

**DUDLEY METROPOLITAN BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE**  
**YEAR ENDED 31st MARCH 2010**

**Page No.**

1.	<a href="#"><u>Statement of Responsibilities for the Statement of Accounts</u></a> .....	2
2.	<a href="#"><u>Certificate of the Treasurer</u></a> .....	3
3.	<a href="#"><u>Auditor's Report</u></a> .....	4
4.	<a href="#"><u>Explanatory Foreword by the Treasurer</u></a> .....	6
5.	<a href="#"><u>Summary of the 2009/10 Financial Year</u></a> .....	8
6.	<a href="#"><u>Statement of Accounting Policies</u></a> .....	12
7.	<a href="#"><u>Income and Expenditure Account and Statement of Movement on General Fund Balance</u></a> .....	20
8.	<a href="#"><u>Statement of Total Recognised Gains and Losses</u></a> .....	21
9.	<a href="#"><u>Balance Sheet</u></a> .....	22
10.	<a href="#"><u>Cash Flow Statement</u></a> .....	24
11.	<a href="#"><u>Notes to the Core Statements</u></a> .....	25
12.	<a href="#"><u>Housing Revenue Account</u></a> .....	62
13.	<a href="#"><u>Collection Fund</u></a> .....	68

---

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

---

### 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.

---

## APPROVAL OF THE STATEMENT OF ACCOUNTS

---

I confirm that that these accounts were considered and approved by Dudley Metropolitan Borough Council's Audit Committee at the meeting held on 29<sup>th</sup> June 2010.

Signed on behalf of Dudley Metropolitan Borough Council:

.....  
Councillor Alan Taylor,  
Chairman of the Audit Committee

Date: 29th June 2010

---

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

---

### 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 (also known as the Statement of Recommended 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 31st March 2010.

---

## CERTIFICATE OF THE TREASURER

---

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 31st March 2010, 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: 28<sup>th</sup> June 2010

---

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

---

I have audited the Authority accounting statements and related notes of Dudley Metropolitan Borough Council for the year ended 31st March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to 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 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Treasurer and Auditor

The Interim Director of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of the Authority and its Income and Expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the Authority financial statements present a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009, the financial position of the Authority as at 31st March 2010 and its income and expenditure for the year then ended.

.....  
T. Corcoran  
District Auditor

Audit Commission

Date: xx<sup>th</sup> September 2010

---

## EXPLANATORY FOREWORD BY THE TREASURER

---

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 Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2009 (SORP).

The analysis by service in the Income and Expenditure Account on page 20 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 2009 edition of the SORP introduced various changes to the accounts. Where relevant, the effects are noted in the accounts and details given in the Statement of Accounting Policies on pages 12 – 19. The main changes are:

- in the treatment of assets provided under Private Finance Initiative (PFI) and similar schemes. This is the first stage of the change to International Financial Reporting Standards (IFRS). Other areas of the accounts will change in 2010/11. 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.
- in accounting for the collection of Council Tax and National Non-Domestic Rates, the treatment of debtors and creditors with precepting authorities has changed, as has the presentation of Council Tax income in the Income and Expenditure Account. These changes are due to moving from a statutory framework to strict compliance with accounting rules.
- The description of the accounts has changed from "presents fairly the financial position of the authority" to "presents a true and fair view", reflecting convergence with commercial accounting methods.

The pages which follow are the Authority's final accounts for 2009/10 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:**

- **Income and Expenditure Account** - This is a summary of the resources generated and consumed 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 Income and Expenditure Account follows United Kingdom Generally Accepted Accounting Practice (UK GAAP).
- **Statement of Movement on General Fund Balance (SMGFB)** - a reconciliation showing how the balance of resources generated or consumed in the year links in with statutory requirements for raising council tax. The details are disclosed in [Note 1 to the Core Statements](#).
- **Statement of Total Recognised Gains and Losses (STRGL)** - This brings together the balance on the Income and Expenditure Account, and the other recognised gains and losses of the authority during the year. It reconciles to the movement in net worth on 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. From 2009/10, assets financed by Private Finance Initiative and similar schemes are included in the balance sheet, as are the associated liabilities to pay for them.
- **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 Account, and a following Statement of Movement on the HRA Balance (SMHRAB). These accounts are fully included within the main Income and Expenditure Account and SMGFB.

**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.

## SUMMARY OF THE 2009/10 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 2009/10

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).

Service	Approved Budget £m	Outturn £m	Variance £m
Children's Services	70.239	71.189	0.950
Adult, Community & Housing	96.716	96.716	-
Urban Environment	57.078	57.078	-
Chief Executive's	8.904	8.875	-0.029
Law & Property	12.647	12.604	-0.043
Finance, ICT and Procurement	8.653	8.241	-0.412
<b>Total Service Costs</b>	<b>254.237</b>	<b>254.703</b>	<b>0.466</b>
Area Based Grant	-21.615	-21.615	-
Use of Reserves	-2.528	-2.994	-0.466
<b>Net Revenue Expenditure</b>	<b>230.094</b>	<b>230.094</b>	<b>-</b>
Revenue Support Grant	22.862	22.862	-
Business Rate Contributions (NNDR Pool)	99.050	99.050	-
Collection Fund Income	108.182	108.182	-
Collection Fund Surplus	-	-	-
<b>Total Funding</b>	<b>230.094</b>	<b>230.094</b>	<b>-</b>

As anticipated, there has been a continued increase in the costs of Looked After Children. Even after taking action to minimise the financial impact, there was a forecast net overspend of £0.9m in 2009/10 which has subsequently materialised and is reflected in the Children's Services overspend set out in the table above. General Balances were earmarked to fund this overspending.

There have however been some favourable variances, the most significant being lower than anticipated long term borrowings resulting in reduced interest payments. This is reflected in the underspend of the Directorate of Finance, ICT & Procurement.

The services are shown here as they were operated by the Council in 2009/10, and do not exactly match the standard definitions in the Income & Expenditure Account. Also, the figures here show the full use of funds by each Directorate including amounts required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance, whereas the Income & Expenditure Account excludes these items in order to follow Generally Accepted Accounting Practice. The above figures can be reconciled to the Income and Expenditure account as follows:



	£m
<b>Net Operating Expenditure (Income and Expenditure Account)</b>	<b>272.963</b>
Income treated as general grant in Income and Expenditure Account, but included in Total Service Costs in preceding table.	(8.208)
Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance (see Note 1 to Core Statements for details)	(11.051)
Less: amount in respect of difference between accounting and statutory treatment of Collection Fund surplus	(0.002)
Add back transfers to General Fund Balance from other Reserves	1.000
<b>Total Service Costs (as in preceding table)</b>	<b>254.703</b>

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

**CAPITAL SPENDING AND FINANCING IN 2009/10**

A summary of the Council's total accrued capital expenditure of £87.960m in the year is shown below.

	£'000	£'000
<b>Housing</b>		
Central Heating & Electrical Installations	5,328	
External Works	8,117	
North Priory Redevelopment	736	
Void Property Improvements	5,801	
Modernity & Decent Homes	10,088	
Adaptations	2,845	
Other Public Sector Improvements	2,933	
Private Sector Assistance	5,566	
		41,414
<b>Children's Services</b>		
Children's Centres and Early Years	2,568	
Coseley Youth Centre	567	
ICT Projects	5,596	
Play Facility Improvements	1,522	
Old Park School Replacement	1,029	
Wrens Nest School Replacement	1,502	
Other major Primary School projects	1,395	
Other Children's Services projects	10,016	
		24,195
<b>Highways &amp; Transport</b>		
Structural Maintenance of Roads and Bridges	5,404	
A456 Grange Road Island	1,029	
Burnt Tree Junction	1,927	
Street Lighting Improvements	1,796	
Pedestrian, Cycling and other Safety schemes	1,072	
Other Improvements	2,580	
		13,808
<b>Other Services</b>		
ICT Developments	481	
Economic Regeneration	1,602	
Adult Care	561	
Culture and Leisure	1,854	
Recycling, Waste Disposal & Environmental	610	
Libraries, Archives and Adult Learning	932	
Structural Maintenance of Buildings and other projects	2503	
		8,543
<b>Total Expenditure</b>		<b>87,960</b>
Loan	21,704	
Capital Receipts	1,989	
Major Repairs Allowance (Housing)	22,890	
Revenue	121	
Grants / Contributions (inc Lottery)	41,256	
<b>Total Funding</b>		<b>87,960</b>

In addition to the capital expenditure set out above, a further £3.185m of revenue costs relating to Equal Pay Back Pay (see [note 2 to the Core Statements](#)) was capitalised under directions issued by the Secretary of State for Communities and Local Government.

Reconciliation to Note 14 on Fixed Asset Movements.

	<b>£'000</b>
<b>Total Capital Expenditure</b>	<b>87,960</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.	(8,862)
<b>Additions at Cost to Fixed Assets – see Note 14</b>	<b>79,098</b>

#### BORROWING FACILITIES

At 31st March 2010, the Council's external borrowing amounted to £427.2m (31st March 2009 restated £444.3m), 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 2010/11 on 1st March 2010. The capital programme for 2010/11 was reviewed on 22nd February 2010.

Funding of the approved revenue budget and the capital programme for 2010/11 is as follows:

<b>REVENUE</b>	<b>£m</b>
Revenue Support Grant	15.923
Area Based Grant	20.877
Business Rate Contributions	109.655
Council Tax	109.873
Less: Contribution to General Fund Balances	(3.500)
<b>TOTAL REVENUE BUDGET</b>	<b>252.828</b>
<b>CAPITAL</b>	<b>£m</b>
Loan	39.946
Revenue	2.989
Major Repairs Allowance (Housing)	5.474
Capital Receipts	9.321
Grants and Contributions (including Lottery)	39.745
<b>TOTAL CAPITAL PROGRAMME</b>	<b>97.475</b>

---

## STATEMENT OF ACCOUNTING POLICIES

---

### 1. General Principles and Changes for 2009/10

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31st March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2009* (the SORP) including applicable Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs).

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

There have been two major changes in accounting policy set out by the SORP. One is the inclusion in the balance sheet of assets financed under Private Finance Initiative and similar schemes, under International Financial Reporting Standards (IFRS). The other is a change to accounting for Council Tax and the collection of National Non-Domestic Rates.

### 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 stocks 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.

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. 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 secured on property are shown as loans in the balance sheet – this is a change from the previous policy of including such sums as current 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

Provisions are required 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 described in a note.

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 when the authority becomes aware of the obligation. Details of provisions held at 31st March 2010 are shown in [Note 23 Provisions](#)

When payments are eventually made, they are charged to the provision set up 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.

The council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred in the past.

### 4. Reserves

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

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

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.

### 5. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant, Local Authority Business Growth Incentive, Area Based Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

**6. Retirement 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 Children, Schools and Families (DCSF).
- 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 and the Children's service revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year.

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 6 to the Core 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 Income and Expenditure Account 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 Net Cost of Services in the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account
- 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 Net Operating Expenditure in the Income and Expenditure Account
- 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 Net Cost of Services in the Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses
- contributions paid to the West Midlands Metropolitan Authorities Pension Fund – cash paid as employer's contributions to the pension fund.

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

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 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 2009 (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 following two categories of cost 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 depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

**9. Tangible Fixed Assets**

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

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

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

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

Net current replacement cost is assessed as:

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

The current asset values used in the accounts, for non-operational assets and other land and buildings, are based on a valuation report issued by the Council's Property Surveyor as at 1st April 2009, and are in accordance with guidance from the Royal Institution of Chartered Surveyors and from the Chartered Institute of Public Finance and Accountancy. Additions and enhancements from the financial year 2009/10 are included in the accounts at cost, until the property concerned is revalued. Details are shown in [Note 14 Fixed Assets](#)

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

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

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

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

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

**Disposals:** when an asset is disposed of or decommissioned, the income to the authority is known as a capital receipt, subject to a de minimis level of £10,000. The value in the balance sheet of the asset is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Capital receipts from disposals are credited to the Income and Expenditure Account 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). 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 Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve through the Statement of Movement on the General Fund Balance.

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 from the Capital Adjustment Account through the Statement of Movement on the General Fund Balance.

**Depreciation:** depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use. Depreciation is charged on new assets in the year following acquisition, except that depreciation for vehicles is charged from the date of coming into use. This allows the timing of the depreciation charge to relate more closely to the use of such short-life assets.

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
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.

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



**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. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. Such assets are usually short-lived, and as such are not revalued.

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.

**11. Charges to Revenue for Fixed Assets**

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

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

The council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing 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 Statement of Movement on the General Fund Balance, 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 Income and Expenditure Account in accordance with the general provisions of the SORP. 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 and showing as a reconciling item in the Statement of Movement on the General Fund Balance.

**13. Leases****Finance Leases**

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased asset transfer to the council, as set out in SSAP21. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the asset (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

### Operating Leases

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

The authority grants leases of property which are accounted for as operating leases.

## **14. Financial liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. 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 Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account 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, which is shown in the Statement of Movement on the General Fund Balance.

## **15. Financial Assets**

Financial assets are classified into two types:

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

### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. 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 Income and Expenditure Account 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 Income and Expenditure Account 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 Income and Expenditure Account 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 [Statement of Movement on the General Fund Balance](#).

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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

**16. Stocks and Stores**

Stocks and stores are included in the balance sheet at the lower of cost and net realisable value.

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

Information relating to individual companies is shown in [Note 36 to the Core 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 this year included these assets in the balance sheet, following a change to the SORP.

The changes have been 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 Income and Expenditure Account
- finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable in the Income and Expenditure Account
- 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 Income and Expenditure Account.

**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 Income and Expenditure Account. 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. Contingent Liabilities and Assets**

Liabilities and assets that are uncertain, or cannot be estimated, are not included in the accounts, but are described in [Note 24 Contingent Liabilities and Assets](#).

**21. Accounting for Council Tax**

From 1st April 2009, the Council Tax income included in the Income and Expenditure Account is the accrued income for the year, and not as formerly the amount required under regulation to be transferred from the Collection Fund to the General Fund (the Collection Fund Demand). The difference (£1k at 31st March 2009, £3k at 31st March 2010) is taken to a new Collection Fund Adjustment Account through the Statement of Movement on the General Fund Balance.

As the collection of Council Tax for preceptors (the West Midlands Police, and Fire & Civil Defence 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.

**INCOME AND EXPENDITURE ACCOUNT**

<b>2008/09 restated</b>		<b>2009/10</b>		
Net Expenditure £'000		Expenditure £'000	Income £'000	Net Expenditure £'000
69,596	Children's and Education Services	332,022	(269,542)	62,480
10,589	Housing Revenue Account	62,924	(77,616)	(14,692)
13,239	Other Housing Services (inc. Payment of Housing Benefit )	99,255	(87,874)	11,381
78,519	Adult Social Care	107,951	(29,216)	78,735
56,018	Cultural, Environmental, Regulatory & Planning	74,673	(26,616)	48,057
13,273	Highways & Transport	18,816	(5,112)	13,704
4,540	Central Services	30,799	(26,925)	3,874
238	Court Services (Coroners)	423	(121)	302
6,314	Corporate & Democratic Core	7,121	(295)	6,826
2,181	Non Distributed Costs	10,022	0	10,022
<b>254,507</b>	<b>Net Cost of Services</b>	<b>744,006</b>	<b>(523,317)</b>	<b>220,689</b>
165	Environment Agency & WMJC Levies			169
15,972	West Midlands Passenger Transport Authority Levy			16,307
(130)	Trading Account (Surpluses)/Deficits ( <a href="#">Note 3</a> )			(46)
15,409	Interest Payable			14,952
2,412	Contribution to Housing Pooled Capital Receipts			2,087
(590)	Investment Income re. Birmingham Airport			(111)
(3,707)	Other Interest & Investment Income			(558)
11,189	Finance Cost re. Pensions ( <a href="#">Note 6</a> )			19,330
29,606	Loss on Disposal of Assets			144
<b>324,833</b>	<b>Net Operating Expenditure</b>			<b>272,963</b>
<b>Income from taxation &amp; general government grants</b>				
(103,014)	Income from Collection Fund, including transfer in respect of previous years surplus			(108,184)
(40,405)	Government Grants (not attributable to specific services) ( <a href="#">Note 13</a> )			(52,684)
(103,454)	Distribution from National Non-Domestic Rates Pool (NNDR)			(99,050)
<b>(246,873)</b>	<b>Sub-total External Funding</b>			<b>(259,918)</b>
<b>77,960</b>	<b>Deficit on Income and Expenditure Account</b>			<b>13,045</b>

**STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE** ([Note 1](#))

<b>77,960</b>	<b>Deficit on Income and Expenditure Account</b>	<b>13,045</b>
(75,388)	Net additional amount to be credited to revenue to calculate the General Fund Balance	(11,051)
<b>2,572</b>	<b>Deficit on General Fund for year</b>	<b>1,994</b>
(7,904)	Balance at the beginning of the year	(5,332)
<b>(5,332)</b>	<b>Balance at the end of the year</b>	<b>(3,338)</b>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the recognised gains and losses of the authority during the year, and shows the link between the balance sheet and the gains and losses.

	<b>2008/09 restated</b>	<b>2009/10</b>
	<b>£000s</b>	<b>£000s</b>
Deficit for Year on the Income and Expenditure Account	(77,960)	(13,045)
Surplus/(loss) on revaluation of assets	(50,302)	8,827
Actuarial gains/(losses) on pension fund	31,673	(130,996)
<b>Total recognised gains /(losses) for the year</b>	<b>(96,589)</b>	<b>(135,214)</b>

This statement reconciles to the movement of the balance sheet as shown below:

	<b>2008/09 restated</b>	<b>2009/10</b>
	<b>£000s</b>	<b>£000s</b>
<b>Total Tax-payers Equity (Net Worth)</b>	<b>823,524</b>	<b>688,310</b>
Movement in Net Worth		(135,214)

The restatement of 2008/09 figures is due to the inclusion on the balance sheet of assets and related liabilities under PFI and similar contracts. The cumulative effect of this change is to reduce the net worth of the authority at 31st March 2009 by £149,000.

**BALANCE SHEET**

<b>31st March 2009 (restated)</b>		<b>31st March 2010</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
<b>2,077</b>	<b>Intangible Assets</b>		<b>1,043</b>
	Operational Assets:		
990,005	Council Dwellings		993,510
371,513	Other Land & Buildings		370,810
13,361	Community Assets		16,457
161,969	Infrastructure		168,338
13,180	Vehicles, Plant, Furniture & Equipment		18,255
<b>1,550,028</b>	<b>Total Operational Assets</b>		<b>1,567,371</b>
	Non-Operational Assets		
15,658	Investment Properties		15,300
1,250	Assets under Construction		5,022
<u>6,777</u>	Surplus Assets Held for Sale		<u>13,659</u>
<b>23,685</b>	<b>Total Non-Operational Assets</b>		<b>33,981</b>
<b>1,575,790</b>	<b>Total Fixed Assets (Note14)</b>		<b>1,602,394</b>
8,177	Long Term Investments (Note17)		8,175
	Long Term Debtors (Note19)		
249	Mortgages		173
199,192	Other		194,395
<b>1,783,408</b>	<b>Total Long Term Assets</b>		<b>1,805,138</b>
	Current Assets:		
1,636	Stocks & Stores (Note 20)	1,581	
48,291	Debtors (Note 21)	57,336	
<u>(12,344)</u>	Less Provision for Doubtful Debts	<u>(14,273)</u>	
35,947	Net Debtors	43,063	
<u>20,299</u>	Short Term Investments (Note17)	<u>1,592</u>	
<b>57,882</b>		<b>46,236</b>	
	Current Liabilities:		
(10,760)	Cash Overdrawn	(6,851)	
(67,516)	Creditors (Note 22)	(75,516)	
(92,010)	Provisions (Note23)	(81,698)	
<u>(12,191)</u>	Short Term Borrowing	<u>(14,258)</u>	
<b>(182,476)</b>		<b>(178,323)</b>	
<b>(124,595)</b>	<b>Net Current Liabilities</b>		<b>(132,087))</b>
(432,119)	Long Term Borrowing (Note 25)		(412,988)
(32,070)	Deferred Liabilities (Note 7) & Note 11		(31,129)
(132,261)	Grants Deferred Account (Note 29)		(159,672)
(238,839)	Pension Liability (Note 6)		(380,952)
<b>823,524</b>	<b>Total Net Assets</b>		<b>688,310</b>

**BALANCE SHEET**

<b>31st March 2009 (restated)</b>		<b>31st March 2010</b>
<b>£'000</b>		<b>£'000</b>
<i>Represented by:</i>		
219	Deferred Capital Receipts ( <a href="#">Note 26</a> )	151
-	Usable Capital Receipts Reserve ( <a href="#">Note 30</a> )	469
176,476	Revaluation Reserve ( <a href="#">Note 27</a> )	183,700
860,409	Capital Adjustment Account ( <a href="#">Note 28</a> )	841,324
(238,839)	Pension Reserve ( <a href="#">Note 6</a> )	(380,952)
(17,163)	Financial Instruments Adjustment Account ( <a href="#">Note 18</a> )	(16,516)
(7,394)	Equal Pay Back Pay Account ( <a href="#">Note 2</a> )	-
5,332	General Fund Balance ( <a href="#">Note 31</a> )	3,338
<i>Earmarked Reserves:</i>		
4,304	Housing Revenue Account Reserves ( <a href="#">Note 32</a> )	3,293
12,249	Schools ( <a href="#">Note 33</a> )	15,797
27,930	Other ( <a href="#">Note 33</a> )	37,703
1	Collection Fund Adjustment Account	3
<b>823,524</b>	<b>Total Local Taxpayers' Equity</b>	<b>688,310</b>

**CASH FLOW STATEMENT**

	<b>2008/09 restated</b>		<b>2009/10</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue Activities</b>				
<i>Cash Outflows:</i>				
Cash paid to and on behalf of employees	332,066		340,978	
Other operating cash payments	315,402		309,166	
Housing Benefit paid out	26,211		33,864	
Housing Pooled Capital Receipts	2,412	676,091	2,087	686,095
<b>Less: Cash Inflows:</b>				
Rents (after rebates)	29,234		28,034	
Council Tax income	96,717		100,069	
NNDR Receipts from National Pool	103,454		99,050	
Revenue Support Grant	14,401		22,862	
DWP grants for rent allowances	24,658		33,814	
Other Government grants <a href="#">(Note 41)</a>	334,263		368,723	
Cash received for goods and services	110,136	712,863	94,765	747,317
<b>Revenue Activities Net Cash (In)flow - <a href="#">(Note 37)</a></b>		<b>(36,772)</b>		<b>(61,222)</b>
<b>Servicing of Finance</b>				
<i>Cash Outflows:</i>				
Interest paid (& premiums)	12,545		14,305	
Interest element of finance lease rental payments	2,473	15,018	2,836	17,141
<b>Less: Cash Inflows:</b>				
Interest received		4,297		669
<b>Servicing of Finance Net Cash Flow</b>		<b>10,721</b>		<b>16,472</b>
<b>Capital Activities</b>				
<i>Cash Outflows:</i>				
Expenditure on fixed assets	68,780	68,780	77,432	77,432
<b>Less: Cash Inflows:</b>				
Sale of fixed assets	4,405		4,539	
Income from long term investments	0		0	
Government capital grants received <a href="#">(Note 41)</a>	25,304		33,441	
Other capital income	5,346	35,055	7,012	44,992
<b>Capital Activities Net Cash Flow</b>		<b>33,725</b>		<b>32,440</b>
<b>NET CASH (IN)/OUT FLOW BEFORE FINANCING</b>		<b>7,674</b>		<b>(12,311)</b>
<b>Management of Liquid Resources</b>				
Net increase/ (decrease) in short-term deposits	(14,152)		(18,707)	
Other Liquid Resources	(461)	<b>(14,613)</b>	(455)	<b>(19,162)</b>
<b>Financing</b>				
<i>Cash Outflows:</i>				
Repayments of amounts borrowed	148,298	148,298	74,587	74,587
<b>Less: Cash Inflows:</b>				
New loans raised	30,000		0	
New short-term loans raised	125,410	155,410	57,400	57,400
<b>Financing Activities Net Cash (In)/Out Flow</b>		<b>(7,112)</b>		<b>17,187</b>
<b>Increase/(Decrease) in Cash and Cash equivalents</b>		<b>14,051</b>		<b>14,284</b>
<b>TOTAL FINANCING</b>		<b>(7,674)</b>		<b>12,311</b>



## NOTES - CORE STATEMENTS

### *Note 1: Statement of Movement on General Fund Balance*

This note shows all the items which are needed to determine the final balance on the statutory account. This final balance is the amount which is carried forward towards the needs of future years, and which shows the difference between amounts raised from tax-payers and spent in the year.

	<b>2008/09 restated</b>	<b>2009/10</b>
	<b>£000s</b>	<b>£000s</b>
<b>Amounts included in the I&amp;E account but required by statute to be excluded when determining the movement on the General Fund Balance for the year</b>		
Depreciation & Impairment of fixed assets	37,233	33,737
Government Grants Deferred amortisation	(4,651)	(7,795)
Revenue Expenditure funded from Capital under Statute (net of related grants)	57,325	5,955
Net loss on disposal or transfer of fixed assets	29,768	249
Transfer (to)/from Housing Repairs Account	(238)	238
Adjustment for loans at non-commercial rates	(37)	(39)
Net costs of retirement benefits by FRS 17	15,691	11,119
Difference between accounting and statutory treatment of Collection Fund Surplus	1	(2)
<b>Sub-Total</b>	<b>135,092</b>	<b>43,462</b>
<b>Amounts not included in the I&amp;E account but required to be included by statute when determining the movement on the General Fund Balance for the year</b>		
Statutory provision for repayment of debt (Minimum Revenue Provision)	(10,819)	(13,411)
Capital expenditure charged to revenue	(5,282)	(121)
Reinstate write down of premiums	(577)	(608)
Transfer from Usable Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	2,412	2,087
<b>Sub-Total</b>	<b>(14,266)</b>	<b>(12,053)</b>

<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund balance for the year</b>		
Statutorily required transfer of the surplus or deficit for the year on the HRA calculated in accordance with statute to the HRA balance	2,372	773
Voluntary provision for repayment of debt	(521)	(415)
Net transfer (to)/from general fund earmarked reserves	(47,289)	(20,716)
<b>Sub-Total</b>	<b>(45,438)</b>	<b>(20,357)</b>
<b>Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year</b>	<b>75,388</b>	<b>11,051</b>

*Note 2: Exceptional item - Single Status Agreement*

Dudley is undertaking a major Pay and Grading Review to comply with the Single Status Agreement. Although the actual cost of the Single Status Agreement and the majority of any backdated equal pay settlements have still to be determined, the Council made a prudent provision at 31<sup>st</sup> March 2010 of £81.0m, taking into account £6.2m of payments actually made in 2009/10. The Council was given directions by the Government in previous years to treat £84m of these costs as capital expenditure, to be funded from "prudential borrowing", and has used £3.2m of a further direction given in 2009/10, such that the total estimated cost of £87.2m has now been capitalised.

*Note 3: Trading Services*

	Market		Industrial Estates		Other Land & Property		Total Trading Services	
	08/09 £'000	09/10 £'000	08/09 £'000	09/10 £'000	08/09 £'000	09/10 £'000	08/09 £'000	09/10 £'000
Income	(247)	(233)	(437)	(115)	(1,150)	(1,155)	(1,834)	(1,503)
Expenditure	139	309	676	163	889	985	1,704	1,457
<b>(Surplus)/Deficit included in the Income and Expenditure Account</b>	<b>(108)</b>	<b>76</b>	<b>239</b>	<b>48</b>	<b>(261)</b>	<b>(170)</b>	<b>(130)</b>	<b>(46)</b>

Note 4: Schools Budget Funded by Dedicated Schools Grant (DSG)

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2009/10 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 2009/10	20,992	171,396	<b>192,388</b>
Brought forward from 2008/09	1,587		<b>1,587</b>
Carry forward to 2010/11 agreed in advance			
Agreed budgeted distribution in 2009/10	<b>22,579</b>	<b>171,396</b>	<b>193,975</b>
Final Budget distribution in 2009/10	22,030	171,945	<b>193,975</b>
Actual central expenditure	19,916		<b>19,916</b>
Actual ISB deployed to schools		171,945	<b>171,945</b>
Local authority contribution for 2009/10			<b>0</b>
Carry forward to 2010/11	2,114	0	<b>2,114</b>

Note 5:- Fees paid to Auditors

Payments were made to the authority's external auditors, the Audit Commission, for the following categories of work:

<b>2008/09</b>	<b>2009/10</b>
<b>£'000</b>	<b>£'000</b>
290 Statutory Audit work	301
38 Inspection Work	17
145 Audit of Grant Claims	164
<b>473 Total</b>	<b>482</b>

Note 6: Pension CostsTeachers

In 2009/10, the Council paid £14.594m to the Department for Children, Families and Schools (2008/09 = £14.012m) in respect of teachers' pension costs, based on a contribution rate of 14.1% (2008/09 = 14.1%) of teachers' pensionable pay. The Teachers' Pension Scheme is a defined benefit scheme but is accounted for as a defined contribution scheme by the Council as its share of the underlying assets and liabilities cannot be identified. Contributions are set by reference to a notional fund.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2009/10 these amounted to £1.458m (2008/09 = £1.501m), including lump sums for new retirees, being 1.41% of pensionable pay (2008/09 = 1.51%). These discretionary payments form a separate, unfunded scheme; details are shown in the table below, on page 31.

*Other Employees*

Dudley participates in the Local Government Pension Scheme, through the West Midlands Metropolitan Authorities Pension Fund. This is a funded, defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities (to give specified benefits to retired members) with investment assets. The accounting rules for defined benefit schemes require that the actual payments made are replaced in the accounts with a series of figures provided by the actuary.

Dudley is also responsible for certain payments relating to former employees which fall outside the above schemes.

The table below gives details of the original payments, the accounting entries made in the Income and Expenditure Account, and the transfer in the Statement of Movement on General Fund Balance which prevents any effect on taxpayers from the accounting entries. It includes the effects of discretionary awards of pension.

2008/09		2009/10			
		LGPS including discretionary	Teachers Discretionary	Other	Total
£'000		£'000	£'000	£'000	£'000
<b>The amount actually charged against the General Fund Balance in the period i.e. the employer's contributions paid to the pension fund and direct to pensioners.</b>					
22,602	Employer's contributions payable to the pension fund	(23,791)			(23,791)
2,730	Retirement benefits payable to pensioners	(1,129)	(1,458)	(134)	(2,721)
<b>Items in Income and expenditure account</b>					
27,654	Current service cost – see (a) below	17,911			17,911
2,181	Past service costs - see (b) below	284	104	0	388
50,319	The interest cost – see (c ) below	47,989	1,222	151	49,362
(39,130)	The expected return on assets in the scheme – see (d) below	(30,032)			(30,032)
<b>(41,024)</b>	<b>Net Charge to the Income and Expenditure Account</b>	<b>36,152</b>	<b>1,326</b>	<b>151</b>	<b>37,629</b>
<b>Item in the Statement of Movement on the General Fund Balance</b>					
<b>(15,692)</b>	Reversal of net charges made to Income and Expenditure account by FRS17 rules.	<b>(11,232)</b>	<b>132</b>	<b>(17)</b>	<b>(11,117)</b>
<b>Overall Effect of FRS17 on tax-payers.</b>					
<b>0</b>	Sum of items above	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>31,673</b>	Actuarial (Losses) recorded in the balance sheet	<b>(127,763)</b>	<b>(3,233)</b>	<b>0</b>	<b>(130,996)</b>

(a) The **current service cost** is the amount of pension entitlement earned in the year, less employees own contributions to the pension fund.

(b) **Past service costs** are additional costs not related to 2009/10 service, such as long-term effects of discretionary awards made in year

(c) The **interest cost** is the increase in liability because benefits are one year nearer to being paid out. This is based on financial conditions at the beginning of the year.

(d) The **expected return on assets** in the scheme is based on long term expectations at the beginning of the period.

#### *Local Government Pension Scheme (LGPS)*

In 2009/10, contributions have been paid to the West Midlands Metropolitan Authorities Pension Fund at a rate based on the actuarial valuation, dated 31<sup>st</sup> March 2007, by the Fund's professionally qualified Actuary. The main assumptions used by the actuary in assessing the overall position are:

	At 31st March 2009	At 31st March 2010
Long-Term expected rate of return on the assets in the LGPS scheme		
Equities	7.5%	7.5%
Government Bonds	4.0%	4.5%
Other Bonds	6.0%	5.2%
Property	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%
Other	7.5%	7.5%
Mortality Assumptions (in years)		
Longevity at 65 for current pensioners		
Men	21.2	21.2
Women	24.0	24.1
Longevity at 65 for future pensioners		
Men	22.2	22.2
Women	25.0	25.0
Rate of Inflation	3.3%	3.3%
Rate of Increase in Salaries	5.05%	5.05%
Rate of increase in Pensions	3.3%	3.3%
Rate for discounting scheme liabilities	7.1%	5.6%
Commutation of pension for lump sum on retirement	50% take maximum cash, 50% take 3/80ths cash	

The LGPS assets fall into the following categories, by proportion of the assets held:

	31st March 2009	31st March 2010
	Proportion of Holding	Proportion of Holding
Equities	55.7%	53.7%
Government Bonds	12.4%	7.9%
Other Bonds	4.1%	6.0%
Property	7.3%	7.2%
Cash/Liquidity	4.0%	1.4%
Other	16.5%	23.8%

Details of the movements of the assets (at fair value) and liabilities (at present value) for pensions within the West Midlands Metropolitan Authorities Pension Fund (the LGPS), and of the liabilities for the unfunded pensions, are given below. The net liability has been included in the balance sheet, but will have no direct effect on Dudley's funding requirement from taxpayers.

#### Reconciliation of Present Value of Scheme Liabilities.

	LGPS £'000	LGPS discretionary £'000	LGPS Total £'000	TPA – Discretionary £'000	Other Historical £'000	Total £'000
At 1st April 2009	660,335	14,588	674,923	17,941	2,754	695,618
Current service cost	17,911		17,911			17,911
Interest cost	46,993	996	47,989	1,222	151	49,362
Contributions by scheme members	9,947		9,947			9,947
Actuarial (gains)/losses	240,398		240,398	3,283	(50)	243,631
Benefits paid	(24,786)	(1,129)	(25,915)	(1,458)	(134)	(27,507)
Past service costs	284		284	104		388
<b>At 31st March 2010</b>	<b>951,082</b>	<b>14,455</b>	<b>965,537</b>	<b>21,092</b>	<b>2,721</b>	<b>989,350</b>

#### Reconciliation of Fair Value of Scheme Assets:

	LGPS £'000	LGPS discretionary £'000	LGPS Total £'000
At 1st April 2009	456,779		456,779
Expected rate of return	30,032		30,032
Actuarial gains	112,635		112,635
Employer contributions	23,791	1,129	24,920
Contributions by scheme members	9,947		9,947
Benefits paid	(24,786)	(1,129)	(25,915)
<b>At 31st March 2010</b>	<b>608,398</b>	<b>0</b>	<b>608,398</b>

Teachers' Discretionary Awards

The discretionary benefits awarded to former teachers by Dudley in past years form a separate unfunded defined benefit scheme. Payments to pensioners are made by Dudley. The same assumptions have been used in assessing the liability for these discretionary benefits as for the LGPS above, except for the financial assumptions shown below.

	At 31st March 2009	At 31st March 2010
Rate of Inflation	3.3%	3.2%
Rate of increase in Pensions	3.3%	3.2%
Rate for discounting scheme liabilities	7.1%	5.5%

There are no assets associated with these discretionary benefits. The liabilities have been valued by the actuary as at 31st March 2010 as £21.092m, (31st March 2009 £17.941m) – see table above.

Other Liabilities

Dudley is responsible for certain payments to former employees, including former Further Education staff under the Crombie compensation scheme. These liabilities have been estimated, on the basis of current payments, at £2.7m, at 31st March 2010, (31st March 2009 = £2.7m).

Scheme History

Statement of Actuarial Gains and Losses on LGPS scheme	2005/06 £'000	2006/07 restated £'000	2007/08 restated £'000	2008/09 £'000	2009/10 £'000
<b>Present Value of Liabilities</b>					
LGPS	(696,865)	(711,633)	(796,752)	(674,923)	(965,537)
Other	(20,072)	(19,200)	(22,454)	(20,695)	(23,710)
<b>Fair Value of Assets in LGPS</b>	507,506	554,867	564,386	456,779	608,398
<b>Deficit on Schemes</b>					
LGPS	(189,359)	(156,766)	(232,366)	(218,144)	(357,139)
Other	(20,072)	(19,200)	(22,454)	(20,695)	(23,710)
<b>Actuarial gains as a percentage of year end assets or liabilities</b>					
Difference between expected and actual return on assets	15%	1%	(8%)	(34%)	19%
Experience Gains/(Losses) on Liabilities in LGPS	(11%)	5%	(3%)	27%	0
Experience Gains/(Losses) on Liabilities in other schemes	(4%)	3%	(15%)	13%	14%

Dudley has opted not to restate the fair values of scheme assets for 2005/06.

The deficits show the underlying commitments that the authority has to pay retirement benefits in the long run. The deficits will be made good by planned contributions over the working lives of the employees, as assessed by the scheme actuaries.

The actual gain on scheme assets in 2009/10 was £142.667m, (2008/09 = loss of £113.493m).

The accumulated net actuarial loss recognised through the Statement of Recognised Gains and Losses (STRGL) is £271,201m. This has been included in the balance sheet figures, but not charged to tax-payers.

The actuaries estimate that the actual contributions to the LGPS in 2010/11 will be £24m for current employees, plus £1m for discretionary pensions.

#### Note 7: Leasing

Dudley uses operating and finance leases to fund various assets, principally vehicles, central heating and other equipment, and some properties.

Operating lease rentals paid in the year amounted to £2.729m (2008/09 = £2.243m); of this £2.154m related to vehicles and grounds maintenance equipment (2008/09 = £2.005m) and £0.575m to central heating in council dwellings (2008/09 = £0.238m). In addition, £1.233m was paid to lease properties (2008/09 = £1.388m).

Liabilities to repay outstanding principal under finance leases over the term of the leases are shown in the balance sheet as deferred liabilities.

The Council held certain vehicles under finance leases during 2009/10. The gross value at 31<sup>st</sup> March 2010 was £2.669m, which with accumulated depreciation of £1.350m, gives a net book value of £1.319m. (2008/09 = £1.136m). Finance lease rentals paid in the year amounted to £0.416m (2008/09 = £0.505m). The finance charge allocated to 2009/10 was £0.062m (2008/09 = £0.080m). The pattern of repayments of principal due under the finance leases is shown below. Depreciation charged in the year was £0.394m (2008/09 = £0.465m).

<b>Payable within</b>	<b>Repayment of Principal £'000</b>
12 months	417
1-5 years	758
more than 5 years	0

In addition, the Council entered into a 5 year finance lease in 2008/09 to part fund health and fitness equipment at its Leisure Centres to a value of £0.284m. Rental of £0.077m was paid in 2009/10 including a finance charge of £0.020m.

The Council also has commitments under operating leases in future years. The amounts due in 2010/11, analysed by type of asset and the year of expiry of the leases, are shown below.

<b>Leases Expiring within</b>	<b>Rental due in 2010/11</b>	
	<b>Land and Buildings £'000</b>	<b>Vehicles Plant and Equipment £'000</b>
12 months	126	457
1-5 years	400	1,000
More than 5 years	504	13

Dudley also receives rentals for properties leased out under operating leases. The amount received in 2009/10 was £1.130m (2008/09 = £0.978m). The value of land and buildings leased out during 2009/10 was £18.834m (2008/09 = £16.993m). In accordance with the code of practice, no depreciation is charged on these properties.



**Note 8: Remuneration of Senior Employees:**

The Accounts and Audit Regulations 2009 require additional disclosure of remuneration of senior employees in local authority accounts from 2009/10 accounts onwards.

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 2009/10**

---

<b>Post</b>	<b>Notes</b>	<b>Salary (including fees &amp; allowances)</b>	<b>Expense Allowances</b>	<b>Total Remuneration excluding Pension Contributions 2009/10</b>	<b>Pension Contributions</b>	<b>Total Remuneration including Pension Contributions 2009/10</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Chief Executive – J Polychronakis	<b>1</b>	161,021	0	161,021	19,645	180,666
Director of Corporate Resources / Interim Director of Law & Property	<b>2</b>	130,789	1,164	131,953	15,956	147,909
Interim Director of Finance, ICT & Procurement	<b>3</b>	112,005	1,097	113,102	13,665	126,767
Director of Adult, Community & Housing Services		104,604	1,264	105,868	12,762	118,630
Director of the Urban Environment		104,604	1,164	105,768	12,762	118,530
Director of Children's Services	<b>4</b>	87,170	1,036	88,206	10,635	98,841
Interim Director of Children's Services	<b>5</b>	17,342	209	17,551	2,116	19,667

**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.

### Senior Employees 2008/09

Post	Notes	Salary (including fees & allowances)	Expense Allowances	Total Remuneration excluding Pension Contributions 2009/10	Pension Contributions	Total Remuneration including Pension Contributions 2009/10
		£	£	£	£	£
Chief Executive	1	107,272	127	107,399	13,087	120,486
Interim Chief Executive	2	66,872	0	66,872	8,158	75,030
Director of Law & Property	2	74,979	0	74,979	9,147	84,126
Interim Director of Law & Property	3	62,015	280	62,295	7,566	69,861
Director of Finance, ICT & Procurement	4	134,930	1,092	136,022	16,461	152,483
Director of Adult, Community & Housing Services		104,604	1,131	105,735	12,762	118,497
Director of the Urban Environment		104,604	1,092	105,696	12,762	118,458
Director of Children's Services	5	87,951	1,006	88,957	10,730	99,687
Interim Director of Children's Services	6	26,151	274	26,425	3,190	29,615

**Note 1:** The Chief Executive was in post from 1st April 2008 to 31st October 2008. The salary included a payment of £2,333 for additional duties which was recharged to the Black Country Consortium.

**Note 2:** The Director of Law & Property was in post from 1st April 2008 to 31st October 2008, and was appointed as the Interim Chief Executive from 1st November 2008 to 31st March 2009. The salary for the Interim Chief Executive included a payment of £1,644 for additional duties which was recharged to the Black Country Consortium. The salary for the Director of Law & Property included a payment of £12,319 for additional duties which was recharged to the West Midlands Police Authority and a payment of £3,101 for Birmingham International Airport duties.

**Note 3:** The Interim Director of Law & Property was in post from 10th November 2008 to 31st March 2009. The salary included a payment of £8,193 for additional duties which was recharged to the West Midlands Police Authority and a payment of £2,062 for Birmingham International Airport duties.

**Note 4:** The salary for the Director of Finance, ICT & Procurement included a payment of £20,919 for additional duties which was recharged to the West Midlands Police Authority. The salary also included payments of £7,401 for additional duties in respect of former West Midlands County Council debt.

**Note 5:** The Director of Children's Services was in post from 1st April 2008 to 31st December 2008. The salary of the Director of Children's Services included a payment of £9,498 for additional duties which was recharged to the Local Government Association.

**Note 6:** The Interim Director of Children's Services was in post from 1st January 2009 to 31st March 2009.

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

	2008/09	2009/10
	No.	No.
£50,000 - £54,999	120*	130*
£55,000 - £59,999	65*	69*
£60,000 - £64,499	43	50*
£65,000 - £69,999	15	21
£70,000 - £74,999	21	26
£75,000 - £79,999	9*	8*
£80,000 - £84,999	11	4*
£85,000 - £89,999	5	4
£90,000 - £94,999	0	5
£95,000 - £99,999	3*	2*
£100,000 - £104,999	0	1
£105,000 - £109,999	0	1
£110,000 - £114,999	0	0
£115,000 - £119,999	0	0
£120,000 - £124,999	0	0
£125,000 - £129,999	0	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 tables above.

\* These numbers include staff who received payments in addition to normal remuneration. In 2009/10 this applied to 10 members of staff (2008/09 = 9).

#### Note 9: Members Allowances

During the year £0.821m was paid as allowances to Council members, under the Members Allowances (Amendment) Regulations 1995 (2008/09 = £0.697m).

#### Note 10: Related Party Transactions

##### *Members and Officers of the Authority*

In respect of the 2009/10 financial year, works and services to the value of £3.902m 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:

<b>Related Party</b>	<b>Nature of Transaction</b>	<b>Receipts £'000</b>	<b>Payments £'000</b>
Government	Specific Revenue Grants	253,341	
	Capital Grants	36,031	
West Midlands Police	Precept		9,709
West Midlands Fire and Civil Defence	Precept		4,670

Related companies are disclosed separately in note 36, and partnership arrangements in Note 12.

**Note 11: Private Finance Initiative (PFI) & Local Improvement Financial Trust (LIFT)**

Dudley has three Private Finance Initiative schemes and one service concession arrangement. Summary information is given below for continuing schemes. The figures given on future liabilities assume full performance; failure of performance will attract penalties from the contractors.

The 2009 Statement of Recommended Practice on Local Authority Accounting requires the Council to adopt the principles of IFRIC 12 (International Financial Reporting Interpretations Committee) for assets relating to PFI and similar service concession arrangements. Where the Council is deemed to control the services provided, and where ownership of the asset passes to the Council at the end of the contract for nil or nominal consideration, it is required to account for the assets as being on its balance sheet from 2009/10.

**PFI and Similar Contracts on the Council's Balance Sheet**

Application of the 2009 SORP has resulted in two service concession arrangements having been put on the 2009/10 balance sheet namely the Paragon PFI scheme and the Waste to Energy Plant at Lister Road Depot which are detailed below.

**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 2013 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 overleaf.

	<b>Paragon Schools £000</b>	<b>Waste to Energy Plant £000</b>
<b>Cost or Valuation</b>		
At 1st April 2009	14,361	22,219
Revaluation (at 1st April 2009)	3,860	0
At 31st March 2010	18,221	22,219
<b>Depreciation</b>		
At 1st April 2009		(6,110)
Charge for 2009/10	(364)	(620)
At 31st March 2010	( 364)	(6,730)
<b>Balance sheet amount at 31st March 2010</b>	<b>17,857</b>	<b>15,489</b>

<b>Finance Creditor Liabilities</b>	<b>Paragon Schools £000</b>	<b>Waste to Energy Plant £000</b>
At 1st April 2009	14,015	16,605
Principal Repaid 2009/10	(463)	(643)
<b>Balance sheet amount at 31st March 2010</b>	<b>13,552</b>	<b>15,962</b>

The breakdown of the unitary payment (or equivalent) into service charges, repayment of principal and finance costs for the life the schemes, at 2009/10 prices are detailed below.

#### Payments for Paragon Schools

<b>Period</b>	<b>Unitary Payment</b>	<b>Service Charges</b>	<b>Repayments of Liability</b>	<b>Finance Costs</b>
Within One Year	2,563	1,291	499	773
2-5 years	10,251	5,711	1,718	2,822
6-10 years	12,814	7,318	2,546	2,950
11-15 years	12,814	7,579	3,089	2,146
16-20 years	12,814	7,054	4,630	1,130
20-21 years	2,563	1,433	1,069	61
<b>Total</b>	<b>53,819</b>	<b>30,386</b>	<b>13,551</b>	<b>9,882</b>

**Payments for Waste to Energy Plant**

<b>Period</b>	<b>Unitary Payment</b>	<b>Service Charges</b>	<b>Repayments of Liability</b>	<b>Finance Costs</b>
Within One Year	4,116	1,961	701	1,453
2-5 years	16,462	7,844	3,505	5,114
6-10 years	20,578	9,804	6,503	4,270
11-13 years	11,805	5,611	5,252	943
<b>Total</b>	<b>52,961</b>	<b>25,220</b>	<b>15,961</b>	<b>11,780</b>

The unitary payment for Paragon excludes “pass through” costs of £0.397m for business rates, utilities and free school meals.

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.

**Prior Period Adjustments for 2008/09 Comparatives**Income and Expenditure Account 2008/09

The prior period adjustments arising from the change in accounting rules to the comparative 2008/09 Income & Expenditure Account are shown below. The adjustments for Paragon & the Waste to Energy Plant affected the comparative expenditure for Children's and Education Services and Cultural, Environmental, Regulatory & Planning Services respectively.

	<b>Paragon</b>	<b>Waste to Energy Plant</b>	<b>Total</b>
Adjustment for Repayment of Liability	(499)	(583)	(1,082)
Adjustment for Finance costs	(828)	(1,565)	(2,393)
Adjustment for Depreciation	321	555	876
Total Adjustment to Revenue Account	(1,006 )	(1,593)	(2,599)

**Balance Sheet 2008/09**

	<b>Paragon</b>	<b>Waste to Energy Plant</b>	<b>Total</b>
Adjustment for Deferred Liabilities	(14,015)	(16,604)	(30,619)
Adjustment for Fixed Assets	14,361	16,109	30,470
Total adjustment to Balance Sheet	346	(495)	(149)

### **Dudley Grid For Learning**

The Dudley Grid for Learning contract with Research Machines (RM), which is a project that provides ICT facilities for 106 schools in the Directorate of Children's Services, expired in January 2009. Subsequently a contract for the extension of the service for a further two years was agreed with the same supplier. This new arrangement provided for the capital costs of the refresh of the ICT facilities to be passed on directly to the council rather than through the annual service charge. In 2009/10 the capital costs amounted to £4.954.m (2008/09 = £1.288m) and have been recorded on the council's balance sheet. In 2010/11 the authority is committed to making payments estimated at £3.033m (2009/10 = £3.743m) for the service charge to the current supplier. The existing contract expires in January 2011 when it will be re-tendered.

### **PFI and Similar Contracts Not on the Council's Balance Sheet**

#### **Sedgley Health, Library and Social Care Project**

In 2010/11 the authority is committed to making payments estimated at £0.213m (2009/10= £0.212m) for the Sedgley Health, Library and Social Care Project with the Mill Group. This project was a joint project with Dudley Primary Care Trust and provides a joint health, social care and library facility in the north of the borough. The contract was for a period of 25 years and expires in 2026. There is £3.392m unitary payment outstanding from April 2010 to the end of the contract in 2026.

### **Local Improvement Finance Trust (LIFT) Schemes**

Dudley Council is currently involved in 3 LIFT schemes, for which details are provided below. None of schemes have assets on the Council's balance sheet.

#### **Stourbridge Health and Social Care Centre**

This building was procured through a LIFT arrangement by the Dudley Primary Care Trust and includes office accommodation for the Community Team for Learning Disabilities (CTLD). The accommodation for the CTLD is licensed to the council under a service level agreement for an annual rent of £0.025m.

#### **Brierley Hill Health and Social Care Centre**

In September 2007 the authority signed up with the Dudley Primary Care Trust and Infracare to a lease plus agreement for the new Brierley Hill Health and Social Care Centre. The building was completed and became operational in February 2010 and lease costs will be £0.275m per annum.

#### **Lye Health & Social Care Centre**

In December 2008 PFI credits of £6.965m were awarded to Dudley Primary Care Trust and the authority for a Health and Social Care centre in Lye. A site has been identified for the scheme and on-going work is taking place before stage one approval is given.

### **Note 12: Partnership Arrangements**

#### **The West Midlands Joint Committee (WMJC)**

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 £0.027m, in 2009/10 (£0.027m in 2008/09).

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

The City Region is a voluntary partnership comprising the 6 urban local authorities (Birmingham, Coventry, Sandwell, Solihull, Walsall, Wolverhampton), the West Midlands Regional Assembly, Advantage West Midlands, the West Midlands Learning and Skills Council and the Business Community. Its purpose is to achieve a more integrated approach to the delivery of large scale urban development, business growth and environmental sustainability.

Dudley Council's Contribution in 2009/10 was £0.037m (£0.037m) in 2008/09.

**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 £0.283m (2008/09 = £0.337m)

**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 £0.109m on capital projects in 09/10 (2008/09 = £.110m) and £0.338m in revenue from Area Based Grant (compared to £0.331m in 2008/09).

**Health Promoting Schools – Expenditure £0.530m (2008/09 = £0.491m)**

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 £0.284m from the Children's Services Directorate (2008/09 = £0.261m) and £0.246 from the PCT (2008/09 = £0.230m)

***Pooled Budgets with Health Bodies***

Dudley has pooled budget arrangements with Dudley Primary Care Trust, under Section 31 of the Health Act 1999.

**Substance Misuse – Expenditure £0.124m (2008/09 = £0.136m)**

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 £0.113m from the Local Authority (2008/09 = £0.123m) and £0.011m from Dudley Primary Care Trust (2008/09 = £0.013m).

**Learning Disability Campus Closure grant – Expenditure £0.025m (2008/09 = £0.019m)**

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.

**Falls Prevention Service – Expenditure £0.219m (2008/09 = £0.205m)**

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 £0.068m from the Local Authority (2008/09 = £0.061m) and £0.151m from the Dudley Primary Care Trust (2008/09 = £0.144m).

**Community Equipment Service – Expenditure £1.055m (2008/09 £1.468m)**

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 £0.659m from the Local Authority (2008/09 = £1.080m) and £0.396m from the Dudley Primary Care Trust (2008/09 = £0.388m).

**Independent Living Team (ILT) & Acquired Brain Injury (ABI) – Expenditure £0.028m (2008/09 £0.034m)**

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 the cash funding: Dudley provides the staffing resources estimated at £0.107m.

**Placements of Children with Disabilities – Expenditure £1.116m ( 2008/09 = £1.269m)**

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 £0.949m from Children's Services Directorate (2008/09 = £1.079m) and £0.167m from the Dudley Primary Care Trust (2008/09 = £0.190m).



**Local Area Agreement (LAA)**

The LAA is an agreement between the Government Office for the West Midlands and Dudley Community Partnership (Dudley's local strategic partnership), which represent the local authority and other public, private, voluntary and community interests for the area. It sets out the priorities for the local area in terms of specific activities, and the targets to be achieved during the period 1st April 2007 – 31st March 2010. Dudley MBC is the accountable body for the LAA. Successful achievement of the targets generates reward monies from the Government for use by the Council and its partners ([see Note 33](#)).

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

***Note 13: Government Grants, not attributable to Specific Services, shown as External Funding at foot of Income and Expenditure Account.***

	<b>2008/09 restated £'000</b>	<b>2009/10 £'000</b>
Revenue Support Grant	14,401	22,862
Area Based Grant	21,070	21,615
PFI Grant	4,603	4,498
Local Area Agreement (LAA) Reward Grant	0	3,190
Housing and Planning Delivery Grant (HPDG)	see note below	107
Local Authority Business Growth Incentive	331	412
<b>Total included in Income and Expenditure Account</b>	<b>40,405</b>	<b>52,684</b>

In 2008/09 accounts, the PFI, LAA, and HPDG grants were shown as part of service income, rather than as general grant. These accounts have been restated for the PFI grant, as this change is related to the change to international accounting standards, but the other two changes are not sufficiently material to justify changing the 2008/09 accounts. There was no LAA reward in 2008/09. The £139k of HPDG received in 2008/09 has been left as service income.

*Note 14: Fixed Assets*

	Council Dwellings	Other Land & Buildings	Community Assets	Infra- structure	Vehicles, Plant & Equipment	Investment Properties	Assets Under Construction	Surplus Assets	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>										
<i>At 1st April 2009 restated</i>	1,004,113	398,521	13,361	203,256	25,584	15,658	1,250	6,777	5,776	<b>1,674,296</b>
<i>Revaluations (at 1st April 2009)</i>	(26,174)	902	0	0	0	(276)	0	(9,256)	0	<b>(34,804)</b>
Additions	35,596	15,175	3,096	11,931	8,913	188	3,905	173	121	<b>79,099</b>
Disposals	(2,135)	(2,209)	0	0	(62)	0	0	(490)	0	<b>(4,896)</b>
Reclassifications	(3,800)	(11,598)	0	0	(645)	(285)	(133)	16,461	0	<b>0</b>
Year end impairments	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31st March 2010</b>	<b>1,007,600</b>	<b>400,790</b>	<b>16,457</b>	<b>215,187</b>	<b>33,790</b>	<b>15,285</b>	<b>5,022</b>	<b>13,665</b>	<b>5,897</b>	<b>1,713,695</b>
<b>Depreciation</b>										
<i>At 1st April 2009 restated</i>	(14,108)	(27,008)	0	(41,287)	(12,404)	0	0	0	(3,699)	<b>(98,506)</b>
<i>Revaluations (at 1st April 2009)</i>	14,108	8,445	0	0	151	117	0	6	0	<b>22,815</b>
Charge for 2009/10	(14,090)	(11,632)	0	(5,562)	(3,282)	(103)	0	0	(1,155)	<b>(35,824)</b>
Disposals	0	214	0	0	0	0	0	0	0	<b>214</b>
Reclassifications	0	0	0	0	0	0	0	0	0	<b>0</b>
<b>At 31st March 2010</b>	<b>(14,090)</b>	<b>(29,981)</b>	<b>0</b>	<b>(46,849)</b>	<b>(15,535)</b>	<b>14</b>	<b>0</b>	<b>(6)</b>	<b>(4,854)</b>	<b>(111,301)</b>
<b>Balance Sheet amount at 31st March 2010</b>	<b>993,510</b>	<b>370,809</b>	<b>16,457</b>	<b>168,338</b>	<b>18,255</b>	<b>15,300</b>	<b>5,022</b>	<b>13,659</b>	<b>1,043</b>	<b>1,602,394</b>
<b>Balance Sheet amount at 1st April 2009</b>	<b>990,005</b>	<b>371,513</b>	<b>13,361</b>	<b>161,969</b>	<b>13,180</b>	<b>15,658</b>	<b>1,250</b>	<b>6,777</b>	<b>2,077</b>	<b>1,575,790</b>
<b>Nature of asset holding</b>										
Owned	993,510	337,236	16,457	168,338	16,936	15,299	5,022	13,659	1,043	<b>1,567,501</b>
Finance Lease	0	33,574	0	0	1,319	0	0	0	0	<b>34,893</b>
	<b>993,510</b>	<b>370,810</b>	<b>16,457</b>	<b>168,338</b>	<b>18,255</b>	<b>15,300</b>	<b>5,022</b>	<b>13,659</b>	<b>1,043</b>	<b>1,602,394</b>

Fixed Asset Valuation

The freehold and leasehold properties in the categories Other Land and Buildings, and Investment Properties have been valued by an internal valuer, D.Taggart (FRICS), the Council's Property Surveyor, on the following bases in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards. A 5 year rolling programme is in place to update the asset values, and also whenever a permanent material change in value arises from market forces, or physical alterations, or a change in categorisation or classification occurs. Not all of the properties are inspected as this is not practicable and is not considered necessary for the purpose of the valuation.

Council Dwellings were valued by an external valuer as at 1st April 2007 on the basis of Existing Use Value for Social Housing, and in accordance with Office of The Deputy Prime Minister (ODPM) guidance on Stock Valuation for Resource Accounting. For 2009/10 the 2007 values have been indexed to values appropriate as at 1st April 2009.

Other operational properties, i.e. those used to provide a service, have been valued on the basis of Existing Use Value or, in the case of Specialised Properties, by the Depreciated Replacement Cost method.

Plant and equipment, where appropriate, is included in the valuation of the buildings. Specialised plant is valued as a separate item in the Depreciated Replacement Cost.

Investment properties have been valued on the basis of Market Value. Incomplete capital works, valued at cost, are included with investment properties on the balance sheet; the balances are transferred to the appropriate category on completion of the works. Properties declared surplus to requirements are also included with investment properties.

The sources of information and assumptions made in producing the valuations are set out in a valuation report. The definitions of the valuation bases are set out in the RICS Appraisal & Valuation Standards (5<sup>th</sup> Edition).

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 revaluations above include £32.943m of downward revaluations. These downward revaluations are charged first against any balances in the Revaluation Reserve related to those assets, and then, where there are insufficient balances, to the Income and Expenditure Account. These charges to the Income and Expenditure Account are reversed through the Statement of Movement on the General Fund Balance (SMGFB), so that there is no effect on tax-payers.

	<b>Charged to Income and Expenditure Account £'000</b>	<b>Charged to Revaluation Reserve £'000</b>	<b>Total £'000</b>
Downward Revaluations	20,814	12,129	32,943

Note 15: Assets Held or Operated

Major fixed assets owned and/or operated by the authority at 31st March 2010 were as follows:

<b>Operational Assets</b>	<b>Number</b>	
Residential & Day Care Establishments:		
Homes for Older People	8	
Homes for People with Disabilities	3	
Day Centres for People with Learning Disabilities	3	
Day Centres for People with Physical Disabilities	2	
Day Centres for Older People	4	
Day Centres for People with Mental Illness	3	
Council Dwellings	23039	
Public Halls & Venues	6	
Administrative Properties	40	
Off-street Car Parks	67	
Leisure Centres and Pools	9	
Museums and Galleries	3	
Crematoria	2	
Cemeteries	7	
Libraries & Archives	14	
Allotments	29.7	Hectares
Youth Centres	10	
Children's Centres	20	
Community Centres	23	
Schools:		
Primary and Nursery	79	
Community Colleges and Secondary (inc. Foundation) Schools	21	
Special Schools	7	
Children's Homes	5	
Outdoor Education Centre	1	
Major Depots	5	
<b>Community Assets:</b>		
Parks and Public Open Spaces	1376.16	Hectares
<b>Infrastructure Assets:</b>		
Principal, Classified and Unclassified Roads	1013	Km

All schools in the Borough have been included in this note to give a full picture of Council activity. The buildings of most voluntary aided and controlled schools, and the land and buildings of foundation schools, are owned by the governors or sponsoring body, and so the values are not included in the balance sheet.

Note 16: Capital Commitments

Major contractual and other commitments relating to capital projects at 31st March 2010 were as follows:

	<b>£'000</b>
Housing	3,774
Children's Services	12,159
Highways & Transport	3,262
Other projects	1,955
<b>Total</b>	<b>21,150</b>

Note 17: Investments

The Authority invests its day to day cash flow balances in order to generate income by earning interest.

Investments are shown in the balance sheet at original cost. Accrued interest on long term investments is shown under short term investments. (This is a change from the previous practice of including accrued interest with the related debt.) The table below also shows the fair value of the investments at 31st March 2010. Fair value 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.

	<b>31st March 2009 £'000</b>	<b>31st March 2009 (restated *) £'000</b>	<b>31st March 2010 £'000</b>	<b>Fair Value at 31st March 2010 £'000</b>
<b>Long Term:</b>				
Loans to other Local Authorities	502	500	500	827
Birmingham Airport Shares	7,675	7,675	7,675	not available
	8,177	8,175	8,175	
<b>Short Term:</b>				
Temporary Money Market Investments	20,299	20,301	1,592	1,592
<b>Total Investments</b>	<b>28,476</b>	<b>28,476</b>	<b>9,767</b>	

\* In 2008/09 accounts, accrued interest was included with the investments and borrowings to which it related. For 2009/10 accounts, guidance has advised that accrued interest should be included with temporary investments and borrowing. This alteration in policy is too small to require an amendment to the comparative figures in the balance sheet, but an additional column has been shown in the table above, to show the effect of the change.

The Authority's ordinary shareholding investment in Birmingham Airport is shown in the accounts at cost, since there is no quoted market price in an active market and the fair value cannot be measured reliably. The latest share transaction in relation to Birmingham Airport occurred in September 2007, when Airport Group Investments Ltd (AGIL) purchased a 48.25% shareholding in Birmingham Airport for £420 million. Pro-rata this equates to £49 million for Dudley's 5.58% ordinary shareholding in the Airport. However this was a transaction pertaining to market conditions in September 2007 and for a 48.25% shareholding.

Note 18: Financial Instruments Adjustment Account (FIAA)

Treasury management practices have led to balances known as Premiums and Discounts. These balances represented premiums paid and discounts received on the early redemption of long term debt, and a premium on the issue of loan stock. Where there is no replacement loan accounting practice requires premiums and discounts to be accounted for in the Income and Expenditure Account. However Regulations allow the charge or credit to tax-payers to be spread, by reversing the charge through the Statement of Movement on the General Fund Balance, and carrying the balance in the Financial Instruments Adjustment Account (FIAA).

The FIAA also shows the effect of the authority granting loans at less than commercial rates of interest, in furtherance of council objectives.

Balances and movements on the Financial Instruments Adjustment Account are as follows:

	<b>Total 31st March 2009 £'000</b>	<b>Movements in Year £'000</b>	<b>Total 31st March 2010 £'000</b>
Dudley Treasury	12,030	(293)	11,737
Dudley – other	186	(39)	147
Ex WMCC – see Note 19	4,947	(315)	4,632
<b>Total</b>	<b>17,163</b>	<b>(647)</b>	<b>16,516</b>

Note 19: 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.

	<b>31st March 2009 £'000</b>	<b>31st March 2010 £'000</b>
<b>Dudley Activities:</b>		
Mortgages – Sold Properties	219	151
Other Mortgages	30	22
Other Local Authorities	113	106
Employee Loans	148	239
Loans to Individuals and Other Bodies	330	364
Debts secured on property	619	690
	<b>1,459</b>	<b>1,572</b>
<b>Ex. WMCC Activities</b>		
Other Local Authorities	197,982	192,996
	<b>199,441</b>	<b>194,568</b>

Note 20: Stocks and Stores

An analysis of Stocks and Stores is shown below.

	<b>31st March 2009 £'000</b>	<b>31st March 2010 £'000</b>
Housing	947	890
Engineering & Transportation	444	473
Other Stocks and Stores	245	218
	<b>1,636</b>	<b>1,581</b>

Note 21: Debtors

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

	<b>31st March 2009 restated £'000</b>	<b>31st March 2010 £'000</b>
<b>1. General</b>		
Council Tax, Community Charge and Non-Domestic Rate Payers	5,861	6,484
Housing Tenants	5,532	5,842
Central Government Bodies	15,163	22,036
Other Local Authorities	1,858	2,281
NHS Bodies	584	1,707
Public Corporations and Trading Funds	891	632
Other Debtors	13,161	13,733
	<b>43,050</b>	<b>52,715</b>
Less Provisions for Doubtful Debts:		
Council Tax, Community Charge and Non-Domestic Rate Payers	(3,552)	(4,375)
Housing Tenants	(5,222)	(5,621)
Other Debtors	(3,570)	(4,277)
Total Provisions for Doubtful Debts	<b>(12,344)</b>	<b>(14,273)</b>
	<b>30,706</b>	<b>38,442</b>
<b>2. Payments in Advance</b>		
Central Government Bodies	469	7
Other Local Authorities	92	9
NHS Bodies	52	1
Other Payments in Advance	4,628	4,604
Total Payments in Advance	<b>5,241</b>	<b>4,621</b>
<b>Total Debtors</b>	<b>35,947</b>	<b>43,063</b>

Note 22: Creditors

An analysis of creditors is shown below.

	<b>31st March 2009 restated £'000</b>	<b>31st March 2010 £'000</b>
<b>1. General</b>		
Central Government Bodies	10,288	10,297
Other Local Authorities	7,574	7,831
NHS Bodies	659	623
Public Corporations and Trading Funds	82	167
Rent and Council Tax/Community Charge Payers	1,067	1,389
Other Creditors	21,084	22,547
	<b>40,754</b>	<b>42,854</b>
<b>2. Receipts in Advance</b>		
Central Government Bodies	20,021	26,420
Other Local Authorities	68	33
NHS Bodies	401	105
Public Corporations and Trading Funds	31	32
Other Receipts in Advance	6,241	6,072
	<b>26,762</b>	<b>32,662</b>
<b>Total Creditors</b>	<b>67,516</b>	<b>75,516</b>

Note 23: Provisions

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

	<b>Balance at 31st March 2009 £'000</b>	<b>Net Increase/ (Decrease) £'000</b>	<b>Balance at 31st March 2010 £'000</b>
Equal Pay	91,394	(10,421)	80,973
Other Provisions	616	109	725
	<b>92,010</b>	<b>(10,312)</b>	<b>81,698</b>

The provision for Equal Pay is explained in [Note 2](#).



Note 24: Contingent Liabilities and AssetsContingent 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 2009/10, 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	250
(ii) All other properties – deductible	25
Subject to an aggregate level for all claims across all properties (£988,800 up to 30/11/10)	960
<b>Computer Insurance:</b>	25
Subject to an aggregate limit	
<b>Legal Liability Risks:</b>	223
Subject to an aggregate limit (£2,979,000 up to 30th November 2010)	2,906

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.

In addition the Council currently has a contractual dispute regarding the value of the unitary payment for a PFI scheme, which is the subject of on-going negotiations. It is expected that the matter will be resolved during 2010/11.

The settlement of accounts with Chase Norton Construction (in administration) is outstanding, although it is anticipated that any financial liability will be covered by the retention monies outstanding to the contractor.

The Council has made provision for potential equal pay settlements for its employees, as set out in [Note 2](#).

Contingent Assets

The Council has various voluntary disclosures for overpaid output tax (VAT) to Her Majesty's Revenue and Customs (HMRC) arising from challenges to interpretation of the law and following the ruling in the case of Fleming (t/a Bodycraft) in the House of Lords. If successful in these claims the Council could gain by £1.9m.

Note 25: Long Term Borrowing

The table below shows the source of long-term borrowing, including borrowing relating to the former West Midlands County Council (WMCC) 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 previously classed as long term borrowing, are now classed as short term borrowing. The table below shows the underlying borrowing, and separately the amounts relating to premiums. The fair value (i.e. reflecting market values) at balance sheet dates is shown for comparison.

Source of Borrowing	Total 31st March 2009	Total 31st March 2009 (restated *)	Fair Value 31st March 2009 (restated *)	Dudley 31st March 2010	Ex W.M.C.C 31st March 2010	Total 31st March 2010	Fair Value at 31st March 2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Public Works Loan Board	401,546	392,470	458,659	192,344	190,152	382,496	427,802
Stock	13,706	13,568	17,970	6,784	6,784	13,568	16,824
Other Sources	20,140	20,054	20,609	10,054	10,000	20,054	22,714
	<b>435,392</b>	<b>426,092</b>	<b>497,238</b>	<b>209,182</b>	<b>206,936</b>	<b>416,118</b>	<b>467,340</b>
Premiums adjusting carrying value	(3,273)	(3,273)		(848)	(2,282)	(3,130)	
<b>Balance Sheet Value</b>	<b>432,119</b>	<b>422,819</b>	<b>497,238</b>	<b>208,334</b>	<b>204,654</b>	<b>412,988</b>	<b>467,340</b>

\* In 2008/09 accounts, accrued interest was included with the investments and borrowings to which it related. For 2009/10 accounts, guidance has advised that accrued interest should be included with temporary investments and borrowing; also repayments of principal due within 12 months of balance sheet date have been shown as short-term liabilities. These alterations in policy are too small to require an amendment to the comparative figures in the balance sheet, but additional columns in the table above show the effect of the changes.

Note 26: Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from granting mortgages principally to council tenants to enable them to buy their homes.

Note 27: Revaluation Reserve

This non-cash-backed reserve is debited or credited with deficits or surpluses arising on revaluation, and written down when revalued assets are disposed of. Where depreciation is applied to a revalued asset, an transfer is made from the revaluation reserve to the capital adjustment account.

	£'000
Balance at 31st March 2009	<b>176,476</b>
Unrealised gains on revaluation of fixed assets	20,955
Impairment reducing previous revaluation gain	(12,129)
Depreciation attributable to the revaluation gain	(965)
Write out of balances relating to property disposed of	(637)
<b>Balance at 31st March 2010</b>	<b>183,700</b>

Note 28: Capital Adjustment Account

This non-cash-backed reserve contains the amounts which are required by statute to be set aside from revenue for the repayment of external loans, the financing of capital expenditure from revenue or capital receipts, and a number of adjustments set out in the Statement of Movement on the General Fund Balance (see [Note 1](#)).

	<b>£'000</b>
Balance at 1st April 2009 (restated)	<b>860,409</b>
Capital Financing 2009/10:	
Capital Receipts	1,989
Revenue	121
Major Repairs Reserve	22,890
Minimum Revenue Provision	13,411
Voluntary Revenue Provision	415
Transfer to Major Repairs Reserve of HRA Depreciation	(14,127)
Impairment charged to HRA	(261)
Depreciation charged to General Fund revenue	(12,987)
Impairment charged to General Fund revenue	(29,252)
Write down of Revenue Expenditure funded from Capital under Statute (net of related grants)	(5,955)
Grants written down to revenue	7,795
Asset disposals written down to revenue	(4,045)
Write down of capital debtors	(44)
Depreciation attributable to revaluation	965
<b>Balance at 31st March 2010</b>	<b>841,324</b>

Note 29: Grants Deferred Account

This account holds the various Government and other capital grants, and contributions from private developers. These will be written off to revenue over the life of the relevant assets, where these are depreciated.

	<b>2008/09 £'000</b>	<b>2009/10 £'000</b>
Balance at 1st April	111,844	132,261
Grants Applied to capital investment in the year	28,334	35,207
Amounts credited to revenue to match depreciation	(4,650)	(7,796)
Written down in respect of sold assets	(3,267)	-
<b>Balance at 31st March</b>	<b>132,261</b>	<b>159,672</b>

Note 30: Capital Reserves**Useable Capital Receipts Reserve**

These are capital receipts which are available to be used to finance capital expenditure or repay outstanding loan debt.

	<b>Housing*</b> <b>£'000</b>	<b>Other</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Balance at 31st March 2009	-	-	-
Receipts from Sales of Assets etc.	4,094	451	4,545
Receipts applied for New Capital Expenditure	(1,989)	-	(1,989)
Contribution to Housing Pooled Capital Receipts	(2,087)	-	(2,087)
<b>Balance at 31st March 2010</b>	<b>18</b>	<b>451</b>	<b>469</b>

\* including Housing General Fund.

Note 31: General Fund Balance

The following Fund movements took place in the year:

	<b>2008/09</b> <b>£'000</b>	<b>2009/10</b> <b>£'000</b>
Balance Brought Forward 1st April	7,904	5,332
Deficit transferred to Revenue Account	(5,572)	(2,994)
Net transfer between reserves	3,000	1,000
<b>Balance Carried Forward 31st March</b>	<b>5,332</b>	<b>3,338</b>

Note 32: Housing Revenue Account Reserves

The Authority is required by law to maintain an account called the Housing Revenue Account. The balance at the year end has to be carried forward into the following year via the Housing Revenue Account Reserve. This reserve includes amounts earmarked for specific purposes in addition to a General Reserve of working balances.

The Housing Repairs Account holds amounts set aside from the Housing Revenue Account to fund repairs and improvements to the housing stock.

	<b>Balance at</b> <b>31st March</b> <b>2009</b> <b>£'000</b>	<b>Transfer From</b> <b>Income &amp;</b> <b>Expenditure</b> <b>Account</b> <b>£'000</b>	<b>Transfer (to)</b> <b>Income &amp;</b> <b>Expenditure</b> <b>Account</b> <b>£'000</b>	<b>Balance at</b> <b>31st March</b> <b>2010</b> <b>£'000</b>
General Reserve	2,468	-	(1,251)	1,217
Other Reserves	1,598	1,063	(585)	2,076
	<b>4,066</b>	<b>1,063</b>	<b>(1,836)</b>	<b>3,293</b>
Housing Repairs Account	238	-	(238)	0
Major Repairs Reserve	0	-	-	0
<b>Total HRA Reserves</b>	<b>4,304</b>	<b>1,063</b>	<b>(2,074)</b>	<b>3,293</b>

Note 33: Other Specific Reserves**Schools**

These reserves are committed to be spent in the education service and are not available to the authority for general use.

	Balance at 31st March 2009 £'000	Transfer From Income & Expenditure Account £'000	Transfer (to) Income & Expenditure Account £'000	Balance at 31st March 2010 £'000
LMS Reserves including Foundation Schools	8,313	3,629	(1,191)	10,751
Other Schools Reserves	2,349	1,278	(695)	2,932
Dedicated Schools Grant	1,587	1,271	(744)	2,114
<b>Total</b>	<b>12,249</b>	<b>6,178</b>	<b>(2,630)</b>	<b>15,797</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 £10,751m at 31st March 2010, £10.767m relates to credit, and £0.016m to debit (overdrawn) balances.

Other Schools Reserves - These include reserves relating to Community and Extended Use activities, etc. Of the net balance of £2.932m at 31st March 2010, £2.975m relates to credit, and £0.043m to debit (overdrawn) balances.

Dedicated Schools Grant (DSG) – This reflects the roll forward of unspent grant into the following year. [Note 4](#) to the Core Statements shows how the DSG was used in the year.

**Other General Fund Reserves**

These represent monies set aside for other specific purposes. Movements in the year are as follows:

	Balance at 31st March 2009 £'000	Net Transfer To General Fund Balance £'000	Transfer From Income & Expenditure Account £'000	Transfer (to) Income & Expenditure Account £'000	Balance at 31st March 2010 £'000
<b>Corporate Reserves:</b>					
Insurance Fund	6,449	(500)	1,090	-	7,039
Working Capital	2,000	-	-	-	2,000
Business Growth Incentive	1,102	-	-	(1,102)	-
Local Public Service Agreement / Local Area Agreement Reward	694		6,380	(315)	6,759
Single Status	7,638	-	1,656	-	9,294
Capital Resources	100	-	4,857	-	4,957
Other	345		225	(62)	508
	<b>18,328</b>	<b>(500)</b>	<b>14,208</b>	<b>(1,479)</b>	<b>30,557</b>
<b>Other Reserves:</b>					
DGfL & Paragon grants in advance	5,612			(3,229)	2,383
Other Directorate Reserves	3,990	(500)	1,769	(496)	4,763
	<b>9,602</b>	<b>(500)</b>	<b>1,769</b>	<b>(3,725)</b>	<b>7,146</b>
<b>Total Other General Fund Reserves</b>	<b>27,930</b>	<b>(1,000)</b>	<b>15,977</b>	<b>(5,204)</b>	<b>37,703</b>

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 anticipated to be received in respect of successful achievement of LAA targets ([see Note12](#)), 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.

Post Balance Sheet Event. In June 2010, the Government's announced that LAA reward funding was to be reduced by 50%. This will reduce Dudley's funding, and the amount effectively available in this LAA reward reserve to be allocated to Partnership projects, by £3.190m. No amendment has been made to the accounts for this reduction in grant, as the announcement did not change the position at 31<sup>st</sup> March 2009.

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 34: Net Assets Employed*

The net assets employed by the Council at the end of the year were:-

	<b>Balance at 31st March 2009</b>	<b>Balance at 31st March 2010</b>
	<b>restated</b>	
	<b>£'000</b>	<b>£'000</b>
General Fund	819,221	685,017
Housing Revenue Account	4,304	3,293
<b>Local Taxpayers' Equity</b>	<b>823,525</b>	<b>688,310</b>

Note 35: Trust Funds

The Authority acts as trustee for the various funds detailed below. These funds have not been consolidated in the accounts of the Council, in order to comply with the Accounting Code of Practice.

	<b>Restated Balance at 31st March 2009 £'000</b>	<b>Income and Other Gains £'000</b>	<b>Expenditure And Other Losses £'000</b>	<b>Balance at 31st March 2010 £'000</b>
Stevens Trust – <i>provides amenities in Stourbridge &amp; Lye</i>	2,717	56	-	2,773
Earls High School Foundation – <i>supports current &amp; recent pupils of the school</i>	279	7	-	286
Other Children's Services Funds	192	33	29	196
Housing Leaseholder Funds	670	265	237	698
Adult and Community Funds – <i>mainly held on behalf of residents</i>	3,812	4,027	3,833	4,006
Funds held on behalf of The Prince's Trust	2,652	-	2,652	-
Other Funds	176	105	4	277
	<b>10,498</b>	<b>4,493</b>	<b>6755</b>	<b>8,236</b>

The Ernest Stevens Trust comprises 4 separate trusts. Only the Stevens Park & Recreation Ground Foundation has investments which generate income. It also has land & property valued at £0.434m at 31st March 2010 in accordance with the RICS Appraisal & Valuation manual. The other 3 trusts have land & property valued on a similar basis totalling £1.938m at 31st March 2010.

In compliance with the Statement of Recommended Practice for Charities, the accounts of the Stevens Trust and the Earls High School Foundation show investments and property at appropriate current value. This has resulted in a net unrealised gain of £0.040m for the Stevens Trust, which is included above.

The Council is the Trustee of several trusts which administer public open spaces. The only assets of these trusts are the land and property concerned and no value is included in the table above.

The Council also administers some trust funds, the value of which is considered immaterial. They have therefore not been included above.

Note 36: Related CompaniesDudley 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 31st December 2008 £'000</b>	<b>Year Ended 31st December 2009 £'000</b>
Total Assets less Liabilities.	776	871
Surplus on Ordinary Activities	14	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 was dormant during 2008/09. The company's accounts for the period ended 31st March 2010 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 £181,000.

#### 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 first set of accounts, for the period ended 31st March 2010, are not yet available. The only transaction between the Council and LLP in 2009/10 was the disposal of a development site by the former to the latter at a value of £45,000.

#### Group Accounts

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



Note 37: Reconciliation of Revenue Cash Flow to Net Movement on Income and Expenditure Account

	<b>2008/09 restated £'000</b>	<b>2009/10 £'000</b>
Net Revenue movement on Income and Expenditure Account - Deficit	77,960	13,046
(Increase)/Decrease in Collection Fund Balance	(1)	(2)
<b>Accruals</b>		
(Increase)/Decrease in Provisions	3,301	10,312
(Increase)/Decrease in Creditors	6,191	(8,000)
Increase/(Decrease) in Stock and Work in Progress	(77)	(55)
Increase/(Decrease) in Debtors	(2,132)	7116
<b>Capital Activities</b>		
Interest received	4,297	669
Deduct Interest paid	(15,632)	(14,305)
Capital receipts credited to I and E	4,405	4,539
<b>Non-cash Movements</b>	(115,084)	(74,540)
<b>Revenue Activities Net Cash Flow</b>	<b>(36,772)</b>	<b>(61,221)</b>

Note 38: Movement in Cash and Cash Equivalents

	<b>As at 31st March 2009 restated £'000</b>	<b>Movement £'000</b>	<b>As at 31st March 2010 £'000</b>
Cash	5,989	(1,429)	4,560
Overdraft	(10,760)	3,909	(6,851)
Temporary loan investments	20,299	(18,707)	1,592
<b>Net Cash Inflow</b>	<b>15,528</b>	<b>(16,227)</b>	<b>(699)</b>

Note 39: Other Movements

	<b>As at 31st March 2009 restated £'000</b>	<b>Capital Movement £'000</b>	<b>Revenue Movement £'000</b>	<b>As at 31st March 2010 £'000</b>
Debtors	235,388	(96)	7,020	242,311
Creditors	(67,516)	449	(8,449)	(75,516)
Stock and Work in Progress	1,636		(55)	1,581
<b>Net Movement</b>	<b>169,508</b>	<b>353</b>	<b>(1,485)</b>	<b>168,376</b>

*Note 40: Movement in Long Term Borrowing*

	<b>As at 31st March 2009 £'000</b>	<b>Movement £'000</b>	<b>As at 31st March 2010 £'000</b>
Public Works Loan Board	398,274	(18,909)	379,365
Other	33,845	(224)	33,622
	<b>432,119</b>	<b>(19,133)</b>	<b>412,987</b>

*Note 41: An analysis of Government grants is shown below:*

	<b>£'000</b>	<b>£'000</b>
<b>Revenue:</b>		
Dedicated Schools Grant	192,388	
Communities and Local Government	45,184	
Standards Fund	22,428	
SureStart Funding	9,792	
School Standards Fund	8,617	
Learning and Skills Council	6,663	
Department for Children, Schools and Families	3,826	
Department of Health	3,668	
Department of Work and Pensions	3,407	
Home Office	2,432	
Training and Development Agency	338	
Department of Culture Media and Sport	271	
Department of Transport	247	
Other	28	
		<b>299,289</b>
<b>Capital:</b>		
Standards Fund	16,281	
Department for Transport	13,003	
Department for Children, Schools and Families	4,100	
Department of Health	1,405	
Learning and Skills Council	383	
Home Office	293	
Department of Culture Media and Sport	30	
Other	536	
		<b>36,031</b>

Note 42: Management of risk associated with 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. The Council manages this risk by restricting its investments to those that satisfy the following conditions:

- a) The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling.
- b) The Council may require that the investment be repaid or redeemed within 12 months of the date on which the investment was made.
- c) 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.
- d) The investment satisfies either of the following conditions:
  - I. The investment is made with the UK government, a local authority, a parish council or a community council.
  - II. 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.

Category of Investment	Maximum proportion of total investments	Amount of Investment at 31 <sup>st</sup> March 2010 £000s
<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	1,564
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.

#### 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 31st March 2010 £'000</b>	<b>Actual 31st March 2010 %</b>
12 months	0-10%	6,825	1.61
1-2 years	0-10%	7,421	1.75
2-5 years+	0-15%	31,097	7.35
5-10 years	0-25%	75,318	17.81
more than 10 years	40-100%	302,276	71.47

- 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 of £7.675m 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 Statement of Total Recognised Gains and Losses. 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.

## HOUSING REVENUE ACCOUNT

	2008/09 £'000	2009/10 £'000
<b>Income</b>		
Dwellings Rent	73,406	75,329
Non-Dwellings Rent	670	700
Charges for services and facilities	150	183
Contribution towards expenditure	802	682
Supporting People Grant	808	787
<b>Total Income</b>	<b>75,836</b>	<b>77,681</b>
<b>Expenditure</b>		
Repairs & Maintenance	26,268	26,113
Supervision and Management	17,907	12,418
Rent, Rates, Taxes & Other Charges	1,700	1,497
Negative Subsidy ( <a href="#">Note 10</a> )	17,163	8,732
Provision for Bad Debts	402	394
Depreciation & Impairments of Fixed Assets ( <a href="#">Note 8</a> & <a href="#">Note 9</a> )	22,258	14,388
Grants Deferred Written Down	(6)	(11)
Debt Management Costs	97	97
<b>Total Expenditure</b>	<b>85,789</b>	<b>63,628</b>
<b>Net of (Income) &amp; Expenditure</b>	<b>9,953</b>	<b>(14,053)</b>
HRA share of Corporate & Democratic Core	591	665
<b>Net Cost of HRA services</b>	<b>10,544</b>	<b>(13,388)</b>
Gain on sale of HRA fixed assets	(1,355)	(1,979)
Interest & similar charges	4,052	4,727
HRA Investment Income (including Mortgage Interest)	(205)	(25)
Finance Cost of Pensions	512	843
<b>Cost for the year of HRA services</b>	<b>13,548</b>	<b>(9,822)</b>
<b>Statement of Movement on HRA Balance</b>		
<b>Cost/(surplus) for the year on HRA services</b>	13,548	(9,822)
Additional items required by statute or non-statutory proper practice to be (credited)/debited to the HRA Balance	(11,176)	10,595
<b>Total Deficit for the Year</b>	<b>2,372</b>	<b>773</b>
Housing Revenue Account Balance brought forward	(6,438)	(4,066)
Housing Revenue Account Balance carried forward	<b>(4,066)</b>	<b>(3,293)</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 Income and Expenditure Account.

*Note 1: Statement of Movement on Housing Revenue Account Balance*

This note shows all the items, previously included in the Housing Revenue Account in the published accounts, which are needed to determine the final balance on the statutory account.

	<b>2008/09</b>	<b>2009/10</b>
	<b>£000s</b>	<b>£000s</b>
<b>Items included in the HRA Income and Expenditure but excluded from the movement on HRA Balance for the year.</b>		
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	(157)	(117)
Difference between any other item of income and expenditure determined in accordance with the SORP and those determined in accordance with statutory HRA requirements	12,012	(393)
Gains on sale of HRA fixed assets	(1,194)	(1,874)
Net charges made for retirement benefits in accordance with FRS17	2,020	1,721
	<b>12,681</b>	<b>(663)</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
Transfers (to)/from Housing Repairs Account	(238)	238
Transfers from/(to) Major Repairs Reserve	39	(8,763)
Employer's contributions payable to the West Midlands Pension Fund and those retirement benefits payable to pensioners	(1,306)	(1,286)
Capital expenditure funded by the HRA	0	(121)
	<b>(1,505)</b>	<b>(9,933)</b>
<b>Net additional amount required by statute to be credited/(debited) to the HRA</b>	<b>11,176</b>	<b>(10,595)</b>

Note 2: Housing Stock

The Council was responsible for managing on average 23,062 dwellings during 2009/10. The stock at the year end was made up as follows:

Traditional Houses and Bungalows	14,283
Non-traditional Houses and Bungalows	939
Flats	7,817
<b>Stock at 31st March 2010</b>	<b>23,039</b>

The change in stock can be summarised as follows.

<b>Stock at 1st April 2009</b>	<b>23,086</b>
Less: Sales, Demolitions etc.	47
<b>Stock at 31st March 2010</b>	<b>23,039</b>

Note 3: Fixed Assets

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

	<b>31st March 2009 £'000</b>	<b>1st April 2009 £'000</b>	<b>31st March 2010 £'000</b>
i) Operational Assets, comprising:			
Dwellings	990,005	974,399	993,509
Other Land & Buildings	3,305	3,517	2,936
	<b>993,310</b>	<b>977,916</b>	<b>996,445</b>

The change in values between 31st March 2009 and 1st April 2009 reflects the revaluation as at 1st April 2009.

- i) Non operational assets: Not material
- ii) The vacant possession value of dwellings within the authority's HRA at 1st April 2009 was £1,989m compared with a social housing value of £974m.

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 31st March 2009	0
Amount transferred to the Major Repairs Reserve during the financial year	-22,927
Amount transferred from the Major Repairs Reserve to the Housing Revenue Account during the financial year	37
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	22,890
<b>Balance on the Major Repairs Reserve at 31st March 2010</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 31st March 2009	238
Amount transferred to the Housing Repairs Account during the financial year	25,875
Less: Repairs & Maintenance	-26,113
<b>Balance as at 31st March 2010</b>	<b>0</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	11,609
Usable Capital Receipts	495
Revenue Contribution	121
Major Repairs Allowance	22,890
Grants & Leaseholders' Contributions	733
	<b>35,848</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	2,813
Other land & buildings	1,263
	<b>4,076</b>

Note 8: Depreciation

The total charge for depreciation within the Housing Revenue Account.

<b>Operational assets</b>	<b>£'000</b>
Dwellings	14,090
Other land & buildings e.g. shops	37
	<b>14,127</b>

Note 9: Impairment Charges

	<b>£'000</b>
The value of impairment charges for the financial year in respect of land, houses & other property within the authority's Housing Revenue Account. The 2009/10 amounts relate to properties for demolition.	261

NB: impairment which reverses a previous revaluation gain is not charged to the revenue account.

Note 10: Housing Subsidy

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

	<b>£'000</b>
Allowance for management	-11,936
Allowance for maintenance	-23,803
Allowance for major repairs	-22,890
Charges for capital	-5,822
Rent	73,167
Interest on receipts	16
<b>Total Negative Subsidy</b>	<b>8,732</b>

Note 11: Rent Arrears

	<b>31st March 2009 £'000</b>	<b>31st March 2010 £'000</b>
Current Tenants	1,609	1,672
Former Tenants	3,656	4,047
<b>Total</b>	<b>5,265</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 £5.034m at 31st March 2010 (£4.651m at 31st March 2009).

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 6 to the Core Statements.

## COLLECTION FUND

2008/09 £'000		2009/10 £'000      £'000	
96,717	Council Tax (net)	100,067	
20,411	Transfers from General Fund: Net Benefits	23,113	
90,922	Business Rates (net of provisions and reliefs)	93,972	
(13)	Adjustments of Community Charges for Previous Years (Note 3)	-	
<b>208,037</b>	<b>Total Income</b>		<b>217,152</b>
9,218	Precepts and Demands:		
4,454	West Midlands Police Precept	9,561	
103,015	West Midlands Fire & Civil Defence Precept	4,576	
	Dudley MBC General Fund Demand	108,182	
116,687			122,319
	Business Rates:		
90,461	Payment to National Pool (Note 2)	93,517	
461	Costs of Collection	455	
90,922			93,972
	Increased/(Decreased) Provision for Doubtful Debts:		
441	Council Tax	859	
(13)	Community Charge (Note 3)	0	
428			859
1	Transfer to General Fund – Prior Year's Estimated Surplus		0
<b>208,038</b>	<b>Total Expenditure</b>		<b>217,150</b>
<b>(1)</b>	<b>Collection Fund Surplus (Deficit) for the year</b>		<b>2</b>
2	Surplus at 1st April brought forward		1
1	<b>TOTAL COLLECTION FUND SURPLUS AT 31ST MARCH</b>		<b>3</b>
0	Surplus to be distributed to preceptors		0
1	<b>DUDLEY MBC SHARE OF COLLECTION FUND SURPLUS</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 2009/10 was 97,580.03 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	98.5	5/9	54.72
A	34726.45	6/9	23150.97
B	33053.25	7/9	25708.08
C	26135.3	8/9	23231.38
D	14412.05	1	14412.05
E	5935.95	11/9	7255.05
F	2146.55	13/9	3100.57
G	875.2	15/9	1458.67
H	97.1	18/9	194.20
<b>Total Band D equivalent</b>			<b>98,565.69</b>
<b>Assumed Collection Rate</b>			<b>99%</b>
<b>NET BAND D EQUIVALENT</b>			<b>97,580.03</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 48.5p (or 48.1p if the property qualifies for small business relief) for 2009/10, 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 31st March 2010 was £223.174m (31st March 2009 = £226.791m). 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 2009/10, the following sums were written off:

Council Tax	£0.156m (2008/09 £0.300m)
National Non-Domestic Rates	£0.815m (2008/09 £0.902m)

---

---