Decisions**

The following table is an enhanced version of the Council's revenue outturn statement reported to Cabinet which is deemed to be its chief operating decision maker for resource allocation. The operating segments are the directorates of the Council and this summary is based on the directorates' outturns reported through its Financial Monitoring Management Regime (FMMR) process.

**2010/11**

Service	Children's Services	Adult, Community & Housing	Housing Revenue Account	Urban Environment	Chief Executive's	Corporate Resources	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees charges & other service income	(26,134)	(27,383)	(78,260)	(23,411)	(563)	(25,564)	<b>(181,315)</b>
Government Grants	(269,983)	(7,088)	(3,824)	(4,240)	(2,079)	(133,781)	<b>(420,995)</b>
<b>Total Income</b>	<b>(296,117)</b>	<b>(34,471)</b>	<b>(82,084)</b>	<b>(27,651)</b>	<b>(2,642)</b>	<b>(159,345)</b>	<b>(602,310)</b>
Employee Expenses	233,055	51,753	27,011	39,902	4,141	31,192	<b>387,054</b>
Other operating expenses	145,901	85,934	50,975	33,789	5,396	143,518	<b>465,513</b>
Support Service Recharges	5,586	4,778	4,900	5,922	1,971	2,619	<b>25,776</b>
Recovery of support service recharges	0	0	0	0	(1,771)	(24,005)	<b>(25,776)</b>
<b>Total operating expenses</b>	<b>384,542</b>	<b>142,465</b>	<b>82,886</b>	<b>79,613</b>	<b>9,737</b>	<b>153,324</b>	<b>852,567</b>
<b>Net Cost of Services</b>	<b>88,425</b>	<b>107,994</b>	<b>802</b>	<b>51,962</b>	<b>7,095</b>	<b>(6,021)</b>	<b>250,257</b>

**Reconciliation to Net Cost of Services in Comprehensive Income & Expenditure Account (CIES)**

Adjustments between amounts reported to management and the Comprehensive Income and Expenditure Statement:

	<b>£'000</b>
<b>Cost of Services in Service Analysis</b>	<b>250,257</b>
Income treated as general grant in CIES but included in Net Cost of Services for management	40,939
Adjustments between accounting basis and funding basis under regulations (Note 7)	161,917
Amount in respect of difference between accounting and statutory treatment of Collection Fund surplus	673
Other Operating Expenditure	(25,749)
Financing & Investment Income & Expenditure	(28,342)
Use of Reserves	(15,369)
Adjustments to Outturn after draft CIES was certified	(420)
<b>Net Cost of Services in CIES</b>	<b>383,906</b>

**Reconciliation to Subjective Analysis**

	Service Analysis	Reported to Mgmt but adjusted in CIES	Reported to Mgmt but below net cost of services in CIES	Net Cost of Service	Corporate Amounts	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(181,315)	0	0	(181,315)	0	(181,315)
Specific Government grants and contributions	(420,995)	0	41,232	(379,763)	(294)	(380,057)
Interest and investment income	0	0	390	390	(390)	0
Income from Investment Properties	0	0	1,273	1,273	(1,273)	0
Council Tax Income	0	0	0	0	(110,547)	(110,547)
Distribution from National Non-Domestic Rates Pool	0	0	0	0	(109,655)	(109,655)
General grants	0	0	0	0	(46,943)	(46,943)
Capital Grants & Contributions	0	0	0	0	(29,337)	(29,337)
<b>Total Income</b>	<b>(602,310)</b>	<b>0</b>	<b>42,895</b>	<b>(559,415)</b>	<b>(298,439)</b>	<b>(857,854)</b>
Employee expenses	387,054	0	0	387,054	0	387,054
Other operating expenses	465,513	0	0	465,513	0	465,513
Depreciation, Amortisation & Impairment	0	250,038	0	250,038	0	250,038
Other adjustments between accounting basis & funding basis under regulations (Note 7)	0	(88,121)	0	(88,121)	0	(88,121)
Amount in respect of difference between accounting and statutory treatment of Collection Fund surplus	0	673	0	673	0	673
Use of Reserves	0	0	(15,369)	(15,369)	0	(15,369)
Precepts & Levies	0	0	(16,604)	(16,604)	16,604	0
Payments to Housing Capital Receipts Pool	0	0	(1,985)	(1,985)	1,985	0
Gain / Loss on Disposal of non-current assets	0	0	(1,666)	(1,666)	1,666	0
Derecognition of Community Assets	0	0	(5,494)	(5,494)	5,494	0
Interest Payments	0	0	(15,785)	(15,785)	15,785	0
Finance cost re Pensions	0	0	(13,909)	(13,909)	13,909	0
Expenditure & changes in fair value of Investment properties	0	0	(604)	(604)	604	0
Adjustments to Certified draft CIES	0	(420)	0	(420)	0	(420)
<b>Total operating expenses</b>	<b>852,567</b>	<b>162,170</b>	<b>(71,416)</b>	<b>943,321</b>	<b>56,047</b>	<b>999,368</b>
<b>Surplus or deficit on the provision of services</b>	<b>250,257</b>	<b>162,170</b>	<b>(28,521)</b>	<b>383,906</b>	<b>(242,392)</b>	<b>141,514</b>

**2009/10**

The 2009-10 FMMR was reported on SORP 2009 basis therefore the following tables reconcile the 2009-10 budget outturn to Cabinet with the 2009-10 statutory accounts.

<b>Service</b>	<b>Children's Services £'000</b>	<b>Adult, Community &amp; Housing £'000</b>	<b>Housing Revenue Account £'000</b>	<b>Urban Environment £'000</b>	<b>Chief Executive's £'000</b>	<b>Law &amp; Property £'000</b>	<b>Finance, ICT &amp; Procurement £'000</b>	<b>TOTAL £'000</b>
Fees charges & other service income	(25,477)	(26,316)	(77,139)	(20,747)	(741)	(3,401)	(21,435)	<b>(175,256)</b>
Government Grants	(241,445)	(9,563)	(61)	(4,236)	(7,433)	(7)	(96,000)	<b>(358,745)</b>
<b>Total Income</b>	<b>(266,922)</b>	<b>(35,879)</b>	<b>(77,200)</b>	<b>(24,983)</b>	<b>(8,174)</b>	<b>(3,408)</b>	<b>(117,435)</b>	<b>(534,001)</b>
Employee Expenses	226,411	39,613	26,250	44,150	4,313	11,548	21,394	<b>373,679</b>
Other operating expenses	106,135	85,120	47,271	31,777	12,341	13,762	119,392	<b>415,798</b>
Support Service Recharges	5,565	7,862	4,452	6,134	2,316	906	1,347	<b>28,582</b>
Recovery of support service recharges	0	0	0	0	(1,921)	(10,204)	(16,457)	<b>(28,582)</b>
<b>Total operating expenses</b>	<b>338,111</b>	<b>132,595</b>	<b>77,973</b>	<b>82,061</b>	<b>17,049</b>	<b>16,012</b>	<b>125,676</b>	<b>789,477</b>
<b>Net Cost of Services</b>	<b>71,189</b>	<b>96,716</b>	<b>773</b>	<b>57,078</b>	<b>8,875</b>	<b>12,604</b>	<b>8,241</b>	<b>255,476</b>

**Reconciliation to Net Cost of Services in Comprehensive Income & Expenditure Account (CIES)**

Adjustments between amounts reported to management and the Comprehensive Income and Expenditure Statement:

	<b>£'000</b>
<b>Cost of Services in Service Analysis</b>	<b>255,476</b>
Income treated as general grant in CIES but included in Net Cost of Services for management	8,207
Net additional amount required by statute and non-statutory proper practice to be credited to the General Fund Balance but not included in Income & Expenditure Statement 2009-10	13,565
Amount in respect of difference between accounting and statutory treatment of Collection Fund surplus	2
Other Operating Expenditure	(68,657)
Financing & Investment Income & Expenditure	14,283
Transfers to General Fund balance from earmarked reserves	(1,000)
<b>Net Cost of Services under SORP 2009</b>	<b>221,876</b>
Net adjustment resulting from the implementation of International Financial Reporting Standards	<b>8,382</b>
<b>Net Cost of Services Restated 2009/10</b>	<b>230,258</b>

**Reconciliation to Subjective Analysis**

	<b>Service Analysis</b>	<b>Reported to Mgmt but Adjusted in CIES</b>	<b>Reported to Mgmt but below net cost of services in CIES</b>	<b>IFRS Adjustment</b>	<b>Net Cost of Service</b>	<b>Corporate Amounts</b>	<b>TOTAL</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fees, charges & other service income	(175,256)	0	0	0	<b>(175,256)</b>	0	<b>(175,256)</b>
Specific Government grants and contributions	(358,745)	0	8,512	0	<b>(350,233)</b>	(8,512)	<b>(358,745)</b>
Interest and investment income	0	0	669	0	<b>669</b>	(669)	<b>0</b>
Income from Investment Properties	0	0	1,503	0	<b>1,503</b>	(1,503)	<b>0</b>
Council Tax Income	0	0	0	0	<b>0</b>	(108,184)	<b>(108,184)</b>
Distribution from National Non-Domestic Rates Pool	0	0	0	0	<b>0</b>	(99,050)	<b>(99,050)</b>
General Grants	0	0	0	0	<b>0</b>	(44,477)	<b>(44,477)</b>
Net adjustment resulting from the implementation of International Financial Reporting Standards	0	0	0	7,890	<b>7,890</b>	0	<b>7,890</b>
<b>Total Income</b>	<b>(534,001)</b>	<b>0</b>	<b>10,684</b>	<b>7,890</b>	<b>(515,427)</b>	<b>(262,395)</b>	<b>(777,822)</b>

	Service Analysis	Reported to Mgmt but Adjusted in CIES	Reported to Mgmt but below net cost of services in CIES	IFRS Adjustment	Net Cost of Service	Corporate Amounts	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Employee expenses	373,679	0	0	0	373,679	0	373,679
Other operating expenses	415,798	0	0	0	415,798	0	415,798
Depreciation, Amortisation & Impairment	0	31,456	0	0	31,456	0	31,456
Other adjustments between accounting basis & funding basis under regulations (Note 7)	0	2,827	0	0	2,827	0	2,827
Amount in respect of difference between accounting and statutory treatment of Collection Fund surplus	0	(2)	0	0	(2)	0	(2)
Use of Reserves	0	0	(21,716)	0	(21,716)	0	(21,716)
Trading Accounts	0	0	(1,457)	0	(1,457)	1,457	0
Precepts & Levies	0	0	(16,476)	0	(16,476)	16,476	0
Payments to Housing Capital Receipts Pool	0	0	(2,087)	0	(2,087)	2,087	0
Gain / Loss on Disposal of non-current assets	0	0	2,083	0	2,083	(2,083)	0
Interest Payments	0	0	(15,255)	0	(15,255)	15,255	0
Finance cost re Pensions	0	0	(19,330)	0	(19,330)	19,330	0
Impairment of Assets not linked to any Service	0	0	(4,327)	0	(4,327)	4,327	0
Expenditure & changes in fair value of Investment properties	0	0	0	0	0	0	0
Net adjustment resulting from the implementation of International Financial Reporting Standards	0	0	0	492	492	(32,259)	(31,767)
<b>Total operating expenses</b>	<b>789,477</b>	<b>34,281</b>	<b>(78,565)</b>	<b>492</b>	<b>745,685</b>	<b>24,590</b>	<b>770,275</b>
<b>Surplus or deficit on the provision of services</b>	<b>255,476</b>	<b>34,281</b>	<b>(67,881)</b>	<b>8382</b>	<b>230,258</b>	<b>(237,805)</b>	<b>(7,547)</b>

**Note 29: Acquired and Discontinued Operations**

No activities are due to cease entirely, and no new areas are being taken on.

**Note 30: Trading Operations**

Also shown in the summary in [Note 13](#) – Investment Properties.

	Market		Industrial Estates		Other Land & Property		Total Trading Services	
	2010/11	2009/10 restated	2010/11	2009/10 restated	2010/11	2009/10 restated	2010/11	2009/10 restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	(231)	(233)	(72)	(115)	(970)	(1,508)	(1,273)	(1,856)
Expenditure	144	309	15	163	571	985	730	1,457
<b>(Surplus)/Deficit included in the Comprehensive Income and Expenditure Statement</b>	<b>(87)</b>	<b>76</b>	<b>(57)</b>	<b>48</b>	<b>(399)</b>	<b>(523)</b>	<b>(543)</b>	<b>(399)</b>

**Note 31: Agency Services**

Dudley does not provide these.

**Note 32: Road Charging Schemes**

Dudley has no road charging schemes.

**Note 33: Pooled Budgets****The West Midlands Joint Committee (WMJC)**

The WMJC membership comprises the seven Metropolitan District Councils of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton. It was established in 1985 following the abolition of the County Council.

The overall objective of the WMJC is to co-ordinate actions on important issues affecting the local authorities in the West Midlands, and to provide a vehicle for communicating these actions and their needs to Government and other influential bodies. Birmingham City Council acts as Secretary for the WMJC. Dudley's contribution was £0.002m in 2010/11 (£0.027m in 2009/10). The reduction was due to one-off income received from West Midlands Enterprise in 2010/11.

**Birmingham, Coventry and Black Country City Region**

The City Region was a voluntary partnership comprising the 6 urban local authorities (Birmingham, Coventry, Dudley, Sandwell, Walsall, Wolverhampton), the West Midlands Regional Assembly, Advantage West Midlands, the West Midlands Learning and Skills Council and the Business Community. Its purpose was to achieve a more integrated approach to the delivery of large scale urban development, business growth and environmental sustainability. The City region has now been wound down, following the WMJC meeting of 27/01/11. Dudley Council's Contribution in 2010/11 was £0.038m (£0.037m in 2009/10).

**Black Country Consortium**

This is a partnership of the 4 Black Country Councils (Dudley, Sandwell, Walsall and Wolverhampton) to coordinate sub-regional strategies and areas of common working. Dudley's contribution was £0.208m (2009/10 = £0.299m)

**Safe and Sound Crime Reduction Partnership**

The aim of Safe and Sound, Dudley's Community Safety Partnership is to reduce crime, by co-ordinating the work already being done by individual agencies which results in more effective and efficient service delivery to the public. The priorities of the partnership are determined by local consultation linked with Government priorities and those of the funding bodies. Dudley spent £0.056m on capital projects in 10/11 (2009/10 = £0.109m) and £0.308m in revenue from Area Based Grant (compared to £0.338m in 2009/10).

**Health Promoting Schools – Expenditure £0.485m (2009/10 = £0.530m)**

Dudley Health Promoting Schools Service is a partnership between the Directorate of Children's Services and Dudley NHS Primary Care Trust which works with schools, Pupil Referral Units and other Educational settings to help children and young people improve their health and well-being. The split of funding is £0.218m from the Children's Services Directorate (2009/10 = £0.284m) and £0.267m from the PCT (2009/10 = £0.246m)

**Pooled Budgets with Health Bodies**

*Dudley has pooled budget arrangements with Dudley Primary Care Trust, under Section 31 of the Health Act 1999, as follows:*

**Substance Misuse – Expenditure £0.113m (2009/10 = £0.124m)**

This agreement is to improve the provision of rehabilitation services for local people encountering substance problems where the person is willing to participate and will benefit from rehabilitation rather than other forms of treatment. The split of funding is £0.103m from the Local Authority (2009/10 = £0.113m) and £0.010m from Dudley Primary Care Trust (2009/10 = £0.011m).

**Learning Disability Campus Closure grant – Expenditure £0.071m (2009/10 = £0.025m)**

This agreement is to provide funding for expenditure on transition and other revenue costs for people with a Learning Disability who have left or are leaving the campus accommodation. The funding is from a Department of Health grant.

**Falls Prevention Service – Expenditure £0.223m (2009/10 = £0.219m)**

This agreement is in respect of services commissioned specifically for adults over 65 years of age who have fallen or are assessed as being at risk of falling and are referred to the Falls service. The split of funding is £0.069m from the Local Authority (2009/10 = £0.068m) and £0.154m from the Dudley Primary Care Trust (2009/10 = £0.151m).

**Community Equipment Service – Expenditure £1.382m (2009/10 £1.386m)**

This agreement is in respect of a Community Equipment Service that supports the intermediate and rehabilitation service in Dudley by the provision of Aids. The split of funding is £0.987m from the Local Authority (2009/10 = £0.990m) and £0.395m from the Dudley Primary Care Trust (2009/10 = £0.396m).

**Learning Disability Pooled budget - Expenditure £8.904m (2009/10 £8.901m)**

This pooled budget is established under section 75 of the National Health Service Act 2006 between Dudley MBC and Dudley Primary Care Trust. The agreement is to improve services to clients with a learning disability through closer and more effective working arrangements. The split of funding is £0.281m (2009/10 £0.505m) from Dudley MBC and £8.907m (2009/10 £8.396m) from Dudley Primary Care Trust. It covers a number of service areas including the care costs of the Ridge Hill resettled clients and residential care costs of clients previously met by the PCT. Staffing in both the accommodation and commissioning teams are also included as well as services supported through the Learning Disability Development fund. In the event of any underspend from the pooled budget these will be retained by the partnership and reviewed in April 2011 when the partnership is dissolved.

**Independent Living Team (ILT) & Acquired Brain Injury (ABI) – Expenditure £0.105m (2009/10 £0.130m)**

This agreement is to help people with severe physical impairments or an acquired brain injury, who are likely to need a lot of assistance to live as independently as possible. Dudley Primary Care Trust supplies cash funding of £0.029m (2009/10 £0.029m): Dudley provides the staffing resources estimated at £0.76m (2009/10 £0.101m).

**Placements of Children with Disabilities – Expenditure £0.795m (2009/10 = £1.116m)**

The agreement is in respect of services commissioned specifically for children under 19 years of age who have severe disabilities, meeting the criteria of the Children's Disability Team and who require a placement to meet those needs outside of Dudley Borough or within the Borough from a Voluntary or Independent sector provider. The split of funding is £0.676m from Children's Services Directorate (2009/10 = £0.949m) and £0.119m from Dudley Primary Care Trust (2009/10 = £0.167m).

Where Partnerships exist, only that element that can be apportioned to Dudley MBC has been included within its Statement of Accounts.

**Note 34: Members' Allowances**

	2010/11	2009/10 restated
	£'000	£'000
Basic Allowance	667	666
Responsibility Allowance	187	132
Travel Expenses	0	1
Subsistence	0	0
Car Mileage	0	1
Carer's Allowance	0	0
Mayor and Deputy Mayor	22	22
<b>Total</b>	<b>876</b>	<b>822</b>

**Note 35: Officers' Remuneration**

The Accounts and Audit Regulations 2009 require additional disclosure of remuneration of senior employees in local authority accounts.

A senior employee is one of:

- a) The designated head of paid service, a statutory chief officer or a non-statutory chief officer of a relevant body, as defined under the Local Government and Housing Act 1989.
- b) Any person having responsibility for the management of the relevant body, to the extent that the person has power to direct or control the major activities of the body, in particular activities involving the expenditure of money, whether solely or collectively with other persons.

Senior employees are typically an authority's Chief Executive (or equivalent), their direct reports (other than administration staff), statutory chief officers and potentially any employee that the authority considers having responsibilities and powers indicated in b) above.

Those with salary over £150,000 per annum are named; others are listed by post only.

## Senior Employees 2010/11

Post	Note	Salary £'000	Expense Allowances £'000	Compensation for Loss of Office £'000	Total Remuneration excluding Pension Contributions 2010/11 £'000	Pension Contributions £'000	Total Remuneration including Pension Contributions 2010/11 £'000
Chief Executive – J Polychronakis	1	161	0	0	161	20	181
Director of Corporate Resources		105	1	0	106	13	119
Interim Director of Finance, ICT & Procurement	2	49	1	46	96	6	102
Treasurer	3	68	1	0	69	8	77
Director of Adult, Community & Housing Services	4	53	1	0	54	6	60
Interim Director of Adult Social Services		28	0	0	28	3	31
Director of Adult, Community & Housing Services	4	17	0	0	17	2	19
Director of the Urban Environment		104	1	0	105	13	118
Director of Children's Services	5	35	1	0	36	4	40
Acting Director of Children's Services	5	70	1	0	71	9	80

**Note 1:** The salary for the Chief Executive included payments of £4,000 for additional duties which were recharged to the Black Country Consortium.

**Note 2:** The salary of the Interim Director of Finance included payments of £1,015 for additional duties in respect of former West Midlands County Council debt.

**Note 3:** The Treasurer was appointed 21<sup>st</sup> May 2010.

**Note 4:** The Director of Adult, Community & Housing Services was in post until 30<sup>th</sup> September 2010. The Interim Director of Adult Social Services was in post from 1<sup>st</sup> October 2010 until 31<sup>st</sup> January 2011. The new Director of Adult, Community & Housing Services was appointed 1<sup>st</sup> February 2011.

**Note 5:** The Acting Director of Children's Services was appointed 1st August 2010. The remuneration disclosed in the table above for the Director of Children's Services is for the period between April and July 2010. His annualised salary is £104,604. The remuneration disclosed in the table above for the Acting Director of Children's Services is for the period from August 2010 to March 2011. Her annualised salary is £104,604.

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**Senior Employees 2009/10**


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Post	Note	Salary	Expense Allowances	Total Remuneration excluding Pension Contributions 2009/10	Pension Contributions	Total Remuneration including Pension Contributions 2009/10
		£'000	£'000	£'000	£'000	£'000
Chief Executive – J Polychronakis	1	161	0	161	20	181
Director of Corporate Resources / Interim Director of Law & Property	2	131	1	132	16	148
Interim Director of Finance, ICT & Procurement	3	112	1	113	14	127
Director of Adult, Community & Housing Services		105	1	106	13	119
Director of the Urban Environment		105	1	106	13	119
Director of Children's Services	4	87	1	88	11	99
Interim Director of Children's Services	5	18	0	18	2	20

**Note 1:** The Interim Chief Executive in 2008/09 was appointed as Chief Executive on 28th April 2009. The salary for the Chief Executive included payments of £4,000 for additional duties which were recharged to the Black Country Consortium.

**Note 2:** The Interim Director of Law & Property in 2008/09 was appointed Director of Corporate Resources on 4th January 2010. The salary for the Director of Corporate Resources included payments of £20,919 for additional duties which were recharged to the West Midlands Police Authority and £5,266 for Birmingham International Airport duties.

**Note 3:** The salary of the Interim Director of Finance included payments of £7,401 for additional duties in respect of former West Midlands County Council debt.

**Note 4:** The Director of Children's Services was in post from 1st June 2009 to 31st March 2010.

**Note 5:** The Interim Director of Children's Services was in post from 1st April 2009 to 31st May 2009.

The number of staff whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Payroll Bands	2010/11	2009/10
	No.	No.
£50,000 - £54,999	145*	130*
£55,000 - £59,999	73*	69*
£60,000 - £64,499	66*	50*
£65,000 - £69,999	22*	20
£70,000 - £74,999	26*	26
£75,000 - £79,999	10*	8*
£80,000 - £84,999	9*	4*
£85,000 - £89,999	1*	4
£90,000 - £94,999	5*	5
£95,000 - £99,999	2	2*
£100,000 - £104,999	2	1
£105,000 - £109,999	2	1
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	1*	0
£130,000 - £134,999	0	0
£135,000 - £139,999	0	0
£140,000 - £144,999	0	0
£145,000 - £149,999	0	1*

These numbers exclude the senior employees listed in the previous tables.

\* These numbers include staff who received payments in addition to normal remuneration. In 2010/11 this applied to 26 members of staff (2009/10 = 10).

### **Note 36: External Audit Costs**

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

	2010/11	2009/10
	£'000	restated £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	297	319
Fees payable to the Audit Commission in respect of statutory inspections	0	17
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	115	125
Fees payable in respect of other services provided by the Audit Commission during the year	0	0
<b>Total</b>	<b>412</b>	<b>461</b>

**Note 37: Dedicated Schools Grant**

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Final DSG for 2010/11	22,602	177,163	<b>199,765</b>
Brought forward from 2009/10	2,114	0	<b>2,114</b>
Carry forward to 2011/12 agreed in advance	0	0	<b>0</b>
<b>Agreed budgeted distribution in 2010/11</b>	<b>24,716</b>	<b>177,163</b>	<b>201,879</b>
Final Budget distribution in 2010/11	23,887	177,992	<b>201,879</b>
Less Actual central expenditure	(21,475)	0	<b>(21,475)</b>
Less Actual ISB deployed to schools	0	(177,992)	<b>(177,992)</b>
Local authority contribution for 2010/11	0	0	<b>0</b>
<b>Carry forward to 2011/12</b>	<b>2,412</b>	<b>0</b>	<b>2,412</b>

**Note 38: Grant Income**

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

	2010/11	2009/10
	£'000	restated £'000
<b>Credited to Taxation and Non Specific Grant Income:</b>		
<b>Revenue Grants</b>		
Area Based Grant	19,418	21,615
Revenue Support Grant	15,923	22,862
P.F.I Credit	13,337	4,498
Local Area Agreement (LAA) Reward Grant	(1,530)	3,190
Other grants and adjustments	(205)	519
<b>Total Revenue Grants</b>	<b>46,943</b>	<b>52,684</b>
<b>Capital Grants</b>		
Department for Education	14,231	18,073
Department for Transport	6,077	13,003
Department for Health	0	1,405
Learning and Skills Council	2,344	383
Primary Care Trust	2,042	0
Homes and Community Agency	2,118	0
Home Office	0	41
Other Grants	549	928
<b>Total Capital Grants</b>	<b>27,361</b>	<b>33,833</b>
<b>Contributions</b>		
Community Energy Savings Programme E-On	1,400	0
Other Contributions	576	1,345
<b>Total Contributions</b>	<b>1,976</b>	<b>1,345</b>
Donations	0	0
<b>Total Donations</b>	<b>0</b>	<b>0</b>
<b>Total Capital Grants, Contributions and Donations</b>	<b>29,337</b>	<b>35,178</b>
<b>Total</b>	<b>76,280</b>	<b>87,862</b>

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>restated £'000</b>
<b>Credited to Services:</b>		
Department for Education	228,187	217,706
Department for Works and Pensions	116,221	108,397
Young People Learning Agency	23,123	0
Department of Health	4,069	4,611
Department for Communities and Local Government	0	4,962
Home Office	1,996	2,310
Learning Skills Council	1,769	0
Department of Culture, Media and Sport	0	297
Rural Payments Agency	147	132
Department for Innovation, Universities and Skills	142	0
Department for Transport	92	157
Other	1,139	725
<b>Total</b>	<b>376,885</b>	<b>339,297</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that would require the monies or property to be returned to the giver if the condition were not complied with. The balances at the year-end are as follows:

	<b>31 March 2011</b>	<b>31 March 2010</b>
	<b>£'000</b>	<b>restated £'000</b>
<b>Capital Grants Receipts in Advance:</b>		
Standards and Sure Start Grant	11,244	10,980
<b>Total</b>	<b>11,244</b>	<b>10,980</b>

**Note 39: Related Parties****Members and Officers of the Authority**

In respect of the 2010/11 financial year, works and services to the value of £6.664m were commissioned from organisations and companies in which Members or Officers of the Authority had an interest by way of ownership, or as a director, trustee, governor, partner or member. Contracts were entered into in full compliance with the Council's Standing Orders. No income was received from these organisations.

It may be noted that all members' financial and other interests which could conflict with those of the Authority are open to public inspection as required by section 81(1) of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Order 2001.

**Other Related Parties**

The following material transactions with other related parties took place during the year:

Related Party	Nature of Transaction	Receipts £'000	Payments £'000
West Midlands Police	Precept	0	9,709
West Midlands Fire and Rescue	Precept	0	4,670

Related companies and partnerships are disclosed separately.

**Note 40: Capital Expenditure and Capital Financing**

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

	2010/11	2009/10
	£'000	restated £'000
<b>Opening Capital Financing Requirement</b>	<b>438,339</b>	<b>425,243</b>
<b>Capital investment</b>		
Property, Plant and Equipment	81,604	82,276
Investment Properties	25	199
Intangible Assets	0	121
Capital Advances	8	43
Revenue Expenditure Funded from Capital under Statute	8,856	12,034
<b>Sources of finance</b>		
Capital receipts	(3,250)	(1,989)
Government grants and other contributions	(37,879)	(41,256)
Sums set aside from revenue:		
Direct revenue contributions	(2,088)	(121)
Major Repairs Allowance	(5,475)	(22,890)
MRP / VRP	(15,824)	(15,321)
<b>Closing Capital Financing Requirement</b>	<b>464,316</b>	<b>438,339</b>
<b>Explanation of movements in year</b>		
Capital expenditure funded by borrowing and credit supported by government financial assistance	8,241	10,915
Capital expenditure funded by borrowing and credit unsupported by government financial assistance	33,560	17,502
MRP / VRP	(15,824)	(15,321)
<b>Increase in Capital Financing Requirement</b>	<b>25,977</b>	<b>13,096</b>

## **Note 41: Leases**

### **Authority as Lessee, i.e. paying for use of assets**

#### **Finance Leases**

Dudley has acquired much of its vehicle fleet and a number of buildings under finance leases.

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

	31 March 2011	31 March 2010 restated	31 March 2009
	£'000	£'000	£'000
Other Land and Buildings	7,797	8,020	6,536
Vehicles, Plant, Furniture and Equipment	6,195	5,688	5,724
<b>Total</b>	<b>13,992</b>	<b>13,708</b>	<b>12,260</b>

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

### Discounted Cash Flows

	31 March 2011	31 March 2010 restated
	£'000	£'000
Finance lease liabilities (net present value of minimum lease payments):		
Current	1,533	1,797
non-current	4,250	4,356
Finance costs payable in future years	3,538	2,339
<b>Minimum lease payments</b>	<b>9,321</b>	<b>8,492</b>

The actual minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011	31 March 2010 restated	31 March 2011	31 March 2010 restated
	£'000	£'000	£'000	£'000
Not later than one year	2,592	3,029	1,816	2,130
Later than one year and not later than five years	7,892	7,858	4,599	4,547
Later than five years	27,181	28,288	8,133	8,632
	<b>37,665</b>	<b>39,175</b>	<b>14,548</b>	<b>15,309</b>

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011	31 March 2010 restated	31 March 2011	31 March 2010 restated
	£'000	£'000	£'000	£'000
Not later than one year	2,078	2,163	1,533	1,797
Later than one year and not later than five years	4,890	4,377	3,598	3,545
Later than five years	2,354	1,952	652	811
	<b>9,322</b>	<b>8,492</b>	<b>5,783</b>	<b>6,153</b>

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £0 contingent rents were payable by the Authority (2009/10 £0). The Authority has sub-let parts of some of the buildings held under these finance leases. At 31 March 2011 the minimum payments expected to be received under non-cancellable sub-leases was £0 (£0 at 31 March 2010).

### Operating Leases

The Authority has rented a number of properties by entering into operating leases.

The future minimum lease payments due under non-cancellable leases in future years are:

	31 March 2011	31 March 2010 restated
	£'000	£'000
Not later than one year	1,469	2,057
Later than one year and not later than five years	3,821	4,360
Later than five years	15,675	16,498
<b>Total Minimum lease payments</b>	<b>20,965</b>	<b>22,915</b>

The expenditure charged to service lines in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

	31 March 2011	31 March 2010 restated
	£'000	£'000
Minimum lease payments	2,057	2,012
Contingent rents	0	0
Sublease payments receivable	0	0
	<b>2,057</b>	<b>2,012</b>

### Authority as Lessor i.e. receiving rents for assets

#### Finance Leases

The Authority does not consider that any of its property leases out should be counted as finance leases.

**Operating Leases**

The Authority leases out property and equipment under operating leases for the following purposes:  
 The provision of community services, such as sports facilities, tourism services and community centres  
 Economic development purposes to provide suitable affordable accommodation for local businesses.  
 The future minimum lease payments receivable under non-cancellable leases in future years are:

	31 March 2011	31 March 2010 restated
	£'000	£'000
Not later than one year	1,310	1,444
Later than one year and not later than five years	3,824	4,354
Later than five years	29,235	30,069
<b>Total Minimum lease payments</b>	<b>34,369</b>	<b>35,867</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

**Note 42: PFI and Similar Contracts**

Summary information for PFI and similar contracts is given below for continuing schemes. The figures given on future liabilities assume full performance; failure of performance will attract penalties from the contractors.

**Paragon**

This project was a Design, Build, Finance and Operate (DBFO) scheme to provide two schools (Colley Lane Primary and The Summerhill). The contract with the operator Newmount covers 27 years and expires in 2031 when the schools transfer to Council ownership.

**Waste to Energy Plant**

The Council contracted out its waste disposal service to Dudley Waste Services Ltd in 1996 which included the Design, Build, Finance and Operation of a waste to energy plant at the Lister Road Depot. The plant has been operational since 1998 and processes the vast majority of waste collected by the Council. The Waste Disposal Contract covers operation of the plant for 25 years and expires in 2023 when ownership of the plant transfers to the Council. The operator is obligated to use the plant primarily for Dudley's waste although it does receive waste from other sources.

The balance sheet entries for Paragon and the Waste to Energy Plant are detailed below:

	Paragon Schools		Waste to Energy Plant	
	31 March 2011	31 March 2010 restated	31 March 2011	31 March 2010 restated
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 April 2010	17,733	14,361	18,818	22,219
Revaluation (at 1st April 2009)	0	3,734	0	3,381
<b>Depreciation</b>				
At 1st April 2009	0	0	0	(6,110)
Charge for 2010/11	(365)	(362)	(696)	(672)
<b>Balance sheet amount at 31 March 2011</b>	<b>17,368</b>	<b>17,733</b>	<b>18,122</b>	<b>18,818</b>

Finance Creditor Liabilities	Paragon Schools		Waste to Energy Plant	
	31 March 2011	31 March 2010 restated	31 March 2011	31 March 2010 restated
	£'000	£'000	£'000	£'000
At 1 April 2010	13,551	14,014	15,962	16,605
Principal Repaid 2010/11	(499)	(463)	(701)	(643)
<b>Balance sheet amount at 31 March 2011</b>	<b>13,052</b>	<b>13,551</b>	<b>15,261</b>	<b>15,962</b>

The carrying value of the PFI liabilities is recorded at amortised cost in the balance sheet. There is no reliable market value for these liabilities therefore their fair value is deemed to be their carrying value.

The breakdown of the unitary payment (or equivalent) into service charges, repayment of principal and finance costs for the life the schemes, at 2010/11 prices are detailed below.

#### Payments for Paragon Schools

Period	Unitary Payment £'000	Service Charges £'000	Repayments of Liability £'000	Finance Costs £'000	Contingent Rents £'000
Within One Year	2,703	1,228	470	744	261
2-5 years	14,369	7,226	2,242	3,344	1,557
6-10 years	15,918	8,195	2,857	2,647	2,219
11-15 years	17,650	9,440	3,543	1,786	2,882
16-20 years	15,502	7,856	3,940	589	3,116
20-21 years	0	0	0	0	0
<b>Total</b>	<b>66,142</b>	<b>33,945</b>	<b>13,052</b>	<b>9,110</b>	<b>10,035</b>

**Payments for Waste to Energy Plant**

Period	Unitary Payment	Service Charges	Repayments of Liability	Finance Costs
	£'000	£'000	£'000	£'000
Within One Year	4,091	1,936	765	1,389
2-5 years	16,363	7,744	3,824	4,794
6-10 years	20,454	9,681	7,095	3,678
11-12 years	7,644	3,604	3,575	465
<b>Total</b>	<b>48,552</b>	<b>22,965</b>	<b>15,259</b>	<b>10,326</b>

The Waste Disposal Contract is not a PFI scheme therefore the "unitary payment" is deemed to be the annual cost of incineration as per the original contract excluding costs for items required to comply with environmental legislation and other "pass through" costs which are the Council's responsibility.

Unitary payments for Paragon are based on a fixed annual charge and payments for Waste Disposal are based on a gate fee dependent on waste tonnages. The whole of the payments for the Waste Disposal Contract and 90% of the payments for Paragon are subject to annual inflationary uplifts.

**Note 43: Impairment Losses**

There were no material impairments of assets during the year.

**Note 44: Capitalisation of Borrowing Costs**

The authority has not opted to capitalise borrowing costs on incomplete capital projects.

**Note 45: Termination Benefits**

The authority terminated or committed itself to terminate the contracts of a number of employees in 2010/11, mainly in order to make savings necessary to deliver the 2011/12 revenue budget. As a result it incurred anticipated liabilities of £8.433m for redundancy payments and £3.231m for capitalised pension costs. Redundancy payments agreed but not actually paid before 31/03/11 have been accrued as creditors; redundancy payments agreed after 31/03/11 have been accrued as provisions. Pension costs have been accounted for in accordance with normal pension arrangements.

**Note 46: Pensions Schemes Accounted for as Defined Contribution Schemes**

Teachers employed by the council are members of the Teachers' Pension Scheme, administered by Teachers' Pensions on behalf of the Department for Education. The Scheme provides teachers with specified benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The council is not able to identify its share of the underlying assets and liabilities of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2010/11, the council paid £14.866m to Teachers' Pensions in respect of teachers' retirement benefits, based on a contribution rate of 14.1% of pensionable pay. The figures for 2009/10 were £14.594m and 14.1%. There were no contributions remaining payable at the year-end.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in [Note 47](#).

## **Note 47: Defined Benefit Pension Schemes**

### **Participation in Pension Schemes**

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

The authority participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Wolverhampton City Council – this is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due. The award of such discretionary benefits for LGPS ended in 2008.

### **Transactions Relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement (MiRS). The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the MiRS during the year:

	Local Government Pension Scheme -Funded		Discretionary Benefits Arrangements - Unfunded	
	2010/11 £'000	2009/10 restated £'000	2010/11 £'000	2009/10 restated £'000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services:</b>				
current service cost	28,758	17,911	0	0
past service costs	(56,200)	284	(2,128)	104
settlements and curtailments	3,233	0	350	0
<b>Financing and Investment Income and Expenditure:</b>				
interest cost	53,434	46,993	2,205	2,369
expected return on scheme assets	(41,730)	(30,032)	0	0
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(12,505)</b>	<b>35,156</b>	<b>427</b>	<b>2,473</b>
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement				
actuarial (gain) and losses	(59,124)	124,868	(1,633)	6,128
<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(71,629)</b>	<b>160,024</b>	<b>(1,206)</b>	<b>8,601</b>

	Local Government Pension Scheme - Funded		Discretionary Benefits Arrangements - Unfunded	
	2010/11 £'000	2009/10 restated £'000	2010/11 £'000	2009/10 restated £'000
<b>Movement in Reserves Statement</b>				
reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	12,505	(35,156)	(427)	(2,473)
Actual amount charged against the General Fund Balance for pensions in the year:				
employers' contributions payable to scheme	24,402	23,791	0	0
retirement benefits payable to pensioners	0	0	2,782	2,721

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2011 is a loss of £210m.

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

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

	<b>Funded Liabilities: Local Government Pension Scheme</b>		<b>Unfunded Liabilities: Discretionary Benefits Arrangements</b>	
	<b>2010/11</b>	<b>2009/10 restated</b>	<b>2010/11</b>	<b>2009/10 restated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>	<b>948,187</b>	<b>660,335</b>	<b>41,164</b>	<b>35,283</b>
Current service cost	28,758	17,911	0	0
Interest cost	53,434	46,993	2,205	2,369
Contributions by scheme participants	10,060	9,947	0	0
Actuarial (gains) / losses	(44,177)	237,503	(1,633)	6,129
Benefits paid	(26,850)	(24,786)	(2,782)	(2,721)
Past service costs / (gains)	(56,200)	0	(2,128)	104
Curtailments	3,233	284	350	0
<b>Balance at end of year</b>	<b>916,445</b>	<b>948,187</b>	<b>37,176</b>	<b>41,164</b>

Reconciliation of fair value of the scheme (plan) assets:

<b>Local Government Pension Scheme</b>	<b>2010/11</b>	<b>2009/10 restated</b>
	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>	<b>608,398</b>	<b>456,779</b>
Expected rate of return	41,730	30,032
Actuarial gains and losses	14,947	112,635
Employer contributions	24,402	23,791
Contributions by scheme participants	10,060	9,947
Benefits paid	(26,850)	(24,786)
<b>Balance at end of year</b>	<b>672,687</b>	<b>608,398</b>

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

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

The actual return on scheme assets in the year was £39.3m (2009/10: £142.7m).

**Scheme History**

	2006/07	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	711,633	779,588	660,335	948,187	916,445
Discretionary Benefits	19,200	39,618	35,283	41,164	37,176
<b>Fair value of assets in the Local Government Pension Scheme</b>					
	<b>554,867</b>	<b>564,386</b>	<b>456,779</b>	<b>608,398</b>	<b>672,687</b>
<b>Surplus/(deficit) in the scheme:</b>					
Local Government Pension Scheme	(156,766)	(215,202)	(203,556)	(339,789)	(243,758)
Discretionary Benefits	(19,200)	(39,618)	(35,283)	(41,164)	(37,176)
<b>Total</b>	<b>(175,966)</b>	<b>(254,820)</b>	<b>(238,839)</b>	<b>(380,953)</b>	<b>(280,934)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total deficit of £280m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, reducing the overall balance by about a quarter. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy: the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid. The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2012 are £23.8m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £2.8m.

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by the scheme actuary, an independent firm of actuaries. Estimates for Dudley's share of the Fund are based on the latest full valuation of the scheme as at 1 April 2010.

The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31 March 2011 £'000	31 March 2010 £'000	31 March 2011 £'000	31 March 2010 £'000
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equities	7.5%	7.5%		
Government Bonds	4.4%	4.5%		
Other Bonds	5.1%	5.2%		
Property	6.5%	6.5%		
Cash/Liquidity	0.5%	0.5%		
Other	7.5%	7.5%		
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners				
Men	21.6	21.2	21.6	21.2
Women	24.2	24.1	24.2	24.1
Longevity at 65 for future pensioners				
Men	23.0	22.2		22.2
Women	25.8	25.0		25.0
<b>Financial assumptions:</b>				
Rate of RPI inflation	3.4%	3.3%	3.3%	3.2%
Rate of CPI inflation	2.9%	2.8%	2.8%	
Rate of increase in salaries	4.65%	5.05%		
Rate of increase in pensions	2.9%	3.3%	2.8%	3.2%
Rate for discounting scheme liabilities	5.5%	5.6%	5.4%	5.5%
Take-up of option to convert annual pension into retirement lump sum	50% take maximum cash, 50% take 3/80ths cash	50% take maximum cash, 50% take 3/80ths cash		

The Discretionary Benefits arrangements have no assets to cover liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

<b>Local Government Pension Scheme</b>		
	<b>2010/11</b>	<b>2009/10</b>
	<b>%</b>	<b>%</b>
Equities	59.1%	53.7%
Government Bonds	8.2%	7.9%
Other Bonds	5.9%	6.0%
Property	8.5%	7.2%
Cash/Liquidity	2.1%	1.4%
Other	16.2%	23.8%
<b>Total</b>	<b>100</b>	<b>100</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2007/08</b>	<b>2006/07</b>
Differences between the expected and actual return on assets	2.20%	16.70%	-23.20%	-6.30%	0.70%
Experience gains and losses on liabilities	2.90%	-0.40%	19.80%	-2.70%	4.10%

### Note 48: Contingent Liabilities

It is assumed that any claims outstanding with the Council's former insurer, Municipal Mutual, will be met. Accordingly no specific contingency or insurance reserve is set aside to meet them.

In the financial year 2010/11, the Council carried self-funded insurance on the following risks:

	<b>£'000 per Claim</b>
<b>Fire and Special Perils:</b>	
(i) School Buildings – deductible	300
(ii) All other properties – deductible	100
Subject to an aggregate level for all claims across all properties	850
<b>Legal Liability Risks:</b>	
Subject to an aggregate limit (£2,979,000 up to 30th November 2010)	350
	2,750

A number of compensation claims have been initiated, or are likely to be initiated, as a consequence of the Council's ongoing major transport, regeneration and schools projects. The Council is negotiating the amount of any termination payments that may be due to the vacation of premises held under a lease. The extent to which any of these potential claims will be substantiated cannot be assessed at present, and therefore only estimated sums are included in the budgets which are likely to be affected. The budgets are kept under regular review and, where appropriate, indemnities are obtained from partners in those schemes.

The Council has made provision for potential equal pay settlements for its employees, as set out in [Note 22](#). The Council understands that liability in relation to potential equal pay claims from support staff at Community and Voluntary Controlled schools rests with the Schools Budget. However, the Council continues to have responsibility to ensure that back pay costs do not prejudice the ability of schools to develop pupil provision and raise standards.

### **Note 49: Contingent Assets**

There are no significant contingent assets at 31 March 2011.

### **Note 50: Nature and extent of Risks Arising from Financial Instruments**

The Council's Treasury Policy Statement states that "the Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured." The Council's approach to the management of this risk is set out in its Treasury Management Practices and in its annually-approved Treasury Strategy Statement.

The council's treasury activities expose it to a variety of risks:

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

#### **Credit risk**

Credit risk arises from deposits with banks, other financial institutions and local authorities, that is from treasury activities, and from trade customers. The Council manages the treasury risk by restricting its investments to those that satisfy the following conditions:

- The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- The Council may require that the investment be repaid or redeemed within 12 months of the date on which the investment was made.
- The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting)(England) Regulations 2003.
- The investment satisfies either of the following conditions:
  - The investment is made with the UK government, a local authority, a parish council or a community council.
  - The investment is made with a body or in an investment scheme which has been awarded a "high credit rating" by a credit rating agency.

For the purposes of this strategy we define a "high credit rating" as follows:

- For banks and building societies - No less than the highest short-term rating from 2 of the 3 main credit rating agencies and no less than the second highest short-term rating from the third of those agencies; and
- For a UK institution - a support rating of 1 or 2;
- For a non-UK institution - a support rating of 1 and a sovereign rating of AAA from all three main rating agencies.
- For an investment scheme investing in (non-UK) government paper - a long-term rating of AAA.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits, but no breaches of counterparty criteria occurred during the reporting period and the Council does not expect any losses in relation to its deposits.

Category of Investment	Maximum proportion of total investments	Amount of Investment at 31 March 2011 £'000
<b>Specified Investments</b>		
Banks, building societies, and schemes with the credit ratings given above	No more than the greater of 20% or £5m with any one institution or group of banks	12,801
UK Government and other local authorities	No more than the greater of 20% or £5m with any one institution – except that the Government Debt Management Office is not limited	0
<b>Non-Specified Investments</b>		
Sterling-denominated euro-sterling bonds issued by supra-national institutions with a long-term credit rating (issued by Fitch IBCA) of AAA (the highest).	25%	0
Investments, up to 3 months, in banks or other institutions wholly-owned by the UK Government	25%	0

In addition to the above, there is an outstanding long-term investment of £0.5m with City of Salford that was entered into in 1985 and is due to mature in 2020.

The Council monitors credit ratings constantly through the receipt of credit rating bulletins from its treasury management advisors. Institutions that cease to meet the criteria above will immediately cease to be treated as specified investments.

The Council's trade invoices are due in 30 days, so any debt over 30 days may be considered impaired. All debt over one year is fully provided for, so credit risk only arises on unpaid debt between 30 days and 12 months. The amounts in this category are shown below.

Age of debt:	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
1-3 months	1,257	3,741	2,064
4 – 12 months	858	608	445
<b>Total overdue but not provided for</b>	<b>2,115</b>	<b>4,349</b>	<b>2,509</b>

**Liquidity Risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, 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.

**Market risk**

The Council is exposed to the risk of interest rate movements on its borrowings and investments. It manages those risks as follows:

- The Council undertakes new long-term borrowing only where this is justified by its forecast cash flow over the current and following financial year.
- As part of its annual Treasury Strategy Statement, the Council sets limits for the proportion of its borrowing maturing in different periods:

<b>Maturity within:</b>	<b>Limit %</b>	<b>Actual 31 March 2011 £'000</b>	<b>Actual 31 March 2011 %</b>
12 months	0-10%	10,750	2.5%
1-2 years	0-10%	7,977	1.9%
2-5 years+	0-15%	35,084	8.4%
5-10 years	0-25%	79,689	19.0%
more than 10 years	40-100%	285,947	68.2%

- Lenders Option Borrowers Option (LOBO) loans, which expose the Council to the risk that the lender will raise the interest rate at a point in the future, constitute less than 5% of the Council's long-term borrowing. The rest of the borrowing, and all investments, are fixed rate, so there is no need for a sensitivity analysis.
- The Council's strategy is not to enter into an investment where its cash flow forecast indicates that as a result of that investment it would be necessary to borrow money in a future year that it would not otherwise have had to borrow.

The Council is exposed to price risk through its shareholding in Birmingham Airport. The authority is consequently exposed to losses arising from movements in the prices of the shares. The shares are all classified as 'available for sale', meaning that any movement in price would impact on gains and losses recognised in the Comprehensive Income & Expenditure Account. As the shareholding has arisen in the acquisition of specific interests, the authority is not in a position to limit its exposure to price movements by diversifying its portfolio.

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.

The implicit interest rates within the finance lease elements of the unitary payments for PFI schemes are fixed for the duration of the schemes thereby limiting any exposure to external interest rate movements

## **Note 51: Investments in Companies**

### **Birmingham Airport**

The Authority's shareholding investment in Birmingham Airport cost £7.675m but was revalued in 2009/10 to £20.004m for Dudley's 5.58% ordinary shareholding

### **Dudley and West Midlands Zoological Society Limited**

Dudley Council holds all the shares in a company known as Dudley and West Midlands Zoological Society Limited. (Registered address: The Broadway, Dudley, West Midlands, DY1 4QB). This company is engaged in zoological activities, and, through a wholly owned subsidiary, the provision of catering services, the operation of gift shops, and related activities on the Dudley Zoo site.

The company's financial position for its two most recent accounting periods is summarised below. The figures are based on the latest company's accounts, copies of which can be obtained from the Society at the above address.

	<b>Year Ended 31 December 2010 £'000</b>	<b>Year Ended 31 December 2009 £'000</b>
Total Assets less Liabilities.	792	871
Surplus on Ordinary Activities	(78)	95
Dividends Paid	Nil	Nil
Status of Accounts	audited	audited

The Company and its subsidiary are dependent for financial support on the Council. The Council is committed to providing additional support to ensure its ability to continue to trade.

### **New Heritage Regeneration Limited**

The Council has a maximum of 20% of the voting rights in this company limited by guarantee. (Registered address: 3 St. James's Road, Dudley, West Midlands, DY1 1HZ) It was established in August 2008 as a project management agent, liaising with the private sector to deliver the social, environmental and economic regeneration aspirations of the Council. It does not itself engage directly in regeneration activity such as acquisition and disposal of property, or works.

The company's accounts for the period ended 31 March 2011 are not yet available. However the total amount paid by the Council for the company's services, and included in the Council's Income and Expenditure account for 2009/10 was £199,000.

### **PSP Dudley Limited Liability Partnership (LLP)**

The Council is a member of this LLP and has 50% of the voting rights. (Registered address: Ground Floor, 30 City Road, London EC1Y 2AB) It was established in July 2009 primarily to develop sites with the aim of securing improvements to the economic, social or environmental well-being of the Borough of Dudley.

The LLP's accounts for the period ended 31 March 2011 are not yet available. However revenue expenditure for the LLP was £52,000 in 2010/11 and it held £75,000 of property for resale.

### **Group Accounts**

Dudley Council does not prepare group accounts, as the effect of these related companies on the standing of the Council is not material.

## **Note 52: First Time Adoption of IFRS**

**IFRS 1** requires an authority to explain how the transition from previous UK GAAP to IFRS affected its reported financial position and financial performance.

To meet this requirement, presented below is a reconciliation of the authority's equity position reported under previous UK GAAP to the position reported under IFRS. These reconciliations are presented both for the start (1 April 2009) and at the end (31 March 2010) of the latest period presented in the authority's most recent financial statements, i.e. 2009/10. Following this is a reconciliation of the council's income and expenditure statement demonstrating the effects of the transition to reporting under IFRS.

- **IAS 17 Leases** - The criteria for classifying leases as either finance or operating leases has changed under IFRS. A number of leases have changed in classification from operating to finance lease with the main effect being to bring all leased vehicles and a few properties onto the Balance Sheet.
- **IAS 19 Employee Benefits** - Under the IFRS Code the council is required to accrue for any annual leave and other benefits earned but not taken at 31st March each year.
- **IAS 20 Government & Non-Government Grants** - Under the IFRS Code grant income is recognised when it becomes receivable, i.e. unless there are conditions outstanding on its use. The Government Grants Deferred Account (Liabilities) has been transferred to the Capital Adjustment Account (Reserves) to reflect this change in accounting, and both capital and revenue grants have been recognised when they became receivable.
- **IAS 16 Plant Property and Equipment** - Under the IFRS Code the classification of some types of land and buildings is changed, triggering changes in valuation methods.

### **Reconciliation of the UK GAAP reported equity position to the equity position under IFRS at 1 April 2009**

	Capital Adjustment Account £'000	Revaluation Reserve £'000	Accumulated Absences Account £'000	Other Unusable Reserves £'000	Earmarked Reserves £'000	Capital Grants Unapplied £'000	Other Usable Reserves £'000	Total Equity £'000
<b>Equity at 1 April 2009 under UK GAAP</b>	860,409	176,476	0	(263,176)	44,484	0	5,332	<b>823,525</b>
Adjustments for:								
IAS 17 Leases	(277)	0	0	0	0	0	0	<b>(277)</b>
IAS 19 Employee Benefits	0	0	(5,405)	0	0	0	0	<b>(5,405)</b>
IAS 20 Government and non-Government Grants	132,261	0	0	0	3,528	1,062	0	<b>136,851</b>
IAS 16 Plant, Property and Equipment	(99)	(2,353)	0	0	0	0	0	<b>(2,452)</b>
<b>Equity at 1 April 2009 under IFRS</b>	<b>992,294</b>	<b>174,123</b>	<b>(5,405)</b>	<b>(263,176)</b>	<b>48,012</b>	<b>1,062</b>	<b>5,332</b>	<b>952,242</b>

**Reconciliation of the UK GAAP reported equity position to the equity position under IFRS at 31 March 2010**

	Capital Adjustment Account	Revaluation Reserve	Accumulated Absences Account	Other Unusable Reserves	Earmarked Reserves	Capital Grants Unapplied	Other Usable Reserves	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Equity at 31 March 2010 under UK GAAP</b>	838,154	196,890	0	(384,986)	56,793	0	3,806	<b>710,657</b>
Adjustments for:					0			<b>0</b>
IAS 17 Leases	(402)	0	0	0	0	0	0	<b>(402)</b>
IAS 19 Employee Benefits	0	0	(7,023)	0	0	0	0	<b>(7,023)</b>
IAS 20 Government and non-Government Grants	157,321	0	0	0	0	2,390	0	<b>159,711</b>
IAS 16 Plant Property and Equipment	164	(2,614)	0	0	2,501	0	0	<b>51</b>
<b>Equity at 31 March 2010 under IFRS</b>	<b>995,237</b>	<b>194,276</b>	<b>(7,023)</b>	<b>(384,986)</b>	<b>59,294</b>	<b>2,390</b>	<b>3,806</b>	<b>862,994</b>

**Reconciliation to the Council's total comprehensive income and expenditure under IFRS for the latest period (2009/10) in the Council's most recent annual financial statements.**

	2009/10 under UK GAAP Net Expenditure	Adjustments for IAS 17 Leases	Adjustments for IAS 19 Employee Benefits	Adjustments for IAS 20 Government & non- Government Grants	Adjustments for IAS 16 Plant, Property and Equipment	2009/10 under IFRS Net Expenditure
	£'000	£'000	£'000	£'000	£'000	£'000
Education and children's services	63,537	0	1,535	3,107	0	68,179
Local authority housing (HRA)	(14,692)	0	20	(13)	(261)	(14,946)
Other housing services	11,381	0	1	480	0	11,862
Adult social care	78,735	(56)	12	684	0	79,375
Cultural, Environmental, Regulatory and Planning Services	48,183	31	26	1,634	(344)	49,530
Highways and Transport Services	13,708	(196)	4	1,309	0	14,825
Central services to the public (including Coroners)	4,176	0	19	385	0	4,580
Corporate and Democratic Core	6,826	0	1	4	0	6,831
Non-distributed costs	10,022	0	0	0	0	10,022
<b>Cost of Services</b>	<b>221,876</b>	<b>(221)</b>	<b>1,618</b>	<b>7,590</b>	<b>(605)</b>	<b>230,258</b>
Other Operating Expenditure	20,807	0	0	2,227	0	23,034
Financing and Investment Income and Expenditure	33,613	698	0	0	0	34,311
Income and expenditure in relation to investment properties and changes in their fair value	(46)	0	0	0	(9)	(55)
Taxation and Non-Specific Grant Income	(259,918)	0	0	(35,178)	0	(295,096)
<b>(Surplus) or Deficit on Provision of Services</b>	<b>16,332</b>	<b>477</b>	<b>1,618</b>	<b>(25,361)</b>	<b>(614)</b>	<b>(7,548)</b>
(Surplus) or deficit on revaluation of non current assets	(22,134)	0	0	0	261	(21,873)
(Surplus) or deficit on revaluation of available for sale financial assets	(12,329)	0	0	0	0	(12,329)
Actuarial (gains) / losses on pension assets / liabilities	130,996	0	0	0	0	130,996
<b>Other Comprehensive Income and Expenditure</b>	<b>96,533</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>261</b>	<b>96,794</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>112,865</b>	<b>477</b>	<b>1,618</b>	<b>(25,361)</b>	<b>(353)</b>	<b>89,246</b>

## HOUSING REVENUE ACCOUNT

	2010/11	2009/10
	£'000	£'000
<b>Income</b>		
Dwellings Rent	(76,426)	(75,329)
Non-Dwellings Rent	(666)	(700)
Charges for services and facilities	(184)	(183)
Contribution towards expenditure	(722)	(682)
Supporting People Grant	(737)	(787)
<b>Total Income</b>	<b>(78,735)</b>	<b>(77,681)</b>
<b>Expenditure</b>		
Repairs & Maintenance	22,423	26,144
Supervision and Management	14,464	12,418
Rent, Rates, Taxes & Other Charges	1,210	1,497
Negative Subsidy (Note 10)	27,338	8,732
Provision for Bad Debts	396	394
Depreciation & Impairments of Fixed Assets (Note 8 & Note 9)	14,534	14,127
Grants Deferred Written Down		(11)
Debt Management Costs	41	97
Exceptional Item – revaluation loss on housing stock charged to income and expenditure	192,330	0
<b>Total Expenditure</b>	<b>272,736</b>	<b>63,398</b>
<b>Net of (Income) &amp; Expenditure</b>	<b>194,001</b>	<b>(14,283)</b>
HRA share of Corporate & Democratic Core	587	665
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	135	0
Exceptional item – change to pension scheme	(6,865)	0
<b>Net Cost of HRA services</b>	<b>187,858</b>	<b>(13,618)</b>
(Gain)/ loss on sale of HRA non-current assets	533	(1,979)
Interest payable & similar charges	5576	4,563
HRA Investment Income (including Mortgage Interest)	(21)	(25)
Finance Cost of Pensions	1,522	843
Recognised capital grants and contributions	(3,774)	(732)
<b>(Surplus) / Deficit for the year of HRA services</b>	<b>191,694</b>	<b>(10,948)</b>

Housing authorities receive a Major Repairs Allowance that is offset by a requirement to charge depreciation on fixed assets. This depreciation charge is used to finance capital expenditure on the maintenance of the housing stock.

A proportion of receipts from the sale of council houses is contributed to a national pool. This contribution is shown in the Comprehensive Income and Expenditure Statement.

**Movement on the HRA Statement**

	2010/11		2009/10	
	£'000	£'000	£'000	£'000
Balance on the HRA at the end of the previous year		(1,217)		(2,468)
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	191,694		(10,948)	
Adjustments between accounting basis and funding basis under statute	(191,346)		11,959	
<b>Net decrease before transfers to or from reserves</b>	<b>348</b>		<b>1011</b>	
Transfers to or (from) Housing Repairs Account	454		(238)	
Transfers to or (from) earmarked reserves	(104)		478	
Decrease in year on the HRA balance		698		1251
<b>Balance on the HRA at end of the current year</b>		<b>(519)</b>		<b>(1,217)</b>

**Note 1: Adjustments between accounting basis and funding basis under statute**

This note shows the adjustments which are needed to determine the final balance on the statutory account.

	2010/11	2009/10
	£000s	£000s
Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	(281)	(281)
Charge for depreciation, impairment and amortisation of non-current assets, plus capital expenditure funded from revenue under statute, net of Major Repairs Allowance and recognised capital grants.	197,614	(9,495)
(Gain) / loss on sale of HRA non-current assets	533	(1,979)
Disposal costs charged to capital receipts	188	105
HRA share of contributions to or from the Pensions Reserve (net figure)	(4,905)	435
Adjustment re. Accumulated Absences	(33)	20
Adjustment re. Unequal Pay Back Pay	318	(643)
Capital expenditure funded by the HRA	(2,088)	(121)
<b>Total</b>	<b>191,346</b>	<b>(11,959)</b>

**Note 2: Housing Stock**

The Council was responsible for managing on average 23,011 dwellings during 2010/11. The stock at the year end was made up as follows:

Traditional Houses and Bungalows	14,241
Non-traditional Houses and Bungalows	935
Flats	7,807
<b>Stock at 31 March 2011</b>	<b>22,983</b>

The change in stock can be summarised as follows:

<b>Stock at 1 April 2010</b>	<b>23,039</b>
Less: Sales, Demolitions etc.	56
<b>Stock at 31 March 2011</b>	<b>22,983</b>

### **Note 3: Fixed Assets**

Total Balance sheet value of land, houses & other property within the HRA.:

	<b>31st March 2011</b>	<b>1st April 2010</b>	<b>31st March 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
i) Operational Assets, comprising:			
Dwellings	693,192	674,558	993,509
Other Land & Buildings	3,291	2,598	2,936
	<b>696,483</b>	<b>677,156</b>	<b>996,445</b>

The change in values between 31 March 2010 and 1 April 2010 reflects the revaluation as at 1 April 2010.

- i) Non operational assets: Not material
- ii) The vacant possession value of dwellings within the authority's HRA at 1 April 2010 was £1,984m compared with a social housing value of £675m.

The difference between these two values shows the economic cost to Government of providing council housing at less than open market rents.

### **Note 4: Major Repairs Reserve Movement**

	<b>£'000</b>
Balance on the Major Repairs Reserve at 1 April 2010	0
Amount transferred to the Major Repairs Reserve during the financial year	5,475
Debits to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses & other property within the authority's Housing Revenue Account	(5,475)
<b>Balance on the Major Repairs Reserve at 31 March 2011</b>	<b>0</b>

### **Note 5: Housing Repairs Account**

Analysis of the movement on the housing repairs account.

	<b>£'000</b>
Balance on the Housing Repairs Account at 31 March 2010	0
Amount transferred to the Housing Repairs Account during the financial year	22,877
Less: Repairs & Maintenance	(22,423)
<b>Balance as at 31 March 2011</b>	<b>454</b>

**Note 6: Capital Expenditure**

Summary of total accrued capital expenditure on land, houses & other property within the HRA during the financial year by sources of funding.

	<b>£'000</b>
Borrowing	23,269
Usable Capital Receipts	1,203
Revenue Contribution	2,088
Major Repairs Allowance	5,475
Grants & Leaseholders' Contributions	3,798
	<b>35,833</b>

**Note 7: Capital Receipts**

Summary of total capital receipts from disposals of land, houses & other property within the Housing Revenue Account during the financial year.

<b>Net Capital Receipts</b>	<b>£'000</b>
Dwellings	2,737
Other land & buildings	890
	<b>3,627</b>

**Note 8: Depreciation & Amortisation**

The total charge for depreciation within the Housing Revenue Account:

<b>Operational assets</b>	<b>£'000</b>
Dwellings	14,275
Other land & buildings e.g. shops	30
	<b>14,305</b>

The total charge for amortisation within the Housing Revenue Account:

<b>Intangible assets</b>	<b>£'000</b>
Intangible assets	173
	<b>173</b>

**Note 9: Revaluation and Impairment Losses**

	£'000
The value of revaluation losses for the financial year in respect of land, houses & other property charged to the authority's Housing Revenue Account. This was due to a change in the discount factor set by DCLG, and there being insufficient balance on the Revaluation Reserve for housing stock to absorb the full charge.	192,330
Demolished Properties	55
<b>Total</b>	<b>192,385</b>

**Note 10: Housing Subsidy**

Breakdown of the amount of Housing Revenue Account subsidy payable by the authority for the financial year

	£'000
Allowance for management	(12,282)
Allowance for maintenance	(24,362)
Allowance for major repairs	(5,475)
Charges for capital	(5,980)
Rent	75,428
Interest on receipts	9
<b>Total Negative Subsidy</b>	<b>27,338</b>

**Note 11: Rent Arrears**

	31 March 2011 £'000	31 March 2010 £'000
Current Tenants	1,450	1,672
Former Tenants	4,048	4,047
<b>Total</b>	<b>5,498</b>	<b>5,719</b>

A bad debt provision has been made in the accounts in respect of potentially uncollectable rent arrears. The value of this provision was £4.990m at 31 March 2011 (£5.034m at 31 March 2010).

**Note 12: Pension entries in the HRA**

As with all local authority accounts, actual pension contributions made by the employer to the pension fund, and actual payments of pension, are excluded from the published accounts, and replaced by a notional rate provided by actuaries. A share of the finance cost of pensions (another actuarial figure) is charged to the HRA, pro rata to its pension contribution. These changes are reversed back out of the HRA by a contribution from the pension reserve, so that there is no effect on rents. Further details are given in the statement of accounting policies, and Note 47 to the Core Statements.

**COLLECTION FUND**

	<b>2010/11</b>	<b>2009/10</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax (net)	(101,197)	(100,067)
Transfers from General Fund: Net Benefits	(23,986)	(23,113)
Business Rates (net of provisions and reliefs)	(86,214)	(93,972)
Adjustments of Community Charges for Previous Years (Note 3)	0	0
<b>Total Income</b>	<b>(211,397)</b>	<b>(217,152)</b>
Precepts and Demands:		
West Midlands Police Precept	9,709	9,561
West Midlands Fire & Rescue Precept	4,670	4,576
Dudley MBC General Fund Demand	109,874	108,182
	<b>124,253</b>	<b>122,319</b>
Business Rates:		
Payment to National Pool (Note 2)	85,768	93,517
Costs of Collection	446	455
	<b>86,214</b>	<b>93,972</b>
Increased/(Decreased) Provision for Doubtful Debts:		
Council Tax	170	859
Community Charge (Note 3)	0	0
	<b>170</b>	<b>859</b>
Transfer to General Fund – Prior Year's Estimated Surplus	0	0
<b>Total Expenditure</b>	<b>210,637</b>	<b>217,150</b>
<b>Collection Fund Surplus (Deficit) for the year</b>	<b>760</b>	<b>2</b>
Surplus at 1 April brought forward	3	1
<b>Total Collection Fund Surplus at 31 March</b>	<b>763</b>	<b>3</b>
Surplus to be distributed to preceptors	(88)	0
<b>DUDLEY MBC share of Collection Fund Surplus</b>	<b>675</b>	<b>3</b>

**Note 1: Council Tax**

Council tax charges are calculated by estimating the amount of income required from the Collection Fund by the Council and precepting authorities for the forthcoming year and dividing this by the Council Tax base (*i.e. the equivalent number of Band D dwellings*). The Council Tax base for 2010/11 was 97,631.53 calculated as follows:

<b>Band</b>	<b>Number of Dwellings (adjusted for discounts, exemptions etc)</b>	<b>Multiplier</b>	<b>Band D Equivalent</b>
A Disabled	<b>100</b>	5/9	<b>55.56</b>
A	<b>34,744.80</b>	6/9	<b>23,163.20</b>
B	<b>33,141.06</b>	7/9	<b>25,776.38</b>
C	<b>26,102.55</b>	8/9	<b>23,202.26</b>
D	<b>14,337.44</b>	1	<b>14,337.44</b>
E	<b>5,987.65</b>	11/9	<b>7,318.24</b>
F	<b>2,153.49</b>	13/9	<b>3,110.60</b>
G	<b>875.95</b>	15/9	<b>1,459.91</b>
H	<b>97.06</b>	18/9	<b>194.12</b>
<b>Total Band D equivalent</b>			<b>98,617.71</b>
<b>Assumed Collection Rate</b>			<b>99%</b>
<b>NET BAND D EQUIVALENT</b>			<b>97,631.53</b>

**Note 2: National Non-Domestic Rates (Business Rates)**

Non-Domestic Rates are collected locally on the basis of a nationally determined rate in the pound of 41.4p (or 40.7p if the property qualifies for small business relief) for 2010/11, charged on the rateable value of the property. The Council is responsible for collecting rates due from ratepayers in its area, but pays the income into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

Total non-domestic rateable value at 31 March 2011 was £247.385m (31 March 2010 = £223.174m). The amount actually collectable by the Council is less, by the net amount of Transitional Relief and other allowances, than the product of the non-domestic rateable value and the poundage.

**Note 3: Adjustments of Community Charges for Previous Years**

Although Council Tax replaced Community Charge from 1st April 1993, the Council continues to account for residual adjustments in relation to the community charges raised in earlier years, in the Collection Fund.

**Note 4: Write Offs**

Following every effort to recover monies due, some debts are eventually deemed to be uncollectable and are written off. In 2010/11, the following sums were written off:

Council Tax	£0.648m (2009/10 £0.156m)
National Non-Domestic Rates	£1.137m (2009/10 £0.815m)

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## ANNUAL GOVERNANCE STATEMENT

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### 1. Scope of Responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Council has now approved a revised Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the Code has been placed on the website. This statement explains how the Council meets the requirements of the Accounts & Audit Regulations 2011. This refers to the publication of a statement on internal control, which has now been superseded by the annual governance statement.

### 2. The Purpose of the Governance Framework

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

Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They 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 systems of risk management and internal control are based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A governance framework has been in place at the Council for the year ended 31 March 2011 and up to the date of approval of the statement of accounts.

### 3. The Governance Framework

The cornerstone of the governance framework is the Council's Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, while others are a matter for the Council to determine. The Council's Constitution also contains detailed codes and protocols, such as Standing Orders (defining how contracts must be let) and Financial Regulations (setting out procedures and principles for proper financial management).

The Constitution defines and documents the roles and responsibilities of the Cabinet, other Member Committees and senior officer functions, with clear delegation arrangements. The key senior officers identified in the Constitution include statutory positions :-

- a. Head of the Paid Service (Chief Executive) must ensure that the Council is properly organised and staffed
- b. Monitoring Officer (Director of Corporate Resources) must ensure the lawfulness and fairness of decision-making
- c. Chief Finance Officer (Treasurer) must ensure the lawfulness and financial prudence of decision-making. The Treasurer is also responsible for the proper administration of the Council's financial affairs.

In 2010 CIPFA provided guidance on the role of the Chief Finance Officer [CFO] in local government. They produced a series of principles which, should define the core activities and behaviours for the CFO. An assessment against current practice indicates the majority of the principles are applied in Dudley. The principles include a requirement that the CFO is a key member of the Leadership Team and should report directly to the Chief Executive with status at least equivalent to other members. They also state that if this is not the case then the reasons should be explained publicly in the AGS. It is considered in Dudley that whilst the Treasurer does not directly report to the Chief Executive he does have a reporting line to him. He is a full member of Corporate Board and has equivalent status to other members in terms of decision making and has access to all confidential papers/matters.

Responsibility for reviewing and updating all elements of the Constitution have been delegated to senior officers e.g. the Monitoring Officer has responsibility for operating the Scheme of Delegation.

In identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and services users, the Council engages with all parts of the community and has developed a Community Engagement Strategy and Council Plan, which are published to all residents of the Borough via the Internet. The Council's most important objectives are consolidated in the Council Plan, which now incorporates an assurance framework whereby the key objectives of the Council now include formal consideration and documentation of any risks which might prevent objectives being achieved.

In reviewing the authority's vision and its implications for the authority's governance arrangements, the Council carries out an annual review of the Council Plan to ensure it remains focused on current and long term issues. The Constitution is reviewed at least annually to ensure the governance framework is fit for purpose.

The Council Plan is supplemented by strategies and plans within each Directorate.

In measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources the Council uses a Corporate Performance Management system. This is monitored by Corporate Board and Cabinet each quarter. Each Directorate will also set, and monitor, quality of service measures for each service as part of the Corporate Strategic Planning framework.

The Council recognises it has a legal duty to secure economy, efficiency and effectiveness in its use of resources and continuous improvement in its services. This duty is recognised in establishing the Council's policy agenda.

Effective financial management is an essential aspect of the Council's governance framework. This is achieved in particular through :-

- a. Comprehensive revenue and capital budgeting and reporting systems
- b. A medium term financial planning process
- c. Regular reporting and monitoring of actual performance against forecast;

Responsibility for developing, communicating and embedding codes of conduct, which define the standards of behaviour for members and staff has been delegated to the Standards Committee.

The Standards Committee also monitors the Council's Confidential Reporting Policy for use by staff and contractors. The Council also operates a complaints system for the public and the use of the system is monitored by Senior Officers and Members.

The Council has an Audit Committee with a remit to oversee the effective operation of both the internal and external audit function, and to ensure that appropriate action is taken in relation to audit recommendations.

The Audit Committee annually endorses the Risk Management Strategy which now incorporates a Risk Assurance Protocol which requires Senior Officers to regularly certify that the assurance framework has been reviewed and mitigating controls are operating as intended. The results are collated and monitored centrally.

There is a statutory requirement for the Council to undertake an adequate and effective internal audit of its accounting record and system of internal control. This is a responsibility delegated to the Treasurer. Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government and is under the day-to-day control of the Head of Audit Services who acts independently. Internal Audit's primary role is to independently review and report on whether risks facing the Council are effectively managed and controlled. It has a rolling programme of audits that, over a period of years, is intended to review all areas of major risk within the Council. The priority of different areas of the programme is determined by Internal Audit's own assessment of risks [including the Corporate Risk Register] and controls. Audit Plans are approved by the Audit Committee and the Plan is designed to ensure coverage of all significant elements of the governance framework e.g. human resources and, project management.

The Account and Audit Regulations 2011 require the Council to conduct a review at least once a year of the effectiveness of its internal audit and that the findings of the review shall be considered by a committee of the relevant body. The Head of Audit Services has carried out the review and it has been subject to review by the Treasurer, Corporate Governance Group and Audit Committee. The review determined that Audit Services is operating effectively. The Audit Committee also periodically undertakes an exercise to judge its own effectiveness using a toolkit supplied by CIPFA. The latest review concluded that it was operating effectively.

The Council has five Select Committees that carry out a programme of reviews of Council services and decisions.

The Council operates a comprehensive performance review system for identifying the development needs of senior officers and action plans are produced as appropriate. The Constitution also requires all political groups to identify any development needs of Members and a comprehensive training programme is available to meet their needs.

The Corporate Transformation Group and Policy Leads Network are working to ensure there are good governance arrangements in respect of partnerships.

External Audit conduct annual audits of the Council and external inspectorates perform a number of reviews of Council services. All of these bodies contribute to the Council's governance framework.

#### **4. Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Members and Senior Officers within the Council who have responsibility for the development and maintenance of the governance framework, Audit Services Annual Report, and also by reports made by the external auditors and other review agencies and inspectorates

During 2010/11 Audit Services carried out 178 planned audit reviews as part of their four-year strategic plan. The findings were reported to relevant line managers and senior management, and appropriate action agreed.

The Audit Committee receives an annual report summarising the performance of Audit Services in the previous financial year, and plans for future years. The Committee also receives a series of reports setting out the results of Audit Services work in each of the Council's Directorates. These reports detail the higher importance findings, any unimplemented recommendations, and management feedback about the action they have taken. The Committee also receives more detailed reports on other areas where they consider it necessary. The Treasurer will, under the Anti-Fraud and Corruption Strategy, report major losses, resulting from fraud and corruption, to the Audit Committee. One such reports was necessary during 2010/11. A report on the prevention and detection of fraud was presented to the Audit Committee, who also approved a Counter Fraud Strategy.

When the Audit Commission have completed their external audit for 2010/11, their Annual Audit and Inspection Letter will be presented to the Audit Committee and the Cabinet. The Annual Audit and Inspection Letter for the 2009/10 accounts presented an unqualified opinion on the accounts.

A number of other external bodies carried out reviews during the year, including Ofsted and the Care Quality Commission. The findings of their reports were also considered.

The Council's five Select Committees also carried out an extensive programme of reviews of the Council's activities and decisions, and they report their work and findings to the Council. Their work has also been reviewed.

During the year, a number of the documents making up the governance framework were reviewed and any amendments were subject to approval by full Council or delegated Committees e.g. :-

- a. Code of Corporate Governance
- b. Codes of Conduct
- c. Anti Fraud & Corruption Strategy
- d. Standing Orders
- e. Financial Regulations

In carrying out its review of the governance framework, the Council has considered the evidence provided by all of the sources referred to above and has not identified any serious deficiencies that would warrant mention in Section 5 of this report. We aim to ensure continuous improvement of the framework is in place.

**5. Significant Governance Issues**

The review of the effectiveness of the governance framework has not identified any significant issues, and we will monitor the situation in 2011/12 to ensure the changes in local government operations do not impact adversely on the governance framework.

Councillor L. Jones  
Leader of the Council

J.Polychronakis  
Chief Executive