



**DUDLEY METROPOLITAN BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE**  
**YEAR ENDED 31st MARCH 2009**

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

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### The Authority's Responsibilities:

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. This authority has designated the Interim 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.

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

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I confirm that that these accounts were considered and approved by Dudley Metropolitan Borough Council's Audit Committee at the meeting held on 29th June 2009.

Signed on behalf of Dudley Metropolitan Borough Council:

A. Taylor,  
Chairman of the Audit Committee

Date: 29th June 2009

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

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The Interim Director of Finance's Responsibilities:

The Interim 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 2009.

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**CERTIFICATE OF THE INTERIM DIRECTOR OF FINANCE**

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I certify that in preparing this Statement of Accounts:

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

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

The accounts set out in the following pages fairly present the financial position of Dudley Metropolitan Borough Council at 31st March 2009, 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.



.....  
Bill Baker,  
Interim Director of Finance

Date: 25<sup>th</sup> June 2009

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

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I have audited the Authority accounting statements and related notes of Dudley Metropolitan Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority accounting statements comprise the Income and Expenditure Account, the Authority Statement of Movement on General Fund Balance, the Authority Balance Sheet, the Authority Statement of Total Recognised Gains and Losses, the Authority Cash Flow Statement, the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to 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 Interim Director of Finance and auditors

The Interim Director of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority and its Income and Expenditure for the year.

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

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. This other information comprises the Explanatory Foreword by the Interim Director of Finance and the Summary of the 2008/09 Financial Year. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

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

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

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 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 2009

**EXPLANATORY FOREWORD BY THE INTERIM DIRECTOR OF FINANCE**

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

The accounts are based on the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 (SORP).

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 2008 edition of the SORP introduced only minor technical changes to the accounts. Where relevant, the effects are noted in the accounts and details given in the Statement of Accounting Policies on pages 12 – 20.

Area Based Grant (ABG) is a significant new revenue grant for 2008/09 which brings together a number of previous specific grants. For Dudley, as a pilot authority, this included Supporting People - a grant to fund supported living for vulnerable people. Although the funding streams contributing to ABG largely result from specific Government initiatives, the grant is not ring-fenced and is intended to be a general grant in support of Councils' total revenue expenditure.

The Authority monitors the impact of the current economic climate on its financial standing on an on-going basis and maintains reserves and provisions at a prudent level. A review of asset values has resulted in impairments to some assets resulting from the downturn in the land values during the financial year.

The pages which follow are the Authority's final accounts for 2008/09 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 2008/09 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 2008/09

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

<b>Service</b>	<b>Approved Budget £m</b>	<b>Outturn £m</b>	<b>Variance £m</b>
Children's Services	63.274	63.274	-
Adult, Community & Housing	97.132	97.096	-0.036
Urban Environment	58.150	58.134	-0.016
Chief Executive's	11.678	11.664	-0.014
Law & Property	3.305	3.288	-0.017
Finance, ICT and Procurement	14.695	14.058	-0.637
<b>Total Service Costs</b>	<b>248.234</b>	<b>247.514</b>	<b>-0.720</b>
Area Based Grant	-21.068	-21.070	-0.002
Use of Reserves	-6.295	-5.573	0.722
<b>Net Revenue Expenditure</b>	<b>220.871</b>	<b>220.871</b>	<b>-</b>
Revenue Support Grant	14.401	14.401	-
Business Rate Contributions (NNDR Pool)	103.454	103.454	-
Collection Fund Income	103.015	103.015	-
Collection Fund Surplus	0.001	0.001	-
<b>Total Funding</b>	<b>220.871</b>	<b>220.871</b>	<b>-</b>

The Council has contained expenditure within approved budgets. There have been some favourable variances, the most significant being:

- £0.433m from improved income to the Directorate of Finance, ICT & Procurement, including Benefits Subsidy grant and recovery of Court Costs;
- £0.204m extra investment income arising from better than anticipated cash flows.



The services are shown here as they were operated by the Council in 2008/09, 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:

	<b>£m</b>
<b>Net Operating Expenditure (Income and Expenditure Account)</b>	<b>310.501</b>
Income treated as general grant in Income and Expenditure Account, but included in Net Revenue Expenditure in Outturn reports.	(0.329)
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)	(65.658)
Add back transfers to General Fund Balance from other Reserves	3.000
<b>Total Service Costs (as in preceding table)</b>	<b>247.514</b>

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

**CAPITAL SPENDING AND FINANCING IN 2008/09**

A summary of the Council's total accrued capital expenditure of £77.602m in the year is shown below.

	<b>£'000</b>	<b>£'000</b>
<b>Housing</b>		
Central Heating & Electrical Installations	5,882	
External Works	5,582	
North Priory Redevelopment	833	
Void Property Improvements	2,910	
Modernity & Decent Homes	5,265	
Adaptations	2,607	
Community Safety	639	
Other Public Sector Improvements	2,247	
Private Sector Assistance	3,991	
		29,956
<b>Children's Services</b>		
Dormston Specialist College	690	
Children's Centres	3,373	
ICT Projects	2,726	
Play Facility Improvements	970	
Wrens Nest School Replacement	3,264	
Other Children's Services projects	9,662	
		20,685
<b>Highways &amp; Transport</b>		
Structural Maintenance of Roads and Bridges	5,245	
Dudley By Pass Resurfacing	816	
Brierley Hill Parallel Route	7,506	
Halesowen Bus Station	617	
Pedestrian, Cycling and other Safety schemes	944	
Other Improvements	1,982	
		17,110
<b>Other Services</b>		
ICT Developments	432	
Economic Regeneration	1,208	
Adult Care	1,264	
Culture and Leisure	4,081	
Recycling, Waste Disposal & Environmental	656	
Library Modernisation	466	
Structural Maintenance of Buildings and other projects	1,744	
		9,851
<b>Total Expenditure</b>		<b>77,602</b>
Loan	23,004	
Capital Receipts	1,916	
Major Repairs Allowance (Housing)	14,107	
Revenue	5,283	
Grants / Contributions (inc Lottery)	33,292	
<b>Total Funding</b>		<b>77,602</b>

In addition to the capital expenditure set out above, a further £44.970m 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.

Reconciliation to Note 18 on Fixed Asset Movements.

	<b>£m</b>
<b>Total Capital Expenditure</b>	<b>77.602</b>
Less . REFCUS, i.e. revenue spending funded from capital under statute.	(7.495)
<b>Additions at Cost to Fixed Assets – see Note 18</b>	<b>70.107</b>

BORROWING FACILITIES

At 31st March 2009, the Council's external borrowing amounted to £444.3m (31st March 2008 restated £436.2m), of which just over half was for the Council's own purposes, the rest relating to the former West Midlands County Council debt. (Dudley is the Debt Administration Authority for the former West Midlands County Council.)

FUTURE DEVELOPMENTS

The Council set its revenue budget for 2009/10 on 2nd March 2009. The capital programme for 2009/10 was reviewed on 23rd February 2009.

Funding of the approved revenue budget and the capital programme for 2009/10 is as follows:

<b>REVENUE</b>	<b>£m</b>
Revenue Support Grant	22.862
Area Based Grant (see note)	21.211
Business Rate Contributions	99.050
Council Tax	108.182
Use of Balances - General Fund	4.600
Use of Balances - Collection Fund	-
<b>TOTAL REVENUE BUDGET</b>	<b>255.905</b>

  

<b>CAPITAL</b>	<b>£m</b>
Loan	34.139
Revenue	3.348
Major Repairs Allowance (Housing)	14.090
Capital Receipts	6.126
Grants and Contributions (including Lottery)	40.915
<b>TOTAL CAPITAL PROGRAMME</b>	<b>98.618</b>

The Capital figures above exclude further anticipated capitalisation of Equal Pay Back Pay costs.

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## STATEMENT OF ACCOUNTING POLICIES

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### 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2008* (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. The provisions relating to council tax and NNDR are based on historical cash flows, aged debt, and forecast collection levels; that for general debtors is based on full provision for aged debt; and that for housing is calculated by providing for 20% of all current tenants arrears & 100% of all former tenants arrears. These accounting provisions do not affect the Council's policy and practice in collecting income due to it.

- Amounts secured on property are shown as loans in the balance sheet – this is a change from the previous policy of including such sums as current debtors.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

### 3. Provisions

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

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

If any of these criteria are not met, no provision will be made, but a contingent liability may be described in a note.

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

Provisions are charged to the appropriate service when the authority becomes aware of the obligation. Details of provisions held at 31st March 2009 are shown in [Note 27 Provisions](#)

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

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

#### **4. Reserves**

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

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

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

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

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

## 6. Retirement Benefits

Employees of the council are 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. Under the 2008 SORP, quoted securities held as assets in the scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of the Dudley LGPS assets at 31 March 2008 has been restated from £564.9m to £564.4m, a fall of £0.5m.

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 2008 (BVACOP)*. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received. The following two categories of cost are not recharged to services:

- Corporate and Democratic Core – costs relating to the council’s status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, and any depreciation and impairment losses chargeable on non-operational properties.

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

## 9. Tangible Fixed Assets

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

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

**Measurement:** Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use.

Assets are then carried in the balance sheet using the following measurement bases:

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

Net current replacement cost is assessed as:

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

The current asset values used in the accounts, for non-operational assets and other land and buildings, are based on a valuation report issued by the Council's Property Surveyor as at 1st April 2008, 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 2007/08 are included in the accounts at cost, until the property concerned is revalued. Details are shown in [Note 18 Fixed Assets](#)

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

The Revaluation Reserve contains only those revaluation gains recognised since 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. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Capital receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve through the Statement of Movement on the General Fund Balance.

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

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

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

<b>Asset Type</b>	<b>Depreciation Method</b>	<b>Period of Years</b>
Buildings	Straight line	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
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

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

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

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance

Sheet as a fixed asset. The purpose of this is to enable it to be funded from capital resources rather than be charged to the General Fund and impact on that year's council tax. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003. Such expenditure is charged to the Income and Expenditure Account in accordance with the general provisions of the SORP. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance and showing as a reconciling item in the Statement of Movement on the General Fund Balance.

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

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

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

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

### Operating Leases

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

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

## **14. Financial liabilities**

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

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

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

## **15. Financial Assets**

Financial assets are classified into two types:

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

### Loans and Receivables

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

However, the council has made certain loans to organisations at less than market rates (soft loans), where this furthers the objectives of the council. When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower

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amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the [Statement of Movement on the General Fund Balance](#).

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

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

**16. Stocks and Stores**

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

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

Information relating to individual companies is shown in [Note 40 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 and Assets**

Liabilities and assets that are uncertain, or cannot be estimated, are shown in the accounts, but are described in [Note 28 Contingent Liabilities and Assets](#).

## INCOME AND EXPENDITURE ACCOUNT

<b>2007/08</b> <b>restated</b>		<b>2008/09</b>		
Net Expenditure £'000		Expenditure £'000	Income £'000	Net Expenditure £'000
86,880	Children's Services	315,082	(250,872)	64,210
1,431	Housing Revenue Account	79,185	(76,143)	3,042
4,987	Other Housing Services (inc. Payment of Housing Benefit )	87,730	(76,523)	13,207
77,037	Adult Social Care	103,479	(25,251)	78,228
44,588	Cultural, Environmental & Planning	81,992	(24,404)	57,588
16,283	Highways & Transport	17,190	(3,921)	13,269
1,385	Central Services	27,757	(23,224)	4,533
289	Court Services (Coroners)	391	(153)	238
6,317	Corporate & Democratic Core	6,952	(560)	6,392
7,823	Non Distributed Costs	2,181	0	2,181
<b>247,020</b>	<b>Net Cost of Services</b>	<b>723,939</b>	<b>(481,051)</b>	<b>242,888</b>
119	Environment Agency & WMJC Levies			165
15,486	West Midlands Passenger Transport Authority Levy			15,972
(338)	Trading Account Deficits/(Surpluses) ( <a href="#">Note 3</a> )			130
11,148	Interest Payable			13,159
8,457	Contribution to Housing Pooled Capital Receipts			2,412
(745)	Investment Income re. Birmingham Airport			(590)
(2,196)	Other Interest & Investment Income			(3,707)
915	Finance Cost re. Pensions ( <a href="#">Note 6</a> )			11,189
11,325	(Gain)/Loss on Disposal of Assets			28,883
<b>291,191</b>	<b>Net Operating Expenditure</b>			<b>310,501</b>
	<b>Income from taxation &amp; general government grants</b>			
(97,966)	Income from Collection Fund, including transfer in respect of previous years surplus			(103,015)
(17,250)	Government Grants (not attributable to specific services) ( <a href="#">Note 17</a> )			(35,802)
(91,036)	Distribution from National Non-Domestic Rates Pool (NNDR)			(103,454)
<b>(206,252)</b>	<b>Sub-total External Funding</b>			<b>(242,271)</b>
<b>84,939</b>	<b>Deficit on Income and Expenditure Account</b>			<b>68,230</b>

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

<b>84,939</b>	<b>Deficit on Income and Expenditure Account</b>	<b>68,230</b>
(81,378)	Net additional amount to be credited to revenue to calculate the General Fund Balance	(65,658)
<b>3,561</b>	<b>(Surplus)/Deficit on General Fund for year</b>	<b>2,572</b>
(11,465)	Balance at the beginning of the year	(7,904)
<b>(7,904)</b>	<b>Balance at the end of the year</b>	<b>(5,332)</b>

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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**


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

	<b>2007/08</b>	<b>2008/09</b>
	<b>£000s</b>	<b>£000s</b>
Deficit for Year on the Income and Expenditure Account	(84,901)	(68,230)
Surplus on revaluation of assets	242,088	31,965
Actuarial gains/(losses) on pension fund	(68,138)	35,357
Movement in Collection Fund surplus	(17)	(1)
Difference in treatment of Premiums between HRA and GF	(233)	(157)
One-off adjustment on first-time adoption of FRSs 25 & 26 (new treasury accounting rules)	3,362	0
Reinstate original write down of premiums	287	300
<b>Total recognised gains /(losses) for the year</b>	<b>92,448</b>	<b>(766)</b>

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

	<b>2007/08</b>	<b>2008/09</b>
	<b>restated</b>	
	<b>£000s</b>	<b>£000s</b>
<b>Total Tax-payers Equity (Net Worth)</b>	<b>913,257</b>	<b>912,491</b>
Movement in Net Worth		766

**BALANCE SHEET**

<b>31st March 2008 restated</b>		<b>31st March 2009</b>	
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
	<b>Fixed Assets (Note18)</b>		
3,232	<b>Intangible Assets</b>		2,077
	<b>Tangible Fixed Assets</b>		
	Operational Assets:		
1,049,152	Council Dwellings		1,075,102
368,717	Other Land & Buildings		340,942
11,053	Community Assets		13,429
137,667	Infrastructure		161,969
10,999	Vehicles, Plant, Furniture & Equipment		13,360
34,482	Non-Operational Assets		23,674
<b>1,615,302</b>			<b>1,630,553</b>
8,177	Long Term Investments (Note21)		8,177
	Long Term Debtors (Note23)		
306	Mortgages		249
203,145	Other		199,192
<b>1,826,930</b>	<b>Total Long Term Assets</b>		<b>1,838,171</b>
	Current Assets:		
1,713	Stocks & Stores (Note 24)	1,636	
37,502	Debtors (Note 25)	37,790	
34,451	Short Term Investments (Note21)	20,299	
<b>73,666</b>		<b>59,725</b>	
	Current Liabilities:		
(11,139)	Cash Overdrawn	(10,760)	
(76,553)	Creditors (Note 26)	(69,459)	
(95,311)	Provisions (Note27)	(92,010)	
(1,388)	Temporary Borrowing	(12,191)	
<b>(184,391)</b>		<b>(184,420)</b>	
<b>(110,725)</b>	<b>Net Current Assets/(Liabilities)</b>		<b>(124,695)</b>
(434,771)	Long Term Borrowing (Note 29)		(432,119)
(1,513)	Deferred Liabilities (Note 7)		(1,450)
(111,844)	Grants Deferred Account (Note 33)		(132,261)
(254,820)	Pension Liability (Note 6)		(235,155)
<b>913,257</b>	<b>Total Net Assets</b>		<b>912,491</b>
	Represented by:		
264	Deferred Capital Receipts (Note 30)		219
236,889	Revaluation Reserve (Note 31)		258,743
948,300	Capital Adjustment Account (Note 32)		863,525
(254,820)	Pension Reserve (Note 6)		(235,155)
(17,777)	Financial Instruments Adjustment Account (Note 22)		(17,163)
(55,522)	Equal Pay Back Pay Account (Note 2)		(7,394)
7,904	General Fund Balance (Note 35)		5,332
	Reserves:		
6,438	Housing Revenue Account Reserves (Note 36)		4,304
14,052	Schools (Note 37)		12,249
27,527	Other (Note 37)		27,830
2	Collection Fund Balance		1
<b>913,257</b>	<b>Total Local Taxpayers' Equity</b>		<b>912,491</b>

## CASH FLOW STATEMENT

	2007/08 restated		2008/09	
	£'000	£'000	£'000	£'000
<b>Revenue Activities</b>				
<i>Cash Outflows:</i>				
Cash paid to and on behalf of employees	324,719		332,066	
Other operating cash payments	267,488		318,877	
Housing Benefit paid out	22,306		26,211	
Housing Pooled Capital Receipts	8,457		2,412	
NNDR Payments to National Pool	85,037		90,461	
Precepts paid	13,189	721,196	13,672	783,699
<b>Less: Cash Inflows:</b>				
Rents (after rebates)	27,566		29,234	
Council Tax income	92,397		96,718	
NNDR receipts from National Pool	91,036		103,454	
Non-domestic rate receipts	85,503		90,922	
Revenue Support Grant	15,278		14,401	
DWP grants for rent allowances	22,150		24,658	
Other Government grants <a href="#">(Note 45)</a>	346,465		334,262	
Cash received for goods and services	65,483	745,878	110,136	803,785
<b>Revenue Activities Net Cash (In)flow - <a href="#">(Note 41)</a></b>		<b>(24,682)</b>		<b>(20,086)</b>
<b>Servicing of Finance</b>				
<i>Cash Outflows:</i>				
Interest paid (& premiums)	10,791		12,545	
Interest element of finance lease rental payments	78	10,869	80	12,625
<b>Less: Cash Inflows:</b>				
Interest received		2,941		4,297
<b>Servicing of Finance Net Cash Flow</b>		<b>7,928</b>		<b>8,328</b>
<b>Capital Activities</b>				
<i>Cash Outflows:</i>				
Expenditure on fixed assets	74,469	74,469	66,780	68,780
<b>Less: Cash Inflows:</b>				
Sale of fixed assets	14,278		4,405	
Income from long term investments	0		0	
Government capital grants received <a href="#">(Note 45)</a>	23,196		25,304	
Other capital income	8,261	45,735	5,346	35,055
<b>Capital Activities Net Cash Flow</b>		<b>28,734</b>		<b>33,725</b>
<b>NET CASH (IN)/OUT FLOW BEFORE FINANCING</b>		<b>11,980</b>		<b>21,967</b>
<b>Management of Liquid Resources</b>				
Net increase/ (decrease) in short-term deposits		<b>16,296</b>		<b>(14,152)</b>
<b>Financing</b>				
<i>Cash Outflows:</i>				
Repayments of amounts borrowed		57,345		147,216
<b>Less: Cash Inflows:</b>				
New loans raised	50,000		30,000	
New short-term loans raised	35,765	85,765	125,410	155,410
<b>Financing Activities Net Cash (In)/Out Flow</b>		<b>(28,420)</b>		<b>(8,194)</b>
<b>Increase/(Decrease) in Cash and Cash equivalents</b>		<b>144</b>		<b>379</b>
<b>TOTAL FINANCING</b>		<b>(11,980)</b>		<b>(21,967)</b>



## NOTES - CORE STATEMENTS

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

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

	<b>restated 2007/08</b>	<b>2008/09</b>
	<b>£000s</b>	<b>£000s</b>
<b>Amounts included in the I&amp;E account but required by statute to be excluded when determining the movement on the General Fund Balance for the year</b>		
Depreciation & Impairment of fixed assets	17,585	26,341
Difference in treatment of premia and discounts between HRA and I and E	(233)	(157)
Government Grants Deferred amortisation	(4,868)	(4,651)
Revenue Expenditure funded from Capital under Statute (net of related grants)	19,371	57,325
Net (gain)/loss on disposal or transfer of fixed assets	11,325	29,045
Transfer to Housing Repairs Account	6,889	(238)
Adjust loan carrying value re new treasury rules	136	0
Derecognition of premiums and discounts	(12,599)	0
Adjustment for loans at non-commercial rates	222	(37)
Net Costs of Retirement benefits by FRS 17	10,758	15,691
<b>Sub-Total</b>	<b>48,586</b>	<b>123,319</b>
<b>Amounts not included in the I&amp;E account but required to be included by statute when determining the movement on the General Fund Balance for the year</b>		
Statutory provision for repayment of debt (Minimum Revenue Provision)	(8,973)	(9,737)
Capital expenditure charged to revenue	(5,901)	(5,282)
Reinstate write down of premiums	(292)	(277)
Reversal of effect of derecognition	12,599	0
Transfer from Usable Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	8,457	2,412
<b>Sub-Total</b>	<b>5,890</b>	<b>(12,884)</b>

<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund balance for the year</b>		
Statutorily required transfer of the surplus or deficit for the year on the HRA calculated in accordance with statute to the HRA balance	150	2,372
Voluntary provision for repayment of debt	(525)	(521)
Net transfer (to)/from general fund earmarked reserves	27,277	(46,628)
<b>Sub-Total</b>	<b>26,902</b>	<b>(44,777)</b>
<b>Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year</b>	<b>81,378</b>	<b>65,658</b>

*Note 2: Exceptional item - Single Status Agreement*

Dudley is undertaking a major Pay and Grading Review to comply with the Single Status Agreement. Although the actual cost of the Single Status Agreement and the timing of any backdated equal pay settlements have still to be determined, the Council made a prudent provision as at 31<sup>st</sup> March 2009 of £91m for equal pay back pay. The Council was given directions by the Government in previous years to treat £39m of this as capital expenditure, to be funded from "prudential borrowing", and has been given a further direction of £45m in 2008/09. The remaining £7m of the 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.

*Note 3: Trading Services*

	Market		Industrial Estates		Other Land & Property	
	07/08 £'000	08/09 £'000	07/08 £'000	08/09 £'000	07/08 £'000	08/09 £'000
Income	248	247	317	437	1,140	1,150
Expenditure	143	139	296	676	928	889
<b>Surplus/(Deficit) included in the Income and Expenditure Account</b>	<b>105</b>	<b>108</b>	<b>21</b>	<b>(239)</b>	<b>212</b>	<b>261</b>

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

The council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school. Details of the deployment of DSG receivable for 2008/09 are as follows:

	<b>Central Expenditure</b>	<b>Individual Schools Budget</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Final DSG for 2008/09	19,833	168,470	188,303
Brought forward from 2007/08	360	-	360
Carry forward to 2009/10 agreed in advance	-	-	-
Agreed budgeted distribution in 2008/09	20,193	168,470	188,663
Final Budget distribution in 2008/09	19,898	168,765	188,663
Actual central expenditure	18,311	-	-
Actual ISB deployed to schools	-	168,765	-
Local authority contribution for 2008/09	-	-	-
Carry forward to 2009/10	1,587	-	1,587

Note 5:- Fees paid to Auditors

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

<b>2007/08</b>	<b>2008/09</b>
<b>£'000</b>	<b>£'000</b>
281 Statutory Audit work	290
22 Inspection Work	38
135 Audit of Grant Claims	145
<b>438 Total</b>	<b>473</b>

Note 6: Pension CostsTeachers

In 2008/09, the Council paid £14.012m to the Department for Children, Families and Schools (2007/08 = £13.907m) in respect of teachers' pension costs, based on a contribution rate of 14.1% (2007/08 = 14.1%) of teachers' pensionable pay. The Teachers' Pension Scheme is a defined benefit scheme but is accounted for as a defined contribution scheme by the Council as its share of the underlying assets and liabilities cannot be identified. Contributions are set by reference to a notional fund.

In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2008/09 these amounted to £1.501m, including lump sums for new retirees (2007/08 = £1.371m) being 1.51% of pensionable pay (2007/08 = 1.38%). These discretionary payments form a separate, unfunded scheme; details are shown in the table below, on page 28.

*Other Employees*

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

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

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

2007/08 restated		2008/09			
£'000		LGPS including discretionary £'000	Teachers Discretionary £'000	Other £'000	Total £'000
	<b>The amount actually charged against the General Fund Balance in the period i.e. the employers contributions paid to the pension fund.</b>				
21,495	employers contributions payable to the pension fund	22,602			22,602
2,569	retirement benefits payable to pensioners	1,095	1,501	134	2,730
	<b>Items in Income and expenditure account</b>				
26,095	The current service cost, i.e. the amount of pension entitlement earned in the year, less employees own contributions to the pension fund.	27,654			27,654
7,812	Past service costs, such as long-term effects of discretionary awards made in year	936	1,245		2,181
39,879	The interest cost i.e. the increase in liability because benefits are one year nearer to being paid out. This is based on financial conditions at the beginning of the year.	49,014	1,157	148	50,319
(38,964)	The expected return on assets in the scheme – based on long term expectations at the beginning of the period.	(39,130)			(39,130)
<b>34,822</b>	<b>Net Charge to the Income and Expenditure Account</b>	<b>38,474</b>	<b>2,402</b>	<b>148</b>	<b>(41,024)</b>
	<b>Item in the Statement of Movement on the General Fund Balance</b>				
<b>(10,812)</b>	Reversal of net charges made to Income and Expenditure account by FRS17 rules.	<b>(14,777)</b>	<b>(901)</b>	<b>(14)</b>	<b>(15,692)</b>
<b>0</b>	Overall Effect of FRS17 on tax-payers.	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>(68,096)</b>	Actuarial Gains/(Losses) recorded in the balance sheet	<b>32,683</b>	<b>2,674</b>	<b>0</b>	<b>35,357</b>

*Local Government Pension Scheme (LGPS)*

In 2008/09, contributions have been paid to the West Midlands Metropolitan Authorities Pension Fund at a rate based on the actuarial valuation, dated 31<sup>st</sup> March 2007, by the Fund's professionally qualified Actuary. The main assumptions used by the actuary in assessing the overall position are:

	<b>At 31<sup>st</sup> March 2008</b>	<b>At 31<sup>st</sup> March 2009</b>
Long-Term expected rate of return on the assets in the LGPS scheme		
Equities	7.5%	7.5%
Government Bonds	4.6%	4.0%
Other Bonds	6.1%	6.0%
Property	6.5%	6.5%
Cash/Liquidity	5.25%	0.50%
Other	7.5%	7.5%
Mortality Assumptions (in years)		
Longevity at 65 for current pensioners		
Men	21.1	21.2
Women	24.0	24.0
Longevity at 65 for future pensioners		
Men	22.2	22.2
Women	25.0	25.0
Rate of Inflation	3.6%	3.3%
Rate of Increase in Salaries	5.35%	5.05%
Rate of increase in Pensions	3.6%	3.3%
Rate for discounting scheme liabilities	6.1%	7.1%
Commutation of pension for lump sum on retirement	50% take maximum cash, 50% take 3/80ths cash	

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

	<b>31<sup>st</sup> March 2008</b>	<b>31<sup>st</sup> March 2009</b>
	<b>Proportion of Holding</b>	<b>Proportion of Holding</b>
Equities	65.3%	55.7%
Government Bonds	9.4%	12.4%
Other Bonds	3.7%	4.1%
Property	7.0%	7.3%
Cash/Liquidity	4.1%	4.0%
Other	10.5%	16.5%

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

Reconciliation of Present Value of Scheme Liabilities.

	LGPS £000s	LGPS discretionary £000s	LGPS Total £000s	TPA – Discretio nary £000s	Other Historical £000s	Total £000s
At 1 <sup>st</sup> April 2008	779,588	17,164	796,752	19,714	2,740	819,206
current service cost	27,654		27,654			27,654
interest cost	48,000	1,014	49,014	1,157	148	50,319
Contributions by scheme members	9,804		9,804			9,804
actuarial (gains) and losses	(182,811)	(2,495)	(185,306)	(2,674)		(187,980)
benefits paid	(22,836)	(1,095)	(23,931)	(1,501)	(134)	(25,566)
past service costs	936		936	1,245		2,181
<b>At 31<sup>st</sup> March 2009</b>	<b>660,335</b>	<b>14,588</b>	<b>674,923</b>	<b>17,941</b>	<b>2,754</b>	<b>695,618</b>

Reconciliation of Fair Value of the Scheme Assets:

	LGPS £000s	LGPS discretionary £000s	LGPS Total £000s
At 1 <sup>st</sup> April 2008	564,386		564,386
expected rate of return	39,130		39,130
actuarial gains and (losses)	(152,623)		(152,623)
employer contributions	22,602	1,095	23,697
member contributions	9,804		9,804
benefits paid	(22,836)	(1,095)	(23,931)
<b>At 31<sup>st</sup> March 2009</b>	<b>460,463</b>	<b>0</b>	<b>460,463</b>

Teachers' Discretionary Awards

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

There are no assets associated with these discretionary benefits. The liabilities have been valued by the actuary as at 31<sup>st</sup> March 2009 as £17.941m, (31<sup>st</sup> March 2008 £19.714m) – see table above.

Other Liabilities

Dudley is responsible for certain payments to former employees, including former Further Education staff under the Crombie compensation scheme. These liabilities have been estimated, on the basis of current payments, at £2.7m, at 31<sup>st</sup> March 2009, (31<sup>st</sup> March 2008 = £2.7m ).

## Scheme History

<b>Statement of Actuarial Gains and Losses on LGPS scheme</b>	<b>2004/05</b>	<b>2005/06</b>	<b>2006/07 restated</b>	<b>2007/08 restated</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Present Value of Liabilities</b>					
LGPS	(587,450)	(696,865)	(711,633)	(796,752)	(674,923)
Other	(17,464)	(20,072)	(19,200)	(22,454)	(20,695)
<b>Fair Value of Assets in LGPS</b>	396,423	507,506	554,867	564,386	460,463
<b>Deficit on Schemes</b>					
LGPS	(191,027)	(189,359)	(156,766)	(232,366)	(214,460)
Other	(17,464)	(20,072)	(19,200)	(22,454)	(20,695)
<b>Actuarial gains as a percentage of year end assets or liabilities</b>					
Difference between expected and actual return on assets	4%	15%	1%	(8%)	(33%)
Experience Gains/(Losses) on Liabilities in LGPS	(15%)	(11%)	5%	(3%)	27%
Experience Gains/(Losses) on Liabilities in other schemes	0	(4%)	3%	(15%)	13%

Dudley has opted not to restate the fair values if scheme assets for 2004/05 and 2005/06.

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

The actual loss on scheme assets in 2008/09 was £113.493m, (2007/08 = £20.380m).

The accumulated net actuarial loss recognised through the Statement of Recognised Gains and Losses (STRGL) is £140.205m. This has been included in the balance sheet figures, but not charged to taxpayers.

The actuaries estimate that the actual contributions to the LGPS in 2009/10 will be £23m for current employees, plus £1m for discretionary pensions.

Note 7: Leasing

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

Operating lease rentals paid in the year amounted to £2.243m (2007/08 = £2.131m); of this £2.005m related to vehicles and grounds maintenance equipment (2007/08 = £1.886m), and £0.238m to central heating in council dwellings (2007-08 = (£0.245m). In addition, £1.388m was paid to lease properties (2007/08 = £1.313m).

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 2008/09. The gross value at 31<sup>st</sup> March 2009 was £2.685m, which with accumulated depreciation of £1.549m, gives a net book value of £1.136m. (2007/08 = £1.513m). Finance lease rentals paid in the year amounted to £0.505m (2007/08 = £0.492m). The finance charge allocated to 2008/09 was £0.080m (2007/08 = £0.078m). The pattern of repayments of principal due under the finance leases is shown below. Depreciation charged in the year was £0.465m (2007/08 = £0.453m).

<b>Payable within</b>	<b>Repayment of Principal £'000</b>
12 months	310
1-5 years	479
more than 5 years	101

In addition, the Council entered into a 5 year finance lease in 2008/09 to part fund health and fitness equipment at its Leisure Centres to a value of £0.284m. Rental of £0.039m was paid in 2008/09 including a finance charge of £0.010m.

The Council also has commitments under operating leases in future years. The amounts due in 2009/10, analysed by type of asset and the year of expiry of the leases, are shown below.

<b>Leases Expiring in</b>	<b>Rental due in 2009/10</b>	
	<b>Land and Buildings £'000</b>	<b>Vehicles Plant and Equipment £'000</b>
12 months	161	495
1-5 years	413	1,224
More than 5 years	504	63

Dudley also receives rentals for leased properties. The amount received in 2008/09 was £0.978m (2007/08 = £0.777m). The value of land and buildings leased out during 2008/09 was £16.993m (2007/08 = £13.881m). 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 2008/09.

#### 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 2008/09 amounted to £1.43m (2007/08 = £1.208m). 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 £0.146m (2007/08 = £0.254m). Related expenditure amounted to £0.126m (2007/08 = £0.234m).

Note 11: Remuneration

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

	<b>2007/08</b>	<b>2008/09</b>
	<b>No.</b>	<b>No.</b>
£50,000 - £59,999	82	185*
£60,000 - £69,999	45	58
£70,000 - £79,999	19	30*
£80,000 - £89,999	5	16
£90,000 - £99,999	2	3*
£100,000 - £109,999	4*	3
£110,000 - £119,999	2	1
£120,000 - £129,999	0	0
£130,000 - £139,999	0	1
£140,000 - £149,999	2*	0
£150,000 - £159,999	1	1
£160,000 - £169,999	0	0
£170,000 - £179,999	0	0
£180,000 - £189,999	0	0
£190,000 - £199,999	0	1

\* These numbers include staff who received payments in addition to normal remuneration. In 2008/09 this applied to 8 members of staff (2007/08 = 2).

Note 12: Members Allowances

During the year, £0.697m was paid as allowances to Council members, under the Members Allowances (Amendment) Regulations 1995 (2007/08 = £0.695m).

Note 13: Related Party Transactions*Members and Officers of the Authority*

In respect of the 2008/09 financial year, works and services to the value of £4.282m 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	Payments
		£'000	£'000
Government	Specific Revenue Grants	337,520	
	Capital Grants	25,304	
West Midlands Police	Precept		9,218
West Midlands Fire and Civil Defence	Precept		4,454

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**

The Dudley Grid for Learning contract with Research Machines (RM), which is a project that provides IT facilities for 106 schools in the Directorate of Children's Services, expired in January 2009. Subsequently a contract for the extension of the service for a further two years was agreed with the same supplier. This new arrangement provided for the capital costs of the refresh of the ICT facilities to be passed on directly to the council rather than through the annual unitary charge. In 2008/09 the capital costs amounted to £1.288m and have been recorded on the council's balance sheet. In 2009/10 the authority is committed to making payments estimated at £3.743m (2008/09 = £5.739m) for the unitary charge. There is £6.774m unitary payment and £5.192m of capital costs outstanding from April 2009 to the end of the contract in 2011.

**Paragon**

In 2009/10 the authority is committed to making payments estimated at £3.178m (2008/09 = £2.913) 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 £0.336m for business rates, utilities and free school meals. At 2009/10 prices, there is £64.063m unitary payment (including "pass through" costs) outstanding from April 2009 to the end of the contract in 2031.

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

In 2009/10 the authority is committed to making payments estimated at £0.212m (2008/09= £0.212m) 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 2009/10 prices, there is £3.604m unitary payment outstanding from April 2009 to the end of the contract in 2026.

### Local Improvement Finance Trust (LIFT) Schemes

Dudley council is currently involved in 3 LIFT schemes, for which details are provided below.

#### Stourbridge Health and Social Care Centre

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

#### Brierley Hill Health and Social Care Centre

In September 2007 the authority signed up with the Dudley Primary Care Trust and Infracare to a lease plus agreement for the new Brierley Hill Health and Social Care Centre. The expected completion date is February 2010 with lease costs of approximately £0.275m per annum.

#### Lye Health & Social Care Centre

In December 2008 PFI credits of £6.965m were awarded to Dudley Primary Care Trust and the authority for a Health and Social Care centre in Lye. A site has not yet been identified for this LIFT scheme.

#### 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:

2007/08 Total £'000		2008/09 Chargeable £'000	2008/09 Non-Chargeable £'000	2008/09 Total £'000
(597)	Income from Charges	516	0	516
945	Expenditure	508	577	1,085
<b>348</b>	<b>(Surplus)/Deficit for the year</b>	<b>(8)</b>	<b>577</b>	<b>569</b>

#### 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 (2007/08 = £0.337m)

##### **Safe and Sound Crime Reduction Partnership**

The aim of Safe and Sound, Dudley's Community Safety Partnership is to reduce crime, by co-ordinating the work already being done by individual agencies which results in more effective and efficient service delivery to the public. The priorities of the partnership are determined by local consultation linked with Government priorities and those of the funding bodies. Dudley spent £0.110m on capital projects in 08/09 (the same amount as in 07/08) and £0.331m in revenue from Area Based Grant (compared to £0.334m in 07/08).

##### **Health Promoting schools**

Dudley Health Promoting Schools Service is a partnership between the Directorate of Children's Services and Dudley NHS Primary Care Trust which works with schools, Pupil Referral Units and other Educational settings to help children and young people improve their health and well-being. Dudley's contribution was £0.261m (2007/08 = 0.161m).

***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 £0.132m (2007/08 = £0.106m)**

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 £0.121m from the Local Authority (2007/08 = £0.097m) and £0.011m from Dudley Primary Care Trust (2007/08 = £0.009m).

**Learning Disability Campus Closure grant – Expenditure £0.019m**

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

**Falls Prevention Service – Expenditure £0.205m (2007/08 = £0.167m)**

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 £0.061m from the Local Authority (2007/08 = £0.049m) and £0.144m from the Dudley Primary Care Trust (2007/08 = £0.118m).

**Community Equipment Service – Expenditure £1.468m (2007/08 £1.276m)**

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 £1.080m from the Local Authority (2007/08 = £0.995m) and £0.388m from the Dudley Primary Care Trust (2007/08 = £0.281m).

**Learning Disability Supported Living – Expenditure £3.568m (2007/08 £3.471m)**

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 £0.484m from the Local Authority (2007/08 = £0.219m) and £3.083m from Dudley Primary Care Trust (2007/08 = £3.252m).

**Independent Living Team (ILT) & Acquired Brain Injury (ABI) – Expenditure £0.142m (2007/08 £0.117)**

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 £0.117m from the Local Authority (2007/08 = £0.096m) and £0.025m Dudley Primary Care Trust (2007/08 = £0.021m).

**Placements of Children with Disabilities – Expenditure £1.269m ( 2007/08 = £1.388m)**

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 £1.079m from Children's Services Directorate (2007/08 = £1.180m) and £0.190m from the Dudley Primary Care Trust (2007/08 = £0.208m).

***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 1<sup>st</sup> 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 were 'pooled' in order to give greater flexibility in the use of the funding. The grants that were pooled lost their previous identity and were paid as the LAA grant for the achievement of their LAA targets. In 2008/09 central government introduced the Area Based Grant (ABG) which brought together all the grants previously included in the LAA grant as well as a number of other grants. The ABG is a non-ringfenced general grant which maximises local flexibility and is not dependent on achievement of LAA targets.

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

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*Note 17: Government Grants not attributable to Specific Services*

	<b>2007/08</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Revenue Support Grant	15,278	14,401
Area Based Grant	0	21,070
Local Authority Business Growth Incentive	1,972	330
<b>Total included in Income and Expenditure Account</b>	<b>17,250</b>	<b>35,801</b>

Note 18: Fixed Assets

	Council Dwellings	Other Land & Buildings	Community Assets	Infra- structure	Vehicles, Plant & Equipment	Investment Properties	Assets Under Construction	Surplus Assets	Intangible Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>										
<i>At 1st April 2008</i>	1,070,332	391,119	11,053	174,089	20,529	13,898	14,134	7,047	5,776	1,707,977
<i>Adj to balance b/fwd</i>	-7,487	220	0	0	0	0	79	-676	0	-7,864
<i>At 1st April 2008 (Adj)</i>	1,062,845	391,339	11,053	174,089	20,529	13,898	14,213	6,371	5,776	1,700,113
Revaluations ( <i>at 1st April 2008</i> )	3,220	2,299	0	0	0	1,216	0	447	0	7,182
Additions	25,964	18,116	2,376	17,091	5,235	720	605	0	0	70,107
Disposals	-2,350	-38,137	0	0	0	-187	0	-300	0	-40,974
Reclassifications	0	1,492	0	12,076	0	0	-13,568	0	0	0
- Prior Yr Deferred Charges Written Out	0	-9,324	0	0	0	11	0	248	0	-9,065
Year end impairments	0	-5,638	0	0	0	0	0	0	0	-5,638
<b>At 31st March 2009</b>	<b>1,089,679</b>	<b>360,147</b>	<b>13,429</b>	<b>203,256</b>	<b>25,764</b>	<b>15,658</b>	<b>1,250</b>	<b>6,766</b>	<b>5,776</b>	<b>1,721,725</b>
<b>Depreciation</b>										
<i>At 1st April 2008</i>	-13,692	-22,700	0	-36,423	-9,530	0	0	0	-2,544	-84,889
<i>Adj to balance b/fwd</i>	0	78	0	0	0	0	0	0	0	78
<i>At 1st April 2008 (Adj)</i>	-13,692	-22,622	0	-36,423	-9,530	0	0	0	-2,544	-84,811
Revaluations ( <i>at 1st April 2008</i> )	13,692	9,307	0	0	0	0	0	0	0	22,999
Charge for 2008/09	-14,577	-9,556	0	-4,864	-2,874	0	0	0	-1,155	-33,026
Disposals	0	4,419	0	0	0	0	0	0	0	4,419
Reclassifications	0	0	0	0	0	0	0	0	0	0
- Prior Yr Deferred Charges Written Out	0	-753	0	0	0	0	0	0	0	-753
<b>At 31st March 2009</b>	<b>-14,577</b>	<b>-19,205</b>	<b>0</b>	<b>-41,287</b>	<b>-12,404</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3,699</b>	<b>-91,172</b>
<b>Balance Sheet amount at 31st March 2009</b>	<b>1,075,102</b>	<b>340,942</b>	<b>13,429</b>	<b>161,969</b>	<b>13,360</b>	<b>15,658</b>	<b>1,250</b>	<b>6,766</b>	<b>2,077</b>	<b>1,630,553</b>
<b>Restated Balance Sheet amount at 1st April 2008</b>	<b>1,049,153</b>	<b>368,717</b>	<b>11,053</b>	<b>137,666</b>	<b>10,999</b>	<b>13,898</b>	<b>14,213</b>	<b>6,371</b>	<b>3,232</b>	<b>1,615,302</b>
<b>Nature of asset holding</b>										
Owned	1,075,102	340,942	13,429	161,969	11,940	15,658	1,250	6,766	2,077	1,629,133
Finance Lease	0	0	0	0	1,420	0	0	0	0	1,420
	<b>1,075,102</b>	<b>340,942</b>	<b>13,429</b>	<b>161,969</b>	<b>13,360</b>	<b>15,658</b>	<b>1,250</b>	<b>6,766</b>	<b>2,077</b>	<b>1,630,553</b>

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### Fixed Asset Valuation

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

Council Dwellings were valued by an external valuer as at 1<sup>st</sup> April 2007 on the basis of Existing Use Value for Social Housing, and in accordance with Office of The Deputy Prime Minister (ODPM) guidance on Stock Valuation for Resource Accounting. For 2008/09 the 2007 values have been indexed to values appropriate as at 1<sup>st</sup> April 2008.

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

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

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

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

Community Assets (e.g. parks) and Infrastructure Assets (e.g. roads) have not been valued, but are included at historic cost, net of depreciation, in accordance with the Accounting Code of Practice. Within the cost of infrastructure assets above there is £92.2m relating to assets constructed in 2002/3 or earlier. The Council's records brought forward from that period are not sufficiently detailed to identify the specific assets to which these balances relate.

The year-end impairments result from a review of the effect of the ongoing economic recession on the property market.

Note 19: Assets Held

Major fixed assets owned and/or operated by the authority at 31<sup>st</sup> March 2009 were as follows:

<b>Operational Assets</b>	<b>Number</b>	
<b>Residential &amp; Day Care Establishments:</b>		
Homes for Older People	9	
Homes for People with Disabilities	3	
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	23,086	
Town Halls	4	
Administrative Properties	27	
Off-street Car Parks	68	
Leisure Centres and Pools	11	
Museums and Galleries	3	
Arts Centres and Places of Entertainment	2	
Markets	1	
Crematoria	2	
Cemeteries	7	
Libraries & Archives	22	
Allotments	31	Hectares
Youth Centres	12	
Children's Centres	20	
Community Centres	28	
<b>Schools:</b>		
Primary and Nursery	79	
Community Colleges and Secondary (inc. Foundation) Schools	21	
Special Schools	7	
Children's Homes	5	
Outdoor Education Centre	1	
Education Centre	1	
Depots	2	
<b>Community Assets:</b>		
Parks and Public Open Spaces	1335	Hectares
<b>Infrastructure Assets:</b>		
Principal, Classified and Unclassified Roads	1007	Km

All schools in the Borough have been included in this note to give a full picture of Council activity. The buildings of most voluntary aided and controlled schools, and the land and buildings of foundation schools, are owned by the governors or sponsoring body, and so the values are not included in the balance sheet. The values of the 2 schools redeveloped under a Private Finance Initiative Scheme are also excluded from the balance sheet.



Note 20: Capital Commitments

Major contractual and other commitments relating to capital projects at 31<sup>st</sup> March 2009 were as follows:

	<b>£'000</b>
Housing	4,892
Children's Services	9,218
Highways & Transport	742
Other projects	3,646
<b>Total</b>	<b>18,498</b>

Note 21: 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. The table below also shows the fair value of the investments at 31<sup>st</sup> March 2009. Fair value is defined as the value at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's-length transaction. It reflects changes in expectation of interest rates.

	<b>31<sup>st</sup> March 2008 £'000</b>	<b>31<sup>st</sup> March 2009 £'000</b>	<b>Fair Value at 31<sup>st</sup> March 2009 £'000</b>
<b>Long Term:</b>			
Loans to other Local Authorities	502	502	909
Birmingham Airport Shares	7,675	7,675	not available
	8,177	8,177	
<b>Short Term:</b>			
Temporary Money Market Investments	34,451	20,299	20,380
<b>Total Investments</b>	<b>42,628</b>	<b>28,476</b>	

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

Note 22: Financial Instruments Adjustment Account (FIAA)

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

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

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

	<b>Total 31<sup>st</sup> March 2008 £'000</b>	<b>Movements in Year £'000</b>	<b>Total 31<sup>st</sup> March 2009 £'000</b>
Dudley Treasury	12,307	(277)	12,030
Dudley – other	222	(36)	186
Ex WMCC	5,248	(301)	4,947
<b>Total</b>	<b>17,777</b>	<b>(614)</b>	<b>17,163</b>

Note 23: 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.

	<b>31<sup>st</sup> March 2008 restated £'000</b>	<b>31<sup>st</sup> March 2009 £'000</b>
<b>Dudley Activities:</b>		
Mortgages – Sold Properties	264	219
Other Mortgages	42	30
Other Local Authorities	120	113
Employee Loans	158	148
Loans to Individuals and Other Bodies	343	330
Debts secured on property	541	619
	1,468	1,459
<b>Ex. WMCC Activities</b>		
Other Local Authorities	201,983	197,982
	<b>203,451</b>	<b>199,441</b>

Note 24: Stocks and Stores

An analysis of Stocks and Stores is shown below.

	<b>31<sup>st</sup> March 2008 £'000</b>	<b>31<sup>st</sup> March 2009 £'000</b>
Housing	1,041	947
Engineering & Transportation	414	444
Other Stocks and Stores	257	244
Sub-total – Stocks and Stores	1,712	1,635
Landfill Allowances (see below)	1	1
	<b>1,713</b>	<b>1,636</b>

Due to a lack of an active market for the sale of pre-2009/10 Landfill allowances (LATS), the Council has continued its practice of valuing its LATS allowances up to 31<sup>st</sup> March 2009 at a nominal value.

Note 25: Debtors

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

	<b>31<sup>st</sup> March 2008 £'000</b>	<b>31<sup>st</sup> March 2009 £'000</b>
<b>1. General</b>		
Council Tax/Community Charge Payers	5,938	6,362
Non-Domestic Rate Payers	2,770	4,013
Housing Tenants	5,451	5,532
Government Departments	13,867	14,375
Other Debtors	18,887	16,706
	46,913	46,988
Less Provisions for Doubtful Debts:		
Council Tax/Community Charge Payers	(3,529)	(3,808)
Non-Domestic Rate Payers	(1,350)	(1,757)
Housing Tenants	(5,014)	(5,222)
Other Debtors	(3,522)	(3,570)
Sub-total of Provisions for Doubtful Debts	(13,415)	(14,357)
	<b>33,498</b>	<b>32,631</b>
<b>2. Payments in Advance</b>	4,004	5,159
<b>Total Debtors</b>	<b>37,502</b>	<b>37,790</b>

Note 26: Creditors

An analysis of creditors is shown below.

	<b>31<sup>st</sup> March 2008 £'000</b>	<b>31<sup>st</sup> March 2009 £'000</b>
<b>1. General</b>		
HM Revenue & Customs	6,219	6,341
Other Government Departments	9,100	2,139
Other Public Bodies	8,743	10,577
Rent and Council Tax/Community Charge Payers	1,000	1,154
Sundry Creditors	22,045	20,827
	<b>47,107</b>	<b>41,038</b>
<b>2. Receipts in Advance</b>		
Government Departments	18,059	19,626
Others	11,387	8,795
	<b>29,446</b>	<b>28,421</b>
<b>Total Creditors</b>	<b>76,553</b>	<b>69,459</b>

Note 27: Provisions

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

	<b>Balance at 31<sup>st</sup> March 2008 £'000</b>	<b>Net Increase/ (Decrease) £'000</b>	<b>Balance at 31<sup>st</sup> March 2009 £'000</b>
Equal Pay	94,552	(3,158)	91,394
Schools - Delegated Scheme	594	(594)	0
Landfill Allowances Liability	0	1	1
Other Provisions	165	450	615
	<b>95,311</b>	<b>(3,301)</b>	<b>92,010</b>

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

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 2009, 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 31<sup>st</sup> March 2009 (see [Note 23](#)), and the Council holds sufficient allowances to cover its own requirements, the corresponding liability is likewise nominal.

Note 28: Contingent Liabilities and AssetsContingent Liabilities

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

In the financial year 2008/09, the Council carried self-funded insurance on the following risks:

	<b>£'000 per Claim</b>
<b>Fire and Special Perils:</b>	
(i) Education Properties	250
(ii) General Properties	25
Subject to an aggregate limit of £960k for all claims across all properties	
<b>Computer Insurance:</b>	
Subject to an aggregate limit of £25k	25
<b>Legal Liability Risks</b>	
(£215k up to 30/11/08)	223
Subject to an aggregate limit of £2,906k (£2,800k up to 30/11/2008).	

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

In addition the Council currently has a contractual dispute regarding the value of the unitary payment for a PFI scheme, which is the subject of on-going negotiations. If not resolved, it may proceed to some form of legal adjudication during 2009/10.

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

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

The Council has made provision for potential equal pay settlements for its employees. 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.

Contingent Assets

The Council has various voluntary disclosures for overpaid output tax to HMRC arising from challenges to interpretation of the law and following the ruling in the case of Fleming (t/a Bodycraft) in the House of Lords. If successful in these claims the Council could gain by £1.9m.

*Note 29: Long Term Borrowing*

The table below shows the source of long-term borrowing, 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, and accrued interest at the year end. The table below shows the underlying borrowing, and separately the amounts relating to premiums. The fair value (i.e. reflecting market values) at balance sheet dates is shown for comparison.

Source of Borrowing	Total 31 <sup>st</sup> March 2008	Fair Value 31 <sup>st</sup> March 2008	Dudley 31 <sup>st</sup> March 2009	Ex W.M.C.C 31 <sup>st</sup> March 2009	Total 31 <sup>st</sup> March 2009	Fair Value at 31 <sup>st</sup> March 2009
	£'000	£'000	£'000	£'000	£'000	£'000
Public Works Loan Board	404,472	461,381	197,098	204,448	401,546	464,913
Stock	13,706	16,421	6,853	6,853	13,706	18,032
Other Sources	20,142	20,514	10,097	10,043	20,140	20,609
	<b>438,320</b>	<b>498,316</b>	<b>214,048</b>	<b>221,344</b>	<b>435,392</b>	<b>503,554</b>
Premiums adjusting carrying value	(3,548)		(867)	(2,406)	(3,273)	
<b>Balance Sheet Value</b>	<b>434,772</b>		<b>213,181</b>	<b>218,938</b>	<b>432,119</b>	

*Note 30: 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 31: 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 <sup>st</sup> March 2008	<b>238,218</b>
Restated Balance at 31 <sup>st</sup> March 2008	<b>236,889</b>
Unrealised gains on revaluation of fixed assets	35,574
Gains relating to property disposed of	(6,279)
Depreciation & Impairment attributable to the revaluation gain	(7,441)
<b>Balance at 31<sup>st</sup> March 2009</b>	<b>258,743</b>

*Note 32: Capital Adjustment Account*

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

	<b>£'000</b>
Balance at 1 <sup>st</sup> April 2008	<b>948,300</b>
Capital Financing 2008/09:	
Capital Receipts	1,916
Revenue	5,283
Major Repairs Reserve	14,107
Minimum Revenue Provision	9,737
Voluntary Revenue Provision	522
Transfer to Major Repairs Reserve of HRA Depreciation	(14,146)
Impairment charged to HRA	(625)
Depreciation & Impairment charged to General Fund revenue	(25,678)
Write down of Revenue Expenditure funded from Capital under Statute (net of related grants)	(57,324)
Grants written down to revenue	4,650
Asset disposals written down to revenue	(27,009)
Write down of capital debtors	(40)
Depreciation attributable to revaluation	3,832
<b>Balance at 31st March 2009</b>	<b>863,525</b>

*Note 33: Grants Deferred Account*

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

	<b>2007/08</b>	<b>2008/09</b>
	<b>£'000</b>	<b>£'000</b>
Balance at 1st April	91,187	111,844
Grants Applied to capital investment in the year	27,212	28,334
Amounts credited to revenue to match depreciation	(4,869)	(4,650)
Written down in respect of sold assets	(1,686)	(3,267)
<b>Balance at 31st March</b>	<b>111,844</b>	<b>132,261</b>

*Note 34: Capital Reserves*

**Useable Capital Receipts Reserve**

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

	<b>Housing*</b> <b>£'000</b>	<b>Other</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Balance at 31 <sup>st</sup> March 2008	-	-	-
Receipts from Sales of Assets etc.	3,600	728	4,328
Receipts applied for New Capital Expenditure	(1,188)	(728)	(1,916)
Contribution to Housing Pooled Capital Receipts	(2,412)		(2,412)
<b>Balance at 31st March 2009</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* including Housing General Fund.

***Note 35: General Fund Balance***

The following Fund movements took place in the year:

	<b>2007/08</b> <b>£'000</b>	<b>2008/09</b> <b>£'000</b>
Balance Brought Forward 1 <sup>st</sup> April	11,465	7,904
Deficit transferred to Revenue Account	(6,561)	(5,572)
Net transfer between reserves	3,000	3,000
<b>Balance Carried Forward 31st March</b>	<b>7,904</b>	<b>5,332</b>

***Note 36: Housing Revenue Account Reserves***

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

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

	<b>Balance at</b> <b>31st March</b> <b>2008</b> <b>£'000</b>	<b>Transfer From</b> <b>Income &amp;</b> <b>Expenditure</b> <b>Account</b> <b>£'000</b>	<b>Transfer (to)</b> <b>Income &amp;</b> <b>Expenditure</b> <b>Account</b> <b>£'000</b>	<b>Balance at</b> <b>31st March</b> <b>2009</b> <b>£'000</b>
General Reserve	5,595	-	(3,127)	2,468
Other Reserves	843	1,440	(685)	1,598
	<b>6,438</b>	<b>1,440</b>	<b>(3,812)</b>	<b>4,066</b>
Housing Repairs Account	0	238	-	238
Major Repairs Reserve	0	-	-	0
<b>Total HRA Reserves</b>	<b>6,438</b>	<b>1,678</b>	<b>(3,812)</b>	<b>4,304</b>



Note 37: 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.

	<b>Balance at 31st March 2008 Restated £'000</b>	<b>Transfer From Income &amp; Expenditure Account £'000</b>	<b>Transfer (to) Income &amp; Expenditure Account £'000</b>	<b>Balance at 31st March 2009 £'000</b>
LMS Reserves including Foundation Schools	11,617	1,722	(5,026)	8,313
Other Schools Reserves	2,075	939	(665)	2,349
Dedicated Schools Grant	360	1,587	(360)	1,587
<b>Total</b>	<b>14,052</b>	<b>4,248</b>	<b>(6,051)</b>	<b>12,249</b>

Local Management of Schools (LMS) - These relate to preserved funds of schools for use in future years, under the terms of Dudley's budget delegation scheme. Of the net balance of £8,313m at 31st March 2009, £8.368m relates to credit, and £0.055m to debit (overdrawn) balances.

Other Schools Reserves - These include reserves relating to Community and Extended Use activities, etc. Of the net balance of £2.349m at 31st March 2009, £2.421m relates to credit, and £0.072m to debit (overdrawn) balances.

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

**Other General Fund Reserves**

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

	<b>Restated Balance at 31st March 2008 £'000</b>	<b>Net Transfer To General Fund Balance £'000</b>	<b>Transfer From Income &amp; Expenditure Account £'000</b>	<b>Transfer (to) Income &amp; Expenditure Account £'000</b>	<b>Balance at 31st March 2009 £'000</b>
<b>Corporate Reserves:</b>					
Insurance Fund	10,134	(4,700)	1,015	-	6,449
Working Capital	2,000	-	-	-	2,000
Business Growth Incentive	1,972	-	-	(870)	1,102
Local Public Service Agreement (LPSA) Reward	1,254	-	-	(560)	694
Single Status	2,030	3,333	2,275	-	7,638
Other	523	(388)	210	-	345
	<b>17,913</b>	<b>(1,755)</b>	<b>3,500</b>	<b>(1,430)</b>	<b>18,228</b>
<b>Other Reserves:</b>					
DGfL & Paragon grants in advance	6,345	-	148	(881)	5,612
Other Directorate Reserves	3,269	(1,245)	2,792	(826)	3,990
	<b>9,614</b>	<b>(1,245)</b>	<b>2,940</b>	<b>(1,707)</b>	<b>9,602</b>
<b>Total Other General Fund Reserves</b>	<b>27,527</b>	<b>(3,000)</b>	<b>6,440</b>	<b>(3,137)</b>	<b>27,830</b>

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

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

The Business Growth Incentive Reserve reflects funding already received and available to support the revenue budget in 2009/10.

The LPSA Reward reserve relates to the Council's first LPSA which ran from 1st April 2003 to 31st March 2006 and represents the balance of reward monies.

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

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

**Note 38: Net Assets Employed**

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

	<b>Balance at 31st March 2008 £'000</b>	<b>Balance at 31st March 2009 £'000</b>
General Fund	906,819	908,187
Housing Revenue Account	6,438	4,304
<b>Local Taxpayers' Equity</b>	<b>913,257</b>	<b>912,491</b>

Note 39: Trust Funds

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

	<b>Restated Balance at 31st March 2008 £'000</b>	<b>Income and Other Gains £'000</b>	<b>Expenditure And Other Losses £'000</b>	<b>Balance at 31st March 2009 £'000</b>
Stevens Trust – <i>provides amenities in Stourbridge &amp; Lye</i>	2,324	456	63	2717
Earls High School Foundation – <i>supports current &amp; recent pupils of the school</i>	269	13	3	279
Other Children's Services Funds	163	51	22	192
Housing Leaseholder Funds	738	219	287	670
Adult and Community Funds – <i>mainly held on behalf of residents</i>	3,941	3,497	3,626	3,812
Funds held on behalf of The Prince's Trust	2,859	-	207	2,652
Other Funds	190	6	20	176
	<b>10,484</b>	<b>4,242</b>	<b>4,228</b>	<b>10,498</b>

The Ernest Stevens Trust comprises 4 separate trusts. Only the Stevens Park & Recreation Ground Foundation has investments which generate income. It also has land & property valued at £0.434m at 31<sup>st</sup> March 2009 in accordance with the RICS Appraisal & Valuation manual. The other 3 trusts have land & property valued on a similar basis totalling £1.938m at 31<sup>st</sup> March 2009.

In compliance with the Statement of Recommended Practice for Charities, the accounts of the Stevens Trust and the Earls High School Foundation show investments and property at appropriate current value. This has resulted in a net unrealised gain of £0.382m 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 40: 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.

	<b>Year Ended 31st December 2007 £'000</b>	<b>Year Ended 31st December 2008 £'000</b>
Total Assets less Liabilities.	762	776
Surplus on Ordinary Activities	140	14
Dividends Paid	Nil	Nil
Status of Accounts	audited	audited

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

Note 41: Reconciliation of Revenue Cash Flow to Net Movement on Income and Expenditure Account

	<b>2007/08 restated £'000</b>	<b>2008/09 £'000</b>
Net Revenue movement on Income and Expenditure Account - Deficit	84,901	68,230
(Increase)/Decrease in Collection Fund Balance	17	1
<b>Accruals</b>		
(Increase)/Decrease in Provisions	(48,204)	3,301
(Increase)/Decrease in Creditors	(1,025)	8,422
Increase/(Decrease) in Stock and Work in Progress	(509)	(77)
Increase/(Decrease) in Debtors	(6,024)	(3,818)
<b>Capital Activities</b>		
Interest received	2,941	4,297
Deduct Interest paid	(11,226)	(13,239)
Capital receipts credited to I and E	14,278	4,405
<b>Non-cash Movements</b>	(59,831)	(91,607)
<b>Revenue Activities Net Cash Flow</b>	<b>(24,682)</b>	<b>(20,086)</b>

*Note 42: Movement in Cash and Cash Equivalents*

	As at 31st March 2008 restated £'000	Movement £'000	As at 31st March 2009 £'000
Cash	7,076	(1,087)	5,989
Overdraft	(18,215)	1,466	(16,749)
Temporary loan investments	34,451	(14,152)	20,299
<b>Net Cash Inflow</b>	<b>(23,312)</b>	<b>(13,773)</b>	<b>(9,539)</b>

*Note 43: Other Movements*

	As at 31st March restated 2008 £'000	Capital Movement £'000	Revenue Movement £'000	As at 31st March 2009 £'000
Debtors	240,953	(3,914)	192	237,231
Creditors	(76,553)	(1,328)	8,422	(69,459)
Stock and Work in Progress	1,713		(77)	1,636
<b>Net Movement</b>	<b>166,113</b>	<b>(5,242)</b>	<b>8,537</b>	<b>169,408</b>

*Note 44: Movement in Long Term Borrowing*

	As at 31st March 2008 £'000	Movement £'000	As at 31st March 2009 £'000
Public Works Loan Board	400,923	(2,649)	398,274
Other	33,848	(3)	33,845
	<b>434,771</b>	<b>(2,652)</b>	<b>432,119</b>

*Note 45: An analysis of Government grants is shown below:*

	£'000	£'000
<b>Revenue:</b>		
Dedicated Schools Grant	188,303	
Standards Fund	19,979	
School Standards Grant	9,745	
SureStart Funding	5,876	
Other Department for Children, Schools and Families	1,907	
Department of Work and Pensions (excluding rent allowances)	68,284	
Communities and Local Government	26,773	
Learning and Skills Council	5,107	
Housing Grants (Disabled Facilities & Kickstart)	2,043	
Youth Justice Board	1,431	
Government Office West Midlands	1,428	
Department of Health	914	
Home Office	909	
Department for Environment, Food and Rural Affairs	538	
Primary Care Trust	495	
Training and Development Agency	259	
Department of Transport	120	
Other	150	

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**334,262**


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<b>Capital:</b>	8,288
Standards Fund	4,823
Other Department for Children, Schools and Families	9,929
Department for Transport	810
Housing Grants	427
Liveability	439
Department of Health	197
Learning & Skills Council	176
Department for Environment, Food and Rural Affairs	124
Advantage West Midlands	91
Other	

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**25,304**


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Note 46: 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:

	<b>Maximum proportion of total investments</b>
Bodies with a high credit rating, ie. 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.	no more than the greater of 20% or £5m with any one institution or group of banks
UK Government and other local authorities	no more than the greater of 20% or £5m with any one institution – except that the Government Debt Management Office is not limited
Sterling-denominated euro-sterling bonds issued by supra-national institutions with a long-term credit rating (issued by Fitch IBCA) of AAA (the highest).	25%
Investments, up to 3 months, in banks or other institutions wholly-owned by the UK Government	25%

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).

For investments, we ensure that when making new investments, long-term (of more than one year) investments form no more than 50% of our total pool of investments.

Market risk

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

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

<b>Maturity within:</b>	<b>Limit %</b>	<b>Actual 31<sup>st</sup> March 2009 £'000</b>	<b>Actual 31<sup>st</sup> March 2009 %</b>
12 months	0-10%	9,300	2.14%
1-2 years	0-10%	9,975	2.29%
2-5 years+	0-15%	29,489	6.77%
5-10 years	0-25%	67,527	15.51%
more than 10 years	40-100%	319,101	73.29%

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

The Council is exposed to price risk through its shareholding of £7.675m in Birmingham Airport. The authority is consequently exposed to losses arising from movements in the prices of the shares. The shares are all classified as 'available for sale', meaning that any movement in price would impact on gains and losses recognised in the Statement of Total Recognised Gains and Losses. As the shareholding has arisen in the acquisition of specific interests, the authority is not in a position to limit its exposure to price movements by diversifying its portfolio.

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

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**HOUSING REVENUE ACCOUNT**


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	<b>Restated 2007/08 £'000</b>	<b>2008/09 £'000</b>
<b>Income</b>		
Dwellings Rent	69,729	73,406
Non-Dwellings Rent	655	670
Charges for services and facilities	147	150
Contribution towards expenditure	537	802
Supporting People Grant	813	808
<b>Total Income</b>	<b>71,881</b>	<b>75,836</b>
<b>Expenditure</b>		
Repairs & Maintenance	29,597	26,268
Supervision and Management	14,169	17,907
Rent, Rates, Taxes & Other Charges	1,743	1,700
Item 10 Subsidy Adjustment	0	0
Negative Subsidy ( <a href="#">Note 10</a> )	13,905	17,163
Provision for Bad Debts	398	402
Depreciation & Impairments of Fixed Assets ( <a href="#">Note 8</a> & <a href="#">Note 9</a> )	21,220	14,771
Grants Deferred Written Down	(306)	(6)
Debt Management Costs	97	97
<b>Total Expenditure</b>	<b>80,823</b>	<b>78,302</b>
<b>Net Cost on Income &amp; Expenditure as included in the whole authority I &amp; E Account</b>	<b>8,942</b>	<b>2,466</b>
HRA share of Corporate & Democratic Core	567	591
HRA share of Non-Distributed Costs	0	0
<b>Net Cost on HRA services</b>	<b>9,509</b>	<b>3,057</b>
Gain or Loss on sale of HRA fixed assets	(4,161)	(1,355)
Interest & similar charges	3,615	4,052
HRA Investment Income (including Mortgage Interest)	(605)	(205)
Finance Cost of Pensions	6	512
<b>Cost for the year on HRA services</b>	<b>8,364</b>	<b>6,061</b>
<b>Statement of Movement on HRA Balance</b>		
<b>Cost for the year on HRA services</b>	8,364	6,061
Additional items required by statute or non-statutory proper practice to be (credited)/debited to the HRA Balance	(8,214)	(3,689)
<b>Total Deficit for the Year</b>	<b>150</b>	<b>2,372</b>
Housing Revenue Account Balance brought forward	(6,588)	(6,438)
Housing Revenue Account Balance carried forward	<b>(6,438)</b>	<b>(4,066)</b>



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

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.

	<b>2007/08 Restated</b>	<b>2008/09</b>
	<b>£000s</b>	<b>£000s</b>
<b>Items included in the HRA Income and Expenditure but excluded from the movement on HRA Balance for the year.</b>		
Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	(234)	(157)
Difference between any other item of income and expenditure determined in accordance with the SORP and those determined in accordance with statutory HRA requirements	7,181	4,525
Gains or Losses on sale of HRA fixed assets	(3,979)	(1,194)
Net charges made for retirement benefits in accordance with FRS17	1,449	2,020
	<b>4,417</b>	<b>5,194</b>
<b>Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year</b>		
Transfers from Housing Repairs Account	6,889	(238)
Transfers from Major Repairs Reserve	41	39
Employer's contributions payable to the West Midlands Pension Fund and those retirement benefits payable to pensioners	(1,112)	(1,306)
Capital expenditure funded by the HRA	(2,021)	0
	<b>3,797</b>	<b>(1,505)</b>
<b>Net additional amount required by statute to be credited to the HRA</b>	<b>8,214</b>	<b>3,689</b>

*Note 2: Housing Stock*

The Council was responsible for managing on average 23,155 dwellings during 2008/09. The stock at the year end was made up as follows:

Traditional Houses and Bungalows	14,318
Non-traditional Houses and Bungalows	946
Flats	7,822
<b>Stock at 31st March 2009</b>	<b>23,086</b>

The change in stock can be summarised as follows.

<b>Stock at 1st April 2008</b>	<b>23,223</b>
Less: Sales, Demolitions etc.	137
<b>Stock at 31st March 2009</b>	<b>23,086</b>

*Note 3: Fixed Assets*

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

	<b>31<sup>st</sup> March 2008</b>	<b>1st April 2008</b>	<b>31st March 2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
i) Operational Assets, comprising:			
Dwellings	1,049,152	1,066,064	1,075,102
Other Land & Buildings	3,205	3,439	3,305
	<b>1,052,357</b>	<b>1,069,503</b>	<b>1,078,407</b>

The change in values between 31<sup>st</sup> March 2008 and 1<sup>st</sup> April 2008 reflects the revaluation as at 1<sup>st</sup> April 2008.

- i) Non operational assets: Not material
- ii) The vacant possession value of dwellings within the authority's HRA at 1st April 2008 was £2,176m compared with a social housing value of £1,066m.

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

*Note 4: Major Repairs Reserve Movement*

	<b>£'000</b>
Balance on the Major Repairs Reserve at 31st March 2008	0
Amount transferred to the Major Repairs Reserve during the financial year	(14,147)
Amount transferred from the Major Repairs Reserve to the Housing Revenue Account during the financial year	39
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	14,108
<b>Balance on the Major Repairs Reserve at 31st March 2009</b>	<b>0</b>

*Note 5: Housing Repairs Account*

Analysis of the movement on the housing repairs account.

	<b>£'000</b>
Balance on the Housing Repairs Account at 31st March 2008	0
Amount transferred to the Housing Repairs Account during the financial year	(26,506)
Less: Repairs & Maintenance	26,268
<b>Balance as at 31st March 2009</b>	<b>(238)</b>

*Note 6: Capital Expenditure*

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

	<b>£'000</b>
Borrowing	9,780
Usable Capital Receipts	1,106
Revenue Contribution	0
Major Repairs Allowance	14,108
Grants & Leaseholders' Contributions	970
	<b>25,964</b>

*Note 7: Capital Receipts*

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

<b>Net Capital Receipts</b>	<b>£'000</b>
Dwellings	3,430
Other land & buildings	159
	<b>3,589</b>

Note 8: Depreciation

The total charge for depreciation within the Housing Revenue Account.

<b>Operational assets</b>	<b>£'000</b>
Dwellings	14,108
Other land & buildings e.g. shops	39
	<b>14,147</b>

Note 9: Impairment Charges

	<b>£'000</b>
The value of any impairment charges for the financial year in respect of land, houses & other property within the authority's Housing Revenue Account	624

Note 10: Housing Subsidy

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

	<b>£'000</b>
Allowance for management	(11,609)
Allowance for maintenance	(23,588)
Allowance for major repairs	(14,108)
Charges for capital	(5,632)
Rental Constraint Allowance	(58)
Rent	72,144
Interest on receipts	20
Defects repurchases loan	(6)
<b>Total (Negative Subsidy)</b>	<b>17,163</b>

Note 11: Rent Arrears

	<b>31st March 2008 £'000</b>	<b>31st March 2009 £'000</b>
Current Tenants	1,452	1,609
Former Tenants	3,622	3,656
<b>Total</b>	<b>5,074</b>	<b>5,265</b>

A bad debt provision has been made in the accounts in respect of potentially uncollectable rent arrears. The value of this provision was £4.651m at 31st March 2009 (£4.586m at 31st March 2008 restated).

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**COLLECTION FUND**


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2007/08 £'000		2008/09	
		£'000	£'000
92,397	Council Tax (net)	96,717	
19,129	Transfers from General Fund: Net Benefits	20,411	
85,503	Business Rates (net of provisions and reliefs)	90,922	
	Adjustments of Community Charges for Previous Years (Note 3)	(13)	
<b>197,029</b>	<b>Total Income</b>		<b>208,037</b>
	Precepts and Demands:		
8,877	West Midlands Police Precept	9,218	
4,312	West Midlands Fire & Civil Defence Precept	4,454	
97,946	Dudley MBC General Fund Demand	103,015	
111,135			116,687
	Business Rates:		
85,037	Payment to National Pool (Note 2)	90,461	
466	Costs of Collection	461	
85,503			90,922
	Increased/(Decreased) Provision for Doubtful Debts:		
388	Council Tax	441	
0	Community Charge (Note 3)	(13)	
388			428
20	Transfer to General Fund – Prior Year's Estimated Surplus		1
<b>197,046</b>	<b>Total Expenditure</b>		<b>208,038</b>
<b>(17)</b>	<b>Collection Fund Surplus (Deficit) for the year</b>		<b>(1)</b>
<b>19</b>	<b>Surplus at 1st April brought forward</b>		<b>2</b>
<b>2</b>	<b>TOTAL COLLECTION FUND SURPLUS AT 31ST MARCH</b>		<b>1</b>
<b>0</b>	<b>Surplus to be distributed to preceptors</b>		<b>0</b>
<b>2</b>	<b>DUDLEY MBC COLLECTION FUND SURPLUS</b>		<b>1</b>

Note 1: Council Tax

Council tax charges are calculated by estimating the amount of income required from the Collection Fund by the Council and precepting authorities for the forthcoming year and dividing this by the Council Tax base (*i.e. the equivalent number of Band D dwellings*). The Council Tax base for 2008/09 was 97,370.45 calculated as follows:

<b>Band</b>	<b>Number of Dwellings (adjusted for discounts, exemptions etc.)</b>	<b>Multiplier</b>	<b>Band D Equivalent</b>
A Disabled	<b>86.50</b>	5/9	<b>48.06</b>
A	<b>34,695.75</b>	6/9	<b>23,130.50</b>
B	<b>32,885.75</b>	7/9	<b>25,577.81</b>
C	<b>26,106.25</b>	8/9	<b>23,205.56</b>
D	<b>14,424.75</b>	1	<b>14,424.75</b>
E	<b>5,914.25</b>	11/9	<b>7,228.53</b>
F	<b>2,132.50</b>	13/9	<b>3,080.28</b>
G	<b>883.50</b>	15/9	<b>1,472.50</b>
H	<b>93.00</b>	18/9	<b>186.00</b>
<b>Total Band D equivalent</b>			<b>98,353.99</b>
<b>Assumed Collection Rate</b>			<b>99%</b>
<b>NET BAND D EQUIVALENT</b>			<b>97,370.45</b>

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

Non-Domestic Rates are collected locally on the basis of a nationally determined rate in the pound of 48.5p (or 48.1p if the property qualifies for small business relief) for 2008/09, 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 2009 was £226.791 (31st March 2008 = £228.147m). 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 2008/09, the following sums were written off:

Council Tax	£0.300m (2007/08 £0.362m)
National Non-Domestic Rates	£0.902m (2007/08 £0.443m)

**ANNUAL GOVERNANCE STATEMENT**

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to be inserted after acceptance by Audit Committee.