



**DUDLEY METROPOLITAN BOROUGH COUNCIL**  
**STATEMENT OF ACCOUNTS FOR THE**  
**YEAR ENDED 31 MARCH 2012**

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

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### **The Council's Responsibilities:**

The Council is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. This council has designated the Treasurer as the responsible officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

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

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I confirm that that these accounts were considered and approved by Dudley Metropolitan Borough Council's Audit and Standards Committee at the meeting held on 20<sup>th</sup> September 2012.

Signed on behalf of Dudley Metropolitan Borough Council:

Councillor Qadar Zada  
Chairman of the Audit and Standards Committee

Date: 20 September 2012

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

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**The Treasurer's Responsibilities:**

The Treasurer is responsible for the preparation of the council's Statement of Accounts which, in terms of the Code of Practice on Local Authority Accounting in the United Kingdom, is required to present a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March 2012.

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**CERTIFICATE OF THE TREASURER**

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I certify that in preparing this Statement of Accounts:

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

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

The accounts set out in the following pages give a true and fair view of the financial position of Dudley Metropolitan Borough Council at 31<sup>st</sup> March 2012, and its income and expenditure for the year then ended.

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

.....  
Iain Newman,  
Treasurer

Date: 20 September 2012

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

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**Opinion on the Council's financial statements**

I have audited the financial statements of Dudley Metropolitan Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LAASAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

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

**Respective responsibilities of the Treasurer and auditor**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Treasurer;
- and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

**Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of Dudley Metropolitan Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

**Opinion on other matters**

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

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

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**Matters on which I report by exception**

I report to you if:

- In my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

**Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources****Respective responsibilities of the Council and the auditor**

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

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

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

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Council has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

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

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**Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Dudley Metropolitan Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

**Certificate**

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

Signed

Tony Corcoran  
District Auditor  
Audit Commission  
1st Floor  
No. 1 Friarsgate  
1011 Stratford Road  
Solihull  
B90 4EB

 September 2012

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## EXPLANATORY FOREWORD BY THE TREASURER

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The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. The accounts are based on the Code of Practice on Local Authority Accounting in the United Kingdom 2011 (the Code). The 2011 Code introduced one significant change, and various lesser ones, to the accounts. Full details are given in the Statement of Accounting Policies on pages 22 – 34. The main changes this year are:

- Reporting heritage assets i.e. assets that are intended to be preserved in trust for future generations because of their cultural, environmental or historical associations.
- A new requirement to disclose summary information on exit packages
- Reinstatement of the Trust Fund Note

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

The pages which follow are the Authority's final accounts for 2011/12 and comprise:

### The Core Statements

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

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

**Balance Sheet** – This sets out the authority's year end financial position. It shows the balances and reserves at the authority's disposal and its long-term indebtedness, the fixed and net current assets employed in its operations, and summarised information on the property, plant and equipment and other long-term 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**, which include the **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 remaining statements** are regarded as subsidiary to the core statements:

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

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

The **Annual Governance Statement** accompanies the published Statement of Accounts, but is not part of it.

## EXPLANATORY FOREWORD BY THE TREASURER SUMMARY OF THE 2011/12 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 and rent payers who will be receiving benefits over more than one year.

### Revenue Spending in 2011/12

This summary shows the funds allocated to and used by the various Council Services.

<b>General Fund Services:</b>	<b>Budget £'000</b>	<b>Outturn £'000</b>	<b>Transfers to or (from) earmarked reserves £'000</b>	<b>Total Outturn £'000</b>	<b>Variance £'000</b>
Children's Services	81,694	72,748	8,946	81,694	-
Adult, Community & Housing	99,169	94,513	4,656	99,169	-
Urban Environment	50,282	51,472	(1,190)	50,282	-
Chief Executive's	4,210	4,719	(517)	4,202	(8)
Corporate Resources	4,213	24,112	(20,969)	3,143	(1,070)
<b>Total Service Costs</b>	<b>239,568</b>	<b>247,564</b>	<b>(9,074)</b>	<b>238,490</b>	<b>(1,078)</b>
Formula Grant	128,115	128,115	-	128,115	-
Council Tax Freeze Grant	2,766	2,766	-	2,766	-
Council Tax	110,641	110,641	-	110,641	-
<b>Total Funding</b>	<b>241,522</b>	<b>241,522</b>	<b>-</b>	<b>241,522</b>	<b>-</b>
<b>Net Revenue Expenditure = Change in General Balances</b>	<b>(1,954)</b>	<b>6,042</b>	<b>(9,074)</b>	<b>(3,032)</b>	<b>(1,078)</b>
<b>HRA:</b>					
Gross Spend	83,848	80,070	983	81,053	(2,795)
Income from rents etc.	(82,699)	(82,731)	-	(82,731)	(32)
<b>Net Revenue Expenditure = Change in General Balances</b>	<b>1,149</b>	<b>(2,661)</b>	<b>983</b>	<b>(1,678)</b>	<b>(2,827)</b>

There were minor net savings in the Chief Executive's Directorate.

The underspend in Corporate Resources arose from better than expected net Treasury returns etc. (-£0.890m); redundancy costs less than provided for (-£0.177m); release of bad debt provision (-£0.470m); extra housing benefit subsidy (-£0.400m); vacancies and other net service savings (-£0.174m); contribution to Insurance Fund in the light of the Council's potential obligations to Municipal Mutual Insurance (£1.041m).

The transfers to/from earmarked General Fund reserves mainly reflect school underspends against delegated resources (Children's Services); carry forward of resources earmarked for the ongoing costs of hospital discharge placements (Adult, Community and Housing) and the utilisation of reserves previously set aside for "single status" and capital programme commitments to fund capital spend and repay previous borrowing in order to free up future revenue resources (Corporate Resources).



The underspend on the HRA arose from savings on responsive and cyclical repairs as a result of efficiencies and lower demand and from lower management costs owing to vacancies and other net service savings. Rental income was slightly lower than budgeted, in part because more homes were sold under Right to Buy, but also because of an increase in tenants' moves and an increase in the provision for bad debts. This was largely offset by additional income from leaseholders and other contributions towards expenditure.

The transfers to earmarked HRA reserves represent the carry forward of resources earmarked for responsive and cyclical repairs and also for specific housing projects.

The services are shown here as they were operated by the Council in 2011/12, and do not exactly match the standard definitions in the Comprehensive Income & Expenditure Statement. Also, the figures here show the full expenditure and use of funds by each Directorate including use of or contributions to earmarked reserves and adjustments between accounting basis & funding basis under regulations, whereas the Comprehensive Income & Expenditure Statement excludes these items in order to follow International Financial Reporting Standards. The above figures can be reconciled to the Comprehensive Income and Expenditure Statement as follows:

	<b>Total Outturn £'000</b>
Total General Fund Service Cost (as above)	238,490
Total HRA Service Cost (as above)	(1,678)
<b>Total Service Costs</b>	<b>236,812</b>
	<b>Net £'000</b>
<b>Cost of Services (Comprehensive Income and Expenditure Statement)</b>	<b>582,252</b>
Plus: Other Operating Expenditure	15,902
Plus: Financing and Investment Income and Expenditure	21,395
Plus: Income and expenditure in relation to investment properties and changes in their fair value	885
Income treated as general grant in Income and Expenditure Statement, but included in Total Service Costs in preceding table.	(28,817)
Adjustments between accounting basis & funding basis under regulations	(346,422)
Less: amount in respect of difference between accounting and statutory treatment of Collection Fund surplus	(292)
Transfers to earmarked reserves	(8,091)
<b>Total Service Costs</b>	<b>236,812</b>

## EXPLANATORY FOREWORD BY THE TREASURER CAPITAL SPENDING AND FINANCING IN 2011/12

A summary of the Council's total capital expenditure of £85.687m in the year is shown below.

	<b>2011/12 £'000</b>
<b>Housing</b>	
Central Heating, Electrical Installations & Energy Saving	4,742
External Works	6,583
New Council Housing	9,471
Void Property Improvements	10,442
Modernity & Decent Homes	2,281
Adaptations	2,684
Other Public Sector Improvements	5,443
Private Sector Assistance	3,009
	<b>44,655</b>
<b>Children's Services</b>	
Hillcrest Expansion	4,202
Other Major Secondary School Projects	2,245
Major Primary School Projects	6,249
Old Park School Replacement	3,042
Other Major Special School Projects	301
Other Children's Services Projects	3,172
	<b>19,211</b>
<b>Highways &amp; Transport</b>	
Structural Maintenance of Roads and Bridges	6,254
Burnt Tree Junction	1,510
Street Lighting Improvements	400
Pedestrian, Cycling and other Safety Schemes	1,901
Other Improvements	1,382
	<b>11,447</b>
<b>Other Services</b>	
ICT Developments	839
Economic Regeneration	746
Adult Care	1,407
Culture and Leisure	2,338
Recycling, Waste Disposal & Environmental	534
New Archives	483
Vehicle Replacement	2,969
Structural Maintenance of Buildings and other projects	1,058
	<b>10,374</b>
<b>Total Expenditure</b>	<b>85,687</b>
Loan	21,846
Capital Receipts	2,887
Major Repairs Allowance (Housing)	14,525
Revenue	15,569
Grants / Contributions (including Lottery)	30,860
<b>Total Funding</b>	<b>85,687</b>

## EXPLANATORY FOREWORD BY THE TREASURER CAPITAL SPENDING AND FINANCING IN 2011/12 (Continued)

In addition to the capital expenditure set out above, a further £335.608m relating to HRA self-financing was capitalised under directions issued by the Secretary of State for Communities and Local Government.

### Reconciliation to Notes on Non-Current (Fixed) Asset Movements

	<b>£'000</b>
<b>Total Capital Expenditure</b>	<b>85,687</b>
Less: spending not on the Council's own assets, e.g. spend on Foundation Schools, and grants and loans to other persons and bodies for capital expenditure, etc.	5,917
<b>Additions at Cost to Non-current (Fixed) Assets – see Notes 12, 13 and 14</b>	<b>79,770</b>

### Borrowing Facilities

At 31 March 2012, the Council's external borrowing amounted to £753.9m (31 March 2011 £419.4m); of which £335.6m was in respect of Self Financing for the HRA and £202.9m related to the former West Midlands County Council debt for which Dudley is the Debt Administration Authority.

### Future Developments

The Council set its revenue budget for 2012/13 on 5 March 2012. The capital programme for 2012/13 was reviewed on 8 February 2012.

Funding of the approved revenue budget and the capital programme for 2012/13 is as follows:

<b>Revenue</b>	<b>£'000</b>
Formula Grant	121,732
Council Tax Freeze Grant	2,783
General Balances	284
Collection Fund Surplus	729
Council Tax	111,321
<b>Total Revenue Budget</b>	<b>236,849</b>

<b>Capital</b>	<b>£'000</b>
Loan	16,872
Revenue	17,875
Major Repairs Allowance (Housing)	21,487
Capital Receipts	2,664
Grants and Contributions (including Lottery)	23,407
<b>Total Capital Programme</b>	<b>82,305</b>

**MOVEMENT IN RESERVES STATEMENT**

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31/3/11</b>	<b>9,172</b>	<b>70,917</b>	<b>520</b>	<b>2,425</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83,034</b>	<b>604,718</b>	<b>687,752</b>
Surplus or (deficit) on Provision of services	24,567	0	(374,370)	0	0	0	0	(349,803)	0	(349,803)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(52,881)	(52,881)
<b>Total Comprehensive Income and Expenditure</b>	<b>24,567</b>	<b>0</b>	<b>(374,370)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(349,803)</b>	<b>(52,881)</b>	<b>(402,684)</b>
Adjustments between accounting basis and funding basis under regulations ( <a href="#">Note 7</a> )	(30,608)	0	377,031	0	259	0	0	346,682	(346,682)	0
<b>Net increase or (decrease) before transfers to/from earmarked reserves</b>	<b>(6,041)</b>	<b>0</b>	<b>2,661</b>	<b>0</b>	<b>259</b>	<b>0</b>	<b>0</b>	<b>(3,121)</b>	<b>(399,563)</b>	<b>(402,684)</b>
Transfers to or from earmarked reserves ( <a href="#">Note 8</a> )	9,073	(9,073)	(984)	984	0	0	0	0	0	0
<b>Increase or (decrease) in year</b>	<b>3,032</b>	<b>(9,073)</b>	<b>1,677</b>	<b>984</b>	<b>259</b>	<b>0</b>	<b>0</b>	<b>(3,121)</b>	<b>(399,563)</b>	<b>(402,684)</b>
<b>Balance at 31/3/12</b>	<b>12,204</b>	<b>61,844</b>	<b>2,197</b>	<b>3,409</b>	<b>259</b>	<b>0</b>	<b>0</b>	<b>79,913</b>	<b>205,155</b>	<b>285,068</b>

**MOVEMENT IN RESERVES STATEMENT (Continued)**

	General Fund Balance	Earmarked General Fund Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves Restated	Total Reserves Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 31/3/10</b>	<b>3,338</b>	<b>56,001</b>	<b>1,217</b>	<b>2,075</b>	<b>469</b>	<b>0</b>	<b>2,390</b>	<b>65,490</b>	<b>814,190</b>	<b>879,680</b>
Surplus or (deficit) on Provision of services	50,179	0	(191,694)	0	0	0	0	(141,515)	0	(141,515)
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	(50,413)	(50,413)
<b>Total Comprehensive Income and Expenditure</b>	<b>50,179</b>	<b>0</b>	<b>(191,694)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(141,515)</b>	<b>(50,413)</b>	<b>(191,928)</b>
Adjustments between accounting basis and funding basis under regulations ( <a href="#">Note 7</a> )	(29,429)	0	191,347	0	(469)	0	(2,390)	<b>159,059</b>	(159,059)	<b>0</b>
<b>Net increase or (decrease) before transfers to/from earmarked reserves</b>	<b>20,750</b>	<b>0</b>	<b>(347)</b>	<b>0</b>	<b>(469)</b>	<b>0</b>	<b>(2,390)</b>	<b>17,544</b>	<b>(209,472)</b>	<b>(191,928)</b>
Transfers to or from earmarked reserves ( <a href="#">Note 8</a> )	(14,916)	14,916	(350)	350	0	0	0	0	0	0
<b>Increase or (decrease) in year</b>	<b>5,834</b>	<b>14,916</b>	<b>(697)</b>	<b>350</b>	<b>(469)</b>	<b>0</b>	<b>(2,390)</b>	<b>17,544</b>	<b>(209,472)</b>	<b>(191,928)</b>
<b>Balance at 31/3/11</b>	<b>9,172</b>	<b>70,917</b>	<b>520</b>	<b>2,425</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83,034</b>	<b>604,718</b>	<b>687,752</b>

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
for the year ended 31 March 2012

	2011/12 Expenditure £'000	2011/12 Income £'000	2011/12 Net £'000	2010/11 Expenditure £'000	2010/11 Income £'000	2010/11 Net £'000
Education and Children's services	330,937	(275,902)	<b>55,035</b>	343,936	(293,720)	<b>50,216</b>
Schools converting to academy status - <a href="#">Note 29</a>	14,958	(1,463)	<b>13,495</b>	26,501	(4,202)	<b>22,299</b>
<b>Sub-total - Education and children's services</b>	<b>345,895</b>	<b>(277,365)</b>	<b>68,530</b>	<b>370,437</b>	<b>(297,922)</b>	<b>72,515</b>
Local authority housing (HRA)	119,192	(83,449)	<b>35,743</b>	80,552	(78,884)	<b>1,668</b>
Exceptional Item – HRA Self Financing Payment	335,608	0	<b>335,608</b>			
Exceptional Item – Revaluation loss on Housing Stock, due to change in discount factor, charged to CIES	0	0	<b>0</b>	192,330	0	<b>192,330</b>
Other housing services	105,229	(97,495)	<b>7,734</b>	101,887	(91,565)	<b>10,322</b>
<b>Sub-total - Housing</b>	<b>560,029</b>	<b>(180,944)</b>	<b>379,085</b>	<b>374,769</b>	<b>(170,449)</b>	<b>204,320</b>
Central services to the public	27,361	(28,126)	<b>(765)</b>	31,608	(27,834)	<b>3,774</b>
Corporate and Democratic Core	3,827	(312)	<b>3,515</b>	6,193	(234)	<b>5,959</b>
Non-distributed costs	166	0	<b>166</b>	4,225	0	<b>4,225</b>
Exceptional Item - Past service gain to pension schemes due to change from RPI to CPI	0	0	<b>0</b>	(58,328)	0	<b>(58,328)</b>
<b>Sub-total – Central Services</b>	<b>31,354</b>	<b>(28,438)</b>	<b>2,916</b>	<b>(16,302)</b>	<b>(28,068)</b>	<b>(44,370)</b>
Adult social care	109,667	(31,527)	<b>78,140</b>	121,720	(29,259)	<b>92,461</b>
Cultural and Related	23,384	(4,902)	<b>18,482</b>	20,062	(7,776)	<b>12,286</b>
Environmental and Regulatory	27,458	(9,315)	<b>18,143</b>	32,097	(9,586)	<b>22,511</b>
Planning and Development	16,440	(15,939)	<b>501</b>	19,370	(11,349)	<b>8,021</b>
Highways and Transport Services	20,347	(3,893)	<b>16,454</b>	21,044	(4,882)	<b>16,162</b>
<b>Cost of Services</b>	<b>1,134,574</b>	<b>(552,322)</b>	<b>582,252</b>	<b>943,197</b>	<b>(559,291)</b>	<b>383,906</b>
Other Operating Expenditure - <a href="#">Note 9</a>			<b>15,902</b>	0	0	<b>25,749</b>
Financing and Investment Income and Expenditure – <a href="#">Note 10</a>			<b>21,395</b>	0	0	<b>29,011</b>
Income and Expenditure in relation to Investment Properties and changes in their fair value - <a href="#">Note 14</a>			<b>885</b>	0	0	<b>(669)</b>
Taxation and Non-Specific Grant Income – <a href="#">Note 11</a>			<b>(270,631)</b>	0	0	<b>(296,482)</b>
<b>(Surplus) or Deficit on Provision of Services</b>			<b>349,803</b>	<b>0</b>	<b>0</b>	<b>141,515</b>

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**  
**for the year ended 31 March 2012 (Continued)**

	2011/12	2011/12	2011/12	2010/11	2010/11	2010/11
	Expenditure	Income	Net	Expenditure	Income	Net
	£'000	£'000	£'000	£'000	£'000	Restated £'000
Revaluation gains ( <a href="#">Note 24</a> )			(13,851)	0	0	(13,316)
Revaluation losses (chargeable to revaluation reserve) ( <a href="#">Note 24</a> )			204	0	0	124,486
Impairment losses (chargeable to revaluation reserve) ( <a href="#">Note 24</a> )			0	0	0	0
(Surplus) or deficit on revaluation of available for sale financial assets ( <a href="#">Note 24</a> )			(2,079)	0	0	0
Actuarial (gains) or losses on pension assets or liabilities ( <a href="#">Note 44</a> )			68,607	0	0	(60,757)
<b>Other Comprehensive Income and Expenditure</b>			<b>52,881</b>	<b>0</b>	<b>0</b>	<b>50,413</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>402,684</b>	<b>0</b>	<b>0</b>	<b>191,928</b>

**BALANCE SHEET**

	<b>31 March 2012</b>	<b>31 March 2011 Restated</b>
	<b>£'000</b>	<b>£'000</b>
<b>Property, Plant and Equipment</b> ( <a href="#">Note 12</a> )		
Council dwellings	668,876	693,192
Other land and buildings	401,553	390,927
Vehicles, plant, furniture and equipment	21,019	21,673
Infrastructure	182,214	171,941
Community assets	6,495	9,891
Assets under construction	2,919	19,492
Surplus assets not held for sale	8,098	8,093
<b>Heritage Assets</b> ( <a href="#">Note 13</a> )		
Heritage Assets	21,720	21,559
<b>Investment Property</b> ( <a href="#">Note 14</a> )		
Investment Property	9,792	11,526
<b>Intangible Assets</b> ( <a href="#">Note 15</a> )		
Software & rights over use of land	545	997
<b>Long Term Investments</b>		
Non property Investments ( <a href="#">Note 16</a> )	22,583	20,504
<b>Long Term Debtors</b> ( <a href="#">Note 18</a> )	181,278	184,101
<b>Long Term Assets</b>	<b>1,527,092</b>	<b>1,553,896</b>
<b>Short Term Investments</b> ( <a href="#">Note 16</a> )		
Non property investments excluding cash equivalents	2	2
Inventories ( <a href="#">Note 17</a> )	1,393	1,678
Short Term Debtors ( <a href="#">Note 18</a> )	27,385	37,224
Cash and Cash Equivalents ( <a href="#">Note 19</a> )	5,192	16,623
Assets held for sale ( <a href="#">Note 20</a> )	374	463
<b>Current Assets</b>	<b>34,346</b>	<b>55,990</b>



**BALANCE SHEET (Continued)**

	31 March 2012	31 March 2011 Restated
	£'000	£'000
Bank Overdraft	0	0
Short Term Borrowing ( <a href="#">Note 16</a> )	(24,132)	(13,690)
Short Term Creditors ( <a href="#">Note 21</a> )	(71,554)	(77,899)
Short Term Deferred Liabilities ( <a href="#">Note 16</a> )	(3,058)	(3,061)
Provisions ( < 1 year) ( <a href="#">Note 22</a> )	(46,834)	(17,194)
Capital Grants Received in Advance ( <a href="#">Note 36</a> )	(1,699)	0
Revenue Grants Received in Advance ( <a href="#">Note 36</a> )	(551)	(10,168)
<b>Current Liabilities</b>	<b>(147,828)</b>	<b>(122,012)</b>
Long Term Deferred Liabilities ( <a href="#">Note 16</a> )	(33,418)	(39,828)
Provisions ( > 1 Year) ( <a href="#">Note 22</a> )	(3,849)	(62,400)
Long Term Borrowing ( <a href="#">Note 16</a> )	(733,504)	(405,716)
Long Term Creditors ( <a href="#">Note 21</a> )	(308)	0
<b>Other Long Term Liabilities</b>		
Net Pension Liabilities ( <a href="#">Note 44</a> )	(355,765)	(280,934)
Capital Grants Received in Advance ( <a href="#">Note 36</a> )	(1,698)	(11,244)
<b>Long Term Liabilities</b>	<b>(1,128,542)</b>	<b>(800,122)</b>
<b>Net Assets</b>	<b>285,068</b>	<b>687,752</b>
<b>Usable Reserves</b>		
General Fund ( <a href="#">MiRS</a> )	12,204	9,172
Earmarked Reserves ( <a href="#">Note 8</a> )	34,251	50,810
Schools Reserves ( <a href="#">Note 8</a> )	27,593	20,108
Housing Revenue Account ( <a href="#">Note 8</a> )	5,606	2,945
Usable Capital Receipts Reserve ( <a href="#">Note 23</a> )	259	0
Capital Grants Unapplied ( <a href="#">Note 23</a> )	0	0
<b>Total Usable Reserves</b>	<b>79,913</b>	<b>83,035</b>

**BALANCE SHEET (Continued)**

	<b>31 March 2012</b>	<b>31 March 2011 Restated</b>
	<b>£'000</b>	<b>£'000</b>
<b>Unusable Reserves</b> ( <a href="#">Note 24</a> )		
Revaluation Reserve	109,111	97,841
Available for Sale Financial Instruments Reserve	14,408	12,329
Pensions Reserve	(355,765)	(280,934)
Capital Adjustment Account	457,772	795,677
Deferred Capital Receipts	779	1,462
Financial Instruments Adjustment Account	(15,106)	(15,865)
Collection Fund Adjustment Account	967	676
Short Term Accumulating Compensated Absences Account	(7,011)	(6,469)
<b>Total Unusable Reserves</b>	<b>205,155</b>	<b>604,717</b>
<b>Total Reserves</b>	<b>285,068</b>	<b>687,752</b>

**CASH FLOW STATEMENT**

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>Restated £'000</b>
Net (Surplus) or Deficit on the Provision of Services	349,803	141,515
Adjustments to Net Surplus or Deficit on the Provision of Services for Non Cash Movements and Other Movements ( <a href="#">Note 27</a> )	(59,351)	(229,546)
Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Operating, Investing and Financing Activities	(3,608)	4,242
Net cash flows from Interest & Dividends ( <a href="#">Note 25</a> )	10,695	15,926
<b>Net Cash Flows from Operating Activities</b>	<b>297,539</b>	<b>(67,863)</b>
Investing Activities ( <a href="#">Note 26</a> )	51,833	45,220
Financing Activities ( <a href="#">Note 27</a> )	(337,940)	5,972
<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>11,432</b>	<b>(16,671)</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period ( <a href="#">Note 19</a> )	(16,624)	47
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	<b>(5,192)</b>	<b>(16,624)</b>

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**NOTES TO THE STATEMENTS**


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## **Note 1: Accounting Policies**

### **1. General Principles and Changes for 2011/12**

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year-end of 31 March 2012. The Council is required to prepare an annual statement of accounts, prepared in accordance with proper accounting practices, by the Accounts and Audit Regulations 2011. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) and the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS). The council has adopted SeRCOP 2012/13 in advance – this makes no difference at the level of reporting in the statement of accounts.

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

The 2011/12 Code has introduced a change in accounting policy in relation to heritage assets. This will provide more relevant information for users of the accounts. Details are given in policy 25 below.

The Council has modified its policy on community assets, such as parks. Previously, all spend on parks was carried in the balance sheet at cost. It has now been recognised that more relevant information would be provided by transferring spend on equipment and park buildings to other balance sheet categories and applying depreciation. Further details of this are given in – [Note 51](#) - Effect of changes in accounting policies, but the effect is not material.

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

Activity is accounted for in the year in which it takes place, not when money is paid or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed; where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the balance sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment, rather than cash movements.

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

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

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

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

- the council has a present obligation (legal or constructive) as a result of a past event;
- it is probable (i.e. 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 in the accounts, but a contingent liability may be disclosed in a note. Where the liability is due to be settled within the next financial year, the provisions are shown as current liabilities in the balance sheet. Otherwise provisions are shown as long term liabilities.

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

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. Details of provisions held at 31 March 2012 are shown in [Note 22](#) to the statements.

When payments are eventually made, they are charged to the provision carried in the balance sheet. Estimated obligations are reviewed at the end of each financial year; where it becomes less than probable that money will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

The council has made a provision for the costs of settling claims for back pay arising from discriminatory payments incurred in the past, and has been given directions by the Government to treat these costs as capital expenditure, to be funded from prudential borrowing.

#### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the balance sheet but disclosed in [Note 45](#) to the statements.

#### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the council. Contingent assets are not recognised in the balance sheet but disclosed in [Note 46](#) to the statements where it is probable that there will be an inflow of economic benefits or service potential.

#### **4. Reserves**

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

Reserves designated as Local Management of Schools 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 council for general use.

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

## 5. Government and other Grants and Contributions

Government grants and third party contributions and donations are recognised as due to Dudley at the date that there is reasonable assurance that the monies will be received and that any conditions will be satisfied, but will not be credited to the Comprehensive Income and Expenditure Statement (CIES) until any conditions are satisfied. Conditions are stipulations that allow the grant-giver to recover the grant if it is not used as specified.

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

Capital grants and contributions are treated in a similar way, i.e. they are credited to CIES as Taxation and Non-specific Grant Income as soon any conditions are complied with and there is reasonable assurance that the money will be received.

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

Where capital grants and contributions are credited to the CIES, they are reversed out of the General Fund balance through the Movement in Reserves Statement (MiRS) to the Capital Adjustment Account (CAA).

## 6. Employee Benefits

### Benefits Payable during Employment

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

### Termination Benefits

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

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



### Post Employment Benefits

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

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

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees worked for the council. However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the balance sheet. The Children's and Education Services revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year. Details are given in [Note 43](#) to the statements.

### The Local Government Pension Scheme

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

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

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

The assets of the West Midlands Metropolitan Authorities Pension Fund attributable to the Council are included in the balance sheet at their fair value. Details are given in [Note 44](#) to the statements. Quoted securities held as assets in the scheme are valued at bid price.

The annual 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 CIES to the revenue accounts of the services for which the employees worked
- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Financing and Investment Income and Expenditure in the CIES
- expected return on assets – the annual investment return on the fund assets attributable to the council, based on an average of the expected long-term return – credited to Financing and Investment Income and Expenditure in the CIES
- gains or losses on settlements and curtailments – the result of actions to relieve the council of liabilities or events that reduce the expected future service or accrual of benefits of employees - debited to the Surplus or Deficit on the Provision of Services in the CIES as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve
- contributions paid to the West Midlands Metropolitan Authorities Pension Fund – cash paid as employer's contributions to the pension fund – not accounted for as an expense.

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

**Discretionary Benefits**

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

**7. VAT**

Only irrecoverable VAT payable is included in the accounts.

**8. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2012/13 (*SeRCOP*). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received. The exceptions are the following two categories of cost which are not recharged to services:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early, charges relating to unused or unusable assets where no service receives benefit, and any impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in *SeRCOP* and accounted for as separate headings in the CIES, as part of Cost of Services.

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

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

**Recognition**

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

**Measurement**

Assets are initially measured at cost, comprising:

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

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

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

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

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

The measurement base for community assets has changed from historical cost to depreciated historical cost, as it is considered that this will provide more relevant information to users of the accounts. This is in recognition of the fact that some enhancements of parks and open spaces, while inseparable from the underlying asset, do not have indefinite lives. Such enhancements will now be depreciated over estimated useful lives. The effect in 2011/12 will be to reduce the balance sheet value of community assets by £0.344m, with a matching increase in the Capital Adjustment Account. Further there are additional charges to the cost of Cultural, Environmental, Regulatory and Planning Services of £0.344m in 2011/12. These charges will be reversed out in the MiRS, and will have no effect on the General Fund Balance. Given the modest amount involved, it was not considered appropriate to restate the comparative figures.

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

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

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the CIES where they arise from the reversal of a loss previously charged to a service. Property assets whose revalued amount falls below the de-minimis level of £10,000 are excluded from the Balance Sheet. However there is not a formal de minimis for initial recognition of assets.

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

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

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

### **Impairment**

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

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

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

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

### **Depreciation**

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

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

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately, unless the difference to the depreciation charge would not be significant. This is not needed for Council Dwellings, as the calculation of the Major Repairs Allowance, used as a proxy for depreciation, takes account of differing replacement periods.

For newly built assets, and identifiable new blocks, over £1m in cost, a component will be identified, based on the cost of Electrical, Mechanical and Superstructures (generally between 30% and 50% of building cost), and depreciated over 30 years. Subsequent revaluations will be taken to refer to the host asset only.

At post-completion review of major enhancement or refurbishment schemes, an assessment will be made of the carrying value of any identifiable parts removed. If these have a value over £10k, they will be formally derecognised from the balance sheet. If the host asset has a life longer than 30 years, and a value above £2.5m, then the new spend will be set up as a component.

As assets are revalued through the five year rolling programme, if the new valuation of a building is over £2.5m, it is assessed for components, based on current replacement cost of the whole building or block, indexed back, and allowing for the actual history of the building as far as this is available.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

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

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the CIES as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the CIES also as part of the gain or loss on

disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment, or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement (MiRS).

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

#### 10. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the council (e.g. software licences) is capitalised when it will bring benefits to the council for more than one financial year. Such assets are usually short-lived, and as such are not revalued. The calculated value of certain access agreements are also carried on the balance sheet. These balances are amortised to the relevant service revenue account over the economic life of the assets to reflect the pattern of consumption of benefits.

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

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

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

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

- depreciation attributable to the assets used by the relevant service
- impairment and revaluation losses which exceed any balance of accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible assets attributable to the service.

The council is not required to raise council tax to cover depreciation, impairment or revaluation losses, or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the council in accordance with statutory guidance). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves, by way of an adjusting transaction with the Capital Adjustment Account.

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

Legislation in England and Wales allows some expenditure to be classified as capital for funding purposes although it does not result in the creation of a non-current 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 council, and amounts directed under section 16(2) of Part 1 of the Local Government Act 2003. Such expenditure is charged to the CIES in accordance with the general provisions of the Code. Any statutory provision that allows capital resources to meet the expenditure is accounted for by debiting the Capital Adjustment Account and crediting the General Fund Balance through the Movement in Reserves Statement (MiRS).

**13. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. (For vehicles, this applies when vehicles are leased for the greater part of their working lives.) All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

**The Council as Lessee, i.e. paying for the use of assets****Finance Leases**

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

Lease payments are apportioned between:

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

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

**Operating Leases**

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

**The Council as Lessor i.e. receiving rents for property****Finance Leases**

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

Lease rentals receivable are apportioned between:

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

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

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

### **Operating Leases**

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

## **14. Financial liabilities**

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

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

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

## **15. Financial Assets**

Financial assets are classified into two types:

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

### **Loans and Receivables**

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the CIES for interest receivable are based on the carrying amount of the asset multiplied

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

However, the council has made certain loans to organisations at less than market rates (soft loans), where this furthers the objectives of the council. When soft loans are made, a loss is recorded in the CIES for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the [MiRS](#).

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

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

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

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

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

Information relating to individual companies is shown in [Note 48](#) to the statements.

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

PFI contracts are agreements to receive services, where the responsibility for making available the plant, property and equipment needed to provide the services passes to the PFI contractor. In cases where the Council is deemed to control the services that are provided, and where ownership of the fixed asset will pass to the Council at the end of the contract without further payment, the Council has included these assets in the balance sheet. Details are shown in [Note 40](#) to the statements.

The entries are calculated as if the original recognition of the plant, property and equipment was balanced by a liability for amounts due to the scheme operator to pay for the assets.

Plant, property and equipment recognised on the balance sheet is revalued and depreciated in the same way as any other Council-owned property.

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

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

**PFI Credits**

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

**19. Landfill Allowances Trading Scheme**

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



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

## 20. Accounting for Council Tax

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

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

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

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

It therefore follows that:

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

## 22. Cash and Cash Equivalents

Cash in hand, cash in bank, and cash in call accounts, are counted as cash equivalents, as readily converted to a fixed amount of cash.

## 23. Investment Properties

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

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

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

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

## 24. Carbon Reduction Commitment Energy Efficiency Scheme

The council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The council is required to purchase and surrender allowances, currently retrospectively, on the basis of

emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the council is recognised and reported in the costs of the council's services and is apportioned to services on the basis of energy consumption.

## 25 Heritage Assets

The Council's Heritage Assets comprise:

Collections of art, glass, geological items and related archive materials held in the museums.  
Local archive collections held in the current archives in Mount Pleasant Street, but to be moved to the new Archive Centre in Tipton Street.  
Historic Landscapes, particularly The Leasowes.  
National and Local Nature Reserves.  
Statues and other art works in parks and public spaces.  
Art works associated with road schemes.

These are held in support of the objectives of increasing the knowledge, understanding and appreciation of the Council's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to heritage assets as detailed below. There are no significant elements of intangible heritage assets, so no separate accounting policy is required.

The Council's collections of heritage assets are accounted for as follows.

### Collections of Art, Glass, Geology and archive materials held in the museums

These items are reported in the Balance Sheet at insurance valuation which is based on market values.

### Historic Landscapes, particularly The Leasowes, National and Local Nature Reserves

These are held at cost, as it is not considered that any valuation can effectively value these unique assets. The cost is largely represented by recent works of restoration and development.

### Local archive collections

There is neither cost nor valuation associated with these items.

### Statues and art works in parks and public spaces, art works associated with road schemes, war memorials

These are held at an internal valuation, where the value can be reasonably estimated, or at cost if that can be found.

## **Note 2: Accounting Standards that have been issued but have not yet been adopted**

The Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the 2012 Code) has introduced a change in accounting policy from 1 April 2012 by adopting amendments to IFRS 7 Financial Instruments: Disclosures (issued October 2010). The change in accounting policy concerns disclosures for financial assets transferred under certain conditions. It is unlikely that there will be any material impact on the financial statements of local authorities.

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

In applying the accounting policies set out in [Note 1](#) to the statements, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

1. Depreciation methods – generally straight-line as an adequate approximation for short-lived assets on revolving replacement programmes. Useful lives are given or confirmed by technical officers, based on assumptions about use, maintenance, and the future of council functions. The council accept the Major Repairs Allowance (calculated by the Department for Communities and Local Government to cover the cost of maintaining housing stock over a long period) as a reasonable proxy for depreciation of the same stock.
2. Impairment of outstanding debtors. - The levels of provision for doubtful debts are reviewed in the light of actual experience, but necessarily involve assumptions as to whether past patterns will continue or change.
3. Accruals for future transactions, other than those produced by the accounting systems, involve judgements about amounts and likelihoods. This can lead in to provisions and contingent liabilities and assets which involve similar judgements. These areas are referred to senior officers in directorates as appropriate, for cross-checking of facts and assumptions.
4. Under IFRS, leases have been reviewed for possible reclassification between finance and operating leases. Although based on a schedule of criteria set out in the CIPFA Guidance on the Code of Practice, there is still an element of judgement.
5. Also under IFRS, estimates of levels and lives of components have been made, by joint working between Quantity Surveyors and accountants. While so far the results are not material, a judgement has been taken that eventually some componentisation will be needed, and that the largest value properties should be assessed for componentisation, as described in the summary of accounting policies in Note 1.
6. The valuation of council housing stock requires a judgement about the effect of ongoing social tenancies on value. Dudley accepts the regional valuation factors set out by the Department for Communities and Local Government as a reasonable approximation to this effect.
7. Schools are only included in the balance sheet in so far as the Council has legal ownership. Thus schools in Foundation Trusts, most of the voluntary aided and some of the voluntary controlled schools are excluded, although they are used in providing education within the Borough.

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

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

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

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

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

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

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties
Pension Scheme liability for non-teaching employees	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the councils which are members of the West Midlands Pension Fund with expert advice on the assumptions to be applied. (Details of the assumptions used are given in <a href="#">Note 44</a>).</p> <p>The effect on the pensions liability of changes in individual assumptions can be measured. However the assumptions interact in complex ways. The actuaries advise that a 0.1% increase in the discount rate as at 31 March 2012 would reduce the liability by £19m.</p>
Equal Pay Back Pay Provision	An estimate has been made of the potential liability, and the possible timing of payments, updated for actual transactions to date. Changes to the level or number of accepted settlements, would lead to a change in the estimate. A 1% change in the estimate would cause a change of £448k in the cost.
Provisions for Doubtful Debts	The various allowances for doubtful debts are based on actual past experience. If it was found that payment rates were worsening, the allowances would have to be increased. For example, if 5% of the general debt now expected to be paid were judged to be doubtful, an increase in provision of £428k would be needed.

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

A settlement payment of £335.608m was made to the Department for Communities and Local Government (DCLG) in March 2012 in order to implement Self Financing for council housing in 2012/13 in accordance with government regulations which have removed the housing subsidy system for Housing Authorities. The settlement payment was funded by loans from the Public Works Loan Board.

The following items were reported In 2010/11 accounts, and will affect comparisons between the two years: Impairment of Council Housing Stock:

- o Under DCLG regulations for obtaining the social use value of the council housing stock, the value as 1 April 2011 fell by £319 million, or about one third of its previous book value. The balance on the revaluation reserve for council housing was not sufficient to absorb this loss in value, so that £192 million was charged to the Comprehensive Income and Expenditure Statement (CIES) in 2010/11, shown in an Exceptional Items line.
- o The government decision to change the inflation factor for future public sector pension payments from RPI to CPI reduced the estimated pension liabilities by £53 million in 2010/11. This was credited to the CIES in 2010/11, again shown in an Exceptional Items line.

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

The Statement of Accounts was authorised for issue by the Treasurer on 20 September 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

2011/12	Usable reserves					Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and amortisation of non-current assets	24,967	14,724				(39,691)
Revaluation losses on Property Plant and Equipment and heritage assets	16,777	50,448				(67,225)
Movements in the market value of Investment Properties	1,646					(1,646)
Capital grants and contributions applied	(27,359)	(3,501)				30,860
Revenue expenditure funded from capital under statute	(3,042)	332,119				(329,077)
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	4,327	2,182				(6,509)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Provision for the financing of capital investment	(34,420)					34,420
Capital expenditure charged against the General Fund and HRA Balances	(14,540)	(1,029)				15,569
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						0
Application of grants to capital financing transferred to the Capital Adjustment Account						0

2011/12	Usable reserves					Unusable reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Receipts Reserve:</b>						
Transfer of cash sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(6,644)	(4,118)	10,762			0
Use of the Capital Receipts Reserve to finance new capital expenditure			(2,887)			2,887
Use of the Capital Receipts Reserve to repay debt			(5,622)			5,622
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		91	(91)			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	2,604		(2,604)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			678			(678)
Write down of Capital Debtors			23			(23)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement						0
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA		(14,525)		14,525		0
Use of the Major Repairs Reserve to finance new capital expenditure				(14,525)		14,525
<b>Adjustments primarily involving the Financial Instruments Adjustments Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(474)	(284)				758
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement ( <a href="#">Note 24</a> )	27,518	3,785				(31,303)
Employer's pensions contributions and direct payments to pensioners payable in the year	(22,218)	(2,861)				25,079

2011/12	Usable reserves					Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(291)					291
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	542					(542)
<b>Total Adjustments 2011/12</b>	<b>(30,608)</b>	<b>377,031</b>	<b>259</b>	<b>0</b>	<b>0</b>	<b>(346,682)</b>

2010/11	Usable reserves					Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	Movement in Unusable Reserves £'000
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation and amortisation of non-current assets	25,009	14,478				(39,487)
Revaluation losses on Property Plant and Equipment and heritage assets	17,494	192,386				(209,880)
Movements in the market value of Investment Properties	(126)	0				126
Capital grants and contributions applied	(31,715)	(3,774)				35,489
Revenue expenditure funded from capital under statute	8,538	318				(8,856)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	2,239	5,659				(7,898)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Provision for the financing of capital investment	(15,824)	0				15,824
Capital expenditure charged against the General Fund and HRA Balances	0	(2,088)				2,088
<b>Adjustments primarily involving the Capital Grants Unapplied Account:</b>						
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement						0
Application of grants to capital financing transferred to the Capital Adjustment Account					(2,390)	2,390



2010/11	Usable reserves					Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(1,106)	(3,781)	4,887			0
Use of the Capital Receipts Reserve to finance new capital expenditure			(3,250)			3,250
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals		188	(188)			0
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool	1,985		(1,985)			0
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			34			(34)
Write down of Capital Debtors			33			(33)
<b>Adjustments primarily involving the Deferred Capital Receipts Reserve:</b>						
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement		(1,345)				1,345
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA		(5,475)		5,475		0
Use of the Major Repairs Reserve to finance new capital expenditure				(5,475)		5,475
<b>Adjustments primarily involving the Financial Instruments Adjustments Account:</b>						
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(370)	(281)				651
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement ( <a href="#">Note 24</a> )	(10,510)	(1,568)				12,078
Employer's pensions contributions and direct payments to pensioners payable in the year	(23,847)	(3,337)				27,184

2010/11	Usable reserves					Unusable Reserves
	General Fund Balance £'000	Housing Revenue Account £'000	Capital Receipts Reserve £'000	Major Repairs Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(673)					673
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(521)	(33)				554
<b>Total Adjustments 2010/11</b>	<b>(29,427)</b>	<b>191,347</b>	<b>(469)</b>	<b>0</b>	<b>(2,390)</b>	<b>(159,061)</b>

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

This note sets out the amounts set aside from the General Fund and HRA balances in earmarked reserves to provide financing for future expenditure plans, and the amounts posted back from earmarked reserves to meet General Fund and HRA expenditure in 2011/12. It also sets out the school reserves which are committed to be spent in the education service and are not available to the council for general use.

	Balance at 31 March 2012 £'000	Transfer Out 2011/12 £'000	Transfer In 2011/12 £'000	Balance at 31 March 2011 £'000	Transfer Out 2010/11 £'000	Transfer In 2010/11 £'000	Balance at 31 March 2010 £'000
<b>HRA Reserves:</b>							
General Reserve	2,197	0	1,678	519	(698)	0	1,217
Housing Repairs Account	1,644	0	1,190	454	0	454	0
Other HRA Earmarked Reserves	1,765	(1,216)	1,009	1,972	(1,573)	1,469	2,076
<b>Total HRA Earmarked Reserves</b>	<b>3,409</b>	<b>(1,216)</b>	<b>2,199</b>	<b>2,426</b>	<b>(1,573)</b>	<b>1,923</b>	<b>2,076</b>
Major Repairs Reserve	0	(14,525)	14,525	0	(5,475)	5,475	0
<b>Total HRA Reserves</b>	<b>5,606</b>	<b>(15,741)</b>	<b>18,402</b>	<b>2,945</b>	<b>(7,746)</b>	<b>7,398</b>	<b>3,293</b>
<b>Schools Reserves:</b>							
LMS Reserves including Foundation Schools	20,169	(1,878)	7,326	14,721	(5,230)	9,200	10,751
Other Schools Reserves	2,873	(876)	775	2,974	(1,085)	1,127	2,932
Dedicated Schools Grant	4,551	(36)	2,175	2,412	(688)	986	2,114
<b>Total Schools Reserves</b>	<b>27,593</b>	<b>(2,790)</b>	<b>10,276</b>	<b>20,107</b>	<b>(7,003)</b>	<b>11,313</b>	<b>15,797</b>
<b>Other General Fund Reserves:</b>							
Insurance & Risk Management	4,483	(2,705)	0	7,188	(500)	649	7,039
Working Capital	2,000	0	0	2,000	0	0	2,000
Local Area Agreement Reward	666	(750)	0	1,416	(5,407)	64	6,759
Single Status	0	(11,597)	0	11,597	0	2,303	9,294
Capital Resources	0	(6,859)	0	6,859	0	1,902	4,957
Other Corporate Reserves	257	(180)	138	299	(209)	0	508
DGfL & Paragon grants in advance	12,581	(277)	0	12,858	(855)	11,330	2,383
Other Directorate Reserves	14,264	(1,148)	6,819	8,593	(599)	1,929	7,263
<b>Total Other General Fund Reserves</b>	<b>34,251</b>	<b>(23,516)</b>	<b>6,957</b>	<b>50,810</b>	<b>(7,570)</b>	<b>18,177</b>	<b>40,203</b>
<b>Total General Fund Reserves</b>	<b>61,844</b>	<b>(26,306)</b>	<b>17,233</b>	<b>70,917</b>	<b>(14,573)</b>	<b>29,490</b>	<b>56,000</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 £20.169m at 31 March 2012, £20.489m relates to credit, and £0.320m to debit (overdrawn) balances.

Other Schools Reserves - These include reserves relating to Community and Extended Use activities, etc. Of the net balance of £2.873m at 31 March 2012, £2.897m relates to credit, and £0.024m to debit (overdrawn) balances.

Dedicated Schools Grant (DSG) – This reflects the roll forward of unspent grant into the following year. [Note 35](#) to the statements shows how the DSG was used in the year.

The Insurance reserve is maintained at a level consistent with the insurable risks borne by the Council, including those residual risks relating to the Council's interest in Municipal Mutual Insurance (MMI) and will fluctuate accordingly. An element of the balance at 31<sup>st</sup> March 2011 has been utilised to create a provision in respect of outstanding claims.

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

The Local Area Agreement (LAA) Reward reserve represents the reward monies received in respect of successful achievement of LAA targets. This will be expended by the Council and its partners on local priorities over the coming years.

The Capital Resources Reserve represents revenue resources carried forward to fund committed capital expenditure. The balance at 31<sup>st</sup> March 2011 was fully utilised in 2011/12.

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 was established to help fund the implications of the Single Status agreement. The balance at 31<sup>st</sup> March 2011 was fully utilised in 2011/12 to repay borrowing previously incurred in respect of Unequal Pay Back Pay Settlements in order to release ongoing resources to fund Single Status costs.

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

	2011/12	2010/11
	£'000	£'000
Levies – Environment Agency and West Midland Joint Committee	123	140
West Midlands Integrated Transport Agency Levy	17,429	16,464
Payments to the Government Housing Capital Receipts Pool	2,604	1,985
(Gains) or losses on the disposal of non-current assets	(4,254)	1,666
Derecognition of community assets	0	5,494
Impairment of Assets not linked to any service	0	0
<b>Total</b>	<b>15,902</b>	<b>25,749</b>

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

	2011/12	2010/11
	£'000	£'000
Interest payable on debt	11,875	12,039
Interest element of finance leases	1,012	979
Interest payable on PFI unitary payments	2,394	2,473
Expected return on pensions assets	(45,133)	(41,730)
Pensions interest cost	52,213	55,639
Interest receivable and similar income	(297)	(279)
Dividends receivable	(669)	(111)
<b>Sub-total</b>	<b>21,395</b>	<b>29,010</b>
Income and expenditure in relation to investment properties and changes in their fair value (details in <a href="#">Note 14</a> )	885	(669)
<b>Total</b>	<b>22,280</b>	<b>28,341</b>

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

	2011/12	2010/11
	£'000	£'000
Council tax income	110,932	110,547
Distribution from Non domestic rates pool	97,865	109,655
Non-ringfenced government grants (details in <a href="#">Note 36</a> )	36,360	46,943
Capital grants and contributions (further details in <a href="#">Note 36</a> )	25,474	29,337
<b>Total</b>	<b>270,631</b>	<b>296,482</b>

**Note 12: Property Plant and Equipment****Movements on Balances**

Movements in 2011/12:	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>									
At 1 April 2011	707,467	422,688	38,434	223,623	9,891	8,119	19,492	1,429,714	37,847
additions	32,089	11,817	5,326	11,499	1,245	14	17,616	79,606	333
donations								0	
Revaluation increases or (decreases) recognised in the Revaluation Reserve	0	3,208	0	0	0	0	0	3,208	
Revaluation increases or (decreases) recognised in the Surplus/Deficit on the Provision of Services	(64,671)	(24,662)	0	0	0	(8)	0	(89,341)	
Derecognition - disposals	(2,120)	(4,365)	0	(169)	0	0	0	(6,654)	
Derecognition - other	(59)	0	0	0	0	0	0	(59)	
Assets reclassified (to) or from Held for Sale	0	0	0	0	0	0	0	0	
Other movements in cost or valuation	10,695	22,571	132	5,088	(4,297)	0	(34,189)	(0)	
<b>At 31 March 2012</b>	<b>683,401</b>	<b>431,257</b>	<b>43,892</b>	<b>240,041</b>	<b>6,839</b>	<b>8,125</b>	<b>2,919</b>	<b>1,416,474</b>	<b>38,180</b>

Movements in 2011/12:	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2011	(14,275)	(31,760)	(16,761)	(51,682)	0	(27)	0	<b>(114,505)</b>	(1,425)
Depreciation charge	(14,525)	(12,047)	(6,112)	(6,213)	(344)	0	0	<b>(39,241)</b>	(1,065)
Depreciation written out to the Revaluation Reserve	0	6,146	0	0	0	0	0	<b>6,146</b>	
Depreciation written out to the Surplus or Deficit on the Provision of Services	14,275	7,728	0	0	0	0	0	<b>22,003</b>	
Impairment losses or (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	<b>0</b>	
Impairment losses or (reversals) recognised in the Surplus or Deficit on the Provision of Services		0	0	0	0	0	0	<b>0</b>	
Derecognition - disposals		229	0	68	0	0	0	<b>297</b>	
Derecognition - other								<b>0</b>	
Other movements in depreciation and impairment				0	0	0	0	<b>0</b>	
<b>At 31 March 2012</b>	<b>(14,525)</b>	<b>(29,704)</b>	<b>(22,873)</b>	<b>(57,827)</b>	<b>(344)</b>	<b>(27)</b>	<b>0</b>	<b>(125,300)</b>	<b>(2,490)</b>
<b>Net Book Value at 31 March 2012</b>	<b>668,876</b>	<b>401,553</b>	<b>21,019</b>	<b>182,214</b>	<b>6,495</b>	<b>8,098</b>	<b>2,919</b>	<b>1,291,174</b>	<b>35,690</b>
<b>Net Book Value at 31 March 2011</b>	<b>693,192</b>	<b>390,928</b>	<b>21,673</b>	<b>171,941</b>	<b>9,891</b>	<b>8,092</b>	<b>19,492</b>	<b>1,315,209</b>	<b>36,422</b>

Movements on Balances

<b>Movements in 2010/11:</b>	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles, Plant, Furniture &amp; Equipment</b>	<b>Infrastructure Assets Restated</b>	<b>Community Assets Restated</b>	<b>Surplus Assets</b>	<b>Assets Under Construction</b>	<b>Total Property, Plant &amp; Equipment</b>	<b>PFI Assets Included in Property, Plant &amp; Equipment Restated</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost or Valuation</b>									
At 1 April 2010	1,007,599	419,889	35,693	213,765	12,727	9,686	5,009	<b>1,704,368</b>	37,719
additions	34,767	13,167	5,572	12,071	2,654	462	12,434	<b>81,127</b>	120
donations	0	0	0	0	0	0	0	<b>0</b>	0
revaluation increases or (decreases) recognised in the Revaluation Reserve	(138,257)	73	0	0	0	15	0	<b>(138,169)</b>	8
revaluation increases or (decreases) recognised in the Surplus or Deficit on the Provision of Services	(192,330)	(17,494)	0	0	0	0	0	<b>(209,824)</b>	0
derecognition – disposals	(1,859)	(1,984)	(2,835)	0	0	0	0	<b>(6,678)</b>	0
derecognition – other	0	0	0	0	(5,494)	0	0	<b>(5,494)</b>	0
assets reclassified (to) or from Held for Sale	0	0	0	0	0	(3,800)	0	<b>(3,800)</b>	0
other movements in cost or valuation	(2,453)	9,037	4	(2,213)	4	1,756	2,049	<b>8,184</b>	0
<b>At 31 March 2011</b>	<b>707,467</b>	<b>422,688</b>	<b>38,434</b>	<b>223,623</b>	<b>9,891</b>	<b>8,119</b>	<b>19,492</b>	<b>1,429,714</b>	<b>37,847</b>



Movements in 2010/11:	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets Restated	Community Assets Restated	Surplus Assets	Asset Under Construction	Total Property, Plant & Equipment	PFI Assets Included in Property, Plant & Equipment Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated Depreciation and Impairment</b>									
At 1 April 2010	(14,090)	(29,487)	(13,559)	(45,786)	0	(16)	0	<b>(102,938)</b>	(1,027)
	(14,275)	(12,486)	(6,037)	(5,896)	0	(3)	0	<b>(38,697)</b>	(1,061)
Depreciation charge									
Depreciation written out to the Revaluation Reserve	14,090	10,090	2,835	0	0	0	0	<b>27,015</b>	663
Depreciation written out to the Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>	0
Impairment losses or (reversals) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	<b>0</b>	0
Impairment losses or (reversals) recognised in the Surplus or Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>	0
Derecognition – disposals	0	115	0	0	0	0	0	<b>115</b>	0
Derecognition – other	0	0	0	0	0	0	0	<b>0</b>	0
Other movements in depreciation and impairment	0	8	0	0	0	(8)	0	<b>0</b>	0
<b>At 31 March 2011</b>	<b>(14,275)</b>	<b>(31,760)</b>	<b>(16,761)</b>	<b>(51,682)</b>	<b>0</b>	<b>(27)</b>	<b>0</b>	<b>(114,505)</b>	<b>(1,425)</b>
<b>Net Book Value at 31 March 2011</b>	<b>693,192</b>	<b>390,928</b>	<b>21,673</b>	<b>171,941</b>	<b>9,891</b>	<b>8,092</b>	<b>19,492</b>	<b>1,315,209</b>	<b>36,422</b>
<b>Net Book Value at 31 March 2010</b>	<b>993,507</b>	<b>390,402</b>	<b>22,133</b>	<b>167,952</b>	<b>12,727</b>	<b>9,670</b>	<b>5,008</b>	<b>1,601,399</b>	<b>36,692</b>

**Depreciation**

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

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

**Capital Commitments**

At 31<sup>st</sup> March 2012, Dudley had entered into major contractual and other commitments relating to the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years. Budgeted costs for these were as follows:

	£'000
Housing	3,886
Adult and Community	5,411
Environmental Management	5,452
Children's Services	5,108
Other Projects	2,238
<b>Total</b>	<b>22,095</b>

Similar commitments at 31<sup>st</sup> March 2011 were £32.844m

**Effects of Changes in Estimates**

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

**Revaluations**

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

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

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

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

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

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

### Components

Where identifiable and significant components of a building have a shorter life than the building itself, they should be depreciated separately, to ensure that the annual charge to revenue fully reflects the use of the building. In Dudley, the overall difference between asset lives and actual replacement periods is such that there would not be a significant effect on the accounts if components were separately depreciated. Therefore no componentisation was carried out in the first year of the new policy (2010/11 accounts). In the second year, i.e. for these 2011/12 accounts, it has been decided to apply componentisation on the largest assets only.

### New estimation methodology

For newly built assets, and identifiable new blocks, over £1m in cost, a component will be identified, based on the cost of electrical and mechanical works and superstructures (generally between 30% and 50% of building cost), and depreciated over 30 years. Subsequent revaluations will be taken to refer to the host asset only.

At post-completion review of major enhancement or refurbishment schemes, an assessment will be made of the carrying value of any identifiable parts removed. If these have a value over £10k, they will be formally derecognised from the balance sheet. If the host asset has a life longer than 30 years, and a value above £2.5m, then the new spend will be set up as a component.

As assets are revalued through the five year rolling programme, if the new valuation of a building is over £2.5m, it is assessed for components, based on current replacement cost of whole building or block, indexed back, and allowing for actual history of building as far as this is available.

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

	<b>Council Dwellings</b>	<b>Other Land and Buildings</b>	<b>Vehicles Plant and Equipment</b>	<b>Surplus Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Carried at Depreciated Historical Cost</b>			21,019		<b>21,019</b>
<b>Valued at fair value as at:</b>					
1 April 2011	642,796	83,171			<b>725,967</b>
1 April 2010		98,955		3,954	<b>102,909</b>
1 April 2009		122,065		2,924	<b>124,989</b>
1 April 2008		45,319		462	<b>45,781</b>
1 April 2007		39,224		406	<b>39,630</b>
<b>Total Cost or Valuation</b>	<b>642,796</b>	<b>388,734</b>	<b>21,019</b>	<b>7,746</b>	<b>1,060,295</b>

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

**Note 13: Heritage Assets****Movements on Balances****Movements in 2011/12:**

	Assets at Valuation	Assets at Cost	Total Heritage Assets
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
At 1st April 2011	17,030	4,530	21,559
additions	0	161	161
donations	0	0	0
Revaluation increases or (decreases) recognised in the Revaluation Reserve	0	0	0
Revaluation increases or (decreases) recognised in the Surplus or Deficit on the Provision of Services	0	0	0
Derecognition - disposals	0	0	0
Derecognition - other	0	0	0
Other movements in cost or valuation	0	0	0
<b>At 31st March 2012</b>	<b>17,030</b>	<b>4,691</b>	<b>21,720</b>

**Movements in 2010/11:**

	Assets at Valuation	Assets at Cost	Total Heritage Assets
	£'000	£'000	£'000
<b>Cost or Valuation</b>			
At 1st April 2010	17,020	4,013	21,032
additions	0	517	517
donations	0	0	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	10	0	10
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0
Derecognition - disposals	0	0	0
Derecognition - other	0	0	0
Other movements in cost or valuation	0	0	0
<b>At 31st March 2011</b>	<b>17,030</b>	<b>4,530</b>	<b>21,559</b>

The local archive material currently held at Mount Pleasant has not been recognised in the accounts because it is the opinion of the council that it is not possible to assign a meaningful value to it.

**Note 14: Investment Properties**

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

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

	2011/12	2010/11
	£'000	£'000
Rental income from investment property	(1,388)	(1,273)
Direct operating expenses arising from investment property	627	729
<b>Total</b>	<b>(760)</b>	<b>(544)</b>
Net (gains) or losses from fair value adjustments	<b>1,646</b>	<b>(126)</b>
<b>Net (gain) or loss recognised in CIES</b>	<b>885</b>	<b>(670)</b>

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

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

Investment properties are valued at fair (i.e. market) value, reflecting conditions at the balance sheet date (31<sup>st</sup> March 2012). The valuation is carried out by an internal valuer, appropriately qualified and with local knowledge, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

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

	2011/12	2010/11
	£'000	£'000
<b>Balance at start of the year</b>	<b>11,526</b>	<b>12,112</b>
Additions:		
Purchases	1	0
Construction	0	0
Subsequent expenditure	0	25
Disposals	0	0
Net gains or (losses) from fair value adjustments	(1,646)	126
Transfers:		
( to) or from Inventories	0	0
(to) or from Property, Plant and Equipment	0	(737)
Other changes	(89)	0
<b>Balance at end of the year</b>	<b>9,792</b>	<b>11,526</b>

**Note 15: Intangible Assets**

These comprise purchased software licences, to the extent that these are not an integral part of the associated hardware, and income streams from access to council-owned property, predominantly for telecommunication equipment. Both categories are amortised straight line, over a five year life for software, and an estimated useful life for access agreements.

	Software		Access Agreements	
	2011/12	2010/11	2011/12	2010/11
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At start of year	5,896	5,896	746	0
Reclassification	0	0	0	652
Additions		0	0	0
Revaluation increases or (decreases) recognised in the Revaluation Reserve	0	0	(199)	0
Revaluation increases or (decreases) recognised in the Surplus or Deficit on the Provision of Services	0	0	(42)	0
Other adjustments	0	0	90	94
<b>Balance at end of year</b>	<b>5,896</b>	<b>5,896</b>	<b>595</b>	<b>746</b>
<b>Amortisation</b>				
At start of year	(5,495)	(4,854)	(149)	0
Charge in year	(307)	(641)	(143)	(149)
Revaluation increases or (decreases) recognised in the Revaluation Reserve	0	0	149	0
<b>Balance at end of year</b>	<b>(5,802)</b>	<b>(5,495)</b>	<b>(143)</b>	<b>(149)</b>
<b>Net carrying value at end of year</b>	<b>94</b>	<b>401</b>	<b>452</b>	<b>597</b>

Summary of Intangible Assets		
	2011/12	2010/11
	£'000	£'000
<b>Net carrying value at end of year</b>		
Software	94	401
Access Agreements	452	597
<b>Net carrying value at end of year</b>	<b>546</b>	<b>998</b>

The amortisation of software of £0.307m charged to revenue in 2011/12 was charged to the ICT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure on Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading. The amortisation of access agreements of £0.143m charged to revenue in 2011/12 was charged to the HRA.

**Note 16: Financial Instruments**

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

	Long-term		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£'000	£'000	£'000	Restated £'000
<b>Investments</b>				
Loans to Other Local Authorities	500	500	2	2
Birmingham Airport Shares ( <a href="#">Note 48</a> )	22,083	20,004	0	0
<b>Total Investments</b>	<b>22,583</b>	<b>20,504</b>	<b>2</b>	<b>2</b>
<b>Non-Statutory Debtors</b> - see <a href="#">Note 18</a> for combined statutory and non-statutory debtors				
Soft Loans Provided	1,037	861		0
Other Long Term Debtors *	5,015	1,519		0
Other Short term Debtors	0	0	25,691	35,424
<b>Total Non-Statutory Debtors</b>	<b>6,052</b>	<b>2,380</b>	<b>25,691</b>	<b>35,424</b>
<b>Borrowings</b>				
Dudley Borrowing	541,814	207,765	9,198	1,547
Ex WMCC Borrowing	194,514	200,933	8,418	9,203
Dudley Accrued Interest	0	0	5,015	1,391
Ex WMCC Accrued Interest	0	0	1,501	1,548
Dudley Premiums Adjusting Carrying Value	(809)	(829)	0	0
Ex WMCC Premiums Adjusting Carrying Value	(2,015)	(2,152)	0	0
<b>Total Borrowings</b>	<b>733,504</b>	<b>405,717</b>	<b>24,132</b>	<b>13,689</b>
<b>Other Long Term Liabilities</b>				
PFI Liabilities ( <a href="#">Note 40</a> )	25,822	27,078	1,255	1,234
Finance Lease Liabilities ( <a href="#">Note 39</a> )	7,595	12,750	1,803	1,826
<b>Total Other Long Term Liabilities</b>	<b>33,417</b>	<b>39,828</b>	<b>3,058</b>	<b>3,060</b>
<b>Creditors</b>				
Short Term Creditors - see <a href="#">Note 21</a> for combined statutory and non-statutory creditors		0	59,682	60,482
<b>Total Creditors</b>		<b>0</b>	<b>59,682</b>	<b>60,482</b>

### Investments

The council invests its day to day cash balances in order to generate income by earning interest. At 31<sup>st</sup> March 2012 such balances amounted to £0.183m and were all held in call accounts, which are classed as cash equivalents. Accrued interest on long term investments is shown as short term investments.

The Council's shareholding investment in Birmingham Airport cost £7.675m. It was revalued as at 31<sup>st</sup> March 2012 to £22.083m for Dudley's 5.58% ordinary shareholding and 11% preference shareholding. The amount of the revaluation has been credited to the Available For Sale Financial Instruments Reserve.

### \* Other Long Term Debtors

	31 March 2012	31 March 2011
	£'000	£'000
Mortgages - Sold Properties	80	117
Other Mortgages	10	17
Other Local Authorities	91	99
Employee Loans	225	228
Loans to Individuals and Other bodies	4,609	1,057
<b>Total Other Long Term Debtors</b>	<b>5,015</b>	<b>1,518</b>

### Borrowings

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

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

### Income, Expense, Gains and Losses

Interest income and expense is disclosed in [Note 10](#), and gains on revaluation of assets held for sale on the face of the CIES.

### Fair Values

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

There is no reliable market value for the PFI liabilities, therefore their fair value is deemed to be their carrying value, as is the fair value of the current assets and liabilities. For finance lease liabilities, their carrying value is regarded as a reasonable approximation to fair value.



Fair Value of Assets & Liabilities carried at Amortised Cost

<b>Assets</b>	<b>31 March 2012</b>		<b>31 March 2011</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loans to other Local Authorities	500	819	500	847
Birmingham Airport Shares	22,083	22,083	20,004	20,004
<b>Total Assets</b>	<b>22,583</b>	<b>22,902</b>	<b>20,504</b>	<b>20,851</b>

<b>Liabilities</b>	<b>31 March 2012</b>		<b>31 March 2011</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Dudley Public Works Loan Board	527,043	496,748	192,344	187,710
Dudley Stock	6,784	9,040	6,784	8,499
Dudley Other debt	17,184	19,984	10,184	11,544
West Midlands Public Works Loan Board	184,149	222,267	190,152	209,961
West Midlands Stock	6,784	9,040	6,784	8,499
West Midlands Other	12,000	14,080	13,200	13,898
<b>Total Liabilities</b>	<b>753,944</b>	<b>771,159</b>	<b>419,448</b>	<b>440,111</b>

**Note 17: Inventories**

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

	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>£'000</b>	<b>£'000</b>
Housing	608	774
Engineering & Transportation	524	591
Other Stocks and Stores	260	313
<b>Total Inventory</b>	<b>1,392</b>	<b>1,678</b>

**Note 18: Debtors**

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

	31 March 2012	31 March 2011
	£'000	Restated £'000
<b>1. General</b>		
Council Tax, Community Charge and Non-Domestic Rate Payers	5,460	6,031
Housing Tenants	5,433	5,626
Central Government Bodies	4,643	11,977
Other Local Authorities – ex WMCC debt, see below	6,496	5,905
Other Local Authorities - other	1,153	1,322
NHS Bodies	1,451	1,563
Public Corporations and Trading Funds	51	135
Other Debtors	12,960	14,801
	<b>37,647</b>	<b>47,360</b>
<b>Less Provisions for Doubtful Debts:</b>		
Council Tax, Community Charge and Non- Domestic Rate Payers	(4,994)	(4,711)
Housing Tenants	(4,978)	(4,878)
Other Debtors	(5,133)	(5,401)
<b>Total Provisions for Doubtful Debts</b>	<b>(15,105)</b>	<b>(14,990)</b>
<b>Total General</b>	<b>22,542</b>	<b>32,370</b>
<b>2. Payments in Advance</b>		
Central Government Bodies	4	4
Other Local Authorities	7	7
NHS Bodies	8	1
Other Payments in Advance	4,824	4,842
<b>Total Payments in Advance</b>	<b>4,843</b>	<b>4,854</b>
<b>Total Current Debtors</b>	<b>27,385</b>	<b>37,224</b>

The value of debts impaired but not provided for is disclosed in [Note 47](#).

The table overleaf analyses debtors which fall due after a period of at least one year. They include liabilities of West Midlands District Councils and Joint Boards to service debt formerly held by the West Midlands County Council (WMCC), 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.

	31 March 2012	31 March 2011
	£'000	£'000
<b>Long Term Debtors</b>		
Ex WMCC Debtor Authorities	175,226	181,722
Soft Loans Provided	1,037	861
Other Long Term Debtors – see <a href="#">Note 16</a> for further details	5,015	1,519
	<b>181,278</b>	<b>184,102</b>

### **Note 19: Cash and Cash Equivalents**

	31 March 2012	31 March 2011
	£'000	Restated £'000
Cash balances	5,009	3,822
Short-term deposits with approved bodies	183	12,801
<b>Total Cash and Cash Equivalents</b>	<b>5,192</b>	<b>16,623</b>

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

	Current Assets	
	2011/12	2010/11
	£'000	£'000
Balance at start of year	463	833
Assets newly classified as held for sale from:		
Property, Plant and Equipment	0	3,800
Revaluation losses	0	0
Revaluation gains	0	0
Impairment losses	0	0
Assets declassified as held for sale & moved to:		
Property, Plant and Equipment	0	0
Assets sold	(89)	(4,170)
<b>Balance at end of year</b>	<b>374</b>	<b>463</b>

**Note 21: Creditors**

An analysis of short term creditors is shown below.

	31 March 2012	31 March 2011
	£'000	Restated £'000
<b>1. General</b>		
Central Government Bodies	12,680	14,035
Other Local Authorities	5,339	6,415
NHS Bodies	724	573
Public Corporations and Trading Funds	199	121
Council Tax/Community Charge Payers	1,067	1,081
Rent Payers	527	480
Other Creditors	40,214	38,852
	<b>60,750</b>	<b>61,557</b>
<b>2. Receipts in Advance</b>		
Central Government Bodies	178	6,764
Other Local Authorities	70	44
NHS Bodies	3,847	3,057
Public Corporations and Trading Funds	39	126
Other Receipts in Advance	6,670	6,351
	<b>10,804</b>	<b>16,342</b>
<b>Total Creditors</b>	<b>71,554</b>	<b>77,899</b>

In addition, the following long term creditors have been recognised:

	31 March 2012	31 March 2011
	£'000	£'000
Other Receipts in Advance	308	0
<b>Total Long Term Creditors</b>	<b>308</b>	<b>0</b>

**Note 22: Provisions**

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

<u>2011/12</u>	<b>Unequal Pay</b>	<b>Termination Benefits</b>	<b>Insurance</b>	<b>Other Provisions</b>	<b>Total Provisions</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 31 March 2011	<b>74,741</b>	<b>4,301</b>	<b>0</b>	<b>552</b>	<b>79,594</b>
Additional provisions		442	4,382	799	<b>5,623</b>
Amounts used	(17,493)	(4,270)			<b>(21,763)</b>
Unused amounts reversed	(12,460)	(31)		(280)	<b>(12,771)</b>
<b>Balance at 31 March 2012</b>	<b>44,788</b>	<b>442</b>	<b>4,382</b>	<b>1,071</b>	<b>50,683</b>
Shown as current liability in balance sheet	44,788	442	533	1,071	<b>46,834</b>
Shown as non-current liability in balance sheet			3,849		<b>3,849</b>
<b>Total in balance sheet at 31 March 2012</b>	<b>44,788</b>	<b>442</b>	<b>4,382</b>	<b>1,071</b>	<b>50,683</b>

<u>2010/11</u>	<b>Unequal Pay</b>	<b>Termination Benefits</b>	<b>Insurance</b>	<b>Other Provisions</b>	<b>Total Provisions</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at 31 March 2010	80,973	0	0	725	<b>81,698</b>
Additional provisions	0	4,301	0	80	<b>4,381</b>
Amounts used	(5,546)	0	0	(253)	<b>(5,799)</b>
Unused amounts reversed	(686)	0	0	0	<b>(686)</b>
<b>Balance at 31 March 2011</b>	<b>74,741</b>	<b>4,301</b>	<b>0</b>	<b>552</b>	<b>79,594</b>
Shown as current liability in balance sheet	12,341	4,301	0	552	<b>17,194</b>
Shown as non-current liability in balance sheet	62,400	0	0	0	<b>62,400</b>
<b>Total in balance sheet at 31 March 2011</b>	<b>74,741</b>	<b>4,301</b>	<b>0</b>	<b>552</b>	<b>79,594</b>

**Unequal Pay**

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

**Termination Benefits**

The council committed itself to terminate the contracts of a number of employees in 2011/12, mainly in order to make savings necessary to deliver the 2012/13 revenue budget. The provision reflects a prudent estimate of the likely cost of redundancies agreed after 31 March 2012.

**Insurance**

The provision reflects the value of known outstanding claims against the Council.

**Note 23: Usable Reserves**

Movements in most of the Council's usable reserves are detailed in the Movement in Reserves Statement ([MiRS](#)), and in [Note 8](#). Those not shown elsewhere are as follows.

	Balance at 31 March 2012	Transfer Out 2011/12	Transfer In 2011/12	Balance at 31 March 2011	Transfer Out 2010/11	Transfer In 2010/11	Balance at 31 March 2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Usable Capital Receipts Reserve	259	(11,204)	11,463	0	(5,423)	4,954	469
Capital Grants Unapplied Reserve	0	0	0	0	(2,390)	0	2,390

**Note 24: Unusable Reserves**

	31 March 2012	31 March 2011 Restated
	£'000	£'000
Revaluation Reserve	109,111	97,841
Available for Sale Financial Instruments Reserve	14,408	12,329
Capital Adjustment Account	457,772	795,677
Financial Instruments Adjustment Account	(15,106)	(15,864)
Pensions Reserve	(355,765)	(280,934)
Deferred Capital Receipts Reserve	779	1,462
Collection Fund Adjustment Account	967	676
Accumulated Absences Account	(7,011)	(6,469)
<b>Total Unusable Reserves</b>	<b>205,155</b>	<b>604,718</b>

**Revaluation Reserve**

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

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

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

Revaluation Reserve	2011/12		2010/11 Restated	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>97,841</b>		<b>210,961</b>
Upward revaluation of assets	13,851		13,316	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(204)		(124,485)	
<b>Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>		<b>13,647</b>		<b>(111,169)</b>
Difference between fair value depreciation and historical cost depreciation	(2,246)		(1,879)	
Accumulated gains on assets sold or scrapped	(131)		(72)	
<b>Amount written off to the Capital Adjustment Account</b>		<b>(2,377)</b>		<b>(1,951)</b>
<b>Balance at end of year</b>		<b>109,111</b>		<b>97,841</b>

### Available for Sale Financial Instruments Reserve

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

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

Available for Sale Financial Instruments Reserve	2011/12		2010/11	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>12,329</b>		<b>12,329</b>
Upward revaluation of investments	2,079		0	
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0		0	
<b>Balance at end of year</b>		<b>14,408</b>		<b>12,329</b>

### Capital Adjustment Account

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

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

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



Capital Adjustment Account	2011/12		2010/11 Restated	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>795,677</b>		<b>995,237</b>
<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:</b>				
Charges for depreciation and amortisation of non-current assets	(39,690)		(39,487)	
Revaluation losses on Property, Plant and Equipment	(67,225)		(209,880)	
Revenue expenditure funded from capital under statute	(329,077)		(8,856)	
Amounts of non-current assets written off on disposal or sale as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement.	(6,504)		(7,898)	
<b>Sub-total</b>		<b>(442,496)</b>		<b>(266,121)</b>
Adjusting amounts written out of the Revaluation Reserve (Depreciation)		2,377		1,952
<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>(440,119)</b>		<b>(264,169)</b>
<b>Capital financing applied in the year:</b>				
Use of the Capital Receipts Reserve to finance new capital expenditure	2,887		3,250	
Use of the Capital Receipts Reserve to repay debt	5,622		0	
Use of the Major Repairs Reserve to finance new capital expenditure	14,525		5,475	
Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	30,860		35,489	
Application of grants to capital financing from the Capital Grants Unapplied Account	0		2,390	
Statutory & voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	34,421		15,824	
Capital expenditure charged against the General Fund and HRA balances	15,568		2,088	
		<b>103,883</b>		<b>64,516</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(1,646)		126
Write down of capital debtors		(23)		(33)
<b>Balance at end of year</b>		<b>457,772</b>		<b>795,677</b>

### Financial Instruments Adjustment Account

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

The Council uses the Account to manage premiums paid on the early redemption of loans, and the effects of granting loans in furtherance of council objectives at less than commercial rates of interest.

Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In Dudley's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 44 years.

Financial Instruments Adjustment Account	2011/12		2010/11	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>(15,864)</b>		<b>(16,515)</b>
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	0		0	
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	695		635	
Effect of granting loans at less than commercial rates of interest	63		16	
<b>Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements</b>		<b>758</b>		<b>651</b>
<b>Balance at end of year</b>		<b>(15,106)</b>		<b>(15,864)</b>

### Pensions Reserve

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

Pensions Reserve	2011/12		2010/11	
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>		<b>(280,934)</b>		<b>(380,953)</b>
Actuarial gains or (losses) on pensions assets and liabilities	(68,607)		60,757	
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(31,303)		12,078	
Employer's pensions contributions and direct payments to pensioners payable in the year	25,079		27,184	
<b>Balance at end of year</b>		<b>(355,765)</b>		<b>(280,934)</b>

**Deferred Capital Receipts Reserve**

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

<b>Deferred Capital Receipts Reserve</b>	<b>2011/12</b>		<b>2010/11</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>		<b>1,462</b>		<b>151</b>
Transfer of deferred sale proceeds credited as part of the gain or loss on disposal to the Comprehensive Income and Expenditure Statement	(4)		1,345	
Transfer to the Capital Receipts Reserve upon receipt of cash	(679)		(34)	
<b>Balance at end of year</b>		<b>779</b>		<b>1,462</b>

**Collection Fund Adjustment Account**

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

<b>Collection Fund Adjustment Account</b>	<b>2011/12</b>		<b>2010/11</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>		<b>676</b>		<b>3</b>
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	291		673	
<b>Balance at end of year</b>		<b>967</b>		<b>676</b>

**Accumulated Absences Account**

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

<b>Accumulated Absences Account</b>	<b>2011/12</b>		<b>2010/11</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance at start of year</b>		<b>(6,469)</b>		<b>(7,023)</b>
Settlement or cancellation of accrual made at the end of the preceding year	6,469		7,023	
Amounts accrued at the end of the current year	(7,011)		(6,469)	
<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>		<b>(542)</b>		<b>554</b>
<b>Balance at end of year</b>		<b>(7,011)</b>		<b>(6,469)</b>

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

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

	2011/12	2010/11
	£'000	£'000
Interest Paid	11,664	16,310
Interest Received	(299)	(273)
Dividends Received	(669)	(111)
<b>Net Cash Flows from Interest and Dividends</b>	<b>10,695</b>	<b>15,926</b>

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

	2011/12	2010/11
	£'000	£'000
Purchase of Property, Plant and Equipment, Investment Property and Intangible Assets	82,382	81,637
Purchase of Short Term and Long Term Investments	0	0
Other payments for Investing Activities	23	0
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(5,700)	(4,276)
Proceeds from Short Term and Long Term Investments	0	(28)
Other Receipts from Investment Activities	(24,873)	(32,113)
<b>Net Cash Flows from Investing Activities</b>	<b>51,832</b>	<b>45,220</b>

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

	2011/12 £'000	2010/11 £'000
Cash Receipts of Short and Long Term Borrowing	(342,431)	0
Other Receipts from Financing Activities	(4,120)	(2,641)
Cash Payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	791	774
Repayment of short and long term borrowing	7,820	7,839
Other payments for financing activities	0	0
<b>Net Cash Flows from Financing Activities</b>	<b>(337,940)</b>	<b>5,972</b>

**Non-Cash Movements and Other Movements**

	2011/12 £'000	2010/11 £'000 Restated
<b>Non-Cash Movements</b>		
Depreciation	(39,690)	(39,487)
Impairment and Downward Revaluations	(67,225)	(209,824)
Major Repairs Allowance	14,525	5,475
Movement in Market Value of Investment Properties	(1,646)	0
Carrying Amount of Non Current Assets Sold	(6,505)	(7,898)
Pension Liability	(31,303)	12,085
Other Non Cash Movements	5,638	3,960
<b>Total Non-Cash Movements</b>	<b>(126,206)</b>	<b>(235,689)</b>
<b>Other Movements</b>		
Recognised Capital Grants and Contributions	25,475	29,337
Changes to Grants Received in Advance	19,163	(2,975)
Changes to Provisions	28,911	2,104
Changes to Creditors	(2,496)	(13,675)
Changes to Debtors	(3,824)	(8,375)
Changes to Assets Held for Sale Within 12 Months and to Inventories	(374)	(273)
<b>Total Other Movements</b>	<b>66,855</b>	<b>6,143</b>
<b>Total Non-Cash Movements and Other Movements</b>	<b>(59,351)</b>	<b>(229,546)</b>

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

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

**2011/12**

Service	Children's Services	Adult, Community & Housing	Urban Environment	Chief Executive's	Corporate Resources	Housing Revenue Account	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees charges & other service income	(23,036)	(22,750 )	(27,896)	(777)	(7,347)	(82,655)	<b>(164,461)</b>
Government Grants	(252,222)	(13,030 )	(1,789)	(2,884)	(144,759)	(76)	<b>(414,760)</b>
<b>Total Income</b>	<b>(275,258)</b>	<b>(35,780)</b>	<b>(29,685)</b>	<b>(3,661)</b>	<b>(152,106)</b>	<b>(82,731)</b>	<b>(579,221)</b>
Employee Expenses	224,601	39,000	30,844	2,901	18,089	22,137	<b>337,571</b>
Other operating expenses	126,805	90,765	42,883	4,567	158,792	54,649	<b>478,462</b>
Support Service Recharges	5,546	5,184	6,239	2,054	4,888	4,267	<b>28,178</b>
Recovery of support service recharges	0	0	0	(1,659)	(26,519)	0	<b>(28,178)</b>
<b>Total Operating Expenses</b>	<b>356,952</b>	<b>134,949</b>	<b>79,966</b>	<b>7,863</b>	<b>155,250</b>	<b>81,053</b>	<b>816,033</b>
<b>Net Cost of Services</b>	<b>81,694</b>	<b>99,169</b>	<b>50,281</b>	<b>4,202</b>	<b>3,143</b>	<b>(1,678)</b>	<b>236,812</b>

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

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

	<b>£'000</b>
<b>Cost of Services in Service Analysis</b>	<b>236,812</b>
Income treated as general grant in CIES but included in Net Cost of Services for management	28,817
Adjustments between accounting basis and funding basis under regulations (Note 7)	346,422
Amount in respect of difference between accounting and statutory treatment of Collection Fund surplus	292
Other Operating Expenditure	(15,902)
Financing & Investment Income & Expenditure	(21,395)
Income and expenditure in relation to investment properties and their fair value	(885)
Use of Reserves	8,091
<b>Net Cost of Services in CIES</b>	<b>582,252</b>



**Reconciliation to Subjective Analysis**

	Service Analysis	Reported to Mgmt but adjusted in CIES	Reported to Mgmt but below net cost of services in CIES	Net Cost of Service	Corporate Amounts	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(164,461)			(164,461)		(164,461)
Specific Government grants and contributions	(414,760)		28,818	(385,942)		(385,942)
Interest and investment income			1,321	1,321	(1,321)	0
Income from Investment Properties			1,388	1,388	(1,388)	0
Council Tax Income				0	(110,932)	(110,932)
Distribution from National Non-Domestic Rates Pool				0	(97,865)	(97,865)
General grants				0	(36,360)	(36,360)
Capital Grants & Contributions				0	(25,474)	(25,474)
<b>Total Income</b>	<b>(579,221)</b>	<b>0</b>	<b>31,527</b>	<b>(547,694)</b>	<b>(273,340)</b>	<b>(821,034)</b>
Employee expenses	372,727			372,727		372,727
Other operating expenses	443,306			443,306		443,306
Depreciation, Amortisation & Impairment		106,915		106,915		106,915
Other adjustments between accounting basis & funding basis under regulations ( <a href="#">Note 7</a> )		239,507		239,507		239,507
Amount in respect of difference between accounting and statutory treatment of Collection Fund surplus		292		292		292
Use of Reserves			8,091	8,091		8,091
Precepts & Levies			(17,552)	(17,552)	17,552	0
Payments to Housing Capital Receipts Pool			(2,604)	(2,604)	2,604	0
Gain or Loss on Disposal of non-current assets			4,254	4,254	(4,254)	0
Interest Payments			(15,636)	(15,636)	15,636	0
Finance cost re Pensions			(7,080)	(7,080)	7,080	0
Expenditure & changes in fair value of Investment properties			(2,273)	(2,273)	2,273	0
<b>Total operating expenses</b>	<b>816,033</b>	<b>346,714</b>	<b>(32,800)</b>	<b>1,129,947</b>	<b>40,891</b>	<b>1,170,838</b>
<b>Surplus or deficit on the provision of services</b>	<b>236,812</b>	<b>346,714</b>	<b>(1,273)</b>	<b>582,253</b>	<b>(232,449)</b>	<b>349,804</b>

**2010/11**

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

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

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

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

**Reconciliation to Subjective Analysis**

	Service Analysis	Reported to Mgmt but adjusted in CIES	Reported to Mgmt but below net cost of services in CIES	Net Cost of Service	Corporate Amounts	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(181,315)	0	0	(181,315)	0	(181,315)
Specific Government grants and contributions	(420,995)	0	41,232	(379,763)	(294)	(380,057)
Interest and investment income	0	0	390	390	(390)	0
Income from Investment Properties	0	0	1,273	1,273	(1,273)	0
Council Tax Income	0	0	0	0	(110,547)	(110,547)
Distribution from National Non-Domestic Rates Pool	0	0	0	0	(109,655)	(109,655)
General grants	0	0	0	0	(46,943)	(46,943)
Capital Grants & Contributions	0	0	0	0	(29,337)	(29,337)
<b>Total Income</b>	<b>(602,310)</b>	<b>0</b>	<b>42,895</b>	<b>(559,415)</b>	<b>(298,439)</b>	<b>(857,854)</b>
Employee expenses	387,054	0	0	387,054	0	387,054
Other operating expenses	465,513	0	0	465,513	0	465,513
Depreciation, Amortisation & Impairment	0	249,366	0	249,366	0	249,366
Other adjustments between accounting basis & funding basis under regulations ( <a href="#">Note 7</a> )	0	(87,449)	0	(87,449)	0	(87,449)
Amount in respect of difference between accounting and statutory treatment of Collection Fund surplus	0	673	0	673	0	673
Use of Reserves	0	0	(15,369)	(15,369)	0	(15,369)
Precepts & Levies	0	0	(16,604)	(16,604)	16,604	0
Payments to Housing Capital Receipts Pool	0	0	(1,985)	(1,985)	1,985	0
Gain or Loss on Disposal of non-current assets	0	0	(1,666)	(1,666)	1,666	0
Derecognition of Community Assets	0	0	(5,494)	(5,494)	5,494	0
Interest Payments	0	0	(15,785)	(15,785)	15,785	0
Finance cost re Pensions	0	0	(13,909)	(13,909)	13,909	0
Expenditure & changes in fair value of Investment properties	0	0	(604)	(604)	604	0
Adjustments to Certified draft CIES	0	(420)	0	(420)	0	(420)
<b>Total operating expenses</b>	<b>852,567</b>	<b>162,170</b>	<b>(71,416)</b>	<b>943,321</b>	<b>56,047</b>	<b>999,368</b>
<b>Surplus or deficit on the provision of services</b>	<b>250,257</b>	<b>162,170</b>	<b>(28,521)</b>	<b>383,906</b>	<b>(242,392)</b>	<b>141,514</b>

**Note 29: Effect of Schools converting to Academy Status**

During 2011/12, five secondary schools converted to academy status. This takes them entirely out of the local authority accounts from the date of conversion, but as they remain part of the public provision the change is reported as a combination of public bodies rather than as a discontinued operation. The schools concerned had already taken Foundation status, so the buildings they used were vested in the governing body, or in a Foundation Trust, and the properties had already been removed from Dudley's balance sheet. Revenue transactions are included in these accounts up to the date of conversion. The activities of the five schools are shown on a separate line in the Cost of Services in the Statement of Comprehensive Income and Expenditure, to allow a valid year on year comparison of the results of the services remaining within the council. Academy schools become separate bodies within the LGPS for their non-teaching staff, and so the assets and liabilities relating to their current staff transfer from the Council. These pension transactions are shown as settlements in [Note 44](#).

**Note 30: Trading Operations**

This information is also shown in the summary in [Note 14](#) – Investment Properties.

	Market		Industrial Estates		Other Land & Property		Total Trading Services	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income	(232)	(231)	(82)	(72)	(1,074)	(970)	(1,388)	(1,273)
Expenditure	141	144	17	15	470	571	628	730
<b>(Surplus) or Deficit included in the Comprehensive Income and Expenditure Statement</b>	<b>(91)</b>	<b>(87)</b>	<b>(65)</b>	<b>(57)</b>	<b>(604)</b>	<b>(399)</b>	<b>(760)</b>	<b>(543)</b>

**Note 31: Pooled Budgets****The West Midlands Joint Committee (WMJC) & City Region**

The WMJC membership comprises the seven Metropolitan District Councils of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton. It was established in 1985 following the abolition of the County Council. The City Region was wound down in 2011/12 following the WMJC meeting of 27/01/11.

The overall objective of the WMJC is to co-ordinate actions on important issues affecting the local authorities in the West Midlands, and to provide a vehicle for communicating these actions and their needs to Government and other influential bodies. Birmingham City Council acts as Secretary for the WMJC. Dudley's contribution was £0.022m in 2011/12 (£0.002m in 2010/11).

**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 £0.180m (2010/11 = £0.208m)

**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 did not spend on capital projects in 2011/12 (2010/11 = £0.056m). Dudley spent £0.250m in revenue from Area Based Grant in 2011/12 (compared to £0.308m in 2010/11).

**Pooled Budgets with Health Bodies**

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

**Substance Misuse – Expenditure £0.131m (2010/11 = £0.113m)**

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 £0.128m from Dudley Council (2010/11 = £0.126m) and £0.013m from Dudley Primary Care Trust (2010/11 = £0.012m).

**Falls Prevention Service – Expenditure £0.227m (2010/11 = £0.227m)**

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 £0.071m from Dudley Council (2010/11 = £0.071m) and £0.159m from the Dudley Primary Care Trust (2010/11 = £0.159m).

**Community Equipment Service – Expenditure £1.355m (2010/11 £1.382m)**

This agreement is in respect of a Community Equipment Service that supports the intermediate and rehabilitation service in Dudley by the provision of Aids. The split of funding is £0.864m from Dudley Council (2010/11 = £0.987m) and £0.478m from the Dudley Primary Care Trust (2010/11 = £0.395m).

**Independent Living Team (ILT) & Acquired Brain Injury (ABI) – Expenditure £0.093m (2010/11 £0.105m)**

This agreement is to help people with severe physical impairments or an acquired brain injury, who are likely to need a lot of assistance to live as independently as possible. Dudley Primary Care Trust supplies cash funding of £0.029m (2010/11 £0.029m); Dudley provides the staffing resources estimated at £0.076m (2010/11 £0.076m).

**Placements of Children with Disabilities – Expenditure £0.448m (2010/11 = £0.795m)**

The agreement is in respect of services commissioned specifically for children under 19 years of age who have severe disabilities, meeting the criteria of the Children's Disability Team, and who require a placement to meet those needs outside of Dudley Borough or within the Borough from a Voluntary or Independent sector provider. The split of funding is £0.786m from Children's Services Directorate (2010/11 = £1.025m) and £0.185m from Dudley Primary Care Trust (2010/11 = £0.185m).

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

**Note 32: Members' Allowances**

	2011/12	2010/11
	£'000	£'000
Basic Allowance	665	667
Responsibility Allowance	183	187
Travel Expenses	0	0
Subsistence	0	0
Car Mileage	0	0
Carer's Allowance	0	0
Mayor and Deputy Mayor	23	22
<b>Total</b>	<b>871</b>	<b>876</b>

**Note 33: Officers' Remuneration**

The Accounts and Audit Regulations 2011 require additional disclosure of remuneration of senior employees in local authority accounts.

A senior employee is one of:

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

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

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

<b>Senior Employees</b>									
<b>Post</b>		<b>Note</b>	<b>Salary £'000</b>	<b>Expense Allowances £'000</b>	<b>Compensation for loss of Office £'000</b>	<b>Total remuneration excluding Pension Contributions £'000</b>	<b>Pension Contributions £'000</b>	<b>Total remuneration Including Pension Contributions £'000</b>	
Chief Executive	2011-12	1	161	0	0	161	25	186	
(J Polychronakis)	2010-11		161	0	0	161	20	181	
Director of Corporate Resources	2011-12		105	1	0	106	16	122	
	2010-11		105	1	0	106	13	119	
Interim Director of Finance, ICT and Procurement	2011-12	2	0	0	0	0	0	0	
	2010-11		49	1	46	96	6	102	
Treasurer	2011-12	3	83	1	0	84	13	97	
	2010-11		68	1	0	69	8	77	
Director of Adult, Community & Housing Services	2011-12	4	105	2	0	107	16	123	
	2010-11		17	0	0	17	2	19	
Interim Director of Adult Social Services	2011-12	4	0	0	0	0	0	0	
	2010-11		28	0	0	28	3	31	
Director of Adult, Community & Housing Services	2011-12	4	0	0	0	0	0	0	
	2010-11		53	1	0	54	6	60	
Director of the Urban Environment	2011-12		105	1	0	106	16	122	
	2010-11		104	1	0	105	13	118	
Director of Children's Services	2011-12	5	0	0	0	0	0	0	
	2010-11		35	1	0	36	4	40	
Acting Director of Children's Services	2011-12	5	105	1	0	106	16	122	
	2010-11		70	1	0	71	9	80	

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

**Note 2:** The interim Director of Finance, ICT & Procurement was in post from 1<sup>st</sup> April 2010 until 30<sup>th</sup> September 2010

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

**Note 4:** The Director of Adult, Community & Housing Services was appointed 1st February 2011.  
The previous Director of Adult, Community & Housing Services left 30th September 2010.  
The interim Director of Adult Social Services was in post from 1st October 2010 until 31st January 2011.

**Note 5:** The Acting Director of Children's Services was appointed 1st August 2010.



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

<b>Payroll Bands</b>	<b>2011/12 Schools Number</b>	<b>2011/12 Non- Schools Number</b>	<b>2011/12 Total Number</b>	<b>2010/11 Schools Number</b>	<b>2010/11 Non- Schools Number</b>	<b>2010/11 Total Number</b>
£50,000 - £54,999	80	64	144	78	67	145
£55,000 - £59,999	57	23	80	54	19	73
£60,000 - £64,999	35	13	48	53	13	66
£65,000 - £69,999	15	9	24	17	5	22
£70,000 - £74,999	10	16	26	7	19	26
£75,000 - £79,999	5	2	7	6	4	10
£80,000 - £84,999	9	0	9	8	1	9
£85,000 - £89,999	4	1	5	0	1	1
£90,000 - £94,999	2	0	2	5	0	5
£95,000 - £99,999	3	1	4	2	0	2
£100,000 - £104,999	0	0	0	2	0	2
£105,000 - £109,999	2	0	2	2	0	2
£110,000 - £114,999	0	0	0	0	0	0
£115,000 - £119,999	0	1	1	0	0	0
£120,000 - £124,999	0	0	0	0	0	0
£125,000 - £129,999	0	0	0	0	1	1
£130,000 - £134,999	0	0	0	0	0	0
£135,000 - £139,999	0	0	0	0	0	0
£140,000 - £144,999	0	0	0	0	0	0
£145,000 - £149,999	0	1	1	0	0	0
	<b>222</b>	<b>131</b>	<b>353</b>	<b>234</b>	<b>130</b>	<b>364</b>

These numbers exclude the senior employees listed in the previous tables. They include staff who received payments in addition to normal remuneration. In 2011/12 this applied to 49 members of staff (2010/11 = 26).

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit package cost band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12 £000	2010/11 £000
£ 0 - £ 20,000	85	66	109	302	194	368	1,438	3,139
£ 20,001 - £ 40,000	17	20	26	100	43	120	1,168	3,276
£ 40,001 - £ 60,000	2	6	6	33	8	39	388	1,889
£ 60,001 - £ 80,000	-	-	1	2	1	2	74	127
£ 80,001 - £100,000	-	-	2	-	2	-	170	-
£100,001 - £150,000	-	-	-	-	-	-	-	-
<b>Total</b>	<b>104</b>	<b>92</b>	<b>144</b>	<b>437</b>	<b>248</b>	<b>529</b>	<b>3,238</b>	<b>8,431</b>

**Note 34: External Audit Costs**

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

	2011/12	2010/11
	£'000	£'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	273	297
Fees payable to the Audit Commission in respect of statutory inspections	0	0
Fees payable to the Audit Commission for the certification of grant claims and returns for the year	90	115
Fees payable in respect of other services provided by the Audit Commission during the year	0	0
<b>Total</b>	<b>363</b>	<b>412</b>

**Note 35: Dedicated Schools Grant**

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

Details of the deployment of DSG receivable for 2011/12 are as follows:

	Central Expenditure	Individual Schools Budget	Total
	£'000	£'000	£'000
Final DSG for 2011/12	19,795	196,759	216,554
Brought forward from 2010/11	2,412	0	2,412
Carry forward to 2011/12 agreed in advance	0	0	0
<b>Agreed budgeted distribution in 2011/12</b>	<b>22,207</b>	<b>196,759</b>	<b>218,966</b>
Final Budget distribution in 2011/12	21,648	197,317	218,965
Less Actual central expenditure	(17,097)	0	(17,097)
Less Actual ISB deployed to schools	0	(197,317)	(197,317)
Local authority contribution for 2011/12	0	0	0
<b>Carry forward to 2012/13</b>	<b>4,551</b>	<b>0</b>	<b>4,551</b>

**Note 36: Grant Income**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

	2011/12	2010/11
	£'000	£'000
<b>Credited to Taxation and Non Specific Grant Income:</b>		
<b>Revenue Grants</b>		
Area Based Grant	0	19,418
Council Tax Freeze Grant	2,766	0
New Homes Bonus	683	0
Local Services Support Grant	675	0
Revenue Support Grant	30,250	15,923
P.F.I. Credit	1,986	13,337
Local Area Agreement (LAA) Reward Grant	0	(1,530)
Other grants and adjustments	0	(205)
<b>Total Revenue Grants</b>	<b>36,360</b>	<b>46,943</b>
<b>Capital Grants</b>		
Department for Education	12,513	14,231
Department for Transport	7,007	6,077
Department for Health	820	0
Learning and Skills Council	0	2,344
Primary Care Trust	696	2,042
Homes and Communities Agency	1,731	2,118
Other Grants	463	549
<b>Total Capital Grants</b>	<b>23,230</b>	<b>27,361</b>
<b>Contributions</b>		
Fuel Switch and Community Energy Savings Programme (E-On)	1,789	1,400
Other Contributions	455	576
<b>Total Contributions</b>	<b>2,244</b>	<b>1,976</b>
Donations	0	0
<b>Total Donations</b>	<b>0</b>	<b>0</b>
<b>Total Capital Grants, Contributions and Donations</b>	<b>25,474</b>	<b>29,337</b>
<b>Total</b>	<b>61,834</b>	<b>76,280</b>

	2011/12	2010/11
	£'000	£'000
<b>Credited to Services:</b>		
Department for Education	235,118	228,187
Department for Works and Pensions	120,531	116,221
Young People Learning Agency	3,484	23,123
Department of Health	12,063	4,069
Department for Communities and Local Government	2,023	0
Home Office	351	1,996
Learning Skills Council	855	1,769
Department of Culture, Media and Sport	0	0
Rural Payments Agency	96	147
Department for Innovation, Universities and Skills	26	142
Department for Transport	196	92
Other	22,888	1,139
<b>Total</b>	<b>397,631</b>	<b>376,885</b>

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

	31 March 2012	31 March 2011
	£'000	£'000
<b>Revenue Grants Receipts in Advance (current liabilities):</b>		
Adult Learning academic year grants	276	344
Children's Services academic year grants	275	9,824
	<b>551</b>	<b>10,168</b>
<b>Capital Grants Receipts in Advance:</b>		
Children's services grants (current liabilities)	1,699	0
Children's services grants (long term liabilities)	1,698	11,244
	<b>3,397</b>	<b>11,244</b>

### **Note 37: Related Parties**

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

In respect of the 2011/12 financial year, works and services to the value of £10.993m 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.

The value for Members interests is £9.610m and the value for Officers interests is £1.383m.

Contracts were entered into in full compliance with the Council's Standing Orders. No income was received from these organisations.

It may be noted that all members' financial and other interests which could conflict with those of the Council 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.

The UK Government is a related party to Dudley Metropolitan Borough Council.

#### **Other Related Parties**

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

<b>Related Party</b>	<b>Nature of Transaction</b>	<b>Receipts</b>	<b>Payments</b>
		<b>£'000</b>	<b>£'000</b>
West Midlands Police	Precept	0	9,777
West Midlands Fire and Rescue	Precept	0	4,702

Other expenditure with these related parties was £0.063m.

Related companies and partnerships are disclosed separately, related companies in [Note 48](#) and partnerships in [Note 31](#).

**Note 38: Capital Expenditure and Capital Financing**

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

	2011/12	2010/11
	£'000	Restated £'000
<b>Opening Capital Financing Requirement</b>	<b>464,316</b>	<b>438,339</b>
<b>Capital investment</b>		
Property, Plant and Equipment	79,582	81,087
Heritage Assets	161	517
Investment Properties	0	25
Intangible Assets	0	0
Capital Advances	15	8
Revenue Expenditure Funded from Capital under Statute	329,077	8,856
<b>Sources of finance</b>		
Capital receipts (including set aside to repay debt)	(8,509)	(3,250)
Government grants and other contributions	(30,860)	(37,879)
Sums set aside from revenue:		
Direct revenue contributions	(15,568)	(2,088)
Major Repairs Allowance	(14,525)	(5,475)
MRP / VRP	(34,421)	(15,824)
<b>Closing Capital Financing Requirement</b>	<b>769,268</b>	<b>464,316</b>
<b>Explanation of movements in year</b>		
Capital expenditure funded by borrowing and credit supported by government financial assistance	0	8,241
Capital expenditure funded by borrowing and credit unsupported by government financial assistance	344,995	33,560
Capital receipts set aside to repay debt	(5,622)	0
MRP / VRP	(34,421)	(15,824)
<b>Increase in Capital Financing Requirement</b>	<b>304,952</b>	<b>25,977</b>

**Note 39: Leases****Authority as Lessee, i.e. paying for use of assets****Finance Leases**

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

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

<b>Assets Acquired</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>£'000</b>	<b>£'000</b>
Other Land and Buildings	2,908	7,797
Vehicles, Plant, Furniture and Equipment	6,647	6,195
<b>Total</b>	<b>9,555</b>	<b>13,992</b>

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

<b>Discounted Cash Flows</b>	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>£'000</b>	<b>Restated £'000</b>
Finance lease liabilities (net present value of minimum lease payments):		
Current	1,803	1,826
non-current	7,595	12,751
Finance costs payable in future years	5,278	23,089
<b>Minimum lease payments</b>	<b>14,676</b>	<b>37,666</b>

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

<b>Actual Minimum Lease Payments and Associated Liabilities</b>	<b>Minimum Lease Payments</b>		<b>Finance Lease Liabilities</b>	
	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>	<b>31 March 2012 £'000</b>	<b>31 March 2011 £'000</b>
Not later than one year	2,358	2,592	1,803	1,826
Later than one year and not later than five years	6,181	7,892	4,692	4,614
Later than five years	6,137	27,182	2,903	8,137
	<b>14,676</b>	<b>37,666</b>	<b>9,398</b>	<b>14,577</b>



The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £0 contingent rents were payable by the Council (2010/11 £0). The Council has sub-let parts of some of the buildings held under these finance leases. At 31 March 2012 the minimum payments expected to be received under non-cancellable sub-leases was £0 (£0 at 31 March 2011).

### **Operating Leases**

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

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

	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>£'000</b>	<b>Restated £'000</b>
Not later than one year	895	958
Later than one year and not later than five years	2,465	2,414
Later than five years	5,939	6,195
<b>Total Minimum lease payments</b>	<b>9,299</b>	<b>9,567</b>

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

	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>£'000</b>	<b>Restated £'000</b>
Minimum lease payments	1,339	1,432
Contingent rents	0	0
Sublease payments receivable	(118)	(127)
	<b>1,221</b>	<b>1,305</b>

### **Council as Lessor i.e. receiving rents for assets**

#### **Finance Leases**

The Council has not entered into any finance lease arrangements.

#### **Operating Leases**

The Council leases out property and equipment under operating leases for the following purposes:

The provision of community services, such as sports facilities, tourism services and community centres

Economic development purposes to provide suitable affordable accommodation for local businesses.

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

	<b>31 March 2012</b>	<b>31 March 2011</b>
	<b>£'000</b>	<b>Restated £'000</b>
Not later than one year	828	1,469
Later than one year and not later than five years	2,883	3,821
Later than five years	32,236	15,675
<b>Total Minimum lease payments</b>	<b>35,947</b>	<b>20,965</b>

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

**Note 40: PFI and Similar Contracts**

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

**Paragon**

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

**Waste to Energy Plant**

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

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

	Paragon Schools		Waste to Energy Plant	
	31 March 2012	31 March 2011 Restated	31 March 2012	31 March 2011 Restated
	£'000	£'000	£'000	£'000
<b>Cost or Valuation</b>				
At 1 April	18,243	18,238	19,604	19,481
Additions	333	5	0	115
Revaluation	0	0	0	8
<b>Depreciation</b>				
At 1st April	(729)	(364)	(696)	(663)
Charge for year	(365)	(365)	(700)	(696)
Depreciation Written Out to Revaluation Reserve	0	0	0	663
<b>Balance sheet amount at 31 March</b>	<b>17,482</b>	<b>17,514</b>	<b>18,208</b>	<b>18,908</b>

#### Finance Creditor Liabilities

	Paragon Schools		Waste to Energy Plant	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000
At 1 April	13,052	13,551	15,261	15,962
Principal Repaid in year	(470)	(499)	(765)	(701)
<b>Balance sheet amount at 31 March</b>	<b>12,582</b>	<b>13,052</b>	<b>14,496</b>	<b>15,261</b>

#### Breakdown of PFI Finance Lease Creditor Liabilities

	Long-term		Current	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
	£'000	£'000	£'000	£'000
Paragon Schools	12,162	12,583	420	469
Waste to Energy Plant	13,660	14,496	835	765
	<b>25,822</b>	<b>27,079</b>	<b>1,255</b>	<b>1,234</b>

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

The breakdown of the unitary payment (or equivalent) into service charges, repayment of principal and finance costs for the life of the schemes, at 2011/12 prices, are detailed below.

#### Payments for Paragon Schools

Period	Unitary Payment	Service Charges	Repayments of Liability	Finance Costs	Contingent Rents
	£'000	£'000	£'000	£'000	£'000
Within One Year	2,829	1,426	420	718	265
2-5 years	11,912	6,172	1,822	2,626	1,292
6-10 years	16,333	8,610	2,857	2,647	2,219
11-15 years	18,115	9,905	3,543	1,785	2,882
16-20 years	15,914	8,267	3,941	589	3,117
<b>Total</b>	<b>65,103</b>	<b>34,380</b>	<b>12,583</b>	<b>8,365</b>	<b>9,775</b>

#### Payments for Waste to Energy Plant

Period	Unitary Payment	Service Charges	Repayments of Liability	Finance Costs
	£'000	£'000	£'000	£'000
Within One Year	4,044	1,889	835	1,320
2-5 years	16,172	7,554	4,172	4,446
6-10 years	20,217	9,443	7,742	3,032
11-12 years	3,511	1,626	1,746	139
<b>Total</b>	<b>43,944</b>	<b>20,512</b>	<b>14,495</b>	<b>8,937</b>

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

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

**Note 41: Impairment Losses**

There were no material impairments of assets during the year.

**Note 42: Termination Benefits**

The council terminated or committed itself to terminate the contracts of a number of employees in 2011/12, mainly in order to make savings necessary to deliver the 2012/13 revenue budget. As a result it incurred anticipated liabilities of £3.206m for redundancy payments and £2.381m for capitalised pension costs. Redundancy payments agreed but not actually paid before 31<sup>st</sup> March 2012 have been accrued as creditors; redundancy payments agreed after 31<sup>st</sup> March 2012 have been accrued as provisions. Pension costs have been accounted for in accordance with normal pension arrangements.

**Note 43: Pensions Schemes Accounted for as Defined Contribution Schemes**

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

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

In 2011/12, the council paid £13.615m to Teachers' Pensions in respect of teachers' retirement benefits, based on a contribution rate of 14.1% of pensionable pay. The figures for 2010/11 were £14.866m and 14.1%. There were no contributions remaining payable at the year-end.

The council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in [Note 44](#), under the unfunded scheme.

**Note 44: Defined Benefit Pension Schemes****Participation in Pension Schemes**

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

The council participates in two post employment schemes:

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

**Transactions Relating to Post-employment Benefits**

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

	Local Government Pension Scheme - Funded		Discretionary Benefits Arrangements - Unfunded	
	2011/12	2010/11	2011/12	2010/11
	£'000	£'000	£'000	£'000
<b>Comprehensive Income and Expenditure Statement</b>				
<b>Cost of Services:</b>				
Current service cost	24,792	28,758	0	0
Past service costs	0	(56,200)	0	(2,128)
Capitalisation of some unfunded benefits	5,826		(5,826)	
Settlements and curtailments	(1,656)	3,233	1,087	350
<b>Financing and Investment Income and Expenditure:</b>				
Interest cost	50,251	53,434	1,962	2,205
Expected return on scheme assets	(45,133)	(41,730)	0	0
<b>Total Post Employment Benefits Charged to the Surplus or Deficit on the Provision of Services</b>	<b>34,080</b>	<b>(12,505)</b>	<b>(2,777)</b>	<b>427</b>
<b>Other Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>				
Actuarial (gains) and losses	67,237	(59,124)	1,370	(1,633)
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>101,317</b>	<b>(71,629)</b>	<b>(1,407)</b>	<b>(1,206)</b>
<b>Movement in Reserves Statement</b>				
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post employment benefits in accordance with the Code	(34,080)	12,505	2,777	(427)
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>				
Employers' contributions payable to scheme	22,619	24,402	0	0
Retirement benefits payable to pensioners	0	0	2,460	2,782

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to 31 March 2012 is a loss of £279m.

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

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

	Funded Liabilities: Local Government Pension Scheme		Unfunded Liabilities: Discretionary Benefits Arrangements	
	2011/12	2010/11	2011/12	2010/11
	£'000	£'000	£'000	£'000
<b>Balance at start of year</b>	<b>916,445</b>	<b>948,187</b>	<b>37,176</b>	<b>41,164</b>
Current service cost	24,792	28,758	0	0
Interest cost	50,251	53,434	1,962	2,205
Contributions by scheme participants	9,057	10,060	0	0
Actuarial (gains) or losses	36,775	(44,177)	1,368	(1,633)
Benefits paid	(31,229)	(26,850)	(2,460)	(2,782)
Past service costs or (gains)	0	(56,200)	0	(2,128)
Capitalisation of unfunded benefits	5,826	0	(5,826)	0
Curtailments and settlements	(5,636)	3,233	1,087	350
<b>Balance at end of year</b>	<b>1,006,281</b>	<b>916,445</b>	<b>33,307</b>	<b>37,176</b>

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

Local Government Pension Scheme	2011/12	2010/11
	£'000	£'000
<b>Balance at start of year</b>	<b>672,687</b>	<b>608,398</b>
Expected rate of return	45,133	41,730
Actuarial gains and losses	(30,463)	14,947
Employer contributions	22,619	24,402
Contributions by scheme participants	9,057	10,060
Settlements	(3,980)	0
Benefits paid	(31,229)	(26,850)
<b>Balance at end of year</b>	<b>683,824</b>	<b>672,687</b>

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

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

The actual return on scheme assets in the year was £14.7m (2010/11: £39.3m).

**Scheme History**

	2011/12	2010/11	2009/10	2008/09	2007/08
	£'000	£'000	£'000	£'000	£'000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(1,006,281)	(916,445)	(948,187)	(660,335)	(779,588)
Discretionary Benefits Arrangements	(33,307)	(37,176)	(41,164)	(35,283)	(39,618)
<b>Fair value of assets in the Local Government Pension Scheme</b>					
	<b>683,824</b>	<b>672,687</b>	<b>608,398</b>	<b>456,779</b>	<b>564,386</b>
<b>Surplus or (deficit) in the scheme:</b>					
Local Government Pension Scheme	(322,457)	(243,758)	(339,789)	(203,556)	(215,202)
Discretionary Benefits Arrangements	(33,307)	(37,176)	(41,164)	(35,283)	(39,618)
<b>Total</b>	<b>(355,764)</b>	<b>(280,934)</b>	<b>(380,953)</b>	<b>(238,839)</b>	<b>(254,820)</b>

The liabilities show the underlying commitments that the council has in the long run to pay post employment (retirement) benefits. The total deficit of £356m has a substantial impact on the net worth of the council as recorded in the Balance Sheet, reducing the overall balance by about a half. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy: the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31 March 2013 are £22.6m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are £2.5m.

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by the scheme actuary, an independent firm of actuaries. Estimates for Dudley's share of the Fund are based on the latest full valuation of the scheme as at 1 April 2011.



The principal assumptions used by the actuary have been:

	Local Government Pension Scheme		Discretionary Benefits Arrangements	
	31 March 2012 £'000	31 March 2011 £'000	31 March 2012 £'000	31 March 2011 £'000
<b>Long-term expected rate of return on assets in the scheme:</b>				
Equities	7.0%	7.5%		
Government Bonds	3.1%	4.4%		
Other Bonds	4.1%	5.1%		
Property	6.0%	6.5%		
Cash/Liquidity	0.5%	0.5%		
Other	7.0%	7.5%		
<b>Mortality assumptions:</b>				
Longevity at 65 for current pensioners				
Men	21.7	21.6	21.7	21.6
Women	24.3	24.2	24.3	24.2
Longevity at 65 for future pensioners				
Men	23.1	23.0		
Women	25.9	25.8		
<b>Financial assumptions:</b>				
Rate of CPI inflation	2.5%	2.9%	2.3%	2.8%
Rate of increase in salaries	4.25%	4.65%		
Rate of increase in pensions	2.5%	2.9%	2.3%	2.8%
Rate for discounting scheme liabilities	4.9%	5.5%	4.6%	5.4%
Take-up of option to convert annual pension into retirement lump sum	50% take maximum cash, 50% take 3/80ths cash	50% take maximum cash, 50% take 3/80ths cash		

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

<b>Local Government Pension Scheme</b>		
	<b>2011/12</b>	<b>2010/11</b>
	%	%
Equities	54.8%	59.1%
Government Bonds	10.5%	8.2%
Other Bonds	8.2%	5.9%
Property	10.0%	8.5%
Cash/Liquidity	1.4%	2.1%
Other	15.1%	16.2%
<b>Total</b>	<b>100</b>	<b>100</b>

### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>	<b>2007/08</b>
Differences between the expected and actual return on assets as a percentage of assets at balance sheet date	(4.50%)	2.20%	16.50%	(22.80%)	(6.20%)
Experience gains and losses on liabilities as a percentage of all liabilities at balance sheet date	(3.67%)	(2.62%)	0.32%	(18.08%)	2.45%

### **Note 45: Contingent Liabilities**

#### Insurance Arrangements

The Council has set aside the following sums to meet known or potential liability risks in the form of provisions and reserves:

	<b>£'000</b>
<b>Provision</b>	4,382
<b>Reserve</b>	4,417

Included in the reserve above is £1.533m attached to the Council's potential liability under a Scheme of Arrangement relating to the Council's former insurer, Municipal Mutual.

In the financial year 2011/12, the Council carried self-funded insurance on the following risks:

	<b>£'000 per Claim</b>
<b>Fire and Special Perils:</b>	
(i) School Buildings – deductible	300
(ii) All other properties – deductible	100
Subject to an aggregate level for all claims across all properties	850
<b>Legal Liability Risks:</b>	356
Subject to an aggregate limit (£2,750,000 up to 30th November 2011)	2,799

**Other Contingent Liabilities**

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

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

**Note 46: Contingent Assets**

There are no significant contingent assets at 31<sup>st</sup> March 2012.

**Note 47: Nature and extent of risks arising from Financial Instruments**

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

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

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

**Credit risk**

Credit risk arises from deposits with banks, other financial institutions, other local authorities that are from treasury activities, and from trade customers. Credit risk arising from deposits made with banks and financial institutions is managed based on limits set out in the Council's Annual Investment Strategy, which forms part of the annual Treasury Management Strategy. The Council manages the treasury risk by restricting its investments to those that satisfy the following conditions for specified investments:

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

For the purposes of this strategy a body or investment scheme is deemed to be of high credit quality if it has minimum short-term credit ratings of F1 (Fitch), P1 (Moody's), and A1 (Standard and Poors), and a support rating of 1 from Fitch

As well as credit ratings the Council and its treasury advisors analyse and constantly monitor other factors in determining high credit quality when selecting countries and financial institutions for suitable investment. These include :

- Credit Default Swaps (where quoted)
- Economic fundamentals (for example Net Debt as a percentage of GDP)
- Sovereign support mechanisms
- Share Prices
- Corporate developments, news, articles, markets sentiment and momentum

Due to the period of stress in financial markets in the reporting period, the Council's investments must also satisfy the following more stringent conditions:

- The Council will not invest in non-UK institutions.
- Investments of a maximum duration of 3 months are permitted with UK institutions which have the highest short term credit rating from all three main credit rating agencies or a maximum duration of 1 month with UK institutions which do not have the highest short term credit rating from all three credit rating agencies but are deemed to be of high credit quality as defined above.
- The Council will not place its funds in non-specified investments.

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

Category of Investment	Maximum proportion of total investments	Amount of Investment at 31 March 2012 £'000
<b>Specified Investments</b>		
Banks, building societies, and schemes with the credit ratings given above	No more than the greater of 20% or £5m with any one institution or group of banks	183
UK Government and other local authorities	No more than the greater of 20% or £5m with any one institution – except that the Government Debt Management Office is not limited	0

Due to the current period of stress in financial markets, the Council will not place its funds in non-specified investments

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 and other factors affecting credit quality through the receipt of bulletins from its treasury management advisors. Institutions that cease to meet the criteria above will immediately cease to be treated as specified investments.

The Council's trade invoices are due in 30 days, so any debt over 30 days may be considered impaired. All debt over one year and a proportion of debt due within one year is fully provided for, see [Note 18](#), so credit risk only arises on unpaid debt between 30 days and 12 months for which no provision against doubtful debts has been made. The amounts in this category are shown overleaf.

Age of debt	31 March 2012	31 March 2011
	£'000	£'000
1 – 3 months	971	1,257
4 – 12 months	809	858
<b>Total overdue but not provided for</b>	<b>1,780</b>	<b>2,115</b>

### Liquidity Risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

### Market risk

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

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

Maturity within:	Limit %	Actual	Actual
		31 March 2012 £'000	31 March 2012 %
12 months	0-10%	17,616	2.3%
1-2 years	0-10%	14,092	1.9%
2-5 years+	0-15%	34,605	4.6%
5-10 years	0-25%	97,628	13.0%
more than 10 years	40-100%	590,003	78.2%

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

The Council is exposed to price risk through its shareholding in Birmingham Airport, see [Note 48](#). The Council is consequently exposed to losses arising from movements in the prices of the shares. The shares are all classified as 'available for sale', meaning that any movement in price would impact on gains and losses recognised in the Comprehensive Income & Expenditure Account. As the shareholding has arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio.

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

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

**Note 48: Investments in Companies****Birmingham Airport**

The Council's shareholding investment in Birmingham Airport cost £7.675m but was revalued as at 31<sup>st</sup> March 2012 to £22.083m for Dudley's 5.58% ordinary shareholding and 11% preference shareholding; see also [Note 16](#).

**Dudley and West Midlands Zoological Society Limited**

Dudley Council holds all the shares in a company known as Dudley and West Midlands Zoological Society Limited. (Registered address: Castle Hill, Dudley, West Midlands, DY1 4QF). 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 accounts of the company, copies of which can be obtained from the Society at the above address.

	Year Ended 31 December 2011 £'000	Year Ended 31 December 2010 £'000
Total Assets less Liabilities	919	792
Surplus or (Loss) on Ordinary Activities	126	(78)
Dividends Paid	Nil	Nil
Status of Accounts	audited	audited

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

**New Heritage Regeneration Limited**

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

The company's accounts for the period ended 31<sup>st</sup> March 2012 are not yet available. However the total amount paid by the Council for the company's services, and included in the Council's Income and Expenditure account for 2011/12 was £159,000 (£199,000 in 2010/11). The company's financial position for the year ended 31<sup>st</sup> March 2011 is summarised below.

	Year Ended 31 March 2011 £'000
Turnover	225
Cost of sales	(221)
Gross Profit	4
Status of Accounts	unaudited

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

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

The LLP's financial position for the period ended 31<sup>st</sup> March 2012 and for the period ended 30<sup>th</sup> April 2011 is summarised below.

	11 months to 31 March 2012 £'000	Year Ended 30 April 2011 £'000
Stock of Properties	92	85
Costs incurred	65	43
Status of Accounts	draft management accounts	audited

**Group Accounts**

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

**Note 49: Heritage Assets – 5 year summary**

	2011/12 £'000	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000	Total for Five Years £'000
<b>Costs of Acquisition, Construction, and Restoration of Heritage Assets</b>						
Work on Leasowes Park	4	15	30	745	28	822
Acquisitions of Glass	147	0	4	11	24	186
Work on Wrens Nest NNR etc	0	412	778	66	7	1,263
Titanic Anchor Replica	10	50	0	0	0	60
Art work in parks and public spaces (not available for 8/9 and 7/8)	0	40	41	n/a	n/a	81
<b>Total</b>	<b>161</b>	<b>517</b>	<b>853</b>	<b>822</b>	<b>59</b>	<b>2,412</b>

There were no significant donations, disposals, or impairments of heritage assets reflected in the balance sheet.

### **Note 50: Heritage Assets – Narrative Disclosure**

Much information on the heritage assets, the policies which inform the holdings, and access arrangements, are available on the web-sites below. Alternatively, information can be obtained through Dudley Council Plus on 0300 555 2345.

Dudley Museums Service exists for the inspiration, education and enjoyment of everyone. We preserve, promote, enrich and provide access to our local heritage through our glass, geology, art and other collections. We encourage creativity in the arts and provide a window on the world through exhibitions and events.

Museum collections of art, glass, geological items and related archive materials are described on the following web-site, including virtual tours, and details of access arrangements.

<http://www.dudley.gov.uk/leisure-and-culture/museums-galleries/>

Local archive collections held in the current archives in Mount Pleasant Street, but to be moved to the new Archive Centre in Tipton Street, are described through the following link.

<http://www.dudley.gov.uk/leisure-and-culture/local-history--heritage/archive-and-local-history/>

The historic Landscape of The Leasowes Park, and its restoration, are described below.

<http://www.dudley.gov.uk/leisure-and-culture/parks-and-open-spaces/the-leasowes-project/>

National Nature Reserve – Wrens Nest is described through the following link.

<http://www.dudley.gov.uk/environment-planning/countryside/nature-reserves/wrens-nest-nnrwrens-nest-nnr/>

Many of the statues, art works, and public art are mentioned in local web-sites, or through the link below.

<http://www.dudley.gov.uk/leisure-and-culture/arts-and-entertainment/public-art/>

The items described above have been recognised as heritage assets on the balance sheet, either at cost or at valuation, except for the local archive material. In addition, there are assets which are not recognised as heritage assets because they also provide a service: notably the site of an ancient volcano at Barrow Hill, and the local nature reserves such as Saltwells and Fens Pool which are also public parks or open spaces, and the preserved archaeological site under Stone Street Square. Further, such assets as Dudley Castle (within the Zoo site) and the limestone workings under Castle Hill are not recognised because in the opinion of the council the cost of looking for such a valuation would exceed any benefit it would give to readers of the accounts.



## **Note 51: Heritage Assets, Community Assets; Trust Funds – Change in Accounting Policy**

### **Heritage Assets, Community Assets**

The *Code of Practice on Local Authority Accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for heritage assets held by the Council. As set out in our summary of significant accounting policies, the Council now requires heritage assets to be carried in the balance sheet at valuation, or cost if valuation is not reasonably available.

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation, or at cost. Previously, heritage assets were either recognised as community assets (at cost), or in a few cases within infrastructure, in the property, plant and equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. The Council's accounting policies for recognition and measurement of heritage assets are set out in the Council's summary of significant accounting policies (see [Note 1](#) on page 22).

In applying the new accounting policy, the Council has identified that assets that were previously held as community assets within property, plant and equipment at £0.9 million should now be recognised as heritage assets and measured at £9.4 million with a corresponding increase in the Revaluation Reserve. These assets relate to a proportion of the Museum's art collection, the civic regalia, and certain public works of art. Some of this was previously recognised at cost in the community assets classification of property, plant and equipment. The Council will also recognise an additional £8.1 million for the recognition of heritage assets that were not previously recognised in the Balance Sheet.

Again, this increase is also recognised in the Revaluation Reserve. The 1<sup>st</sup> April 2010 and 31<sup>st</sup> March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

A further £4.4m of assets which were held at cost as community assets will now be carried as heritage assets, still at cost as there is no reasonable way of capturing the value.

The effects of the restatement are as follows:

At 1<sup>st</sup> April 2010 the carrying amount of the Heritage Assets is presented at a valuation at £17 million plus £4m at cost (see [Note 13](#)). The element that was previously recognised in property, plant and equipment has been reclassified and written up by £8.5 million. Following CIPFA Guidance, the revaluation reserve has increased by £16.6 million.

### **Trust Funds**

The Council acts as trustee for the various funds detailed in [Note 52](#). These funds have not been consolidated in the accounts of the Council, in order to comply with the Accounting Code of Practice. The Council's implied liabilities to these funds were previously shown as a reduction in its cash balance; in the 31<sup>st</sup> March 2012 Balance Sheet they are shown as short term creditors. The 1<sup>st</sup> April 2010 and 31<sup>st</sup> March 2011 Balance Sheets have been restated accordingly.

The fully restated 1<sup>st</sup> April 2010 Balance Sheet is provided on the next page. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

	31 March 2011 as in 10/11 accounts £'000	changes	31 March 2011 restated £'000	1 April 2010 as in 10/11 accounts £'000	changes	1 April 2010 restated £'000
Infrastructure	172,333	(392)	171,941	168,398	(419)	167,979
Community Assets	14,281	(4,389)	9,892	16,640	(3,929)	12,711
Heritage Assets	0	21,559	21,559	0	21,033	21,033
Cash and Cash Equivalents	10,421	6,202	16,623	(5,288)	5,241	(47)
<b>Total of asset lines changed</b>	<b>197,035</b>	<b>22,980</b>	<b>220,015</b>	<b>179,750</b>	<b>21,926</b>	<b>201,676</b>
Short Term Creditors	(71,697)	(6,202)	(77,899)	(58,983)	(5,241)	(64,224)
<b>Total of liability lines changed</b>	<b>(71,697)</b>	<b>(6,202)</b>	<b>(77,899)</b>	<b>(58,983)</b>	<b>(5,241)</b>	<b>(64,224)</b>
Revaluation Reserve	81,064	16,778	97,842	194,276	16,685	210,961
<b>Total of unusable reserves changed</b>	<b>81,064</b>	<b>16,778</b>	<b>97,842</b>	<b>194,276</b>	<b>16,685</b>	<b>210,961</b>

**COMPARATIVE BALANCE SHEETS**

	31 March 2012 £'000	31 March 2011 restated £'000	1 April 2010 restated £'000
<b>Property, Plant and Equipment (Note 12)</b>			
Council dwellings	668,876	693,192	993,509
Other land and buildings	401,553	390,928	390,399
Vehicles, plant, furniture and equipment	21,019	21,673	22,134
Infrastructure	182,214	171,941	167,979
Community assets	6,495	9,891	12,711
Assets under construction	2,919	19,492	5,008
Surplus assets not held for sale	8,098	8,092	9,671
<b>Heritage Assets</b>	21,720	21,559	21,033
<b>Other Long Term Assets</b>	<b>214,198</b>	<b>217,128</b>	<b>222,856</b>
<b>Long Term Assets</b>	<b>1,527,092</b>	<b>1,553,896</b>	<b>1,845,300</b>
Cash and Cash Equivalents	5,192	16,623	(47)
Other Current Assets	29,154	39,367	50,646
<b>Current Assets</b>	<b>34,346</b>	<b>55,990</b>	<b>50,599</b>
Short Term Creditors	(71,554)	(77,899)	(64,224)
Other Current Liabilities	(76,274)	(44,113)	(39,895)
<b>Current Liabilities</b>	<b>(147,828)</b>	<b>(122,012)</b>	<b>(104,119)</b>
<b>Long Term Liabilities</b>	<b>(1,128,542)</b>	<b>(800,122)</b>	<b>(912,101)</b>
<b>Net Assets</b>	<b>285,068</b>	<b>687,752</b>	<b>879,679</b>
<b>Total Usable Reserves</b>	<b>79,913</b>	<b>83,035</b>	<b>65,490</b>
<b>Unusable Reserves (Note 24)</b>			
Revaluation Reserve	109,111	97,841	210,961
Other Unusable Reserves	96,044	506,876	603,228
<b>Total Unusable Reserves</b>	<b>205,155</b>	<b>604,717</b>	<b>814,189</b>
<b>Total Reserves</b>	<b>285,068</b>	<b>687,752</b>	<b>879,679</b>

**Community Assets**

The Council has determined that some of the expenditure on enhancing such community assets as parks, while properly recognised as part of the community asset balance, will not have an indeterminate life. Dudley has therefore resolved to charge depreciation on such aspects, to ensure that the balance sheet shows an appropriate figure. This has resulted in an additional charge, and reduction in balance sheet value, of £0.3million, in 2011/12.

The Council has further determined that expenditure on play facilities and fitness equipment, and on healthy hub buildings, in parks should be shown on the balance sheet as vehicles, plant, furniture and equipment, at depreciated historic cost as a proxy for fair value, or as other land and buildings, at fair value.

The buildings concerned will be valued as part of the five-year rolling programme.

**Note 52: Trust Funds**

The Council 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.

The Council's implied liabilities to these funds were previously shown as a reduction in its cash balance; in the 31<sup>st</sup> March 2012 Balance Sheet they are shown as short term creditors. The 1<sup>st</sup> April 2010 and 31<sup>st</sup> March 2011 Balance Sheets have been restated accordingly as set out in Note 51.

	Balance at 31st March 2012	Expenditure And Other Losses 2011/12	Income and Other Gains 2011/12	Balance at 31st March 2011 Restated	Expenditure And Other Losses 2010/11	Income and Other Gains 2010/11	Balance at 31st March 2010 Restated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Stevens Trust – provides amenities in Stourbridge & Lye	2,917	(203)	224	2,896	(184)	195	2,885
Earls High School Foundation – supports current & recent pupils of the school	297	-	7	290	(2)	6	286
Other Children's Services Funds	234	(11)	59	186	(52)	42	196
Housing Leaseholder Funds	718	(207)	280	645	(271)	218	698
Adult and Community Funds – mainly held on behalf of residents	5,310	(4,474)	4,688	5,096	(3,696)	4,786	4,006
Other Funds	286	(107)	192	201	(93)	17	277
<b>Total</b>	<b>9,762</b>	<b>(5,002)</b>	<b>5,450</b>	<b>9,314</b>	<b>(4,298)</b>	<b>5,264</b>	<b>8,348</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 £0.462m at 31<sup>st</sup> March 2008 in accordance with the RICS Appraisal & Valuation manual. The other 3 trusts have land & property valued on a similar basis totalling £2.023m at 31<sup>st</sup> March 2008. The land and buildings will be revalued as at 31<sup>st</sup> March 2013.

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 not resulted any significant unrealised gain or losses.

The Earls High School converted to an Academy school during 2011/12 and as part of this process it was agreed that the Academy Trust would be the Trustee in place of the Council.

The Council ceased to be the Trustee of The Earls High School Foundation Trust with effect from 1st April 2012.

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.

## HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE STATEMENT

	2011/12	2010/11
	£'000	£'000
<b>Income</b>		
Dwellings Rent	80,987	76,426
Non-Dwellings Rent	688	666
Charges for services and facilities	214	184
Contribution towards expenditure	659	722
Supporting People Grant	699	737
<b>Total Income</b>	<b>83,247</b>	<b>78,735</b>
<b>Expenditure</b>		
Repairs & Maintenance	21,231	22,423
Supervision and Management	9,100	14,465
Rent, Rates, Taxes & Other Charges	987	1,210
Negative Subsidy ( <a href="#">Note 10</a> )	22,208	27,338
Provision for Bad Debts	538	396
Depreciation & Impairments of Fixed Assets ( <a href="#">Note 8 &amp; Note 9</a> )	65,172	14,534
Debt Management Costs	142	41
Exceptional Item – Revaluation loss on Housing Stock, due to change in discount factor, charged to CIES	0	192,330
Exceptional Item – HRA Self Financing Payment	335,608	0
<b>Total Expenditure</b>	<b>454,986</b>	<b>272,737</b>
<b>Net of (Income) &amp; Expenditure</b>	<b>371,739</b>	<b>194,002</b>
HRA share of Corporate & Democratic Core	525	587
HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services	0	135
Exceptional item – change to pension scheme	0	(6,865)
<b>Net Cost of HRA services</b>	<b>372,264</b>	<b>187,859</b>
(Gain) or loss on sale of HRA non-current assets	(1,936)	533
Interest payable & similar charges	6,827	5,576
HRA Investment Income (including Mortgage Interest)	(28)	(21)
Finance Cost of Pensions	744	1,522
Recognised capital grants and contributions	(3,501)	(3,774)
<b>(Surplus) or Deficit for the year of HRA services</b>	<b>374,370</b>	<b>191,695</b>

A settlement payment of £335.608m was made to the Department for Communities and Local Government in March 2012 in order to implement Self Financing for council housing in 2012/13 in accordance with government regulations which has removed the housing subsidy system for Housing Authorities. The settlement payment was funded by loans from the Public Works Loan Board.

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

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

**Movement on the HRA Statement**

	2011/12		2010/11	
	£'000	£'000	£'000	£'000
<b>Balance on the HRA at the end of the previous year</b>		<b>(519)</b>		<b>(1,217)</b>
(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	374,370		191,695	
Adjustments between accounting basis and funding basis under statute	(377,031)		(191,347)	
<b>Net decrease before transfers to or from reserves</b>		<b>(2,661)</b>		<b>348</b>
Transfers to or (from) Housing Repairs Account	1,190		454	
Transfers to or (from) earmarked reserves	(208)		(104)	
<b>Decrease in year on the HRA balance</b>		<b>(1,679)</b>		<b>698</b>
<b>Balance on the HRA at end of the current year</b>		<b>(2,198)</b>		<b>(519)</b>

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

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

	2011/12	2010/11
	£'000	£'000
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	(284)	(281)
Charge for depreciation, impairment and amortisation of non-current assets, plus capital expenditure funded from revenue under statute, net of Major Repairs Allowance and recognised capital grants.	43,657	197,933
HRA Self Financing Payment	335,608	0
(Gain) or loss on sale of HRA non-current assets	(1,936)	533
Disposal costs charged to capital receipts	91	188
HRA share of contributions to or from the Pensions Reserve (net figure)	924	(4,905)
Adjustment re Accumulated Absences	0	(33)
Capital expenditure funded by the HRA	(1,029)	(2,088)
<b>Total</b>	<b>377,031</b>	<b>191,347</b>

**Note 2: Housing Stock**

The Council was responsible for managing on average 22,985 dwellings during 2011/12. The stock at the year end was made up as follows:

	31 March 2012	31 March 2011
Traditional Houses and Bungalows	14,239	14,241
Non-traditional Houses and Bungalows	928	935
Flats	7,820	7,807
<b>Total Stock</b>	<b>22,987</b>	<b>22,983</b>

The change in stock can be summarised as follows:

	2011/12	2010/11
<b>Stock at 1st April</b>	22,983	23,039
Less: Sales, Demolitions etc.	(68)	(56)
Add: New Build properties	72	0
<b>Stock at 31st March</b>	<b>22,987</b>	<b>22,983</b>

**Note 3: Plant Property and Equipment**

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

	31 March 2012	1 April 2011	31 March 2011 Restated
	£'000	£'000	£'000
i) Operational Assets, comprising:			
Dwellings	668,876	642,795	693,192
Other Land & Buildings	1,921	3,379	3,381
	<b>670,797</b>	<b>646,174</b>	<b>696,573</b>

The change in values between 31<sup>st</sup> March 2011 and 1<sup>st</sup> April 2011 reflects the revaluation as at 1<sup>st</sup> April 2011.

- i) Non operational assets: Not material
- ii) The vacant possession value of dwellings within the council's HRA at 1st April 2011 was £1,891m compared with a social housing value of £643m.

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**

	2011/12 £'000	2010/11 £'000
Balance on the Major Repairs Reserve at start of year	0	0
Amount transferred to the Major Repairs Reserve during the financial year	14,525	5,475
Debits to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses & other property within the council's Housing Revenue Account	(14,525)	(5,475)
<b>Balance on the Major Repairs Reserve at end of year</b>	<b>0</b>	<b>0</b>

**Note 5: Housing Repairs Account**

Analysis of the movement on the housing repairs account.

	2011/12 £'000	2010/11 £'000
Balance on the Housing Repairs Account at start of year	454	0
Amount transferred to the Housing Repairs Account during the financial year	1,190	454
<b>Balance at end of year</b>	<b>1,644</b>	<b>454</b>

**Note 6: Capital Expenditure**

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

	2011/12 £'000	2010/11 £'000
Borrowing	21,846	23,269
Usable Capital Receipts	745	1,203
Revenue Contribution	1,029	2,088
Major Repairs Reserve	14,525	5,475
Grants & Contributions	3,501	3,798
	<b>41,646</b>	<b>35,833</b>

In addition, a further £335.608m relating to HRA self-financing was capitalised under directions issued by the Secretary of State for Communities and Local Government, and funded from borrowing.



**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.

	2011/12	2010/11
	£'000	£'000
<b>Net Capital Receipts</b>		
Dwellings	3,878	2,737
Other land & buildings	828	890
	<b>4,706</b>	<b>3,627</b>

**Note 8: Depreciation & Amortisation**

The total charge for depreciation within the Housing Revenue Account.

	2011/12	2010/11
	£'000	£'000
<b>Depreciation of Operational assets</b>		
Dwellings	14,525	14,275
Other land & buildings e.g. shops	32	30
	<b>14,557</b>	<b>14,305</b>

The total charge for amortisation within the Housing Revenue Account.

	2011/12	2010/11
	£'000	£'000
<b>Amortisation of Intangible assets</b>		
Intangible assets	167	173
	<b>167</b>	<b>173</b>

**Note 9: Revaluation and Impairment Losses**

	2011/12	2010/11
	£'000	£'000
The value of revaluation losses for the financial year in respect of land, houses & other property charged to the council's Housing Revenue Account.	50,448	
The value of revaluation losses for the financial year in respect of land, houses & other property charged to the council's Housing Revenue Account. This was an exceptional item, and was due to a change in the discount factor set by DCLG.		192,330
Demolished Properties	58	55
<b>Total</b>	<b>50,506</b>	<b>192,385</b>

**Note 10: Housing Subsidy**

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

	2011/12 £'000	2010/11 £'000
Allowance for management	(12,677)	(12,282)
Allowance for maintenance	(24,715)	(24,362)
Allowance for major repairs	(14,525)	(5,475)
Charges for capital	(6,004)	(5,980)
Rent	80,122	75,428
Interest on receipts	7	9
<b>Total Negative Subsidy</b>	<b>22,208</b>	<b>27,338</b>

**Note 11: HRA Self Financing Payment**

	£'000
The value of HRA Self Financing payment made to DCLG in the financial year 2011/12 to enable buy out from HRA Subsidy system.	335,608
<b>Total</b>	<b>335,608</b>

**Note 12: Rent Arrears**

	31 March 2012 £'000	31 March 2011 £'000
Current Tenants	1,297	1,450
Former Tenants	4,184	4,048
<b>Total</b>	<b>5,481</b>	<b>5,498</b>

A bad debt provision has been made in the accounts in respect of potentially uncollectable rent arrears. The value of this provision was £4.443m at 31<sup>st</sup> March 2012 (£4.338m at 31<sup>st</sup> March 2011).

**Note 13: Pension entries in the HRA**

As with all local authority accounts, actual pension contributions made by the employer to the pension fund, and actual payments of pension, are excluded from the published accounts, and replaced by a notional rate provided by actuaries. A share of the finance cost of pensions (another actuarial figure) is charged to the HRA, pro rata to its pension contribution. These changes are reversed back out of the HRA by a contribution from the pension reserve, so that there is no effect on rents. Further details are given in the statement of accounting policies, and in [Note 44](#) to the Core Statements.

**COLLECTION FUND**

	<b>2011/12</b>	<b>2010/11</b>
	<b>£'000</b>	<b>£'000</b>
Council Tax (net)	(102,832)	(101,197)
Transfers from General Fund: Net Benefits	(23,751)	(23,986)
Business Rates (net of provisions and reliefs)	(90,332)	(86,214)
Adjustments of Community Charges for Previous Years ( <a href="#">Note 3</a> )	563	0
<b>Total Income</b>	<b>(216,352)</b>	<b>(211,397)</b>
Precepts and Demands:		
West Midlands Police Precept	9,777	9,709
West Midlands Fire & Rescue Precept	4,702	4,670
Dudley MBC General Fund Demand	110,641	109,874
	<b>125,120</b>	<b>124,253</b>
Business Rates:		
Payment to National Pool ( <a href="#">Note 2</a> )	89,889	85,768
Costs of Collection	443	446
	<b>90,332</b>	<b>86,214</b>
Increased or (Decreased) Provision for Doubtful Debts:		
Council Tax	1,134	170
Community Charge ( <a href="#">Note 3</a> )	(564)	0
	<b>570</b>	<b>170</b>
Transfer to General Fund – Prior Year's Estimated Surplus	0	0
<b>Total Expenditure</b>	<b>216,022</b>	<b>210,637</b>
<b>Collection Fund Surplus (Deficit) for the year</b>	<b>330</b>	<b>760</b>
Surplus at 1 April brought forward	763	3
<b>Total Collection Fund Surplus at 31 March</b>	<b>1,093</b>	<b>763</b>
Surplus to be distributed to preceptors	(126)	(88)
<b>DUDLEY MBC share of Collection Fund Surplus</b>	<b>967</b>	<b>675</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 2011/12 was 98,313.96 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>106.88</b>	5/9	<b>59.38</b>
A	<b>35,010.28</b>	6/9	<b>23,340.19</b>
B	<b>33,338.56</b>	7/9	<b>25,929.99</b>
C	<b>26,333.23</b>	8/9	<b>23,407.32</b>
D	<b>14,382.96</b>	1	<b>14,382.96</b>
E	<b>6,042.77</b>	11/9	<b>7,385.61</b>
F	<b>2,172.38</b>	13/9	<b>3,137.88</b>
G	<b>878.15</b>	15/9	<b>1,463.58</b>
H	<b>100.06</b>	18/9	<b>200.12</b>
<b>Total Band D equivalent</b>			<b>99,307.03</b>
<b>Assumed Collection Rate</b>			<b>99%</b>
<b>NET BAND D EQUIVALENT</b>			<b>98,313.96</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 43.0p (or 42.6p if the property qualifies for small business relief) for 2011/12, charged on the rateable value of the property. The Council is responsible for collecting rates due from ratepayers in its area, but pays the income into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

Total non-domestic rateable value at 31<sup>st</sup> March 2012 was £246.521m (31<sup>st</sup> March 2011 = £247.385m). 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**

The residual Community Charge balance of £0.563m raised in earlier years was written off against the provision for doubtful debt in 2011/12. There is no cost to Council Tax payers and this brings the Council into line with the practice of most other local authorities

**Note 4: Write Offs**

Following every effort to recover monies due, some debts are eventually deemed to be uncollectable and are written off. In 2011/12, in addition to Community Charge above, the following sums were written off:

Council Tax	£0.455m (2010/11 £0.648m)
National Non-Domestic Rates	£1.020m (2010/11 £1.137m)

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## ANNUAL GOVERNANCE STATEMENT

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### 1. Scope of Responsibility

Dudley Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

The Audit Committee has now approved a revised Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government, and also the Localism Act. A copy of the Code has been placed on the website following full Council approval.

This statement explains how the Council meets the requirements of the Accounts & Audit Regulations 2011. This refers to a review of the system of internal control, and the publication of an annual governance statement.

### 2. The Purpose of the Governance Framework

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

Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. They cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The systems of risk management and internal control are based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

A governance framework has been in place at the Council for the year ended 31 March 2012 and up to the date of approval of this statement.

### 3. The Governance Framework

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

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

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

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

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

In identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and services users, the Council engages with all parts of the community.

The Council's most important objectives are consolidated in the Council Plan, and an associated assurance framework is in place whereby the key objectives of the Council now include formal consideration and documentation of any risks which might prevent objectives being achieved.

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

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

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

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

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

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

Responsibility for developing, communicating and embedding codes of conduct, which define the standards of behaviour for members and staff has been delegated to the Audit & Standards Committee, which also monitors the Council's Confidential Reporting Policy for use by staff and contractors.

A separate fraud hotline was launched in October 2011 and this is managed by Audit Services.

The Council also operates a complaints system for the public and the use of the system is monitored by Senior Officers and Members.

The Council has an Audit & Standards Committee with a remit to oversee the effective operation of both the internal and external audit function, and to ensure that appropriate action is taken in relation to audit recommendations. It also has responsibility for corporate governance arrangements, and the promotion and maintenance of high standards of conduct within the Council.

The Audit & Standards Committee annually endorses the Risk Management Strategy which now incorporates a Risk Assurance Protocol which requires Senior Officers to regularly certify that the assurance

framework has been reviewed and mitigating controls are operating as intended. The results are collated and monitored centrally.

Corporate Board and Cabinet also review the most significant risks in the Corporate Risk Register each quarter.

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

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

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

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

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

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

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework. The review of effectiveness is informed by the work of the Members and Senior Officers within the Council who have responsibility for the development and maintenance of the governance framework.

The Corporate Risk Register currently includes a number of significant risks which could affect the ability of the Council to achieve its objectives. These risks include :-

- a. Information governance
- b. Accommodation strategy
- c. Carbon reduction
- d. Medium term financial strategy
- e. Housing Revenue Account
- f. Demographic pressures

Reports on these matters are presented to Corporate Board, Cabinet, or Scrutiny Committees as appropriate. A number of the risks are also subject to internal and/or external audit.

During 2011/12 Audit Services carried out 192 planned audit reviews as part of their four-year strategic plan. The findings were reported to relevant line managers and senior management, and appropriate action agreed.

The Audit & Standards Committee receives an annual report summarising the performance of Audit Services in the previous financial year, and plans for future years. The Committee also receives a series of reports setting out the results of Audit Services work in each of the Council's Directorates. These reports detail the

higher importance findings, any unimplemented recommendations, and management feedback about the action they have taken. The Committee also receives more detailed reports on other areas where they consider it necessary. The Treasurer will, under the Anti-Fraud and Corruption Strategy, report major losses, resulting from fraud and corruption, to the Audit & Standards Committee. One such report was necessary during 2011/12. A report on the prevention and detection of fraud was presented to the Committee, who also approved a revised Anti Fraud & Corruption Strategy.

Audit Committee approved a revised Code of Corporate Governance in April 2012 and have requested that they be kept informed of the status of actions identified in the Code. The first report will be presented to the September meeting.

When the Audit Commission have completed their external audit for 2011/12, their Annual Audit and Inspection Letter will be presented to the Audit & Standards Committee and the Cabinet. The Annual Audit and Inspection Letter for the 2010/11 accounts presented an unqualified opinion on the accounts.

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

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

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

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

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

There are a number of significant developments taking place in [or affecting] local government such as the transfer of public health, council tax benefits, Police & Crime Commissioners, Clinical Commissioning Groups, etc. The effects of these developments on the governance of the Council will be monitored. It was also noted that various corporate groups have been formed to address these issues and they will report to Cabinet, Council or other Committees as required.

## **5. Significant Governance Issues**

The review of the effectiveness of the governance framework has not identified any significant issues, and we will monitor the situation in 2012/13 to ensure the changes in local government operations do not impact adversely on the governance framework.

Councillor D.Sparks  
Leader of the Council

J.Polychronakis  
Chief Executive