



DUDLEY METROPOLITAN BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE
YEAR ENDED 31st MARCH 2008

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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 Director of Finance 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 25th June 2008.

Signed on behalf of Dudley Metropolitan Borough Council:

A. Taylor,
Chairman of the Audit Committee

Date: 25th June 2008

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS (Continued)

The Director of Finance's Responsibilities:

The Director of Finance 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 fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2008.

CERTIFICATE OF THE DIRECTOR OF FINANCE

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 fairly present the financial position of Dudley Metropolitan Borough Council at 31st March 2008, 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.

.....
M.S. Williams,
Director of Finance

Date: 16th June 2008

DRAFT INDEPENDENT AUDITOR'S REPORT TO DUDLEY METROPOLITAN BOROUGH COUNCIL

I have audited the financial statements of Dudley Metropolitan Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account and Statement of Movement on General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Director of Finance and auditors

The Director of Finance's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities.

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 financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA 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. I am also not 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 financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword by the Director of Finance and the Summary of the 2007/08 Financial Year. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

.....
T. Corcoran
District Auditor

Audit Commission
2nd Floor
1 Friarsgate
1011 Stratford Road
Solihull
West Midlands
B90 4EB

Date: xxx September 2008

EXPLANATORY FOREWORD BY THE DIRECTOR OF FINANCE

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts.

The accounts are based on the Code of Practice on Local Authority Accounting in the United Kingdom 2007 (ACOP).

The analysis by service in the Income and Expenditure Account on page 22 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 2007 edition of ACOP introduced significant changes to the layout of Dudley's accounts. These changes were intended to move local authority accounts closer to commercial practice. The 2007 edition of the ACOP introduced a number of key changes in accounting for fixed assets and financial instruments.

The main change is in the reporting of revenue transactions, i.e. the use of funds provided by tax and ratepayers, which came into effect in 2006.

The key statements within the accounts for the reporting of revenue transactions are:

- The Income and Expenditure Account – this comprises the first, second and fourth sections of the CRA, i.e. the service and central costs, and the external funding. This is compared with the performance statements of commercial accounts.
- The Statement of Movement on General Fund Balance (SMGFB) contains the third section of the CRA, i.e. the movements to and from reserves, both those setting aside funds in earmarked reserves, and those which reverse some amendments, such as depreciation and FRS 17 (pensions). However this is shown as a single line.
- Note 1 on page 27 shows the individual transactions to and from reserves, grouping those items that are included or excluded by statute.

Key changes that have been introduced in the current year are:

- The replacement of the Fixed Asset Restatement Account and Capital Financing Account with the Revaluation Reserve and Capital Adjustment Account. The Revaluation Reserve starts with an opening balance of zero and the Capital Adjustment Account starts with an opening balance from the Fixed Asset Restatement Account and Capital Adjustment Account.
- Impairments of fixed assets are charged to service areas and then reversed in the SMGFB, leaving no effect on council tax.
- The accounting arrangements for financial instruments which now incorporate FRS 25, 26 and FRS 29, in line with commercial accounting practice.
- A new section has been added under partnerships arrangements covering the Local Area Agreement (LAA) and the LAA grant which came into existence on the 1st April 2007.

The pages which follow are the Authority's final accounts for 2007/08 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.
- **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 has been amended to 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 2007/08 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 2007/08

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	91.672	91.672	-
Adult, Community & Housing	85.113	85.098	-0.015
Urban Environment	52.523	53.004	0.481
Chief Executive's	8.142	8.659	0.517
Law & Property	1.555	1.553	-0.002
Finance, ICT and Procurement	-27.863	-29.145	-1.282
Total Service Costs	211.142	210.841	-0.301
Use of Reserves	-6.862	-6.561	0.301
Net Revenue Expenditure	204.280	204.280	-
Revenue Support Grant	15.278	15.278	-
Business Rate Contributions (NNDR Pool)	91.036	91.036	-
Collection Fund Income	97.946	97.946	-
Collection Fund Surplus	0.020	0.020	-
Total Funding	204.280	204.280	-

The most significant variances arose from unbudgeted spend and income shortfall in respect of the Leaps & Bounds project, amounting to £0.394m and write-off of Landfill Allowance Trading Scheme (LATS) Allowances amounting to £0.422m. These were offset by higher than anticipated Money Market returns, and other extra income.

The services are shown here as they were operated by the Council in 2007/08, 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
Net Operating Expenditure (Income and Expenditure Account)	288.409
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)	-80.568
Add back transfers to General Fund Balance from other Reserves	3.000
Total Service Costs (as above)	210.841

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

CAPITAL SPENDING AND FINANCING IN 2007/08

A summary of the Council's total accrued capital expenditure of £78.745m in the year is shown below.

	£m	£m
Housing		
Central Heating, Rewiring & Insulation	6.649	
External Works	4.315	
North Priory Redevelopment	2.639	
Void Property Improvements	3.559	
Modernity & Decent Homes	4.185	
Adaptations	2.285	
Community Safety	2.148	
Other Public Sector Improvements	2.447	
Private Sector Assistance	4.667	
		32.894
Children's Services		
Rosewood School Relocation	1.318	
Children's Centres	3.517	
Rufford Mobile Replacement	0.767	
Ridgewood Science & Music Blocks	1.074	
New Wrens Nest Primary	1.121	
Redhill Changing Rooms	0.561	
Other Children's Services projects	8.301	
		16.660
Highways & Transport		
Structural Maintenance of Roads and Bridges	4.199	
Brierley Hill Parallel Route	8.843	
A491 Improvements	0.572	
Pedestrian, Cycling and other Safety schemes	0.741	
Other Improvements	2.745	
		17.100
Other Services		
ICT Developments	0.773	
Economic Regeneration	5.650	
Adult Care	0.778	
Culture and Community	1.770	
Recycling, Waste Disposal & Environmental	1.451	
Structural Maintenance of Buildings and other projects	1.668	
		12.090
Total Expenditure		78.745
Loan	20.016	
Capital Receipts	5.864	
Major Repairs Allowance (Housing)	14.752	
Revenue	5.901	
Grants / Contributions (inc Lottery)	32.213	
Total Funding		78.745

In addition to the capital

expenditure set out above, a further £16.727m of revenue expenditure 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.

BORROWING FACILITIES

At 31st March 2008, the Council's external borrowing amounted to £439.7m (31st March 2007 £407.3m), of which nearly 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 2008/09 on 3rd March 2008. The capital programme for 2008/09 was reviewed on 25th February 2008.

Funding of the approved revenue budget and the capital programme for 2008/09 is as follows:

REVENUE	£m
Revenue Support Grant	14.401
Area Based Grant (see note)	20.980
Business Rate Contributions	103.454
Council Tax	103.015
Use of Balances - General Fund	6.000
Use of Balances - Collection Fund	0.001
TOTAL REVENUE BUDGET	247.851

Note: Area Based Grant replaces a number of grants previously earmarked for specific purposes. It is a general grant which can be used by Councils on the basis of their own local priorities.

CAPITAL	£m
Loan	26.076
Revenue	6.727
Major Repairs Allowance (Housing)	14.108
Capital Receipts	13.391
Grants and Contributions (including Lottery)	43.417
TOTAL CAPITAL PROGRAMME	103.719

STATEMENT OF ACCOUNTING POLICIES

1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the year-end of 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007* (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.

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.
- 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 2008 are shown in [Note 26](#) to the Core Statements.

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.

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) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

6. Retirement Benefits

Employees of the council are members 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.

The change in the net pensions 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 2007(BVACOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received. 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 Principal Property Surveyor as at 1st April 2007, 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 2006/07 are included in the accounts at cost, until the property concerned is revalued. Details are shown in Note 17 to the Core Statements.

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 1 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. 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	50 years or estimated life
Infrastructure (e.g. roads)	Straight line	40 years or estimated life
Mobile Plant & Vehicles	Straight line	Estimated life
Council Dwellings	The major repairs allowance is used as a proxy for depreciation.	Not Applicable
Purchased software licences	Straight line	Estimated 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.

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
- amortisation of intangible fixed assets attributable to the service.

The council is not required to raise council tax to cover depreciation 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 at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transactions with the Capital Adjustment Account.

12. Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets in the ownership of the Council. They include grants to other persons and bodies for capital expenditure purposes, and amounts

(including provisions for back-pay under the pay-review) that the Secretary of State has given direction should be capitalised. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

13. Leases

Finance Leases

The council 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.

The above is a change from the practice before 1st April 2007, when such gains or losses were generally recognised on a straight line basis over the life of replacement borrowing, regardless of whether this was a modification or exchange of instruments, with the unamortised balance of premiums and discounts being recognised as items on the Balance Sheet. Adjustments to reflect this change in accounting practice have been made in the Statement of Movement on the General Fund Balance.

Regulations allow the impact of premiums and discounts on the General Fund Balance to continue 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.

Available-for-sale Assets

Policy may be applicable to Birmingham Airport holdings, treatment of which is currently being considered by auditors in the West Midlands.

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](#) 39 to the Core Statements.

18. Private Finance Initiative (PFI)

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. Payments made by the council under a contract are charged to revenue to reflect the value of services received in each financial year.

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.

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

Liabilities that are uncertain, or cannot be estimated, are not provided for in the accounts, but are described in [Note](#) 27 to the Core Statements.

INCOME AND EXPENDITURE ACCOUNT

2006/07 restated		2007/08		
Net Expenditure £'000		Expenditure £'000	Income £'000	Net Expenditure £'000
68,175	Children's Services	350,560	(263,850)	86,710
(3,666)	Housing Revenue Account	73,314	(71,881)	1,433
4,829	Other Housing Services (inc. Payment of Housing Benefit)	78,970	(73,946)	5,024
90,202	Adult Social Care	97,745	(20,782)	76,963
39,775	Cultural, Environmental & Planning	68,727	(24,181)	44,546
15,411	Highways & Transport	19,960	(3,689)	16,271
1,768	Central Services	28,044	(28,323)	(279)
359	Court Services (Coroners)	438	(149)	289
11,419	Corporate & Democratic Core	6,381	(69)	6,312
1,025	Non Distributed Costs	7,375	0	7,375
229,297	Net Cost of Services	731,514	(486,870)	244,644
103	Environment Agency Levy			119
15,123	West Midlands Passenger Transport Authority Levy			15,486
(404)	Trading Account Surpluses (Note 3)			(338)
9,745	Interest Payable			11,148
(434)	Amortised Premiums and Discounts			0
10,289	Contribution to Housing Pooled Capital Receipts			8,457
(911)	Investment Income re. Birmingham Airport			(745)
(2,607)	Other Interest & Investment Income			(2,196)
2,924	Finance Cost re. Pensions (Note 6)			914
(298)	(Gain)/Loss on Disposal of Assets			10,920
262,827	Net Operating Expenditure			288,409
	Income from taxation & general government grants			
(16,503)	Revenue Support Grant			(15,278)
(85,491)	Income from National Non-Domestic Rates Pool (NNDR)			(91,036)
(96)	Transfer in Respect of Previous Years Surplus on Collection Fund			(20)
(93,125)	Collection Fund Demand			(97,946)
(195,215)	Sub-total External Funding			(204,280)
67,612	Deficit on Income and Expenditure Account			84,129

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE ([See Note1](#))

67,612	Deficit on Income and Expenditure Account	84,129
(75,809)	Net additional amount to be credited to revenue to calculate the General Fund Balance	(80,568)
(8,197)	(Surplus)/Deficit on General Fund for year	3,561
(3,268)	Balance at the beginning of the year	(11,465)
(11,465)	Balance at the end of the year	(7,904)

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.

	2006/07	2007/08
	£000s	£000s
Deficit for Year on the Income and Expenditure Account	(67,612)	(84,129)
Surplus on revaluation of assets	88,777	242,088
Actuarial gains/(losses) on pension fund	43,844	(66,434)
Movement in Collection Fund surplus	(84)	(17)
Movement on Housing Repairs Account	3,666	6,889
Difference in treatment of Premiums between HRA and GF	(678)	(233)
Discounts and Improvement Grants repaid	255	212
Adjustment of loan carrying value re new treasury rules	0	136
Adjustment of non-commercial loans	0	222
Reinstate original write down of premiums	0	(292)
Costs chargeable against HRA capital receipts	(157)	(21)
Total recognised gains for the year	68,011	98,420

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

	2006/07	2007/08
	£000s	£000s
Total Tax-payers Equity	816,607	914,357
LPSA Reward Capital Reserve	(670)	0
Net Worth	815,937	914,357
Movement in Net Worth	68,011	98,420

BALANCE SHEET

31st March 2007 restated £'000		31st March 2008 £'000 £'000	
	Fixed Assets (Note 17)		
4,260	Intangible Assets		3,231
	Tangible Fixed Assets		
	Operational Assets:		
838,387	Council Dwellings		1,056,640
351,360	Other Land & Buildings		368,419
9,948	Community Assets		11,052
133,688	Infrastructure		137,667
11,026	Vehicles, Plant, Furniture & Equipment		10,999
19,155	Non-Operational Assets		35,079
1,367,824			1,623,088
8,175	Long Term Investments (Note 20)		8,177
	Long Term Debtors (Note 22) :		
409	Mortgages		306
207,107	Other		203,460
1,583,515	Total Long Term Assets		1,835,031
	Current Assets:		
2,222	Stocks & Stores (Note 23)	1,713	
36,242	Debtors (Note 24)	37,729	
18,155	Short Term Investments (Note 20)	34,451	
56,619		73,893	
	Current Liabilities:		
(12,261)	Cash Overdrawn	(12,117)	
(76,252)	Creditors (Note 25)	(76,690)	
(53,996)	Provisions (Note 26)	(95,311)	
(11,885)	Temporary Borrowing	(1,388)	
(154,394)		(185,506)	
(97,775)	Net Current Assets/(Liabilities)		(111,613)
(395,457)	Long Term Borrowing (Note 28)		(434,771)
(1,927)	Deferred Liabilities (Note 7)		(1,513)
21,359	Financial Instruments Adjustment Account (Note 21)		17,777
(117,698)	Grants Deferred Account (Note 32)		(138,356)
(175,411)	Pension Liability (Note 6)		(252,198)
816,606	Total Net Assets		914,357
	Represented by:		
344	Deferred Capital Receipts (Note 29)		264
0	Revaluation Reserve (Note 30)		238,218
959,099	Capital Adjustment Account (Note 31)		928,232
670	LPSA Reward Capital Reserve (Note 33)		0
(175,411)	Pension Reserve (Note 6)		(252,198)
(23,922)	Equal Pay Back Pay Account (Note 2)		(55,522)
11,465	General Fund Balance (Note 34)		7,904
	Reserves:		
7,648	Housing Revenue Account Reserves (Note 35)		6,438
11,143	Schools (Note 36)		13,492
25,551	Other (Note 36)		27,527
19	Collection Fund Balance		2
816,606	Total Local Taxpayers' Equity		914,357

CASH FLOW STATEMENT

	2006/07 restated		2007/08	
	£'000	£'000	£'000	£'000
Revenue Activities				
<i>Cash Outflows:</i>				
Cash paid to and on behalf of employees	330,179		345,779	
Other operating cash payments	236,150		256,808	
Housing Benefit paid out	19,751		22,306	
Housing Pooled Capital Receipts	10,289		8,457	
NNDR Payments to National Pool	84,269		85,037	
Precepts paid	12,648	693,286	13,189	731,576
Less: Cash Inflows:				
Rents (after rebates)	26,682		27,566	
Council Tax income	87,554		92,397	
NNDR receipts from National Pool	85,491		91,036	
Non-domestic rate receipts	84,738		85,503	
Revenue Support Grant	16,503		15,278	
DWP grants for benefits including rent rebates	25,947		22,150	
Other government grants (Note 46)	284,031		339,492	
Cash received for goods and services	116,977	727,923	65,483	738,905
Revenue Activities Net Cash (In)flow - (Note 42)		(34,637)		(7,329)
Servicing of Finance				
<i>Cash Outflows:</i>				
Interest paid (& premiums)	15,298		10,791	
Interest element of finance lease rental payments	86	15,384	78	10,869
Less: Cash Inflows:				
Interest received		4,303		3,546
Servicing of Finance Net Cash Flow		11,081		7,323
Capital Activities				
<i>Cash Outflows:</i>				
Expenditure on fixed assets & deferred charges	80,225	80,225	62,722	62,722
Less: Cash Inflows:				
Sale of fixed assets	17,964		14,278	
Income from long term investments	13,107		0	
Capital grants received (Note 46)	17,995		28,197	
Other capital income	9,623	58,689	8,261	50,736
Capital Activities Net Cash Flow		21,536		11,986
NET CASH IN/(OUT)FLOW BEFORE FINANCING		(2,020)		11,980
Financing				
<i>Cash Outflows:</i>				
Repayments of amounts borrowed		81,122		57,345
Less: Cash Inflows:				
New loans raised	0		50,000	
New short-term loans raised	64,421	64,421	35,765	85,765
Financing Activities Net Cash (In)/Out Flow		16,701		(28,420)
Increase/(Decrease) in Cash and Cash equivalents		(14,682)		16,440
TOTAL FINANCING		2,020		(11,980)

NOTES - CORE STATEMENTS

Note 1: Statement of Movement on General Fund Balance

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

	2006/07	2007/08
	£000s	£000s
Amounts included in the I&E account but required by statute to be excluded when determining the movement on the General Fund balance for the year		
Depreciation & Impairment of fixed assets	16,975	17,585
Difference in treatment of premia and discounts between HRA and I and E	(678)	(233)
Government Grants Deferred amortisation	(4,260)	(4,868)
Deferred charges written down (net of related grants)	27,857	19,371
Net (gain)/loss on sale of fixed assets	(298)	10,920
Transfer to Housing Repairs Account	3,665	6,889
Adjust loan carrying value re new treasury rules	0	136
De recognition of premiums and discounts	0	(12,599)
Adjustment for non-commercial loans	0	222
Net Costs of Retirement benefits by FRS 17	9,789	10,353
Sub-Total	53,050	47,776
Amounts not included in the I&E account but required to be included by statute when determining the movement on the General Fund balance for the year		
Statutory provision for repayment of debt (Minimum Revenue Provision)	(7,448)	(8,973)
Capital expenditure charged to revenue	(7,452)	(5,901)
Reinstate write down of premiums	0	(292)
Reversal of effect of derecognition	0	12,599
Transfer from Usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool	10,289	8,457
Sub-Total	(4,611)	5,890

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		
Statutorily required transfer of the surplus or deficit for the year on the HRA calculated in accordance with statute to the HRA balance	(650)	150
Voluntary provision for repayment of debt	(543)	(525)
Net transfer (to)/ from general fund earmarked reserves	28,563	27,277
Sub-Total	27,370	26,902
Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	75,809	80,568

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 timing of any backdated equal pay settlements have still to be determined, the Council made a prudent provision in the relevant service cost lines of the 2006/07 Income and Expenditure Account of £46.224m for equal pay back pay. This provision has been increased to £94.551m in 2007/08, largely as a result of issues surrounding liability for back payments to schools staff having been clarified. The Council was given a direction by the Government in 2006/07 to treat £22.302m of this as capital expenditure, to be funded from "prudential borrowing", and has been given a further direction of £16.727m in 2007/08. The remaining £55.522m of the prudent provision is matched on the balance sheet by the Equal Pay Back Pay Account, in accordance with regulations which allow the cost of any backdated settlements to be scored in the Accounts when actual payments become due (as opposed to scoring all of the costs in the year the provision is made), subject to all payments having been made or scored by the end of the 2011/12 financial year. There is therefore no effect on the General Fund Balance at 31st March 2008.

Note 3: Trading Services

	Market		Industrial Estates		Other Land & Property	
	06/07 £'000	07/08 £'000	06/07 £'000	07/08 £'000	06/07 £'000	07/08 £'000
Income	244	248	319	317	1,138	1,140
Expenditure	129	143	277	296	891	928
Surplus included in the Income and Expenditure Account	115	105	42	21	247	212

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

From 2006/07, schools are funded by Dedicated Schools Grant paid to local education authorities by DCFS, instead of from general grants. The following table demonstrates that the grant was used according to the regulations. The change to specific grant has the effect of reducing the net cost of education services in the accounts.

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Original grant allocation to Schools Budget for the current year in the authority's budget	19,172	163,988	183,160
Adjustment to finalised grant allocation	(14)	-	(14)
DSG receivable for the year	19,158	163,988	183,146
Actual Expenditure for the year	18,798	163,988	182,786
Underspend for year carried forward to 2008/09	360	0	360

Note 5:- Fees paid to Auditors

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

2006/07		2007/08
£'000		£'000
273	Statutory Audit work	281
22	Inspection Work	22
130	Audit of Grant Claims	135
425	Total	438

Note 6: Pension Costs

Teachers

In 2007/08, the Council paid £13.907m to the Department for Children, Families and Schools (2006/07 = £13.011m) in respect of teachers' pension costs, based on a contribution rate of 14.1% (2006/07 = 13.5% until December 2006, and 14.1% from January 2007) 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 2007/08 these amounted to £1.327m, (2006/07 = £1.339m) being 1.38% of pensionable pay. These discretionary payments form a separate, unfunded scheme; details are shown in the table below, on page 32.

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.

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

The figures below give extra details of the entries made in the Income and Expenditure Account, and the transfer which prevents any effect on taxpayers. They include the effects of discretionary awards.

2006/07		2007/08			
		LGPS including discretionary £'000	Teachers Discretionary £'000	Other £'000	Total £'000
£000					
(21,500)	The amount actually charged to revenue accounts in the period i.e. the employers contributions paid to the pension fund, and recharged discretionary pensions.	(22,562)	(1,327)	(131)	(24,020)
27,303	The current service cost, i.e. the amount of pension entitlement earned in the year, less employees' own contributions to the pension fund.	26,095			26,095
794	Past service costs, such as discretionary awards made in year	242			242
267	Losses on curtailments and settlements -	88			88
0	Past Service Loss - <i>change in scheme rules</i>	7,034			7,034
1,061	Included in Non-Distributable Costs	7,364			7,364
35,552	The interest cost i.e. the increase in liability because benefits are one year nearer to being paid out	38,879	890	147	39,916
(32,627)	The expected return on assets in the scheme – based on long term expectations at the beginning of the period	(39,002)			(39,002)
2925	Finance Cost re. Pensions	(123)	890	147	914
(9,789)	Adjusting transfer to/(from) pensions reserve	(10,774)	437	(16)	(10,353)

Local Government Pension Scheme (LGPS)

In 2007/08, contributions have been paid to the West Midlands Metropolitan Authorities Pension Fund at a rate based on the actuarial valuation, dated 31st March 2005, by the Fund's professionally qualified Actuary. The main assumptions used by the actuary in assessing the overall position are:

	At 31 st March 2007	At 31 st March 2008
Rate of Inflation	3.1%	3.6%
Rate of Increase in Salaries	4.85%	5.35%
Rate of increase in Pensions	3.1%	3.6%
Rate for discounting scheme liabilities	5.4%	6.1%

The actuary has valued Dudley's share of the assets at the beginning and end of the period as follows:

Fair Value of Assets	Assets at 31 st March 2007		Assets at 31 st March 2008	
	Asset Value £m	Proportion of Holding	Asset Value £m	Proportion of Holding
Equities	397.1	71.5%	368.9	65.3%
Government Bonds	46.6	8.4%	53.1	9.4%
Other Bonds	21.7	3.9%	20.9	3.7%
Property	42.2	7.6%	39.5	7.0%
Cash/Liquidity	6.1	1.1%	23.2	4.1%
Other	41.7	7.5%	59.3	10.5%
	555.4		564.9	

The actuary has used the rates of return given below in assessing the overall position:

Expected Rate of Return	2006/07	2007/08
Equities	7.5%	7.5%
Government Bonds	4.7%	4.6%
Other Bonds	5.4%	6.1%
Property	6.5%	6.5%
Cash/Liquidity	5.25%	5.25%
Other	7.5%	7.5%

At 31st March 2008, Dudley had the following overall assets and liabilities for pensions within the West Midlands Metropolitan Authorities Pension Fund. The net liability has been included in the balance sheet, but will have no direct effect on Dudley's funding requirement from taxpayers.

	31st March 2007	31st March 2008
	£m	£m
Estimated Market Value of Assets	555.4	564.9
Estimated Liabilities in Scheme	(711.6)	(796.7)
(Deficit)	(156.2)	(231.8)

Teachers' Discretionary Awards

The discretionary benefits awarded to teachers by Dudley in past years form a separate defined scheme, which has been valued as at 31st March 2008. Payments to pensioners are made by Dudley. The main assumptions used in assessing the liability for these discretionary benefits were:

	At 31st March 2007	At 31st March 2008
Rate of Inflation	3.1%	3.6%
Rate of increase in Pensions	3.1%	3.6%
Rate for discounting scheme liabilities	5.4%	6.1%

There are no assets associated with these discretionary benefits. The liabilities have been valued by the actuary as at 31st March 2007 as £16.476m, and updated internally to £17.643m as at 31st March 2008.

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 2008, (31st March 2007 = £2.7m).

The table below summarises the movements on all pension liabilities.

Movements in Deficits during 2007/08		2007/08		
	LGPS including discretionary £'000	Teachers Discretionary £'000	Other £'000	Total £'000
Deficit at 1 st April 2007	(156,211)	(16,476)	(2,724)	(175,411)
Current Service Cost	(26,095)			(26,095)
Employer Contributions	22,562	1327	131	24,020
Past Service and Curtailment Costs	(330)			(330)
Past Service Gain (change in rules)	(7,034)			(7,034)
Net Return on Assets/Interest on Liabilities (Loss)	123	(890)	(147)	(914)
Net Actuarial Gain	(64,830)	(1,604)		(66,434)
Deficit at 31st March 2008	(231,815)	(17,643)	(2,740)	(252,198)

When the actuaries change their assumptions, or experience differs from assumption, an actuarial gain or loss results, as shown below, for the LGPS Scheme only:-

Statement of Actuarial Gains and Losses on LGPS scheme	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000	2007/08 £'000
Difference between Expected and Actual Return on Assets	38,525	15,364	74,519	4,951	(59,403)
Percentage of Assets	11.5%	3.8%	14.7%	0.9%	10.5%
Liability Gain/(Loss) [effect of difference between actuarial assumptions on liabilities, and actual experience]	0	16,218	(16,804)	0	28,515
Percentage of Liabilities	0	2.8%	(2.4)%	0	3.6%
Effect of Changes in Actuarial Assumption	0	(105,636)	(61,036)	38,303	(33,940)
Percentage of Liabilities	0	(18.0)%	(8.7)%	5.4%	4.3%
Net Actuarial Gain/(Loss)	38,525	(74,054)	(3,321)	43,254	(64,830)

Note 7: Leasing

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

Operating lease rentals paid in the year amounted to £2.131m (2006/07 = £1.822m); of this £1.886m related to vehicles and grounds maintenance equipment (2006/07 = £1.667m), and £0.245m to central heating in council dwellings. In addition, £1.313m was paid to lease properties (2006/07 = £1.181m).

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 2007/08. The gross value at 31st March 2008 was £2.578m, which with accumulated depreciation of £1.065m, gives a net book value of £1.513m. (2007 = £1.933m). Finance lease rentals paid in the year amounted to £0.492m (2006/07 = £0.519m). The finance charge allocated to 2007/08 was £0.078m (2007 = £0.080m). The pattern of repayments of principal due under the finance leases is shown below. Depreciation charged in the year was £0.453m (2006/07 £0.439m).

Payable within	Repayment of Principal £'000
12 months	414
1-5 years	672
more than 5 years	123

The Council also has commitments under operating leases in future years. The amounts due in 2008/09, analysed by type of asset and the year of expiry of the leases, are shown below.

Leases Expiring in	Rental due in 2008/09	
	Land and Buildings £'000	Vehicles Plant and Equipment £'000
12 months	25	290
1-5 years	800	1,437
More than 5 years	504	165

Dudley also receives rentals for leased properties. The amount received in 2007/08 was £0.777m (2006/07 = £0.833m). The value of land and buildings leased out during 2007/08 was £13.881m (2006/07 = £10.267m). In accordance with the code of practice, no depreciation is charged on these properties.

Note 8: Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended) enables a local authority to incur expenditure for the benefit of people in its area, on activities or projects not specifically authorised by other powers, up to a statutory limit. As in the previous year, Dudley did not incur any such expenditure in 2007/08.

Note 9: Expenditure on Publicity

Section 5 of the Local Government Act 1986 requires a local authority to maintain a separate account of its expenditure on publicity.

Expenditure on publicity in 2007/08 amounted to £1.208m (2006/07 restated = £1.228m). Much of this expenditure relates to the Authority's recruitment advertising.

Note 10: Local Authority (Goods and Services) Act 1970

Income from bodies in the year under the above Act amounted to £0.254m (2006/07 = £0.659m). Related expenditure amounted to £0.234m (2006/07 = £0.641m).

Note 11: Remuneration

The number of staff whose remuneration, excluding employer's pension contributions, was £50,000 and over were:-

	2006/07	2007/08
	No.	No.
£50,000 - £59,999	80*	82
£60,000 - £69,999	44*	45
£70,000 - £79,999	10	19
£80,000 - £89,999	7	5
£90,000 - £99,999	1*	2
£100,000 - £109,999	6*	4*
£110,000 - £119,999	1	2
£120,000 - £129,999	0	0
£130,000 - £139,999	0	0
£140,000 - £149,999	0	2*
£150,000 - £159,999	1	1

* These numbers include staff who received payments in addition to normal remuneration. In 2007/08 this applied to 2 members of staff (2006/07 = 7).

Note 12: Members Allowances

During the year, £0.695m was paid as allowances to Council members, under the Members Allowances (Amendment) Regulations 1995 (2006/07 = £0.692m).

Note 13: Related Party Transactions

Members of the Authority

In respect of the 2007/08 financial year, works and services to the value of £5.326m 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.

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

Other Related Parties

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

Related Party	Nature of Transaction	Receipts £'000	Payments £'000
Central Government	Specific Revenue Grants	to come	
	Capital Grants		to come
West Midlands Police	Precept		8,877
West Midlands Fire and Civil Defence	Precept		4,312

Note 14: Private Finance Initiative (PFI) & Local Improvement Financial Trust (LIFT)

Dudley has 3 Private Finance Initiative schemes. Full details are given when schemes are set up. Summary information is given for continuing schemes. The figures given on future liabilities assume full performance; failure of performance will attract penalties from the contractors.

Dudley Grid For Learning

In 2008/09 the authority is committed to making payments estimated at £4.407m (2007/08 = £5.597m) for the Dudley Grid for Learning contract with Research Machines. This project provides IT facilities for 106 schools in the Directorate of Children's Services. The initial ten year contract expires in January 2009. However, there is an option to extend the contract for a further two years.

Paragon

In 2008/09 the authority is committed to making payments estimated at £3.174m (2007/08 = £2.798) for the Paragon contract with Newmount Limited. This project was a Design, Build, Finance and Operate (DBFO) scheme to provide two new schools (Colley Lane Primary and The Summerhill). The contract covers 27 years and expires in 2031. The estimated payment due includes "pass through" costs of £0.335m for business rates, utilities and free school meals. At 2008/09 prices, there is £66.861m unitary payment (including "pass through" costs) outstanding from April 2008 to the end of the contract in 2031.

Sedgley Health, Library and Social Care Project

In 2008/09 the authority is committed to making payments estimated at £0.212m (2007/08 = £0.203m) for the Sedgley Health, Library and Social Care Project with the Mill Group. This project was a joint project with Dudley Health Authority (now succeeded by 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. At 2007/08 prices, there is £3.693m unitary payment outstanding from April 2008 to the end of the contract in 2026.

Local Improvement Finance Trust (LIFT) Schemes

Dudley council is currently involved in 2 LIFT schemes, for which details are provided below.

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 approximately £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 expected completion date is Feb 2010 with lease costs of approximately £0.275 per annum.

Note 15: Building Control

The Council is required to maintain an account relating to its Building Control functions. Some of these functions, such as providing general advice, cannot be charged for. The split for the year is shown below: -

2006/07 Total £'000	2007/08 Chargeable £'000	2007/08 Non-Chargeable £'000	2007/08 Total £'000
648 Income from Charges	597	0	597
922 Expenditure	568	377	945
(274) Surplus/(Deficit) for the year	29	(377)	(348)

Note 16: Partnership Arrangements

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 £0.337m (2006/07 = £0.458m).

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 £0.106m (2006/07 = £0.200m)

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 £0.097m from the Local Authority (2006/07 = £0.190m) and £0.009m from Dudley Primary Care Trust (2006/07 = £0.010m).

Learning Disability Development Fund – Expenditure £0.281m (2006/07 = £0.313m)

This agreement is to improve the provision of services commissioned for adults over 18 who have a severe or moderate Learning Disability with additional complex needs and who are eligible for services from either the Local Authority or the primary care trusts. The funding for the agreement is entirely from the Learning Disability Development Fund given by the Department of Health to the Dudley Primary Care Trust.

Falls Prevention Service – Expenditure £0.167m (2006/07 = £0.161m)

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 £0.049m from the Local Authority (2006/07 = £0.046m) and £0.118m from the Dudley Primary Care Trust (2006/07 = £0.115m).

Community Equipment Service – Expenditure £1.276m (2006/07 £1.322m)

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 £0.995m from the Local Authority (2006/07 = £1.047m) and £0.281m from the Dudley Primary Care Trust (2006/07 = £0.275m).

Learning Disability Supported Living – Expenditure £3.471m (2006/07 £3.413m)

This agreement is to improve the quality of life of people with a severe learning disability by providing person centred care and support to them in their own homes and thereby extend their ability to live independently. The split of funding is £0.219m from the Local Authority (2006/07 = £0.204m) and £3.252m from Dudley Primary Care Trust (2006/07 = £3.209m)

Independent Living Team (ILT) & Acquired Brain Injury (ABI) – Expenditure £0.117m (New Agreement)

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. The split of funding is £0.096 from the Local Authority (2006/07 N/A) and £0.021m Dudley Primary Care Trust (2006/07 N/A)

Placements of Children with Disabilities – Expenditure £1.388m (2006/07 = £1.288m)

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 £1.180m from Children's Services Directorate (2006/07 = £1.095m) and £0.208m from the Dudley Primary Care Trust (2006/07 = £0.193m).

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. Dudley MBC is the accountable body for the LAA, working with the West Midlands Police Service, West Midlands Fire Service, Dudley Primary Care Trust the Learning and Skills Council and the voluntary and community sector. Dudley's LAA commenced on the 1st April 2007, setting out the priorities for the local area in terms of specific activities.

Under the LAA many central government grants received by the local authorities are 'pooled' in order to give greater flexibility in the use of the funding. The grants that are pooled lose their previous identity and are paid as the LAA grant. In 2007/08 Dudley MBC received £5.331m which was allocated to specific directorates in line with the activities that had been agreed. Of the allocation to the local authority, £0.681m was paid to external organisations.

The LAA grant was ringfenced to four blocks of activity, linked to the Community Strategy and representing the key areas that the local area should be focusing upon. The areas of expenditure were:

Children and Young People - Expenditure £2.389m

Expenditure has been directed towards the achievement of the overall vision of the Children and Young People's Partnership to improve the well-being of all children and young people living and learning in the Borough.

Healthier Communities and Older People - Expenditure £0.162m

Expenditure has been made to improve the wellbeing of people, by improving skills and employment opportunities, including individuals with mental or learning disabilities. The work of other the LAA blocks links with this area, such as promoting the health of children and young people.

Safer and Stronger Communities - Expenditure £2.420m

Expenditure was in line with the Community Safety Strategy focused upon reducing anti-social behaviour and crime, domestic violence, youth offenders and substance misuse. In addition to the expenditure in this area was directed towards outcomes to increase the quality of life within the borough such as reducing landfill and increasing recycling to improving the liveability of the worst neighbourhoods.

Economic Development -Expenditure £0.191m

Expenditure was directed increasing the proportion if working age population that is in employments and reducing the numbers of working age population that are claiming benefits, specifically in disadvantaged areas of the borough and narrowing the gap with the borough average.

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

Note 17: Fixed Assets

	Council Dwellings £'000	Other Land & Buildings £'000	Community Assets £'000	Infrastructure Assets £'000	Vehicles, Plant & Equipment £'000	Intangible Assets £'000	Investment Properties £'000	TOTAL £'000
Gross Book Value at 31 st March 2007	851,872	374,574	9,948	172,121	19,287	5,670	15,922	1,449,394
Revaluations and Restatements	202,044	22,956	0	(6,700)	(1,493)	0	5,265	222,072
Value at 1 st April 2007	1,053,916	397,530	9,948	165,421	17,794	5,670	21,187	1,671,466
Additions & Enhancements	28,049	16,218	1,105	8,726	2,735	106	14,128	71,067
Disposals	(11,633)	(14,686)	0	(58)	0	0	(236)	(26,613)
Gross Book Value at 31st March 2008	1,070,332	399,062	11,053	174,089	20,529	5,776	35,079	1,715,920
Accumulated Depreciation	0	(21,942)	0	(31,733)	(6,768)	(1,410)	0	(61,853)
Depreciation for Year	(13,692)	(8,701)	0	(4,690)	(2,762)	(1,134)	0	(30,979)
Depreciation at 31 st March 2008	(13,692)	(30,643)	0	(36,423)	(9,530)	(2,544)	0	(92,832)
Net Book Value at 31st March 2008	1,056,640	368,419	11,053	137,666	10,999	3,232	35,079	1,623,088

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, G. D. Jones MRICS, the Council's Principal 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.

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 (5th 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.

Note 18: Assets Held

Major fixed assets owned and/or operated by the authority at 31st March 2008 were as follows:

	Number	
Operational Assets		
Residential & Day Care Establishments:		
Children's Homes	6	
Homes for Older People	8	
Homes for People with Disabilities	4	
Social Education Centres	4	
Centres for People with Physical Disabilities	1	
Day Centres for Older People	4	
Day Centres for People with Mental Illness	4	
Council Dwellings	23,223	
Town Halls	4	
Administrative Properties	25	
Off-street Car Parks	75	
Leisure Centres and Pools	11	
Museums and Galleries	3	
Arts Centres/Places of Entertainment	2	
Markets	1	
Crematoria	2	
Cemeteries	7	
Libraries & Archives	19	
Allotments	31	Hectares
Youth Centres	10	
Children's Centres	10	
Community Centres	28	
Schools:		
Primary and Nursery	79	
Community Colleges and Secondary (inc. Foundation) Schools	22	
Special Schools	7	
Outdoor Education Centre	1	
Education Centre	1	
Community Assets:		
Parks and Public Open Spaces	1,335	Hectares
Infrastructure Assets:		
Principal, Classified and Unclassified Roads	999	Km

All schools in the Borough have been included in this note to give a full picture of Council activity. The buildings of voluntary aided 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. The values of the 2 schools redeveloped under a Private Finance Initiative Scheme are also excluded from the balance sheet.

Note 19: Capital Commitments

Major contractual and other commitments relating to capital projects at 31st March 2008 were as follows:

	£'000
Housing	7,755
Children's Services	4,563
Highways & Transport	5,924
Other projects	6,775
Total	25,017

Note 20: 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, with any accrued interest. (Prior to 2007/08, accrued interest was shown with other debtors.) The table below also shows the fair value of the investments at 31st March 2008. 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.

	31 st March 2007 £'000	31 st March 2008 £'000	Fair Value at 31 st March 2008 £'000
Long Term:			
Loans to other Local Authorities	500	502	875
Birmingham Airport Shares and Stock	7,675	value to be confirmed	value to be confirmed
	8,175		
Short Term:			
Temporary Money Market Investments	18,155	34,451	34,498
Total Investments	26,330		

Note 21: Premature Debt Repayment Premiums & Discounts and the new Financial Instruments Adjustment Account

These balances represented premiums paid on the early redemption of long term debt, a premium on the issue of loan stock, and discounts received. The accounting treatment has been substantially changed by the adoption of commercial accounting standards through the SORP, but much of the effect of the accounting changes is reversed by Regulation. Amounts that arise from a modification to a loan, and where the replacement loan is still in place, are now shown on the balance sheet as an amendment to the value of the loan. Other amounts have been derecognised and written down to the Statement of Movement on the General Fund Balance. Regulations then allow this write down also to be reversed through the Statement of Movement on the General Fund Balance, and carried on the balance sheet in the new Financial Instruments Adjustment Account. All the amounts will continue to be debited or credited to revenue in a manner close to the profile used previously. At the 31st March 2008 the position is as follows:

	Total 31st March 2007 £'000	Derecognised 1st April 2007 £'000	Transferred to Carrying Value of Loans 1st April 2007 £'000	Total 31st March 2008 £'000
Dudley	13,506	12,599	907	0
ex WMCC	7,853	5,535	2,318	0
Net	21,359	18,134	3,225	0

Balances on the Financial Instruments Adjustment Account are as follows:

	Total 31st March 2007 £'000	Derecognised Premiums and Discounts 1st April 2007 £'000	Other Movements in Year £'000	Total 31st March 2008 £'000
Dudley	0	12,599	(70)	12,529
ex WMCC	0	5,535	(287)	5,248
Net	0	18,134	(357)	17,777

Note 22: 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, 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.

	31st March 2007 £'000	31st March 2008 £'000
Dudley Activities:		
Mortgages – Sold Properties	344	264
Other Mortgages	65	42
Other Local Authorities	127	120
Employee Loans	241	158
Loans to Individuals and Other Bodies	393	329
Debts secured on property *		541
	1,170	1,454
Ex. WMCC Activities		
Other Local Authorities	206,346	202,312
	207,516	203,766

* The debts secured on property were previously reported under current debtors.

Note 23: Stocks and Stores

An analysis of Stocks and Stores is shown below.

	31st March 2007 £'000	31st March 2008 £'000
Housing	919	1,041
Engineering & Transportation	376	414
Other Stocks and Stores	225	257
Sub-total – Stocks and Stores	1,520	1,712
Landfill Allowances (see below)	702	1
	2,222	1,713

At the 31st March 2007, unused Landfill Allowances (LATS) were accounted for on the basis of trading between other authorities. During 2007/08, it became apparent that the market has slowed to the point where it is now unlikely that the unused LATS will be sold. These have therefore been written off to revenue, retaining only a nominal value on the Balance Sheet.

Note 24: Debtors

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

	31 st March 2007 £'000	31 st March 2008 £'000
1. General		
Council Tax/Community Charge Payers	5,759	5,938
Non-Domestic Rate Payers	2,305	2,770
Housing Tenants	5,054	5,451
Government Departments	10,593	14,576
Other Debtors	21,389	18,851
	45,101	47,587
Less Provisions for Doubtful Debts:		
Council Tax/Community Charge Payers	(3,012)	(3,529)
Non-Domestic Rate Payers	(1,174)	(1,350)
Housing Tenants	(4,897)	(5,014)
Other Debtors	(3,099)	(3,523)
Sub-total of Provisions for Doubtful Debts	(12,181)	(13,416)
	32,920	34,171
2. Payments in Advance	3,322	3,558
Total Debtors	36,242	37,729

Note 25: Creditors

An analysis of creditors is shown below.

	31 st March 2007 £'000	31 st March 2008 £'000
1. General		
HM Revenue & Customs	6,455	6,323
Other Government Departments	10,061	11,405
Other Public Bodies	12,585	7,406
Council Tax/Community Charge Payers	1,045	999
Sundry Creditors	23,894	21,111
	54,040	47,245
2. Receipts in Advance		
Government Departments	14,504	18,058
Others	7,707	11,387
	22,212	29,446
Total Creditors	76,252	76,690

Note 26: 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.

	Balance at 31st March 2007 £'000	Net Increase/ (Decrease) £'000	Balance at 31st March 2008 £'000
Equal Pay	46,224	48,328	94,552
Housing Repairs Account	6,889	(6,889)	0
Schools - Delegated Scheme	340	254	594
Landfill Allowances Liability	279	(279)	0
Other Provisions	264	(99)	165
	53,996	41,315	95,311

The provision for Equal Pay is explained in Note 2.

The Housing Repairs Account holds amounts set aside from the Housing Revenue Account to fund repairs and improvements to the housing stock. The balance at 31st March 2007 was fully utilised in 2007/08.

The Council has a liability for the volume of landfill used during the year. This volume will be formally verified by the end of September 2008, and the liability met from the allowances issued by Government and held on the balance sheet as a current asset. As the allowances are valued at only a nominal amount at 31st March 2008 (see Note 23), and the Council holds sufficient allowances to cover its own requirements, the corresponding liability is likewise nominal.

Note 27: Contingent Liabilities and Assets

The Council has a number of outstanding claims with Municipal Mutual Insurance (its former insurers) and arrangements are currently in place to ensure an orderly settlement of the sums due. We have assumed the company will be able to meet all such claims, and therefore have no insurance reserves set aside as contingency.

In the financial year 2007/08, the Council carried self-funded insurance on the following risks:

	£'000 per Claim
Fire and Special Perils:	
(i) Education Properties	250
(ii) General Properties	25
Subject to an aggregate limit of £901.8k for all claims across all properties	
Computer Insurance:	
Subject to an aggregate limit of £50k	25
Legal Liability Risks	
(£208k up to 30/11/07)	215
Subject to an aggregate limit of £2,800k (£2,704k up to 30/11/2007).	

A number of compensation claims and blight notices have been initiated, or are likely to be initiated, as a consequence of the Council's on-going major transport, regeneration and schools projects. 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. If not resolved, it may proceed to some form of legal adjudication during 2008/09.

Several claims have been made against the Council regarding the waste disposal contract and these too are subject to on-going negotiations.

The Council has made provision for potential equal pay settlements for its employees. The employment status of support staff at Community and Voluntary Controlled schools in relation to potential equal pay claims has been clarified to some extent by recent Guidance and as a result liability rests with the Schools Budget. However, the Council continues to have responsibility to ensure that excessive back pay costs do not prejudice the ability of schools to develop pupil provision and raise standards.

Following a fatal accident at a Council Depot in 2006 there is a possibility that the Council may be prosecuted under health and safety legislation which may also lead to a civil claim on behalf of the family of the deceased against the Council.

Note 28: Long Term Borrowing

The tables below show the source of long-term borrowing, and an analysis of the repayable amounts by maturity dates, including borrowing relating to the former West Midlands County Council 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. The table below shows the underlying borrowing, i.e. excluding amounts relating to premiums. The fair value (i.e. reflecting market values) at the period end is shown for comparison.

Source of Borrowing	Total 31st March 2007 £'000	Dudley 31st March 2008 £'000	Ex W.M.C.C. 31st March 2008 £'000	Total 31st March 2008 £'000	Fair Value at 31st March 2008 £'000
Public Works Loan Board	361,835	194,989	209,483	404,472	461,381
Stock	13,568	6,853	6,853	13,706	16,421
Other Sources	20,054	10,098	10,044	20,142	20,514
	395,457	211,940	226,380	438,320	498,316
Premiums adjusting carrying value	0	-1,025	-2,523	-3,548	
Balance Sheet Value	395,457	210,915	223,857	434,772	

Note 29: 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 30: 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.

	£'000
Balance at 31 st March 2007	0
Unrealised gains on revaluation of fixed assets	242,087
Gains relating to property disposed of	(3,789)
Depreciation attributable to the revaluation gain	(81)
Balance at 31st March 2008	238,217

Note 31: 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 in the General Fund Balance (see Note 1).

	£'000
Balance at 31st March 2007	959,099
Capital Financing 2007/08:	
Capital Receipts	5,863
Revenue	5,901
Major Repairs Reserve	14,752
Minimum Revenue Provision	8,972
Voluntary Revenue Provision	525
Transfer to Major Repairs Reserve of HRA Depreciation & Impairment	(13,733)
Depreciation & Impairment charged to General Fund revenue	(17,545)
Write down of deferred charges (net of related grants)	(19,371)
Grants written down to revenue	4,869
Asset disposals written down to revenue	(21,138)
Write down of capital debtors	(43)
Depreciation attributable to revaluation	81
Balance at 31st March 2008	928,232

Note 32: 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. In 2007/08, grants of £25.2m received in earlier years were identified as not able to be related to present assets of the authority and, as they dated from 2006/07 or earlier, were transferred to the Capital Adjustment Account as a prior period adjustment to the opening 2006/07 balance sheet. This has the effect of reducing the equity of the authority.

	2006/07 £'000	2007/08 £'000
Balance at 31 st March	130,979	117,698
Restated	105,765	117,698
Grants Applied to capital investment in the year	16,193	27,212
Amounts credited to revenue to match depreciation	(4,260)	(4,869)
Written down in respect of sold assets	0	(1,686)
Balance at 31st March	117,698	138,356

Note 33: 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.

	Housing* £'000	Other £'000	Total £'000
Balance at 31 st March 2007	-	-	-
Receipts from Sales of Assets etc.	12,845	1,475	14,320
Receipts applied for New Capital Expenditure	(4,388)	(1,475)	(5,863)
Contribution to Housing Pooled Capital Receipts	(8,457)	-	(8,457)
Balance at 31st March 2008	-	-	-

* including Housing General Fund.

Local Public Service Agreement (LPSA) Reward Capital Reserve

The Council's first LPSA ran from 1st April 2003 to 31st March 2006. The agreement contained 12 target areas, each measured against one or more performance indicators. Success for each indicator was measured against the 'stretch' target i.e. the difference between what would have been achieved without the LPSA and what was achieved with it. The balance of £0.670m as at 31st March 2007 was fully used to fund capital expenditure in 2007/08.

Note 34: General Fund Balance

The following Fund movements took place in the year:

	2006/07 £'000	2007/08 £'000
Balance Brought Forward	3,268	11,465
Deficit transferred from Revenue Account	(39)	(6,561)
Net transfer between reserves	8,236	3,000
Balance Carried Forward 31st March	11,465	7,904

Note 35: 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.

	Balance at 31st March 2007 £'000	Transfer From Income & Expenditure Account £'000	Transfer (to) Income & Expenditure Account £'000	Balance at 31st March 2008 £'000
General Reserve	5,602	-	(7)	5,595
Other Reserves	987	691	(835)	843
	6,589	691	(842)	6,438
Major Repairs Reserve	1,059	-	(1,059)	0
Total HRA Reserves	7,648	691	(1,901)	6,438

Note 36: 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 2007 £'000	Transfer From Income & Expenditure Account £'000	Transfer (to) Income & Expenditure Account £'000	Balance at 31st March 2008 £'000
LMS Reserves including Foundation Schools	9,478	2,705	(1,126)	11,057
Other Schools Reserves	1,536	1,694	(1,155)	2,075
Dedicated Schools Grant	129	360	(129)	360
Total	11,143	4,759	2,410	13,492

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 £11.057m at 31st March 2008, £11.166m relates to credit, and £0.109m to debit (overdrawn) balances.

Other Schools Reserves - These include reserves relating to Community and Extended Use activities, etc. Of the net balance of £2.075m at 31st March 2008, £2.560m relates to credit, and £0.485m to debit (overdrawn) balances.

Dedicated Schools Grant (DSG) - 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 2007 £'000	Net Transfer To General Fund Balance £'000	Transfer From Income & Expenditure Account £'000	Transfer (to) Income & Expenditure Account £'000	Balance at 31st March 2008 £'000
Corporate Reserves:					
Capital Resources	820	-	-	(820)	0
Insurance Fund	10,304	(2,000)	1,830	-	10,134
Corporate ICT Strategy	402	(100)	86	-	388
Local Public Service Agreement (LPSA) Revenue Reward	2,188	-	-	(933)	1,254
Single Status	0	--	2,030	-	2,030
Other	3,022	-	1,344	(259)	4,107
	16,735	(2,100)	5,290	(2,012)	17,913
Other Reserves:					
DGfL & Paragon grants in advance	5,879	-	796	(330)	6,345
Other Directorate Reserves	2,937	(900)	2,107	(877)	3,267
	8,816	(3,000)	2,903	(1,207)	9,612
Total Other General Fund Reserves	25,551	(3,000)	8,193	(3,219)	27,525

The background to the LPSA Revenue Reward Reserve is set out in Note 33 on Capital Reserves.

The DGfL (Dudley Grid for Learning) & Paragon reserve holds government support for these Private Finance Initiative projects which is payable early in the life of the projects.

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

Note 37: Net Assets Employed

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

	Balance at 31st March 2007 £'000	Balance at 31st March 2008 £'000
General Fund	787,205	907,919
Housing Revenue Account	7,648	6,438
Local Taxpayers' Equity	794,853	914,357

Note 38: 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.

	Balance at 31st March 2007 £'000	Income and Other Gains £'000	Expenditure £'000	Balance at 31st March 2008 £'000
Stevens Trust – <i>provides amenities in Stourbridge & Lye</i>	825	20	41	804
Earls High School Foundation – <i>supports current & recent pupils of the school</i>	178	17	4	191
Other Children's Services Funds	147	35	20	162
Housing Funds – includes deposits & leaseholder funds	761	234	257	738
Adult and Community Funds – <i>mainly held on behalf of residents</i>	3,222	3,896	3,177	3,941
Funds held on behalf of The Prince's Trust	3,109	0	250	2859
Other Funds	149	61	20	190
	8,391	4,263	3,769	8,885

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 £0.416m in accordance with the RICS Appraisal & Valuation manual. The other 3 trusts have land & property valued on a similar basis totalling £1.520m.

In compliance with the Statement of Recommended Practice for Charities, the accounts of the Stevens Trust and the Earls High School Foundation show investments at market value. This has resulted in an unrealised gain of £0.019m 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 39: Related Companies

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.

	Year Ended 31st December 2006 £'000	Year Ended 31st December 2007 £'000
Total Assets less Liabilities.	621	762
Surplus on Ordinary Activities	0*	140
Dividends Paid	Nil	Nil
Status of Accounts	audited	draft

* After contributions from Dudley MBC.

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.

Note 40: Euro Costs

No material costs have yet been incurred or committed. It is not yet possible to estimate what costs might be incurred in the future.

Note 41: Deferred Charges Movements

Where capital expenditure is incurred which does not result in an asset to the Authority, such as improvement grants to private house owners, the item is treated as a deferred charge for balance sheet purposes. Such charges are written-down within the period of benefit to the Authority. This will usually be one year.

	£'000
Balance at 31st March 2007	0
Spend in year	
- Equal Pay (see Note 2)	16,727
- Housing Grants	4,617
- Foundation & Voluntary Aided Schools	1,863
- Other	1,165
Written-down in year	(24,372)
Balance at 31st March 2008	0

Note 42: Reconciliation of Revenue Cash Flow to Net Movement on Income and Expenditure Account

	2006/07 restated £'000	2007/08 £'000
Net Revenue movement on Income and Expenditure Account - Deficit	67,612	84,129
(Increase)/Decrease in Collection Fund Balance	84	17
Accruals		
(Increase)/Decrease in Provisions	(41,483)	(41,315)
(Increase)/Decrease in Creditors	(897)	(1,162)
Increase/(Decrease) in Stock and Work in Progress	345	(509)
Increase/(Decrease) in Debtors	(19,186)	(5,482)
Capital Activities		
Interest received	4,303	2,941
Deduct Interest paid	(15,384)	(11,226)
Less Premature debt repayment premium	5,520	0
Capital receipts credited to I and E	17,964	14,278
Non-cash Movements	(53,515)	(49,000)
Revenue Activities Net Cash Flow	(34,637)	(7,329)

Note 43: Movement in Cash and Cash Equivalents

	As at 31st March 2007 restated £'000	Movement £'000	As at 31st March 2008 £'000
Cash	5,919	179	6,098
Overdraft	(18,180)	(35)	(18,215)
Temporary loan investments	18,155	16,296	34,451
Net Cash Inflow	5,894	16,440	22,334

Note 44: Other Movements

	As at 31st March 2007 £'000	Capital Movement £'000	Revenue Movement £'000	As at 31st March 2008 £'000
Debtors	243,758	(6,969)	1,481	238,270
Creditors	(76,252)	(724)	(438)	(77,414)
Stock and Work in Progress	2,222	0	(509)	1,713
Net Movement	169,728	(7,693)	534	162,569

Note 45: Movement in Long Term Borrowing

	As at 31st March 2007 £'000	Movement £'000	As at 31st March 2008 £'000
Public Works Loan Board	361,835	39,088	400,923
Other	33,621	227	33,848
	395,456	39,315	434,771

Note 46: An analysis of the larger value grants is shown below:-

	£'000	£'000
Revenue:		
Dedicated Schools Grant	183,146	
Department of Work and Pensions (excluding rent allowances)	66,065	
School Standard Fund	18,768	
Communities and Local Government	16,061	
Connexions	11,944	
Department of Health	10,211	
Standards Fund	9,426	
SureStart Funding	4,901	
Learning and Skills Council	4,509	
Primary Care Trust	4,463	
Local Area Agreement Grant	2,284	
Department for Children, Schools and Families	1,850	
Advantage West Midlands	1,753	
Home Office	1,352	
Youth Justice Board	1,173	
Other	1,586	
Capital:		339,492
Standards Grant	12,090	
Department for Transport	6,497	
Advantage West Midlands	3,139	
Department for Children, Schools and Families	1,667	
Local Public Service Agreements	1,280	
Disabled Facilities Grant	1,257	
Other Housing Grants	1,016	
Department of Health	538	
Department for Environment, Food and Rural Affairs	360	
Home Office	117	
Primary Care Trust	106	
Other	130	
TOTAL		28,197

Note 47: 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:

	31st March 2008 £'000
Specified investments as defined in government guidance issued under Section 15(1)(a) of the Local Government Act 2003. For the purposes of this guidance, the Council defines a "high credit-rating" as a short-term rating of F1+ (the highest) and a support rating of 1 (the highest) for a foreign bank or at least 2 (the second highest) for a UK bank, using credit ratings issued by Fitch IBCA.	28,690
To the extent that they do not otherwise qualify as specified investments, sterling deposits up to 364 days with UK building societies that have group assets of £1,000million or more. These can constitute no more than 50% of total investments.	5,761
Sterling-denominated euro-sterling bonds issued by supra-national institutions with a long-term credit rating (issued by Fitch IBCA) of AAA (the highest). These can constitute no more than 25% of total investments.	0
	34,451

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.

Liquidity Risk

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates (see market risk below).

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:

Maturity within:	Limit %	Actual 31st March 2008 £'000	Actual 31st March 2008 %
12 months	0-10%	13,570	3%
1-2 years	0-10%	6,157	1%
2-5 years	0-15%	25,373	6%
5-10 years	0-25%	62,948	14%
more than 10 years	40-100%	330,272	76%

- 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 only 5% of the Council's long-term borrowing.
- 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.

(Figures in the next paragraph await agreement between auditors in the West Midlands)

The Council is exposed to price risk through its shareholding of £X in Birmingham Airport. The authority is consequently exposed to losses arising from movements in the prices of the shares. The £xxxm 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

	2006/07 £'000	2007/08 £'000
Income		
Dwellings Rent	66,828	69,729
Non-Dwellings Rent	593	655
Charges for services and facilities	140	147
Contribution towards expenditure	619	537
Supporting People Grant	1,259	813
Total Income	69,439	71,881
Expenditure		
Repairs & Maintenance	25,777	29,597
Supervision and Management	13,016	13,987
Rent, Rates, Taxes & Other Charges	1,801	1,743
Item 10 Subsidy Adjustment	(50)	0
Negative Subsidy (Note 11)	11,619	13,905
Provision for Bad Debts	451	398
Depreciation & Impairments of Fixed Assets (Note 8 & 9)	13,551	13,733
Grants Deferred Written Down	(302)	(306)
Debt Management Costs	97	97
Total Expenditure	65,960	73,154
Net (Surplus)/ Cost on Income & Expenditure as included in the whole authority I & E Account	(3,479)	1,273
HRA share of Corporate & Democratic Core	681	567
HRA share of Non-Distributed Costs	365	0
Net (Surplus)/ Cost on HRA services	(2,433)	1,840
Interest payable	3,220	3,549
Amortised Premiums & Discounts	(434)	66
HRA Investment Income (including Mortgage Interest)	(785)	(605)
Finance Cost of Pensions	108	6
(Surplus)/ Cost for the year on HRA services	(324)	4,856
Statement of Movement on HRA Balance		
(Surplus)/ Cost for the year on HRA services	(324)	4,856
Additional items required by statute or non-statutory proper practice to be (credited)/debited to the HRA Balance	(326)	(4,706)
Total (Surplus) or Deficit for the Year	(650)	150
Housing Revenue Account Balance brought forward	(5,938)	(6,588)
Housing Revenue Account Balance carried forward	(6,588)	(6,438)

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. The reported treatment of amortised premiums and discounts has been changed, in line with the new accounting rules. These changes have no impact on rents.

The Item 10 Subsidy Adjustment is a payment to the General Fund to compensate for benefit subsidy limitation, adjusted in later years.

A proportion of receipts from the sale of council houses to repay debt 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.

	2006/07	2007/08
	£000s	£000s
Items included in the HRA Income and Expenditure but excluded from the movement on HRA Balance for the year.		
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	678	234
Net charges made for retirement benefits in accordance with FRS17	(2,067)	(1,449)
Grants Deferred written down to match depreciation	302	306
	(1,087)	(909)
Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year		
Transfers from Housing Repairs Account	(3,665)	(6,889)
Transfers from Major Repairs Reserve	(65)	(41)
Employer's contributions payable to the West Midlands Pension Fund and those retirement benefits payable to pensioners	1,183	1,112
Capital expenditure funded by the HRA	3,308	2,021
	761	(3,797)
Net additional amount required by statute to be credited to the HRA	(326)	(4,706)

Note 2: Housing Stock

The Council was responsible for managing on average 23,392 dwellings during 2007/08. The stock at the year end was made up as follows:

Traditional Houses and Bungalows	14,434
Non-traditional Houses and Bungalows	961
Flats	7,828
Stock at 31st March 2008	23,223

The change in stock can be summarised as follows.

Stock at 1st April 2007	23,561
Less: Sales, Demolitions etc.	338
Stock at 31st March 2008	23,223

Note 3: Fixed Assets

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

	31st March 2007	1st April 2007	31st March 2008
	£'000	£'000	£'000
i) Operational Assets, comprising:			
Dwellings	838,387	1,053,916	1,056,549
Other Land & Buildings	3,035	3,238	3,205
	841,422	1,057,154	1,059,754

The change in values between 31st March 2007 and 1st April 2007 reflects the revaluation as at 1st April 2007.

- i) Non operational assets: Not material
- ii) The vacant possession value of dwellings within the authority's HRA at 1st April 2007 was £2,151m compared with a social housing value of £1,054m.

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

	£'000
Balance on the Major Repairs Reserve at 31st March 2007	1,060
Amount transferred to the Major Repairs Reserve during the financial year	13,733
Amount transferred from the Major Repairs Reserve to the Housing Revenue Account during the financial year	(41)
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	(14,752)
Balance on the Major Repairs Reserve at 31st March 2008	0

Note 5: Housing Repairs Account

Analysis of the movement on the housing repairs account.

	£'000
Balance on the Housing Repairs Account at 31st March 2007	6,889
Amount transferred to the Housing Repairs Account during the financial year	22,708
Less: Repairs & Maintenance	(29,597)
Balance as at 31st March 2008	0

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.

	£'000
Borrowing	8,546
Usable Capital Receipts	2,806
Revenue Contribution	2,021
Major Repairs Allowance	14,752
Grants & Leaseholders' Contributions	102
	28,227

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.

Net Capital Receipts	£'000
Dwellings	11,875
Other land & buildings	917
	12,792

Note 8: Depreciation

The total charge for depreciation within the Housing Revenue Account.

Operational assets	£'000
Dwellings	13,692
Other land & buildings e.g. shops	35
	13,727

Note 9: Impairment Charges

	£'000
The value of any impairment charges for the financial year in respect of land, houses & other property within the authority's Housing Revenue Account	6

Note 10: Deferred Grants Written Down

	£'000
The value of Grants Deferred written down to match depreciation attributable to the Housing Revenue Account	306

Note 11: Housing Subsidy

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

	£'000
Allowance for management	11,315
Allowance for maintenance	23,045
Allowance for major repairs	13,692
Charges for capital	5,666
Rental Constraint Allowance	1,094
Rent	(68,763)
Interest on receipts	(24)
Defects repurchases loan	70
Total (Negative Subsidy)	13,905

Note 12: Rent Arrears

	31st March 2007 £'000	31st March 2008 £'000
Current Tenants	1,570	1,452
Former Tenants	3,518	3,622
Total	5,088	5,074

A bad debt provision has been made in the accounts in respect of potentially uncollectable rent arrears. The value of this provision was £4.486m at 31st March 2008 (£4.507m at 31st March 2007).

COLLECTION FUND

2006/07		2007/08	
£'000		£'000	£'000
87,554	Council Tax (net)		92,397
18,248	Transfers from General Fund: Net Benefits		19,129
84,738	Business Rates (net of provisions and reliefs)		85,503
190,540	Total Income		197,029
	Precepts and Demands:		
8,470	West Midlands Police Precept	8,877	
4,178	West Midlands Fire & Civil Defence Precept	4,312	
93,125	Dudley MBC General Fund Demand	97,946	
105,773			111,135
	Business Rates:		
84,269	Payment to National Pool (Note 2)	85,037	
469	Costs of Collection	466	
84,738			85,503
	Increased/(Decreased) Provision for Doubtful Debts:		
17	Council Tax	388	
(2)	Community Charge (Note 3)	0	
15			388
96	Transfer to General Fund – Prior Year's Estimated Surplus		20
190,622	Total Expenditure		197,046
(82)	Collection Fund Surplus (Deficit) for the year		(17)
103	Surplus at 1st April brought forward		19
21	TOTAL COLLECTION FUND SURPLUS AT 31ST MARCH		2
(2)	Surplus to be distributed to preceptors		0
19	DUDLEY MBC COLLECTION FUND SURPLUS		2

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 2007/08 was 97,049.71 calculated as follows:

Band	Number of Dwellings (adjusted for discounts, exemptions etc.)	Multiplier	Band D Equivalent
A Disabled	86.50	5/9	48.06
A	34,662.00	6/9	23,108.00
B	32,641.75	7/9	25,388.03
C	26,023.50	8/9	23,132.00
D	14,457.50	1	14,457.50
E	5,868.75	11/9	7,172.92
F	2,124.00	13/9	3,068.00
G	883.50	15/9	1,472.50
H	91.50	18/9	183.00
Total Band D equivalent			98,030.01
Assumed Collection Rate			99%
NET BAND D EQUIVALENT			97,049.71

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 44.4p (or 44.1p if the property qualifies for small business relief) for 2007/08, 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 2008 was £228.147m (31st March 2007 = £232.375m). 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 2007/08, the following sums were written off:

Council Tax	£0.362m (2006/07 £0.343m)
National Non-Domestic Rates	£0.443m (2006/07 £1.341m)

ANNUAL GOVERNANCE STATEMENT

to be inserted after acceptance by Audit Committee.