TAMWORTH BOROUGH COUNCIL

Statement of Accounts

2008/09

Tamworth Borough Council

STATEMENT OF ACCOUNTS

2008/09

Contents

THE EXPLANATORY FOREWORD

The statement of accounts presents the financial position and performance of the Council for the year ended 31st March 2009. This foreword describes the nature and purpose of each of the statements which follow and the principal items of interest or note which are contained within the accounts.

THE FINANCIAL STATEMENTS

The Annual Statement of Accounts for the year ended 31st March 2009 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom.

The Council's accounts for 2008/09 are set out on pages 22 to 71 and consist of the following:

- **Core Financial Statements:**
  - **Income & Expenditure Account:** reports the net cost for the year of all the functions for which the authority is responsible. It also shows how that cost was financed from government grants and income from council taxpayers.
  - **Statement of Movement on General Fund Balance:** reconciles the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. While the Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months, the authority is required to raise Council Tax on a different accounting basis in line with statute.
  - **Statement of Total Recognised Gains and Losses (STRGL):** brings together all recognised gains and losses to the Authority during the year identifying those which have and have not been recognised in the income & expenditure account. The statement separates the movements between revenue and capital reserves.
  - **Balance Sheet:** sets out the overall financial position of the Council as at 31st March 2009. It shows the council's balances & reserves and it's long-term indebtedness, and the fixed and net current assets held.
  - **Cash Flow Statement:** complements the income & expenditure account and balance sheet by disclosing the inflows and outflows of cash to and from the Council in the course of the year.
- **Supplementary Statements:**
  - **Housing Revenue Account:** reflects the statutory requirement to maintain a separate account for Council Housing.
  - **The Collection Fund:** shows the non-domestic rates and council tax income collected on behalf of Staffordshire County Council, the Police Authority, the Fire & Rescue Authority and this Council's General Fund.

These accounting statements are supported by the Statement of Accounting Policies which follow this Foreword, and appropriate notes to the accounts.

CHANGES TO THE ACCOUNTS FOR 2008/09

The Chartered Institute of Public Finance and Accountancy (CIPFA) have made a number of changes in 2008/09 to the Code of Practice on Local Authority accounting in the UK: a Statement of Recommended Practice (SORP), following major changes over the last few years.

The revisions to the SORP incorporate the latest accounting standards developments as determined by the Accounting Standards Board. In England and Wales the Local Authority SORP constitutes a ‘proper accounting practice’ under the terms of the Local Government Act 2003, which means that it must be followed in the preparation of statutory accounts.

This has meant changes in the preparation of the 2008/09 Statement of Accounts including:

- **Pensions**

  Financial Reporting Standard (FRS) 17 Retirement Benefits has been amended to align its disclosure requirements more closely with those of International Accounting Standard (IAS) 19 Employee Benefits, but the main change is the remodelling of “FRS17” Pension disclosures for Note 21 (now requires a separate reconciliation of movement in scheme assets and scheme liabilities, and publication of more actuarial assumptions, e.g. mortality rates) as well as a change to the basis on which the value of quoted securities is measured.

  Because this is linked to changes in the FRS, this represents a change in accounting policy.

- **Removal of Deferred Charges**

  “Deferred Charges” have been renamed to “Revenue expenditure funded from capital under statute”, albeit there is no change in their accounting treatment. Deferred Charges are expenditure that is defined as Capital but where there is no matching asset in the accounts - legislation allows the treatment of some expenditure as capital where it does not result in the creation of a fixed asset. An example of this is where grants are awarded to third parties for capital expenditure. These have traditionally been accounted for as deferred charges and written out through the Income and Expenditure Account.

  Under the SORP 2008 these costs will be charged directly to revenue and reversed out in the Statement of the Movement on the General Fund Balance to the Capital Adjustment Account. The significant change is that the capital expenditure will not be transferred to the balance sheet before being written off, it will be transferred directly to revenue.

- **Area Based Grant (ABG)**

  From 2008/09 ABG replaced Local Area Agreement (LAA) Grant. ABG is a non-ring-fenced general grant, no conditions on use are imposed as part of the grant determination ensuring full local control over how funding can be used. Its use is not restricted to supporting the achievement of LAA targets.

  Under the SORP there is recognition that Area Based Grant (ABG), Local Authority Business Growth Incentive (LABGI) grant and Revenue Support Grant (RSG) are general grants and cannot be applied to individual services. The impact of this is that the net cost of services does not reflect this grant income.

A new note has been prepared on the breakdown of grants included in Government Grants in the Income & Expenditure account. The introduction of ABG does not amount to a change in accounting policy as it is a new grant. Consequently comparative figures for 2007/08 have not been restated.

- **Fixed Assets**

  The main change in fixed assets here is the prohibiting of deathbed revaluations which will mean that there may now be significant gains and losses on the disposal of fixed assets. Previously, the SORP required a revaluation of assets at disposal so that there is no gain or loss on disposal – this is now prohibited. The accounting for gains and losses is unchanged.

- **Financial Instruments**

  A number of clarifications and revisions to disclosure notes 27 & 28 have been included.

- **Capital Receipts not arising from asset disposals**

  Income that is defined by statute as a capital receipt but does not arise from the disposal of an asset has been included e.g. repaid grants, mortgage & loan receipts. The SORP now requires 2 separate treatments for these:

  a) Repaid grants - have to be credited to the Income & Expenditure account and then reversed out in line with statute & showing a reconciling item in Statement of Movement on General Fund Balance.

  b) Mortgage & loan receipts – have to be credited to capital receipts reserve & with corresponding debit to the capital adjustment account.

- **Employee Benefits**

  Arising from the requirement to implement International Financial Reporting Standards (IFRS) for the 2010/11 year, the 2009/10 financial statements will have to be produced on an IFRS compliant basis so that comparisons can easily be made. The Council has therefore calculated and accounted for untaken annual leave and lieu time as at 31st March 2009 in line with the requirements of IAS19 (Employee Benefits).

The Impact of the Economic Downturn

- **Impairment of Investments**

  In addition to the changes arising from the SORP, new regulations (& guidance) govern the impairment of financial assets (such as investments in Icelandic Banks) with the loss included in the surplus or deficit on the Income and Expenditure Account in line with advice and information from the administrators. However, the regulations allow the deferral of the impact of the impairment on the General Fund with the reversal shown as a reconciling item in Statement of Movement on General Fund Balance.

- **Asset Valuation**

  The 2008 SORP requires tangible and intangible assets carried in the Balance Sheet at current value to be revalued at intervals of not more than five years. This is to ensure that the amounts carried in the Balance Sheet are materially correct; there is a presumption in the SORP that the values of assets will not change materially in a five year period.

However, the present economic climate has resulted in more volatile asset values, and the Council has therefore considered whether circumstances are such that where an impairment is indicated, some or all asset values should be revised. As such, the valuation approach for 2008/09 has been reviewed and the revised approach is set out below (rather than the usual rolling programme of revaluing 20% of assets each year).

Housing Stock

A full revaluation has been carried out (i.e. revaluation of all beacon properties) given the potential impact on the whole housing stock valuation.

Other Properties

A revaluation review for all of those properties which are valued to open market value has been carried out i.e. Operational Properties - Direct Services, Indirect Services, Office & Admin (open market value for existing use); Non Operational Properties – Commercial, Investment (Open market value); Non operational Properties-Surplus (Open market value for existing use); and Open Space.

Those properties which are valued on depreciated replacement cost have not been included as in most cases the land value element will only be a small part of the valuation and, in the opinion of the valuer, building costs will not have significantly altered.

In the 2008/09 Statement of Accounts, the Council has adopted the following new accounting policies or changes in estimation techniques.

- Accounting Policy - The inclusion of LABGI grant within Grants to cover general expenditure (together with Revenue Support Grant, Area Based Grant) at the foot of the Income and Expenditure Account after Net Operating Expenditure;

- Estimation Technique - Council Dwellings are now depreciated on a straight line basis over the period of their useful economic life (rather than, as in the past, the use of the Major Repairs Allowance (MRA) as a proxy for depreciation).

However, the changes arising from the revised FRS17 requirements are not considered material and have not been reflected in restated accounts for 2007/08.

Due to the changes there has been a requirement to put through adjustments in 2008/09 relating to 2007/08 (as detailed below) but as they do not represent a fundamental error (as defined by FRS 3) then there is no need to restate the brought forward balances within the financial statements from 2007/08 to allow for like for like comparison with the 2008/09 accounts.

a) £4m relating to the 2007/08 adjustment for the vacant possession factor applied to Council dwellings;
b) £1.5m arising from changing the basis of depreciation for Council dwellings;
c) £1.4m arising following a review of the Government Grants Deferred account;
d) £35k arising from changing asset lives for a number of fixed assets.

The changes have no impact on the level of balances.

FINANCIAL PERFORMANCE

Overall Revenue Position

The Statement of Movement of the General Fund Balance on page 23 shows a net General Fund surplus of £829k for the year. This was £1.190m higher than planned at the start of the year and has been added to General Fund Balances of £4.276m (with the minimum approved level being £500k) brought forward from 2007/08, to produce a cumulative surplus of £5.105m carried forward to 2009/10.

The overall revenue financial position relating to Council Housing as given on page 63 shows a surplus for the year of £1.068m. This equates to an under-spend of £0.583m when compared to the approved budget for the year. This has resulted in an increase in balances from £2.762m to £3.830m to be carried forward to 2009/10.

General Fund

The main components of the General Fund approved budget and how these compare with actual income and expenditure are set out below.

The net expenditure of the Council was £9.053m, representing an under-spend of £269k. Major differences between the budget and the outturn are as follows:-

	£000s	£000s
• **Increase in Income**		
➢ Recycling – Sale of Recyclate	(103)	
➢ Marmion House – Increase in recharge to HRA	(67)	
➢ Council Tax – Court Fees	(20)	
➢ Debenture Repayment	(40)	(230)
• **Shortfalls in Income**		
➢ Treasury Management – (including sums at risk in the Icelandic Banking situation)	470	
➢ Markets & Street Displays shortfall in fees & charges	57	
➢ Land Charges	97	
➢ General Fund Housing	58	
➢ Conveyancing & Right to Buy	40	
➢ Car Parking Income	36	
➢ Recycling – Shortfall in recycling credits from Staffs CC	33	
➢ Commercial Property Rental income	51	842
• **Un-Budgeted Expenditure / Overspends**		
➢ Concessionary Fares		91
• **Savings / Underspends**		
➢ Earmarked savings identified to support 'sums at risk'	(490)	
➢ Information Systems – Net savings mainly due to lower maintenance costs	(69)	
➢ Benefits	(141)	
➢ Procurement – Vacancy and reduction in external support costs	(35)	
➢ De-criminalised Parking – Lower than anticipated set-up costs	(66)	
➢ Development Plan Local & Strategic	(39)	
➢ Internal Audit – Vacancy savings	(24)	(864)
➢ Other variances		(108)
Total		**(269)**

A summary of the General Fund expenditure by service, compared to budget (including decisions made by Members during the financial year) is shown below:

	Actual [a] £	Budget [b] £	Variance [c] £
Chief Executive			
Chief Executive	169,277	159,290	9,987
Assistant Chief Executive	21,749	28,720	(6,971)
Customer Services Manager	411,602	389,170	22,432
Head of Organisational Development	436,378	450,770	(14,392)
Head Performance & Corp Relations	341,306	347,640	(6,334)
Solicitor and Monitoring Officer	735,650	631,540	104,110
Sub Total	2,115,962	2,007,130	108,832
Corporate Director - Resources			
Head of Internal Audit Services	106,582	134,080	(27,498)
AD Corporate Finance	(537,343)	(517,280)	(20,063)
AD Financial Operations	51,000	81,360	(30,360)
Head of Benefits	109,231	249,990	(140,759)
Head of ICT	805,011	878,740	(73,729)
Head of Revenues	759,351	707,910	51,441
Sub Total	1,293,832	1,534,800	(240,968)
Corporate Director - Community Services			
AD Environment, Health & Regulatory Services	776,835	697,960	78,875
AD Partnerships & Community Development	1,550,988	1,525,730	25,258
AD Strategic Planning & Development	593,890	632,980	(39,090)
CD Community Services	165,660	156,810	8,850
DD Housing Services	402,324	392,600	9,724
DD Operational Services	2,299,480	2,371,480	(72,000)
AD Culture & Community	20,391	0	20,391
Sub Total	5,809,568	5,777,560	32,008
Other Corporate Costs	(166,189)	2,210	(168,399)
Total Cost of Services	**9,053,173**	**9,321,700**	**(268,527)**
Transfer to/ (from) Balances	828,317	559,790	268,527
Total to be met by Government Grants & Taxpayers	**9,881,490**	**9,881,490**	**0**

In the above table, columns [a] and [b] show actual and budgeted net expenditure and income before management, support service costs and capital charges have been apportioned to front line services. This allows a comparison of the services performance against budget (variance shown in column [c]) for directly controllable costs.

Council Housing

A summary of the Housing Revenue Account for 2008/09, compared with the approved budget (including decisions made by Members during the financial year) is shown below:-

Council Housing Summary

Housing Revenue Account	Actual £000s	Approved Budget £000s	Variance £000s
Surplus for the Year Added to HRA	**(1,068)**	**(485)**	**(583)**

Major differences between the budget and the outturn were as follows:

	£000s	£000s
• **Significant overspends against approved budget**		
➢ Staffing costs on the Management of the Repairs contract	55	
➢ Additional Staffing costs following General Operations Service review	40	
➢ Higher levels of Housing Subsidy payments	39	134
• **Significant underspends against approved budget**		
➢ Specific Contingency – No spend required	(214)	
➢ Reduction in recharges from General Fund following organisational changes in General Operations and Housing Advice	(99)	
➢ Contribution to Repairs Account	(78)	
➢ Job Evaluation Contingencies – Lower level of requirement than anticipated	(75)	
➢ Underspend on Tenant Participation Support expenditure	(34)	
➢ Saving on the HRA Item 8 debit interest charge from General Fund	(30)	(530)
• **Significant income surpluses against approved budget**		
➢ An increase in income from council tenant rents	(115)	
➢ An increase in income from higher levels of Recharge to General Fund re Business Support	(44)	
➢ An increase in interest on internal balances	(44)	
➢ An increase in Homelink Telecare services income	(38)	(241)
• **Significant income deficits against approved budget**		
➢ A reduction in Garage Rents		36
➢ Other variances		18
Total		**(583)**

Capital Expenditure

During 2008/09 the Council spent £5.358m on capital works. A breakdown by category and sources of finance is shown as Note 14.2 to the Core Financial Statements on page 32.

The majority of expenditure related to improvement, enhancement or ongoing construction works. Fixed asset acquisitions in the year include the purchase of IT equipment (software & hardware); costs associated with improvement works to St Editha's Square; refurbishment of Marmion House Reception and Integrated Contact Management Centre; and improvements to Tamworth Castle. There were no significant disposals during the year.

A total of £1.878m spending originally planned for 2008/09, or earlier, has been deferred to 2009/10. Of this deferred expenditure, £478k is earmarked for Private Sector Home Improvement Grants; £400k Match Funding Contribution re Belgrave Sports Centre Development; £387k for Improvements to Thermal Comfort in Properties; and £107k re IT related projects.

Provisions, Reserves and Balances

The working balances at 31st March 2009 stand at £19.129m and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

Working balances of £3.553m relate to capital (including the capital reserve at £1.850m). The £1.878m capital commitments from 2008/09 and previous years carried forward to 2009/10 will be required to be financed from these balances.

Borrowing Facilities

The Council borrows funds where necessary to meet both long-term capital expenditure commitments and short-term cash flow demands. Funds are borrowed from the Government (Public Works Loan Board) and from the commercial money market (banks, building societies and other lenders). A summary of the Council's borrowing at 31st March 2009 is provided below while further information can be found in the notes to the core financial statements.

Borrowing Facilities

2007/08 £m	Fixed Rate Debt	2008/09 £m
22.4	Public Works Loan Board	23.1
-	Commercial Money Market	-
	Variable Rate Debt	
-	Public Works Loan Board	-
22.4	**Total**	**23.1**

Further information about the Statement of Accounts is available from the Corporate Director Resources, Tamworth Borough Council, Marmion House, Lichfield Street, Tamworth, Staffs. B79 7BZ.

Telephone : 01827 709252.

Email: john-wheatley@tamworth.gov.uk

This is part of the Council's policy of providing full information about the Council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Councils website at www.tamworth.gov.uk

The information in this document may be made available in other selected languages. Copies may be made available on tape, in Braille or large print.

Statement of Accounting Policies

General

The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice, which is recognised by statute as representing proper accounting practices. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. This includes assets acquired under finance leases which have been capitalised and included in the balance sheet on the basis of the outstanding obligation to make future rental payments.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors.

The assets were valued on the following basis:

- Properties regarded by the Council as operational are valued on the basis of open market value for the existing use. Where this cannot be assessed because there is no market for the asset, the valuation is at depreciated replacement cost. In compliance with statutory guidance the Vacant Possession discount factor used to convert the Open Market Value of the stock to Open Market Value-Existing Use for inclusion in the balance sheet is 49% (unchanged from 2007/08);

- Fixture and Fittings are included in the valuation of the building;

- The assets included in Vehicle, Plant & Equipment refer to Information Systems, both hardware and software, and these are reflected in the balance sheet at historical cost net of depreciation;

- Infrastructure and community assets are included at historical cost, net of depreciation;

- Intangible assets (e.g. software licences) are included at cost, net of depreciation;

- Investment properties and surplus assets are included at open market value. The value of land is held separately from building value. No depreciation has been applied to land.

Not all properties are inspected, as this is neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. A de-minimus level of £10k is applied to all properties although de-minimus items of expenditure on computer equipment and software is capitalised under the concept of ‘Grouped Assets’ where the value of such items is material.

The value of all capital assets included in the Council's balance sheet, is assessed as part of the 5-Year Rolling Programme of revaluations undertaken by the Council's Property Surveyor. All properties have been subject to a revaluation in the preceding 5 year period.

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

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

In accordance with the SORP, fixed assets are categorised between operational and non-operational tangible fixed assets (investment properties, surplus land and buildings & assets under construction), and intangible fixed assets (software). These are detailed in Note 14.1 to the Core Financial Statements on page 31.

Fixed Assets - Disposals

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts 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. For 2008/09 £0.26m was paid over in respect to Government pooling (see the Income & Expenditure Account on page 22).

The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

Depreciation

All Fixed Assets to which depreciation is applied are depreciated on a straight line basis over the period of their useful economic life.

Tangible Fixed Assets:

Council Housing Stock - Depreciation is calculated on a straight line basis to an appropriate residual value over the expected useful life of the asset of 125 years.

Other Land and Buildings - Depreciation is calculated on a straight line basis to a nil residual value over the expected useful life of the asset being a range of .5 years to 100 years.

Vehicles,Plant etc - Depreciation is calculated on a straight line basis to a nil residual value over the expected useful life of the asset, being between 1 and 10 years.

Infrastucture - Depreciation is calculated on a straight line basis to a nil residual value over the expected useful life of the asset of 30 years.

Community Assets - Depreciation is calculated on a straight line basis to a nil residual value over the expected useful life of the asset of 100 years.

Computer Hardware - Computer hardware is depreciated over a period of 3 years on a straight line basis to a nil residual value.

Investment properties & Surplus assets - During 2007/08 the value of land has been separated from building value. No depreciation has been applied to land.

Intangible Fixed Assets:

Software - Computer software licences are amortised to revenue over a period of 3 years.

Prior to 2008/09, Council Dwellings depreciation was based upon an amount equal to the major repairs allowance, calculated in line with Government guidance. This represents an average repair cost multiplied by the number of dwellings.

A change in the estimation basis has been implemented in 2008/09 which means Council Dwellings are now depreciated on a straight line basis over the period of their useful economic life.

Furniture and equipment owned by the Council is charged to revenue in the year of acquisition and is not capitalised in the accounts.

De-minimus items of expenditure on computer equipment and software is capitalised under the concept of 'Grouped Assets' where the value of such items is material. A charge is made for these assets (depreciation for equipment and amortisation for software), calculated using the straight-line method over a period of three years.

Depreciation, in the form of the capital element of finance leases is charged to the Revenue Accounts in cases where the asset was acquired by way of a finance lease.

Impairment

Where impairment is identified as part of a review at the end of each financial year for evidence of reductions in value or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account;

- otherwise – written off against any revaluation gains attributable to the relevant asset in the revaluation reserve, with any excess charged to the relevant service revenue account.

Capital Charges

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

- depreciation attributable to the assets used by the relevant service;

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

- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity).

Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

Government Grants and Other Contributions

Government grants and other contributions are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account. Grants to cover general expenditure (e.g. Revenue Support Grant, Area Based Grant (ABG), Local Authority Business Growth Incentive) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

The introduction of ABG does not amount to a change in accounting policy as it is a new grant. Consequently comparative figures for 2007/08 have not been restated.

In the case of capital grants and contributions, income has been credited to the Government Grants Deferred Account and written off over the useful life of any asset created.

The Redemption of Debt

Under the Local Government Act 2003, the General Fund Revenue Account must be charged a Minimum Revenue Provision (MRP) for the repayment of outstanding debt. This is calculated as 4% of the Capital Financing Requirement for General Fund services. The Council has complied by charging £28k within the General Fund. Under the Act no MRP is chargeable to the Housing Revenue Account.

Reserves

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources available for purposes such as general contingencies and cash flow management. Details are given in Note 20 to the Core Financial Statements on page 39.

Certain of the Council's Capital Reserves, made up of Revaluation Reserve, Usable Capital Receipts Reserve and the Capital Adjustment Account, are not available for revenue purposes.

The Revaluation Reserve and Capital Adjustment Account can be used for specific statutory purposes and are not therefore backed by cash at any point in time. The Usable Capital Receipts Reserve is available to part finance capital expenditure. Further details can be found in Note 20 to the Core Financial Statements on page 39.

Debtors and Creditors

The Council operates an income and expenditure system for revenue transactions in accordance with the Code of Practice and FRS18; therefore sums due to the Council are credited in the year of account. Amounts payable by the Council for goods and services received up to 31st March 2009 are charged either on an actual or estimated basis.

The Council has calculated and accounted for untaken annual leave and lieu time as at 31st March 2009 in line with the requirements of IAS19 (Employee Benefits).

Provisions

The Council can set aside provisions for specific future expenses, which are likely or certain to be incurred, but the amount of which cannot yet be determined accurately.

Interest

All interest earned is credited to the Income & Expenditure Account via the General Fund. A proportion of this is credited to the Housing Revenue Account in accordance with the Local Government and Housing Act 1989.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Overheads

Support service overheads are charged or apportioned to their users on the following basis:

- Central staffing costs - Time spent on service.
- Information and Communication System costs - Percentage use of system/ Licensed users.
- Administrative buildings - Floor space occupied.

Stocks and Work in Progress

Goods received into stock are valued at the lower of cost or net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any profit reasonably attributable to the works.

Leases

The treatment of the cost of leases is in accordance with best practice:

Finance Leases - Rental payments are apportioned between the finance charge (interest) and the reduction in the outstanding obligation (principal) with the interest being charged to revenue over the term of the lease.

Operating Leases - Rental payments are charged to revenue on a straight-line basis. Rental income is recognised within revenue on a straight-line basis over the period of the lease.

Further details can be found in Notes 14.5 and 14.6 to the Core Financial Statements on page 34/35.

Pensions

The employees of the Council may participate in the Local Government Pension Scheme administered by Staffordshire County Council, which provides defined benefits related to pay and service.

The pension costs included in these accounts have been determined in accordance with government regulations. The standard requires the full recognition of the pensions liability (and the movement of its constituent parts) in the Income and Expenditure Account. These requirements are included within the accounts in accordance with CIPFA recommended practice. Note 21 to the Core Financial Statements on page 42 refers.

Pension Estimation Techniques

Staffordshire County Council, the Administering Authority to the Staffordshire County Council Pension Fund instructed Hymans Robertson, an independent firm of actuaries, to undertake pension expense calculations on behalf of Tamworth Borough Council as at 31st March 2009.

The calculations have been carried out in accordance with Guidance Note 36: Accounting for Retirement Benefits under FRS17 issued by the Institute and the Faculty of Actuaries and adopted by the Board of Actuarial Standards on 19 May 2006.

The Local Government Pension Scheme (LGPS) is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Administration) Regulations 2008 and the Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

In order to assess the value of the Fund’s liabilities as at 31 March 2009, the value of the Employer’s liabilities calculated as at the latest formal valuation has been rolled forward, allowing for the different financial assumptions required under FRS 17. In calculating the service cost, changes in the pensionable payroll have been allowed for, estimated from contribution information provided. In calculating the asset share, the assets allocated allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by the Council and its employees have been rolled forward. The liabilities have also been adjusted for active members to take account of any change in the payroll of active members since 1 April 2008. The assets have also been adjusted to take account of the new FRS17 disclosure requirement to use the bid value of assets. In December 2006 the Accounting Standards Board ("ASB") issued an amendment to FRS17, replacing the existing disclosures with those of International Accounting Standard IAS19 and changed the definition of the fair value of quoted securities from mid market value to bid value. The amendments took effect for accounting periods beginning on or after 6 April 2007 and therefore apply for 31 March 2009 year end. Note 21 to the Core Financial Statements on page 42 has been prepared on the basis of the new style disclosures.

The changes arising from the revised FRS17 requirements are not considered material and have not been reflected in restated accounts for 2007/08.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2009 without conducting a full valuation. The estimated liability will not reflect any differences in demographic experience from that assumed (e.g. ill-health early retirements), the impact of differences between changes in salary and pension increases and changes for specific individuals, and the effect of any changes in the age and length of service structure of the liabilities.

A set of demographic assumptions (including life expectancy and commutation) have been adopted that are consistent with those used for the formal funding valuation as at 31 March 2007. As required under FRS17, the projected unit method of valuation has been used to calculate the service cost.

The financial assumptions used to calculate the components of the pension expense for the year ended 31 March 2009 were those from the beginning of the year (i.e. 31 March 2008) and have not been changed during the year. The financial assumptions used for the purposes of the FRS17 calculations are detailed in Note 21 to the Core Financial Statements on page 42.

The inflation assumption has been derived by considering the difference in gross redemption yields of traditional and index-linked gilt-edged securities as at 31 March 2009.

The accounts are prepared in accordance with CIPFA guidance. Therefore, the discount rate employed for the 2008/09 financial year is the yield available on long-dated, high quality corporate bonds (as measured by the yield on iboxx Sterling Corporates Index, AA over 15 years), at the FRS17 valuation date. For the 2008/09 financial year the discount rate derived from corporate bond yields as at 31 March 2009 was 6.9% p.a. (as required by CIPFA).

However, given the downturn in the economic environment, the outlook for the majority of companies is currently subject to a great amount of uncertainty. This is leading to an increased number of company credit ratings being changed (mainly downgraded). In particular, a number of bonds that were previously rated AA have been re-rated and no longer make up part of the iboxx Sterling Corporates Index, AA over 15 years. Due to the way the index is calculated, the re-rated bonds drop out of the index at the beginning of the month following their re-rating therefore not affecting the end of month yields that we use for most accounting figures. Since re-rating during the previous month may have had a significant effect on the index, this has been allowed for this by adjusting the previous end of month figure.

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2009).

FRS17 requires that the expected return on assets is to be set by the Employer having taken actuarial advice. The expected returns are detailed in Note 21 to the Core Financial Statements on page 42.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets (e.g. Private Sector Improvement Grants) has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from capital resources a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on General Fund Balance so there is no impact on the level of Council Tax.

Best Value Accounting Code of Practice (BVACOP)

BVACOP sets out "proper practice" with regard to consistent financial reporting in order to ensure that the requirement to obtain and demonstrate best value is met. The statement of accounts have been prepared on this basis.

Events after the Balance Sheet Date (FRS21)

At the time of closing these accounts, there were no amendments requiring a post balance sheet adjustment.

Group Accounts

In accordance with the requirements of the SORP, the Council has reviewed its relationship with organisations in which it may have an interest. The review has highlighted that the Council has no material interest in subsidiaries, associates or joint ventures which would require the preparation of Group Accounts for 2008/09.

Financial Instruments

Financial Liabilities:

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

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on balances to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Financial Assets:

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market;

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and Receivables:

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

Impairment of Investments:

The accounting requirements for impairing investments (placed with Icelandic Banks) have been made in line with Cipfa guidance, together with the deferral of the impact of the impairment on the General Fund under regulation or statutory guidance.

Available-for-sale assets:

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Instruments with quoted market prices which the Council holds are held at the market price.

Instruments Entered into Before 1st April 2006:

The Council entered into a Financial Guarantee that is not required to be accounted for as a financial instrument. This guarantee is reflected in the Statement of Accounts in line with the previous arrangements – to the extent that provisions that might be required or a contingent liability note needed.

VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

Statement of Responsibilities

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Corporate Director Resources;

- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- approve the Statement of Accounts.

The Corporate Director Resources' responsibilities

The Corporate Director Resources is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the SORP).

In preparing this statement of accounts, the Corporate Director Resources has:

- selected suitable accounting policies and then applied them consistently;

- made judgements and estimates that were reasonable and prudent;

- complied with the local authority SORP.

The Corporate Director Resources has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

This statement of accounts presents fairly the financial position of Tamworth Borough Council and it's income and expenditure for the year ended 31st March 2009.

J Wheatley FCCA
Corporate Director Resources Dated: 30th September 2009

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Corporate Director Resources.

Income and Expenditure Account

2007/08 Net Expenditure £000s			2008/09 Gross Expenditure £000s	2008/09 Gross Income £000s	2008/09 Net Expenditure £000s
364	Central Services to the Public		6,165	(5,533)	632
8,602	Cultural, Environmental & Planning Services		13,839	(5,032)	8,807
(436)	Highways, Roads & Transport Services		1,589	(1,586)	3
975	Local Authority Housing (HRA)		30,210	(15,650)	14,560
1,411	Other Housing Services		17,277	(16,709)	568
1,692	Corporate & Democratic Core		1,784	(99)	1,685
198	Non Distributed Costs		553		553
12,806	**Net Cost of Services**		**71,417**	**(44,609)**	**26,808**
(75)	(Gain)/ Loss on Disposal of Fixed Assets				(201)
-	Income from disposal of an interest in land				(895)
(3,834)	(Surplus)/ Deficit on Trading Undertakings			**Note 3**	(657)
1,558	Interest Payable & Similar Charges				1,623
-	Impairment of Icelandic Bank Investments			**Note 2**	2,578
1,306	Contribution of Housing Capital Receipts to the Government Pool			**Note 20.3**	259
(1,309)	Interest & Investment Income				(1,371)
(152)	Pension Interest Costs & Expected Return on Pensions Assets			**Note 21**	508
10,300	**Net Operating Expenditure**				**28,652**
(3,054)	Demand on the Collection Fund				(3,218)
(929)	General Government Grants				(871)
(5,539)	Non-Domestic Rates Redistribution				(5,849)
778	**(Surplus)/ Deficit for the Year**				**18,714**

An appendix detailing the services contained within each section of “Net Cost of Services” can be found on page 82.

Statement of Movement of the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the Authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007/08 £000s			2008/09 £000s
778	(Surplus)/ Deficit for the year on the Income and Expenditure Account		18,714
(1,399)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	**Note 13**	(19,543)
(621)	**(Increase)/ Decrease in the General Fund Balance for the Year**		**(829)**
3,655	General Fund Balance brought forward 1st April 2008		4,276
4,276	**General Fund Balance carried forward 31st March 2009**		**5,105**

Statement of Total Recognised Gains and Losses

2007/08 £000s		2008/09 £000s
778	(Surplus)/ Deficit for the year on the Income & Expenditure Account	18,714
3,560	(Surplus)/ Deficit arising on revaluation of fixed assets	6,355
(4,199)	Actuarial (Gains)/ Losses on pension fund assets & liabilities	8,738
14	Movement on the Collection Fund Balance	(5)
153	**Total Recognised (Gains)/ Losses for the year**	**33,802**

Balance Sheet

31st March 2008 £000s			31st March 2009 £000s	£000s
	Fixed Assets			
207	**Intangible Fixed Assets**	**Note 14.1**	143	
	Tangible Fixed Assets			
	Operational Assets:			
190,265	Council dwellings	**Note 14.1**	167,395	
19,931	Other land and buildings	**Note 14.1**	19,383	
550	Vehicles, plant, furniture and equipment	**Note 14.1**	629	
656	Infrastructure assets	**Note 14.1**	711	
1,024	Community assets	**Note 14.1**	1,308	
	Non-operational Assets:			
29,002	Investment Properties	**Note 14.1**	27,942	
1,363	Surplus assets held for disposal	**Note 14.1**	811	
242,998	**Total Fixed Assets**			**218,322**
6,448	Long term investments			3,824
218	Long term debtors			218
249,664	**Total Long Term Assets**			**222,364**
	Current Assets			
23	Stocks and work in progress		19	
4,313	Debtors	**Note 15**	3,316	
12,737	Investments		14,575	
8	Cash and bank		266	
				18,176
266,745	**Total Assets**			**240,540**
	Current Liabilities			
-	Short term borrowing		(790)	
(4,440)	Creditors	**Note 16**	(4,704)	
(875)	Bank overdraft		-	
				(5,494)
261,430	**Total Assets less Current Liabilities**			**235,046**
	Long Term Liabilities			
(22,837)	Long term borrowing	**Note 18 / 27.1**		(22,753)
-	Provisions	**Note 19**		-
(3,603)	Government grants deferred			(1,858)
(9,369)	Liability related to defined benefit pension scheme	**Note 21**		(18,616)
225,621	**Total Assets less Liabilities**			**191,819**
	Financed by:			
24,136	Revaluation Reserve	**Note 20.1**		13,518
192,606	Capital Adjustment Account	**Note 20.2**		179,842
(232)	Financial Instruments Adjustment Account			(2,102)
(9,369)	Pensions Reserve	**Note 21**		(18,616)
3,601	Usable Capital Receipts Reserve	**Note 20.3**		3,553
65	Deferred Capital Receipts			48
4,276	General Fund Balance			5,105
2,762	Housing Revenue Account Balance			3,830
14	Collection Fund			19
-	Major Repairs Reserve	**Note HRA 3**		-
7,762	Earmarked Reserves	**Note 20.4**		6,622
225,621	**Total Net Worth**			**191,819**

Cashflow Statement

2007/08 £000s		2008/09 £000s	2008/09 £000s	2008/09 £000s
	Revenue Activities			
	Cash Outflows:			
12,576	Cash paid to and on behalf of employees	12,454		
28,212	Other operating cash payments	23,559		
5,652	Housing Benefit paid out	6,374		
27,393	National non-domestic payments to national pool	27,912		
26,866	Precepts paid	28,072		
1,485	Payments to the capital receipts pool	358		
102,184			98,729	
	Cash Inflows:			
9,203	Rents (after rebates)	8,936		
25,461	Council Tax receipts	26,778		
5,539	National non-domestic rate receipts from national pool	5,849		
27,523	Non-domestic rate receipts	28,549		
930	Revenue Support Grant	814		
18,039	DWP Grant for Benefits	19,130		
1,847	Other Government Grants - **Note 25**	1,999		
4,747	Cash Received for Goods and Services	4,270		
7,963	Other operating cash receipts	5,138		
101,252			101,463	
(932)	Sub-total			**2,734**
	Returns on Investments and Servicing of Finance			
	Cash Outflows:			
1,594	Interest Paid	1,618		
-	Interest element of finance lease rental payments	-	1,618	
	Less Cash Inflows:			
1,125	Interest Received		1,338	(280)
(1,401)	**Net Cash Inflow/(Outflow) from Revenue Activities - Note 22**			**2,454**
	Capital Activities			
	Cash Outflows:			
871	Purchase of Fixed assets		-	
3,627	Other Capital cash payments		1,927	
	Cash Inflows:			
1,941	Sale of Fixed Assets	1,334		
729	Capital Grants Received	197		
24	Other Capital cash receipts	-	1,531	(396)
(3,205)	**Net Cash Inflow/(Outflow) before Financing**			**2,058**
	Management of Liquid Resources - Note 23/24			
2,832	Net (Increase)/Decrease in Short Term Deposits			(1,625)
	Financing - Note 23			
	Cash Outflows:			
(2,000)	Repayments of Amounts Borrowed		-	
	Cash Inflows:			
2,000	New Loans Raised		700	700
(373)	**Increase/(decrease) in Cash**			**1,133**
	Movements in Cash			
(494)	Cash/ Bank 1st April 2008			(867)
(867)	Cash/ Bank 31st March 2009			266
(373)	**Movement in Year**			**1,133**

Notes to the Core Financial Statements

1. Acquired/ Discontinued Operations

There were no acquired or discontinued services for the Council in 2008/09.

2. Operational Exceptional Items

Impairment of Financial Assets – Deposits with Icelandic Banks:
An impairment loss of £2.6m has been recognised in the Income and Expenditure Account in 2008/09 in order to recognise the anticipated loss to the Authority arising from the Icelandic banking sector defaulting on its obligations in October 2008. The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £2.0m has been transferred to the Financial Instruments Adjustment Account. The balance of £0.6m relates to interest which has been borne in full by the General Fund.

Impairment of Tangible Fixed Assets:
The more volatile assets values arising from the present economic climate has lead the Authority to review assets values and where an impairment is indicated account for the reduction in asset value in the income & expenditure account. For 2008/09 impairment for tangible fixed assets amounted to £23.5m & has been recognised in the deficit shown.

3. Trading Operations

The Council operates a retail market, together with a number of industrial estates, and manages other land and property. The financial results of these were as follows:

2007/08 (Surplus)/ Deficit to General Fund £000s		2008/09 Expenditure £000s	2008/09 Income £000s	2008/09 (Surplus)/ Deficit to General Fund £000s
66	Market	328	(252)	76
(622)	Industrial Estates	203	(708)	(505)
(3,277)	Other Land & Property	1,141	(1,396)	(255)
(1)	Building Control	132	(105)	27
(3,834)		**1,804**	**(2,461)**	**(657)**

4. S137 Expenditure (S137 1972 Act)

Section 137 of the Local Government Act 1972, as amended, empowers Local Authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The sum appropriate to the Council for the financial year in which Section 118 of the Local Government Act 2003 comes into force is £5.86 per head of population (£5.64 in 2007/08). The Council was permitted to spend £443k under this power in 2008/09 (£425k in 2007/08) and its actual expenditure was £150.80k mainly on donations to voluntary bodies working in the local area (£139.58k in 2007/08).

5. Publicity Expenditure

Per the requirements of Section 5(1) of the Local Government Act 1986, the council's spending on publicity was:

2007/08 £000s		2008/09 £000s
33	Recruitment Advertising	45
31	Other Advertising	34
84	Publicity and Promotions	60
148		**139**

6. Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Charges are set for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non-chargeable activities.

	Non Chargeable 2008/09 £000s	Chargeable 2008/09 £000s	Total 2008/09 £000s
Expenditure			
Employee expenses	21	50	71
Premises	-	-	-
Transport	1	1	2
Supplies & services	1	20	21
Central & support service charges	25	61	86
TOTAL EXPENDITURE	48	132	180
Income			
Building regulation charges	-	(105)	(105)
Miscellaneous income		-	-
TOTAL INCOME	-	(105)	(105)
(Surplus)/ Deficit for Year	**48**	**27**	**75**
Comparatives for 2007/08			
Expenditure	49	125	174
Income	-	(126)	(126)
(Surplus)/ Deficit for Year	**49**	**(1)**	**48**

7. Agency Income & Expenditure

Staffordshire County Council is currently carrying out Highways Maintenance works on behalf of the Council under a management agreement.

8. Local Authority (Goods & Services) Act 1970

Section 1 of the Local Authority (Goods and Services) Act authorises local authorities to supply goods and services to other public bodies. There is no significant income or expenditure relating to these activities included in these accounts.

9. Members Allowances

The total of Allowances paid to Members in the financial year were made up as follows:

2007/08 £000s		2008/09 £000s
143	Basic Allowance	148
76	Special Responsibility	87
0	Telephone Allowance	2
219		**237**

10. Officers Remuneration

The number of employees whose remuneration, including termination payments but excluding pension contributions, was £50k or more were:

	2007/08	2008/09	
Remuneration Band	Number of Employees	Number of Employees	Left during Year
£50,000 - £59,999	3	6	-
£60,000 - £69,999	3	4	-
£70,000 - £79,999	1	-	-
£80,000 - £89,999	1	2	-
£90,000 - £99,999	-	-	-
£100,000 - £109,999	2	1	-
£110,000 - £119,999	1	-	-

11. Related Party Transactions

- **Members and Chief Officers.**

  During the financial year ended 31st March 2009, there were no material transactions between the Council and its Members and Chief Officers, other than the payment of officer salaries etc. and Member Allowances. Further details are disclosed in Notes 9 and 10.

- **Central Government.**

Details of transactions with central government are given throughout the Statement of Accounts, the more material items include the following income received from various government agencies:

2007/08 £000s		2008/09 £000s
5,539	Redistributed Non-Domestic Rates	5,849
930	Revenue Support Grant	814
18,528	Benefit Grant	20,158
0	Concessionary Travel Grant	320

Amounts payable to central government include the following:

2007/08 £000s		2008/09 £000s
1,317	Housing Subsidy	1,665

- **Staffordshire County Council, Police Authority and Fire Authority Precepts.**

Staffordshire County Council and Police Authority, and Stoke on Trent and Staffordshire Fire and Rescue Authority, issue precepts on the Council, as follows:-

2007/08 £000s		2008/09 £000s
21,697	Staffordshire County Council	22,654
3,667	Staffordshire Police Authority	3,820
1,380	Stoke on Trent & Staffs Fire & Rescue Authority	1,454

- **Staffordshire County Council**

The County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are detailed in Note 21.

Tamworth Borough Council receives a number of grants from Staffordshire County Council, including:-

2007/08 £000s		2008/09 £000s
72	Supporting People Grant	74
131	Safer Stronger Communities & Domestic Abuse Fund	106

Under the Recycling Credit Scheme, the Council also receives recycling credits from Staffordshire County Council.

2007/08 £000s		2008/09 £000s
476	Recycling Credits	482

12. Audit Fees

The Council incurred the following fees relating to external audit and inspection work undertaken by the appointed auditor:

2007/08 £000s		2008/09 £000s
98	• Fees payable with regard to external audit services carried out:	99
9	• Fees payable in respect of statutory inspection:	6
17	• Fees payable for the certification of grant claims and returns (estimate):	35
50	• Fees payable in respect of any other services provided by the appointed auditor:	0
174		**140**

13. Reconciling Items for the Statement of Movement on the General Fund Balance

2007/08 £000s		2008/09 £000s
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.	
(163)	Amortisation of intangible fixed assets	(125)
(2,238)	Depreciation and impairment of fixed assets	(23,490)
(77)	The excess of depreciation charged to HRA services over the Major Repairs Allowance	3,251
162	Government Grants Deferred amortisation	1,962
142	Differences between amounts debited/credited to the Income and Expenditure account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans,premiums and discounts on the early repayment of debt and impairment of investments	(1,870)
(224)	Revenue Expenditure Funded from Capital Under Statue	(69)
75	Net gain or loss on sale of fixed assets	201
-	Income from disposal of an interest in land	895
(225)	Net charges made for retirement benefits in accordance with FRS17	(509)
(2,548)	Sub-total	**(19,754)**
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.	
29	Minimum revenue provision for capital financing	28
690	Capital expenditure charged in-year to the General Fund Balance	514
(1,306)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(259)
(587)	Sub-total	**283**
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.	
659	Housing Revenue Account balance	1,068
1,077	Net transfer to or (from) earmarked reserves	(1,140)
1,736	Sub-total	**(72)**
(1,399)	**Net additional amount required to be credited or debited to the General Fund Balance for the year.**	**(19,543)**

14. Fixed Assets & Capital Expenditure

14.1. Movement on Fixed Assets

Operational Assets:	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Equip £000s	Infra-structure £000s	Community Assets £000s	Total £000s
Cost or Valuation						
At 1 April 2008	202,322	22,876	1,798	965	1,059	229,020
Additions	3,613	623	259	75	156	4,726
Disposals	(147)	-	(30)	-	-	(177)
Reclassifications	-	(8)	-	-	133	125
Revaluations	(38,393)	(2,278)	-	-	-	(40,671)
At 31 March 2009	**167,395**	**21,213**	**2,027**	**1,040**	**1,348**	**193,023**
Depreciation						
At 1 April 2008	(8,342)	(2,667)	(1,248)	(309)	(35)	(12,601)
Charge for 2008/09	586	(512)	(170)	(20)	(5)	(121)
Disposals	-	-	20	-	-	20
Reclassifications	-	-	-	-	-	-
Revaluations	7,756	1,365	-	-	-	9,121
At 31 March 2009	-	(1,814)	(1,398)	(329)	(40)	(3,581)
Impairments						
At 1 April 2008	(3,715)	(278)	-	-	-	(3,993)
Charge for 2008/09	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	3,715	262	-	-	-	3,977
At 31 March 2009	-	(16)	-	-	-	(16)
Balance Sheet amount at 31 March 2009	**167,395**	**19,383**	**629**	**711**	**1,308**	**189,426**
Balance Sheet amount at 1 April 2008	**190,265**	**19,931**	**550**	**656**	**1,024**	**212,426**

Non-operational	Surplus Assets £000s	Investment Properties £000s	Total £000s
Cost or Valuation			
At 1 April 2008	1,363	29,002	30,365
Additions	75	248	323
Disposals	(75)	-	(75)
Reclassifications	(125)	-	(125)
Revaluations	(427)	(1,308)	(1,735)
At 31 March 2009	**811**	**27,942**	**28,753**
Depreciation			
At 1 April 2008	-	-	-
Charge for 2008/09	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
Revaluations	-	-	-
At 31 March 2009	-	-	-
Impairments			
At 1 April 2008	-	-	-
Charge for 2008/09	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
Revaluations	-	-	-
At 31 March 2009	-	-	-
Balance Sheet amount at 31 March 2009	**811**	**27,942**	**28,753**
Balance Sheet amount at 1 April 2008	**1,363**	**29,002**	**30,365**

Intangible Assets:	Software £000s
Cost or Valuation	
At 1 April 2008	489
Additions	61
Disposals	-
Reclassifications	-
Revaluation	-
At 31 March 2009	**550**
Depreciation and	
At 1 April 2008	(282)
Charge for 2008/09	(125)
Disposals	-
Reclassifications	-
Revaluation	-
At 31 March 2009	(407)
Impairments	
At 1 April 2008	-
Charge for 2008/09	-
Disposals	-
Reclassifications	-
Revaluation	
At 31 March 2009	-
Balance Sheet amount at 31 March 2009	**143**
Balance Sheet amount at 1 April 2008	**207**

14.2. Capital Expenditure & Financing

Local Authorities' capital expenditure is governed by the Local Government Act 2003 and subsequent capital regulations. These regulations define capital expenditure as expenditure incurred on the acquisition of land and buildings, and improvements to buildings and plant which enhances the useful life of these assets. It also includes expenditure incurred on the acquisition of plant and equipment, and grants and advances to outside bodies or persons for improvement purposes.

Central Government provide revenue support for an element of capital expenditure financed by borrowing, referred to as supported capital expenditure. Local Authorities are also able finance their capital programme through additional unsupported borrowing through the prudential regime contained within the Local Government Act 2003 as long as it is affordable, prudent and sustainable. For the financial year 2008/09 the Council did not undertake any unsupported borrowing and therefore all capital expenditure financed by borrowing is supported by the Government.

2007/08 £000s		2008/09 £000s
22,201	**Opening Capital Financing Requirement**	22,652
	Capital investment:	
4,467	Operational assets	4,466
-	Non-operational assets	472
224	Deferred charges	358
242	Intangible assets	62
	Sources of finance	
(910)	Capital receipts	(1,117)
(467)	Government grants and other contributions	(505)
(3,105)	Sums set aside from revenue (Revenue Financing & MRP)	(3,285)
22,652	**Closing Capital Financing Requirement**	**23,103**

2007/08 £000s		2008/09 £000s
	Explanation of movements in year	
	Increase in underlying need to borrow:	
480	Supported by Government financial assistance	480
-	Unsupported by Government financial assistance	-
(29)	Minimum Revenue Provision	(29)
451	**Increase/ (decrease) in Capital Financing Requirement**	**451**

2007/08 £000s		2008/09 %	2008/09 £000s
	Summary of Financing		
910	Capital receipts	21%	1,117
163	Government grants	5%	289
304	Other contributions	4%	216
3,076	Revenue/ reserves	61%	3,256
480	Supported borrowing	9%	480
-	Unsupported borrowing	0%	-
4,933		**100%**	**5,358**

14.3. Commitments under Capital Contracts

The Council has future obligations for capital contracts that it has already entered into. The commitments detailed below are in respect of outstanding payments on schemes in progress and schemes for which either a tender has been invited or a legal commitment entered into by 31st March 2009.

Capital Contract	31 March 2009 £000s
Private Sector Housing – Disabled Facilities Grants	138.6
Graffiti Removal and Coating to Underpasses	1.9
Fuel Tank and Monitoring System at Sandy Way Depot	3.0
Investment in Industrial Properties	76.9
Wigginton Park Play (Lottery)	29.7
Provision of Litter Bins	10.0
Tamworth Castle Repairs	13.2
Community Safety	73.6
IT Projects	85.9
E-Procurement	4.8
Income Management & Receipting System	21.5
Improvements to Thermal Comfort in Properties	387.0
Lift Refurbishment – High Rise Flats	20.7
	866.8

14.4. Information on Tangible Fixed Assets Held

Numbers of major fixed assets owned and/or operated by the Council at 31st March 2009 were as follows:

2007/08	Council Dwellings	2008/09
4,590	Council Dwellings	4,586
1,944	Rented Garages	1,944
2	Area Rent Offices	2
1	Homelink Control Centre	1
	Operational Buildings	
2	Town Hall and Marmion House	2
1	Tourist Information Centre	1
10	Public Halls	10
1	Depot	1
1,781	Car Parks (No. of Spaces)	1,781
1	Anker Valley Changing Rooms	1
2	Assembly Rooms and Carnegie Centre	2
1	Community Services Building (Philip Dix Centre)	1
1	Ankerside Shopping Centre	1
65	Retail Shops	65
81	Industrial Properties (No. of Units)	81
8.7	Land Awaiting Development (hectares)	8.7
	Community Assets	
159	Parks and Recreation Grounds (hectares)	159
4	Cemeteries	4
1	Castle Museum	1
	Infrastructure Assets	
73	CCTV Cameras	77

14.5. Assets held under leases (lessees)

14.5.1. The Council currently uses vehicles, plant and equipment financed under terms of an operating lease. The amounts paid under these arrangements in 2008/09 was £241k (£305k in 2007/08).

The Council was committed at 31st March 2009 to making payments of £238k during 2009/10 under Operating Leases, comprising the following elements:

2007/08 Vehicles, Plant and Equipment £000s		2008/09 Vehicles, Plant and Equipment £000s
0	Leases expiring within 1 year	6
103	Leases expiring 1 to 5 years	97
135	Leases expiring after 5 years	135

In the year 2008/09 rentals payable under finance leases in respect of Vehicles and Plant was £nil (2007/08 £nil).

14.6. Assets held for leases (lessors)

The Council has granted the following classes of leases that generate income, these arrangements are accounted for as operating leases which run for anything up to 125 years. They include the letting of community centres to local community associations, golf course and clubhouse, rental of industrial, commercial and retail units, along with ground rents for areas such as Ankerside Shopping Centre, Lichfield Road and Amington Industrial estates.

Operating lease rentals receivable were as follows:

2007/08 £000s		2008/09 £000s
	Operational Assets	
22	Community Assets	21
2,407	Other Land and Buildings	2,426
2,429	**Total**	**2,447**

The gross value of assets held for use in operating leases was £33.1m at 31st March 2009 (£35.2m at 31st March 2008) and subject to £2.7m depreciation at that date, (£2.4m at 31st March 2008). A table containing valuations and depreciation applied by classification of assets is shown below:

2007/08			2008/09	
Asset Valuation £000s	Depreciation Applied £000s		Asset Valuation £000s	Depreciation Applied £000s
		Operational Assets:		
1,983	(156)	Community Assets	1,763	151
32,137	2,583	Other Land and Buildings	31,344	2,523
34,120	**2,427**	**Total**	**33,107**	**2,674**

14.7. Fixed Asset Valuations Analysis

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by the Council's Property Surveyor, Mr P Evans MRICS, IRRV. The basis for valuation is set out in the statement of accounting policies.

Operational assets:

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant etc £000s	Infra-structure £000s	Community Assets £000s	- - £000s
Valued at historical	-	98	629	711	1,308	2,746
Valued at current cost						
2008/09	167,395	8,064	-	-	-	175,459
2007/08		2,173	-	-	-	2,173
2006/07		-	-	-	-	-
2005/06		5,995	-	-	-	5,995
2004/05		424	-	-	-	424
2003/04		1,478	-	-	-	1,478
2002/03		1,151				1,151
Total	**167,395**	**19,383**	**629**	**711**	**1,308**	**189,426**

14.8. Depreciation & Amortisation Methodologies

Tangible Fixed Assets:

Council Housing Stock - Depreciation is calculated on a straight line basis to an appropriate residual value over the expected useful life of the asset of 125 years.

Other Land and Buildings - Depreciation is calculated on a straight line basis to a nil residual value over the expected useful life of the asset being a range of .5 years to 100 years.

Vehicles,Plant etc - Depreciation is calculated on a straight line basis to a nil residual value over the expected useful life of the asset, being between 1 and 10 years.

Infrastucture - Depreciation is calculated on a straight line basis to a nil residual value over the expected useful life of the asset of 30 years.

Community Assets - Depreciation is calculated on a straight line basis to a nil residual value over the expected useful life of the asset of 100 years.

Computer Hardware - Computer hardware is depreciated over a period of 3 years on a straight line basis to a nil residual value.

Investment properties & Surplus assets - During 2007/08 the value of land has been separated from building value. No depreciation has been applied to land.

Intangible Fixed Assets:

Software - Computer software licences are amortised to revenue over a period of 3 years.

15. Analysis of Debtors

An analysis of debtors that fall due within one year is shown below:

31st March 2008 £000s	Debtor	31st March 2009 £000s
1,451	Government Departments	1,171
500	Business Ratepayers	677
1,064	Council Taxpayers	1,192
1,097	Housing Rents	1,136
1,098	Accruals	491
1,221	Other	1,057
6,431		**5,724**
2,118	Less: Provision for Bad Debts	2,408
4,313		**3,316**

16. Analysis of Creditors

31st March 2008 £000s	Creditor	31st March 2009 £000s
669	Government Departments	469
557	Business Ratepayers	454
434	Council Taxpayers	567
350	Housing Rents	335
125	Precepting Authorities	170
172	Capital Contributions not yet utilised	181
173	Creditors for Goods & Services	102
1,960	Accruals	2,426
4,440		**4,704**

17. Analysis of Net Assets Employed

31st March 2008 £000s	Fund Type	31st March 2009 £000s
25,547	General Fund	2,076
171,473	Housing Revenue	162,470
14	Collection Fund	19
28,587	Other Trading Services	27,254
225,621		**191,819**

18. Analysis of Long Term Borrowing

31st March 2008 £000s		Range of interest rates payable	31st March 2009 £000s
22,442	Public Works Loans Board (Fixed Rate)	4.25% to 11.875%	22,392
22,442			**22,392**

31st March 2008 £000s		31st March 2009 £000s
	Analysis by Maturity	
	Maturing in:	
750	1 - 2 years	2,000
2,000	2 - 5 years	-
5,000	5 - 10 years	5,000
-	10 - 20 years	-
14,692	over 20 years	15,392
22,442		**22,392**

This represents the principal amounts outstanding at 31st March 2009. Financial assets and liabilities are carried on the balance sheet at amortised cost – this is explained further in note 27.

19. Provisions

The Authority has not included any provisions within the accounts for 2008/09 (£nil in 2007/08).

20. Movements in Reserves

	Balance 1st April 2008 £000s	Net Movement in Year £000s	Balance 31st March 2009 £000s	Purpose of Reserve	Further Details of Movements
Revaluation Reserve	24,136	(10,618)	13,518	- Store of gains on revaluation of fixed assets.	Note 20.1 below
Capital Adjustment Account	192,606	(12,764)	179,842	- Store of capital resources set aside to meet past expenditure	Note 20.2 below
Financial Instruments Adjustment Account	(232)	(1,870)	(2,102)	- records the timing differences between the rate at which gains and losses are required to be made against council tax / rent	
Usable Capital Receipts Reserve	3,601	(48)	3,553	- Proceeds of fixed asset sales available to meet future capital investment	Note 20.3 below
Deferred Capital Receipts	65	(17)	48	- Capital income still to be received when disposals have taken place and deferred payments have been agreed. (Sale of Council House	-
Pensions Reserve	(9,369)	(9,247)	(18,616)	- Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 21 to the core financial statements page 42
General Fund Balance	4,276	829	5,105	- Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 23
Housing Revenue Account Balance	2,762	1,068	3,830	- Resources available to meet future running costs for council houses	HRA Statements page 63
Collection Fund	14	5	19	- Tamworth Borough Councils share of the Collection Fund Surplus available to meet future General Fund spending needs.	Collection Fund Statements page 69
Major Repairs Reserve	-	-	-	- Resources available to meet capital investment in council housing	HRA Statements Note HRA 3 page 65
Earmarked Reserves	7,762	(1,140)	6,622	- Resources earmarked to meet specific future spending needs	Note 20.4 below
Total	**225,621**	**(33,802)**	**191,819**		

20.1. Revaluation Reserve

This reserve records the net gain from revaluations made after 1st April 2007, the date of formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

2007/08 £000s		2008/09 £000s
-	Balance brought forward at 1st April 2008	24,136
21,660	Gains on revaluation of fixed assets	3,867
-	Losses on revaluation of fixed assets	(23,435)
3,166	Write off Accumulated Depreciation for Revalued Assets	9,121
(39)	Additional Depreciation on Revalued Assets	(155)
(651)	Amounts written off for disposals in year	(16)
24,136	**Balance carried forward at 31st March 2009**	**13,518**

20.2. Capital Adjustment Account

This reserve reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

2007/08 £000s		2008/09 £000s
223,054	Balance brought forward at 1st April 2008	192,606
	Capital investment	
910	usable receipts applied	1,117
3,239	capital expenditure financed from other resources	3,256
162	Govt Grants Deferred	1,962
(1,122)	Disposals	(216)
-	Revaluations	(18,904)
(994)	Depreciation applied	(120)
-	Depreciation adjustment re historic costs	155
-	Amortisation of intangible fixed assets	(125)
(4,084)	Impairment applied	(3,855)
29	Minimum Revenue Provision	28
(28,364)	Adjustment - Existing Use Social Housing Value	4,007
(224)	Revenue Expenditure Funded from Capital Under Statute	(69)
192,606	**Balance carried forward at 31st March 2009**	**179,842**

20.3. Usable Capital Receipts Reserve

2007/08 £000s	Movements	2008/09 £000s
3,897	Balance brought forward at 1st April 2008	3,601
1,920	Receipts in year (net of permitted deductions)	1,329
(1,306)	Amount pooled to Government	(259)
4,511	Total usable capital receipts available	4,671
(910)	Amounts applied to capital financing	(1,118)
3,601	**Balance carried forward at 31st March 2009**	**3,553**

20.4. Earmarked Reserves

Balance 31st March 2008 £000s	Type	Transfer (to)/ from other reserves £000s	Transfer (to)/ from revenue £000s	Balance 31st March 2009 £000s
1,891	Future capital expenditure	-	(41)	1,850
1,107	Temporary	-	(18)	1,089
2,120	Retained funds	-	(932)	1,188
697	Repairs & renewals	-	6	703
1,689	Commuted sums	-	(206)	1,483
258	Other reserves	-	51	309
7,762	**Total Earmarked Reserves**	**-**	**(1,140)**	**6,622**

Future Capital Expenditure: The Council maintains a Capital Reserve under the provisions of the Local Government (Miscellaneous Provisions) Act 1976. It is Council policy to make advances from this fund to various services.

Temporary Reserves: These have been established by the transfer of funds from revenue in order to finance specific identified schemes or potential needs.

Retained Funds: These have been established in order to finance recurring irregular expenditure for a specific purpose.

Repairs and Renewal Account: This was set up under the provisions of the Local Government (Miscellaneous Provisions) Act 1976 and is maintained for the purchase of vehicles and plant and is funded through notional depreciation charges on purchases.

Commuted Sums: These are monies deposited by contractors to finance future maintenance expenditure incurred as a result of the various developments.

Other Reserves: The largest of these is the Building Repairs Fund that is held for the maintenance of Municipal buildings, including commercial properties. Also, as at 31st March 2009 there is an amount of £29k set aside (£47k at 31st March 2008) in respect of the Indoor Bowls Club guarantee, a commitment for the Council until 2015.

21. Defined Benefit Pension Scheme

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make payments that needs to be disclosed at the time that employees earn their future entitlement.

This authority participates in the Local Government Pension Scheme, administered by Staffordshire County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liability with investment assets.

Change of accounting policy:

Under the 2008 SORP the council has adopted the amendment to FRS17, *Retirement Benefits*. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid rather than mid-market value. The effect of this change is that the value of the scheme assets at the 31st March 2009 has been restated from £35.34m to £35.20m, a decrease of £0.14m, resulting in an increase of the pension deficit of £0.14m (As it is not considered material, the balance as at 31st March 2008 has not been restated).

Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net 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 retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2007/08 £000s		2008/09 £000s
	Income & Expenditure Account	
	Net Cost of Services:	
1,460	current service cost	950
100	past service costs	455
(67)	contributions in respect of unfunded benefits	(69)
	Net Operating Expenditure:	
3,422	interest cost	3,819
(3,574)	expected return on assets in the scheme	(3,311)
1,341	**Net Charge to the Income & Expenditure Account**	**1,844**
	Statement of Movement in the General Fund Balance	
(225)	Reversal of net charges made for retirement benefits in accordance with FRS17	(509)

2007/08 £000s		2008/09 £000s
	Actual amount charged against the General Fund Balance for pensions in the year	
1,116	Employers' contributions payable to the scheme	1,335

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £8.738m (£4.199m gain in 2007/08) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £6.242m.

Assets and Liabilities in relation to retirement benefits:

Reconciliation of present value of the scheme

2007/08 £000s		2008/09 £000s
	Funded Liabilities	
63,426	Balance at 1st April 2008	55,465
1,460	Current Service cost	950
3,422	Interest cost	3,819
479	Contributions by scheme participants	511
(11,265)	Actuarial gains and losses	(5,244)
(67)	Estimated Unfunded Benefits Paid	(69)
(2,090)	Estimated Benefits paid	(2,071)
100	Past service costs	455
55,465	Balance at 31st March 2009	53,816

Reconciliation of Fair Value of the scheme assets

2007/08 £000s		2008/09 £000s
50,083	Balance at 1st April 2008	46,096
3,574	Expected rate of return	3,311
(7,066)	Actuarial gains and losses	(13,982)
1,116	Employer contributions	1,335
479	Contributions by scheme participants	511
67	Contributions in respect of Unfunded Benefits	69
(67)	Unfunded Benefits Paid	(69)
(2,090)	Benefits paid	(2,071)
46,096	Balance at 31st March 2009	35,200

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 a loss of £10,514m (2007/08 £2.801m).

Scheme History:

	2004/05 £000s	2005/06 £000s	2006/07 £000s	2007/08 £000s	2008/09 £000s
Present value of liabilities					
Pension scheme	(54,912)	(63,915)	(63,426)	(55,465)	(53,816)
Fair value of assets in the scheme	39,913	47,705	50,083	46,096	35,200
Surplus /(Deficit) in the scheme					
Pension scheme	(14,999)	(16,210)	(13,343)	(9,369)	(18,616)
Experienced gains/(losses) on assets	2,330	7,871	(335)	(7,066)	(13,982)
Experienced gains/(losses) on liabilities	2,993	(1,143)	(5)	719	17

	2004/05* %	2005/06* %	2006/07 %	2007/08 %	2008/09 %
Experienced gains and losses on assets as a % of total assets	5.84%	16.50%	(0.67)%	(15.33)%	(39.72)%
Experienced gains and losses on liabilities as a % of total liabilities	(5.45)%	1.79%	0.01%	(1.30)%	(0.03)%

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £18.6m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet.

The deterioration in the net deficit position relating to Pension Fund asset and liabilities is due to a significant fall in asset values. Due to the economic downturn, the previous 12 months have resulted in much lower than expected from the investment markets and hence a negative impact on the net assets. Unfortunately this negative impact significantly outweighed the improvement on liabilities.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The Total contributions expected to be made to the scheme by the council in the year to 31st March 2010 is £1.34m.

Basis for estimating assets and liabilities:

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. Hymans Robertson, an independent firm of actuaries, has assessed the liabilities as at 31st March 2009 based on the latest full valuation of the scheme as at 31st March 2007.

The principal assumptions used by the actuary have been:

	2007/08	2008/09
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.70%	7.00%
Bonds	5.70%	5.40%
Property	5.70%	4.90%
Cash	4.80%	4.00%
Mortality assumptions		
Longevity at 65 for current pensioners (years)		
Men	19.6	19.6
Women	22.5	22.5
Longevity at 65 for future pensioners (years)		
Men	20.7	20.7
Women	23.6	23.6
Rate of Inflation	3.60%	3.10%
Rate of increase in salaries	5.10%	4.60%
Rate of increase in pensions	3.60%	3.10%
Rate for discounting scheme liabilities	6.90%	6.90%
Take-up of option to convert annual pension into retirement lump-sum	25%	50%

The Local Government Scheme's assets consist of the following categories, by proportion of the total assets held:

	2007/08	2008/09
Equiy investments	76.0%	72.0%
Bonds	14.0%	18.0%
Property	8.0%	8.0%
Cash	2.0%	2.0%

22. Reconciliation between the net surplus/ deficit on the I&E to the revenue activities net cash flow in the cash flow statement

2007/08 £000s		2008/09 £000s	2008/09 £000s
(778)	Net Surplus/(Deficit) for year Income on Expenditure Account		(18,714)
(135)	Net Surplus/(Deficit) for year on Collection Fund		50
	Non-cash Transactions		
	Add:		
5,117	Provision for Depreciation	20,047	
(134)	Use of Provisions	-	
(3,133)	Investments / Debt Movements	2,415	
(162)	Write Down of Government Grants Deferred	(1,673)	
(253)	Financing of Capital Expenditure	(514)	
225	Employers Contributions to Pension Fund (FRS17)	509	
(75)	Net (Gain) / Loss on Fixed Assets	(1,096)	
224	Write Down of Deferred Charges	69	19,757
	Items on an Accruals Basis		
	Add:		
6	Reduction in Stocks	4	
(656)	Reduction in Revenue Debtors	997	
(1,647)	Increase in Creditors	360	1,361
(1,401)	**Net Cash Income from Revenue Activities**		**2,454**

23. Reconciliation of items shown within "financing & management of liquid resources" section of the cashflow statement to the related items in the opening & closing balance sheets

Movement in Balances	**2008/09 £000s**	**2008/09 £000s**
Investments at 1st April 2008	12,345	
Investments at 31st March 2009	13,970	(1,625)
Long Term Borrowing at 1st April 2008	22,442	
Long Term Borrowing at 31st March 2009	22,392	(50)
Short Term Borrowing at 1st April 2008	0	
Short Term Borrowing at 31st March 2009	750	750
Total		**(925)**

24. Explanation of what the Authority includes in liquid resources

Liquid resources result from short-term investments, those less than 365 days, placed in accordance with the Treasury Management Policy.

25. Analysis of Government Grants shown in the cashflow statement

2007/08 £000s	Government Grant	**2008/09 £000s**
531	DWP Admin Grant	532
97	NNDR Cost of Collection	96
10	Discretionary Housing Payment	6
74	Planning Delivery Grant	119
57	Homelessness Strategy	78
131	Safer Stronger Communities/ Domestic Abuse	106
61	Children's Fund / Healthy Lifestyle	48
120	Communities for Health	120
6	Elections	3
66	Defra/Wrap	-
342	Local Authority Business Growth Incentive Scheme	8
101	Housing Benefit Review	-
-	Employment Support Allowance Implementation	20
31	Implementation of Smoke Free Legislation	-
128	Supporting People Grant	131
45	Concessionary Travel Scheme – Set up costs	-
-	National Concessionary Travel Scheme	320
7	Glascote Capacity Building Project	-
8	Travellers Assessment	-
32	Waste Performance & Efficiency	-
-	Council Tax Bill Efficiency / Business Rates Revaluation Factsheet	4
-	Empty Property Rate relief administration	3
-	Private Sector Housing Improvement Grants	289
-	Court Desk Provision	10
-	Think Local Partnership	1
-	Area Based Grant	49
-	Environmental Damage (Prevention & Remediation) Regs 2009	1
-	Raising Awareness to tackle ASB	20
-	Alcohol Reduction Partnership Activity (ARPA)	17
-	Multi Agency Risk Assessment Conference (MARAC)	18
1,847	Total	**1,999**

26. Government Grants

A breakdown of the General Government Grants not attributable to specific services included within the Income & Expenditure Account is shown below:

2007/08 £000s		2008/09 £000s
929	**Revenue Support Grant**	814
0	**Local Authority Business Growth Incentive**	8
0	**Area Based Grant**	49
929	**Total**	**871**

27. Financial Instruments

27.1 Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		Current	
	31 March 2008 £000s	**31 March 2009 £000s**	**31 March 2008 £000s**	**31 March 2009 £000s**
Financial liabilities (principal amount)	22,442	22,392	-	750
Plus Accounting adjustments	395	361		40
Financial liabilities at amortised cost (1)	22,837	22,753	-	790
Financial liabilities at fair value through the I&E (2)	-	-	-	-
Total borrowings	22,837	22,753	-	790
Loans and receivables (principal amount)	6,000	3,000	12,345	16,632
Plus Accounting adjustments	358	772	392	(2,057)
Loans and receivables at amortised cost (1)	6,358	3,772	12,737	14,575
Available-for-sale financial assets	90	52	-	-
Financial Assets at fair value through the I&E (2)	-	-	-	-
Unquoted equity investment at cost	90	52	-	-
Total investments	6,448	3,824	12,737	14,575

Note 1 – Under accounting requirements the financial instrument value shown in the balance sheet include the principal amount borrowed or lent plus accrued interest and further adjustments for breakage costs or stepped interest loans (measured by an effective interest rate calculation).
Note 2 – Fair value has been measured by:

- Directly by reference to published price quotations in an active market; and/or
- Estimated using a valuation technique.

27.2 Financial instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are made up as follows.

	Financial Liabilities	**Financial Assets**			
	Liabilities measured at amortised cost £000s	**Loans and receivables £000s**	**Available-for-sale assets £000s**	**Fair value through the I&E £000s**	**Total £000s**
Interest expense	(1,623)	-	-	-	(1,623)
Losses on derecognition	-	-	-	-	-
Impairment losses	-	(2,577)	-	-	(2,577)
Interest payable and similar charges	(1,623)	(2,577)	-	-	(4,200)
Interest income	-	1,356	10	-	1,366
Gains on derecognition	-		-	-	
Interest and investment income	-	1,356	10	-	1,366
Gains on revaluation	-	-	1	-	
Losses on revaluation	-	-	-	-	
Amounts recycled to the I+E Account after impairment	-	-	-	-	
Surplus arising on revaluation of financial assets	-	-	1	-	
Net gain/(loss) for the year	(1,623)	(1,221)	11	-	

27.3 Fair value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

- ✓ For loans from the PWLB and other loans payable, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures;
- ✓ For loans receivable prevailing benchmark market rates have been used to provide the fair value;
- ✓ No early repayment or impairment is recognised;
- ✓ Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the billed amount;
- ✓ The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2008 Carrying amount £000s	31 March 2008 Fair value £000s	Type of Debt	31 March 2009 Carrying amount £000s	31 March 2009 Fair value £000s
22,837	30,500	PWLB debt	23,543	31,308
22,837	30,500	Total debt	23,543	31,308
4,440	4,440	Creditors	4,704	4,704
27,277	**34,940**	**Total Financial Liabilities**	**28,247**	**36,012**

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

31 March 2008 Carrying amount £000s	31 March 2008 Fair value £000s	Type	31 March 2009 Carrying amount £000s	31 March 2009 Fair value £000s
12,737	12,737	Money market loans < 1 yr	14,575	14,575
6,358	6,424	Money market loans > 1 yr	3,772	3,860
4,313	4,313	Debtors	3,316	3,316
23,408	**23,474**	**Total Loans and Receivables**	**21,663**	**21,751**

The differences are attributable to fixed interest instruments payable being held by the authority whose interest rate is higher than the prevailing rate estimated to be available at 31 March 2009. This increases the fair value of financial liabilities and raises the value of loans and receivables. This is reduced by the impairment loss in the Income and Expenditure Account in 2008/09 in order to recognise the anticipated loss to the Authority arising from the Icelandic banking sector defaulting on its obligations in October 2008.

The fair values for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

The fair values for loans and receivables have been determined by reference to the Public Works Loans Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument, and includes accrued interest. The comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

28. Disclosure of nature and Extent of Risk Arising from Financial Instruments

Key Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- ✓ 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;
- ✓ Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- ✓ Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- ✓ by formally adopting the requirements of the Code of Practice;
- ✓ by approving annually in advance prudential indicators for the following three years limiting:
    - o The Council's overall borrowing;
    - o Its maximum and minimum for exposures to fixed and variable rates;
    - o Its maximum and minimum exposures the maturity structure of its debt;
    - o Its maximum annual exposures to investments maturing beyond a year.
- ✓ by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Members.

These policies are implemented by a central treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

28.1 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's maximum exposure to credit risk. The table (from Moodys) gives details of global corporate finance average cumulative default rates (including financial organisations) for the period 1982 – 2008 on investments out to 5 years.

Type / Counterparty	**Amount at 31 March 2009** **£000s**	**Historical experience of default** **%**	**Adjustment for market conditions at 31 March 2009** **%**	**Estimated maximum exposure to default** **£000s**
Deposits with banks and financial institutions	(a)	(b)	(c)	(a * c)
AAA rated counterparties		0.02%	0.02%	-
AA rated counterparties	2,500	0.14%	0.14%	3
A rated counterparties	7,900	0.40%	0.40%	32
Caa – C rated counterparties	7,500	26.70%	26.70%	2,003
Investment Grade	1,000	0.52%	0.52%	5
Trade debtors	1,237	54.2%	54.2%	670
Total	20,137			2713

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £7.5m invested in this sector at that time. In accordance with accounting practice the Council has been notified of objective evidence that impairment has occurred and the investments have been impaired according to accounting requirements. The impact of the principal invested has been mitigated in the accounts according to government regulations, although all related investment income has been fully impaired.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

The Council does not generally allow credit for its trade debtors, such that £1.24m is past its due date for payment. The past due amount as at 31st March 2009 can be analysed by age as follows:

2007/08 £000s	Period	2008/09 £000s
788	Less than six months	612
100	Six months to one year	89
133	More than one year	192
439	More than two years	344
1,460	**Total**	**1,237**

The Council initiates a legal charge on property where, for instance, works have to carried out in default but those responsible cannot afford to pay immediately. The total collateral at 31 March 2009 was £33.5k.

28.2 Liquidity risk

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well through cash flow management procedures required by the Code of Practice.

28.3 Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- ✓ monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- ✓ monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows:

2007/08* £000s	Period	2008/09 £000s
-	Less than one year	790
790	Between one and two years	2,016
2,015	Between two and six years	-
5,087	Between six and 15 years	5,086
14,945	More than fifteen years	15,651
22,837		23,543

The maturity analysis of financial assets is as follows:

2007/08* £000s	Period	2008/09 £000s
12,737	Less than one year	14,575
4,260	Between one and two years	2,807
2,098	Between two and three years	466
0	More than three years	499
19,095		18,347

* Restated to amortised cost.

All trade and other payables are due to be paid in less than one year - debtors of £3.3m are not shown in the table above.

28.4 Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- ✓ borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- ✓ borrowings at fixed rates – the fair value of the borrowing liability will fall;
- ✓ investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- ✓ investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs. As at 31st March 2009, the Council had no variable rate debt or investments. There would therefore be no material impact if all interest rates had been higher or lower during the year.

Price risk - The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

29. Impairment of Financial Assets – Deposits with Icelandic Banks

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander (KSF) went into administration. The authority had £7.5m deposited across 3 of these institutions, with varying maturity dates and interest rates as follows:

Bank	Amount Invested	Interest Rate	Date Invested	Maturity Date
Glitnir	£1,000,000	6.28%	10/10/2007	09/10/2008
Glitnir	£1,000,000	6.55%	31/08/2007	28/08/2009
Glitnir	£1,000,000	6.16%	14/12/2007	12/12/2008
KSF	£1,000,000	6.69%	31/08/2008	09/08/2010
KSF	£1,000,000	6.16%	31/10/2007	29/10/2008
KSF	£1,000,000	5.90%	14/01/2008	14/10/2010
Heritable	£500,000	5.38%	12/09/2008	13/10/2008
Heritable	£1,000,000	5.45%	15/09/2008	22/10/2008

All monies within these institutions are currently subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the authority will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the authority considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below. As the available information is not definitive as to the amounts and timings of payments to be made by the administrators / receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7 October 2008. The creditor progress report issued by the administrators Ernst and Young, dated 17 April 09 outlined that the return to creditors was projected to be 80p in the £ by end 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. The authority has therefore decided to recognise an impairment based on it recovering 80p in the £. It is anticipated that there will be some front loading of these repayments and that a final sale of assets will take place after the books have been run down to the end of 2012. Therefore in calculating the impairment the Authority has made the following assumptions re timing of recoveries:

July 2009 – 15%
July 2010 – 30%
July 2011 – 15%
July 2012 – 10%
July 2013 – 10%

Recoveries are expressed as a percentage of the authority’s claim in the administration, which includes interest accrued up to 6 October 2008.

Kaupthing Singer and Friedlander Ltd (KSF)

The creditor progress report issued by the administrators Ernst and Young, dated 17 April 09 outlined that the return to creditors was projected to be a minimum of 50p in the £ but no timescale is indicated. The administrator indicated that the estimate could be lower or higher if significant issues arose; the 50p in the £ stated is therefore the best estimate within a range of possible amounts. The first dividend payment of 10p in the £ minimum is due in the summer of 2009. The authority has decided to recognise an impairment based on it recovering 50p in the £ up to October 2012 (the date when the High Court has permitted the administration to be extended to).
In calculating the impairment the Authority has therefore made the assumption that the remaining 40% recovery will be split evenly between December 2009, December 2010, December 2011 and October 2012.
Recoveries are expressed as a percentage of the authority’s claim in the administration, which includes interest accrued up to 7 October 2008.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affaires of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir’s affairs are being administered under Icelandic law.

Old Glitnir's latest public presentation of its affairs was made to creditors on 6 February 2009 and can be viewed on its website. This indicates that full recovery of the principal and interest to 14 November 2008 is likely to be achieved. Recovery is subject to the following uncertainties and risks:

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.
- Settlement of the terms of a 'bond' which will allow creditors of old Glitnir to enjoy rights in New Glitnir.

The Authority has therefore decided to recognise an impairment based on it recovering the full amount of principal and interest up to 14 November 2008 in the future. The impairment therefore reflects the loss of interest to the authority until the funds are repaid.
Failure to secure preferential creditor status would have a significant impact upon the amount of the deposit that is recoverable. The total assets of the bank only equate to 40% of its liabilities, assuming that the Bond remains at its current estimated value. Therefore, if preferential creditor status is not achieved the recoverable amount may only be 40p in the £.
No information has been provided by the resolution committee about the timing of any payments to depositors. Since the value of deposits is small compared to the total asset value of the bank, in calculating the impairment the authority has therefore made an assumption that the repayment of priority deposits will be made by 31 March 2010.

Recoveries are expressed as a percentage of the authority's claim in the administration, which it is expected may validly include interest accrued up to 14 November 2008.

The impairment loss recognised in the Income and Expenditure Account in 2008/09, £2.6m, has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the authority until monies are recovered.

Adjustments to the assumptions will be made in future accounts as more information becomes available.

The Authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £2.0m has been transferred to the Financial Instruments Adjustment Account. The balance of £0.6m relates to interest which has been borne in full by the General Fund.

Discussions are ongoing with DCLG to amend Regulations to allow the authority to charge the relevant proportion of the impairment loss, including lost interest, to the Housing Revenue Account.

Note to the Accounts - Impairment of Investments

Investments included in current assets figure in the Balance Sheet include the following investments that have been impaired because of the financial difficulties being experienced by Icelandic Banks.

Bank	Date Invested	Maturity Date	Amount Invested	Interest Rate	Carrying Amount	Impairment
Glitnir	10/10/2007	09/10/2008	£1,000,000	6.28%	£998,272	£94,465
Glitnir	31/08/2007	28/08/2009	£1,000,000	6.55%	£1,010,900	£93,003
Glitnir	14/12/2007	12/12/2008	£1,000,000	6.16%	£993,734	£86,262
KSF	31/08/2008	09/08/2010	£1,000,000	6.69%	£476,744	£629,379
KSF	31/10/2007	29/10/2008	£1,000,000	6.16%	£473,898	£613,523
KSF	14/01/2008	14/10/2010	£1,000,000	5.90%	£469,488	£602,120
Heritable	12/09/2008	13/10/2008	£500,000	5.38%	£362,241	£152,573
Heritable	15/09/2008	22/10/2008	£1,000,000	5.45%	£723,248	£306,316
Total			£7,500,000		£5,508,526	£2,577,641

The carrying amounts of the investments included in the balance sheet have been calculated using the present value of the expected repayments, discounted using the investment's original interest rate. The expected repayments have been estimated as follows, based on the statements made by the administrator:

Date	Glitnir	KSF	Heritable
31st March 2010	£3,198,644	£635,051	£225,769
31st March 2011	£0	£317,526	£451,538
31st March 2012	£0	£317,526	£225,769
31st March 2013	£0	£317,526	£150,512
31st March 2014	£0	£0	£150,512
Total	£3,198,644	£1,587,629	£1,204,100

Interest credited to the Income and Expenditure Account in respect of the investments is as follows:

Bank	Credited 2007/08	Received 2007/08	Credited 2008/09	Received 2008/09
Glitnir	£86,736	£0	£276,635	£0
KSF	£77,653	£0	£265,153	£0
Heritable	£0	£0	£44,378	£0
Total	£164,389	£0	£586,166	£0

Note to the Accounts - Financial Instruments Adjustment Account (FIAA)

Regulations issued in March 2009 allow the authority not to charge amounts relating to impaired investments to the General Fund. Such amounts are instead transferred to the Financial Instruments Adjustment Account, an account that records the timing differences between charging these amounts to the General Fund in accordance with proper practice and in accordance with the regulations. The authority has taken advantage of the regulations, and has transferred the following amounts to the Financial Instruments Adjustment Account.

Bank	Amount Transferred to Financial Instruments Adjustment Account
Glitnir	£273,730
KSF	£1,845,022
Heritable	£458,889
Total	£2,577,641

Under the regulations, the authority must transfer the balance on the Financial Instruments Adjustment Account to the General Fund no later than 31 March 2011, and must also credit the Financial Instruments Adjustment Account with interest earned until such time as the balance has been transferred to the General Fund. The authority estimates that the following credits will be made to the FIAA:

Bank	Balance on FIAA at 31/03/09	Transfers During 2009/10	Transfers During 2010/11	Balance on FIAA at 31/03/11
Glitnir	(£2,906)	£2,906	-	-
KSF	£1,579,869	(£72,909)	(£1,506,960)	-
Heritable	£414,511	(£52,095)	(£362,416)	-
Total	£1,991,474	(£122,098)	(£1,869,376)	-

Approval of Accounts

I confirm that these accounts were approved by the Audit & Governance Committee at the meeting held on 30th September 2009

Signed on behalf of Tamworth Borough Council

Chair of the Audit & Governance Committee meeting

Dated 30th September 2009

Housing Revenue Account
Income and Expenditure Account

2007/08 £000s			2008/09 £000s
	Income		
(13,754)	Dwelling rents		(14,428)
(491)	Non-dwelling rents		(491)
(566)	Charges for services and facilities		(592)
(51)	Leaseholders' Charges for Services and Facilities		-
(359)	Contributions towards expenditure		(139)
(15,221)	**Total Income**		**(15,650)**
	Expenditure		
4,050	Repairs and maintenance		4,161
4,222	Supervision and management		4,122
87	Rents, rates, taxes and other charges		87
1,317	Housing revenue account subsidy payable	**Note HRA 6**	1,665
6,431	Depreciation and impairment of fixed assets	**Note HRA 5**	20,098
17	Debt management costs		12
72	Increase in provision for bad and doubtful debts		65
16,196	**Total Expenditure**		**30,210**
975	**Net cost of HRA services per Authority Income and Expenditure**		14,560
(75)	(Gain)/ loss on sale of HRA fixed assets		(193)
1,548	Interest payable and similar charges		1,508
(174)	Interest and investment income		(154)
(32)	Pensions interest cost and expected return on pensions assets		99
2,242	**(Surplus) or deficit for the year on HRA services**		**15,820**

Statement of Movement on the HRA Balance

2007/08 £000s			2008/09 £000s
2,242	(Surplus)/ Deficit for the year on the HRA Income and Expenditure Account		15,820
(2,901)	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	**Note HRA 9**	(16,888)
(659)	**(Increase)/ Decrease in the Housing Revenue Account Balance for the Year**		**(1,068)**
2,103	Housing Revenue Account surplus brought forward		2,762
2,762	**Housing Revenue Account surplus carried forward**		**3,830**

NOTES TO THE HRA

HRA 1. Number & Type of Dwelling

HRA 1a. Housing Stock

The Council is responsible for managing a housing stock, made up as follows:

2007/08	Housing Stock	2008/09
2,886	Houses / Bungalows	2,885
768	High/Medium Rise Flats	767
936	Low Rise Flats	934
4,590		**4,586**

2007/08		2008/09
4,614	Stock at 1 April 2008	4,590
(24)	Less: Sales / Demolitions	(5)
-	Add: Reclassification of Asset	1
4,590	Stock at 31 March 2009	**4,586**

HRA 1b. Fixed Assets

2007/08 £000s	Fixed Assets	2008/09 £000s
	Operational Assets	
190,265	Council Dwellings	167,395
2,473	Other Property	2,173
192,738	**Net Book Value**	**169,568**

In order to comply with the requirements of Resource Accounting, garages are now identified within other property. Non-operational assets are those held by an authority but not directly occupied or used in the delivery of its services. There are no non-operational assets held by the Housing Revenue Account.

HRA 2. Vacant possession value of dwellings

The Vacant Possession Valuation as at 1st April 2009 is £339.8m.

However, assets are valued on the balance sheet at their existing use reflecting the valuation of a property if it were to be disposed with sitting tenants enjoying sub-market rents. This reflects the economic cost to the Government of providing council housing at less than open market value.

HRA 3. Movement on the MRR

The Major Repairs Allowance (MRA) represents the long-term average amount of capital spending required to maintain the stock in its current condition. The amount of MRA received is determined by the subsidy calculations and paid into the Housing Revenue Account.

31st March 2008 £000s		Contribution from HRA £000s	Transferred to HRA £000s	Capital Expenditure £000s	31st March 2009 £000s
-	Major Repairs Reserve	**2,792**	**50**	**2,742**	**0**

The capital expenditure shown was spent in total on maintaining council dwellings.

HRA 4. Capital Expenditure Summary

The following table details how £3.577m capital expenditure was financed during the year.

	Total Expenditure £000s	Supported Capital Expenditure £000s	Useable Capital Receipts £000s	Capital Reserve £000s	Major Repairs Allowance £000s
Dwellings	3,272	480	-	353	2,439
Non Dwellings	305	-	-	2	303
	3,577	**480**	**0**	**355**	**2,742**

During the year capital receipts totalling £361k were received in respect of dwellings sold, of which £259k was repaid to ODPM under the pooling regime. The un-pooled element of capital receipts are retained for financing housing capital investment and regeneration works.

HRA 5. Depreciation and Impairment Charges

A change in accounting policy has been implemented in 2008/09 which means Council Dwellings are now depreciated on a straight line basis over the period of their useful economic life. The charge for the year was £997k.

Prior to 2008/09, Council Dwellings depreciation was based upon an amount equal to the major repairs allowance, calculated in line with Government guidance. This represented an average repair cost multiplied by the number of dwellings.

The charge for depreciation of £50k on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

Charges for impairment have been included where expenditure on capital assets has not produced a similar increase in the value of the asset.

HRA 6. Subsidy

HRA subsidy is paid to meet any shortfall between expenditure and income based on central governments assumptions about the Council's need to spend and the income it can reasonably be expected to receive. The amount of Housing Revenue Account Subsidy payable is calculated as follows:

2007/08 £000s		2008/09 £000s
6,771	Allowance for Management and Maintenance	7,077
2,639	Major repairs allowance	2,742
2,549	Charges for capital	2,447
-	Admissible Allowance	-
54	Rental Constraint Allowance	-
(13,322)	Guideline rent income	(13,971)
(8)	Interest receivable	(5)
-	Prior Year Adjustments	45
(1,317)	**Housing Subsidy Receivable/(Payable)**	**(1,665)**

HRA 7. HRA Pensions Reserve

2007/08 £000s		2008/09 £000s
	HRA Income & Expenditure Account	
	Net Cost of Services:	
314	current service cost	185
	Net Operating Expenditure:	
721	interest cost	743
(753)	expected return on assets in the scheme	(644)
282	**Net Charge to the Income & Expenditure Account**	**284**
	Statement of Movement in the HRA Balance	
(47)	Reversal of net charges made for retirement benefits in accordance with FRS17	(24)

2007/08 £000s		2008/09 £000s
	Actual amount charged against the Housing Revenue Account for pensions in the year	
235	Employers' contributions payable to the scheme	260

HRA 8. Rent Arrears

2007/08 £000s	Rent Arrears	2008/09 £000s
756	Gross Rent Arrears at 31st March 2009	**822**

Approximately 35% of rent arrears refer to former tenants.

Provision for Bad Debts:

2007/08 £000s		Contribution from/ (to) HRA In Year £000s	Written Off In Year £000s	2008/09 £000s
620	HRA Rent Arrears	93	78	635
152	HRA Sundry Debtors	(28)	3	121
772		**65**	**81**	**756**

HRA 9. Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance

2007/08 £000s		2008/09 £000s
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year.	
75	Gain or loss on sale of HRA fixed assets	193
(47)	Net charges made for retirement benefits in accordance with FRS17	(24)
28	**Sub-total**	**169**
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year.	
(77)	Transfer to/(from) Major Repairs Reserve	3,251
284	Transfer to/(from) Earmarked Reserves	(177)
142	Differences between amounts debited/credited to the Income and Expenditure account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans,premiums and discounts on the early repayment of debt and impairment of investments	122
(3,715)	Impairment Charges	(20,608)
437	Capital expenditure funded by the HRA	355
(2,929)	**Sub-total**	**(17,057)**
(2,901)	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year.**	**(16,888)**

The Collection Fund
Income and Expenditure Account

2007/08 £000s		2008/09 £000s	2008/09 £000s
	Income		
(25,630)	Council Tax	(26,845)	
(4,321)	Transfer from the General Fund - Council Tax Benefits	(4,614)	(31,459)
(27,424)	Business Ratepayers		(28,830)
(57,375)	**Total Income**		**(60,289)**
	Expenditure		
	Precepts & Demands:		
21,697	Staffordshire County Council	22,654	
3,667	Staffordshire Police Authority	3,820	
1,380	Stoke-on-Trent & Staffordshire Fire & Rescue Authority	1,454	
3,040	Tamworth Borough Council	3,202	31,130
	Business Rates:		
27,259	Payment to the National Pool	28,566	
97	Costs of Collection	96	
-	Transfer to General fund	-	28,662
	Provision for Bad & Doubtful Debts		
449	Provision	361	
(215)	Write Off	(74)	287
	Contributions towards previous year's estimated Collection Fund Surplus		
99	Staffordshire County Council	117	
17	Staffordshire Police Authority	20	
6	Stoke-on-Trent & Staffordshire Fire & Rescue Authority	7	
14	Tamworth Borough Council	16	160
57,510	**Total Expenditure**		**60,239**
135	**(Surplus)/ Deficit for Year**		**(50)**
(275)	**Balance Brought Forward (Surplus)/ Deficit**		**(140)**
(140)	**Balance as at 31st March 2009 (Surplus)/ Deficit carried forward**		**(190)**

NOTES TO THE COLLECTION FUND

CF 1. NDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2009 was £68,789,111 (£69,022m at 31st March 2008).

The NNDR multiplier for 2008/09 was 46.2p in the pound (2007/08 44.4p). The qualifying small business multiplier for 2008/09 was 45.8p in the pound (2007/08 44.1p).

CF 2. Council Tax Base Calculation

The Council base was as follows:

2007/08	[-----------------------------------2008/09--]			
No. of Band "D" Equivalent Properties	**Band**	**No. of Chargeable Properties**	**Ratio**	**No. of Band "D" Equivalent Properties**
5,291	A	7,969	6/9	5,311
7,993	B	10,282	7/9	7,997
4,225	C	4,799	8/9	4,266
3,230	D	3,254	1	3,254
1,848	E	1,537	11/9	1,879
523	F	371	13/9	536
133	G	56	15/9	93
3	H	1.50	18/9	3
23,246				**23,339**
98.5%	Multiplied by anticipated collection rate of			98.5%
22,898	Equals Council Tax Base			**22,989**

CF 3. Name of each authority which made precept or demand on the fund & amount

Authority	**£**
Staffordshire County Council	22,654,365
Staffordshire Police Authority	3,819,752
Stoke-on-Trent & Staffs Fire & Rescue Authority	1,453,710
Tamworth Borough Council	3,201,905

CF 4. NNDR credits

National Non-Domestic Rates (NNDR) - Credits Transferred to the General Fund

NNDR credit accounts – credit balances that remained in the collection fund but could not be repaid to the businesses concerned as they cannot be traced, have not responded to efforts made to repay funds or no longer exist. During 2008/09 a sum of £8,260.81 has been identified as meeting the appropriate criteria to be transferred back to General Fund balances. As a prudent measure £111,092.08 is held as a retained fund to meet the cost of any refunds requested in the future.

CF 5. Bad & Doubtful Debts

The following provisions and write offs were made in the year:

2007/08 £000s	Provision for Bad Debts - Council Tax	2008/09 £000s
477	Balance at 1 April 2008	428
(215)	Written off in year	(74)
166	Increase/(decrease) in Provision	119
428	**Balance as at 31 March 2009**	**473**

2007/08 £000	Provision for Bad Debts - Business Rates	2008/09 £000
395	Balance at 1 April 2008	341
(121)	Written off in year	-
67	Increase/(decrease) in Provision	167
341	**Balance as at 31 March 2009**	**508**

CF 6. Reconciling to the Balance Sheet

The opening balance for the Collection Fund for 2008/09 was £140k surplus. At the end of the year this has increased to £189k. On the basis that surpluses and deficits are shared with the other precepting authorities (as shown in note 3) at a level based on their demand (Staffordshire County Council 73%, Staffordshire Police Authority 12%, Stoke-on-Trent & Staffs Fire & Rescue Authority 5% and the Borough Council 10%) the Council has accounted for the Collection Fund balance in its 2008/09 Statement of Accounts as follows:

- In the Balance Sheet at 31 March 2009, the council included a £170k surplus on a disaggregated basis as creditors for the County Council £138k, Police £23k, Fire & Rescue £9k and a £19k attributable surplus on the Collection Fund balance alongside the General Fund balance.
- In the STRGL, the council inserted a new line for the attributable movement on the Collection Fund balance to record a £19k surplus ((£140 + £50 surplus) x 10% = £190 x 10%).

ANNUAL GOVERNANCE STATEMENT 2008 - 09

SCOPE OF RESPONSIBILITY

Tamworth 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 also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government.* A copy of the code is on our website at www.tamworth.gov.uk . This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It 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 system of internal control is 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.

The governance framework has been in place at the Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

THE GOVERNANCE FRAMEWORK

The Council operates a number of processes that constitute, or contribute to the operation of the governance framework, including:

- The LSP Executive Board has responsibility for the development and delivery of the Sustainable Community Strategy (primary statutory responsibility lies with Tamworth Borough Council). The Sustainable Community Strategy was launched in April 2008. The vision with the Sustainable Community Strategy has been updated and priorities have been identified using a varied approach by identifying community priorities, evidence based need and organisational priorities;
- From the corporate vision and priorities, service areas identify annual business plans to identify and monitor performance targets and actions;
- Executive meetings of CMT and Cabinet are held on a regular basis;
- Performance management arrangements in place ensure that progress on business plans and achievement of corporate objectives are monitored on a quarterly basis;
- Annual financial statements are published in accordance with a prescribed timetable;
- Council wide and service specific quality promises are in place and made available to the public through publication on the website and through publications available at all council establishments;
- The Tell Us complaints procedures are available to all members of the public through council establishment and the website. Complaints are monitored and reported on, on a monthly basis;
- The Confidential Reporting Policy, Anti Fraud and Corruption Strategy and guidance notes and Confidential reporting Policy were revised in February 2009 and made available to staff and members through availability on the Intranet;
- Value for money is measured through participation in benchmarking exercises. A Value for Money working group has been established with membership across all service areas to improve value for money and the identification of savings;
- The quality of services is measured through performance indicators and service delivery milestones which are monitored through the Covalent performance management system;
- The Constitution sets out a clear statement of respective roles and responsibilities of the executive, non executive, scrutiny and officer functions. A Constitution working group (made up of officers and members) is in place to review the Constitution on an annual basis;
- The Scheme of Delegation is reviewed on an annual basis;
- There is a code of conduct in place for members and a member/officer protocol;
- Standing Orders, Financial Regulations and Financial Guidance was updated in February 2009;
- The Audit & Governance Committee undertakes the core functions of an Audit Committee as identified in *CIPFA's Audit Committee – Practical Guidance for Local Authorities.* The Audit & Governance Committee have completed a self assessment of their effectiveness during 2008/09;
- There is a Governance Working Group in place which reviews Governance documents;

- The operation of statutory officer roles, ie Head of Paid Service (the Chief Executive), Section 151 Officer (Corporate Director - Resources) and Monitoring Officer (Solicitor to the Council) to ensure compliance with laws and regulations. The Monitoring Officer's role is to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Section 151 Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered;
- The Statutory Officers are members of the CMT/AD's Group;
- The financial management of the Authority is conducted in accordance with the financial rules set out in Part 4 of the Constitution and within Financial Regulations and Guidance. The Council has designated the Corporate Director - Resources as the responsible financial officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a five-year Medium Term Financial Strategy (Capital & Revenue), updated annually, to support the medium-term aims of the Corporate Plan;
- The role of scrutiny is continuously being developed;
- Records of decisions made at committee meetings are available on the website;
- A members register of interests is available to the public through the website;
- A members induction scheme is in place. Individual training needs are identified;
- Local induction programme completed for officers. Personal development reviews are completed annually and reviewed six monthly. Job descriptions and person specifications are in place with all job descriptions reviewed in 2005 as part of the Job Evaluation process. Job descriptions are regularly reviewed as part of the PDR process;
- Committee meetings are open to the public unless there are confidential items;
- Consultation strategy is being developed;
- There is a Standards Committee in place to promote and ensure high standards of conduct for Members.

REVIEW OF EFFECTIVENESS

Tamworth Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Senior Managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also the comments made by the external auditors and other review agencies and inspectorates.

In reality this review is an ongoing process, and during the year various activities, including the following, have been undertaken as part of this review.

- The Local Code of Corporate Governance is reviewed on an annual basis and an action plan is adopted to deal with any issues;
- The Solicitor to the Council (the "Monitoring Officer") has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting; during 2008/09 the group previously convened in the previous financial year considered the necessary changes and improvements to the Constitution to ensure its effectiveness. The group includes leading members from both the controlling and opposition parties;
- Review of existing policies as appropriate, production and approval of new or revised policies and procedures;
- Further development and embedding risk management with a transfer of the risk register to the Covalent Risk Management system;
- The continued extension of management review processes (eg reviews based on the Vanguard approach) by which the effectiveness of processes, resource use, and necessary improvement, is considered;
- Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an audit plan which is approved by the Audit & Governance Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report on each audit to be submitted to the relevant service manager, Assistant Director and Corporate Director. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The process includes follow-up within 6 months of the implementation of agreed actions to address recommendations;
- The Head of Internal Audit Services provides a quarterly and annual opinion statement to the members charged with governance – the Audit & Governance Committee;
- The Internal Audit Section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section;
- Managers are required to provide statements of assurance with regard to the adequacy of internal controls in their areas of responsibility, which are reflected in this Statement where necessary;
- The Authority receives reports from its external auditors and the Audit Commission in relation to its governance and internal control, and considers and takes action on their recommendations as appropriate;
- Annual Ombudsman's report is presented to the Audit & Governance Committee;

- Performance “Observatory” of Directors and Senior Managers is held monthly to assess and address matters of performance – this is in addition to the focus given by CMT and Cabinet;
- Tamworth benchmarking club set up with membership being CIPFA nearest neighbours group to compare performance. Various services completing benchmarking to aid performance improvement. Audit Commission VFM profile tool being used to allow high level analysis of comparative spend and performance;
- The AD/CMT group acts as the Risk Management Group;
- The Business Continuity Group meets bi monthly to develop the business continuity plan within the Authority. The Assistant Director – Financial Operations is chair of the Staffordshire Local Authorities BCM group which aims to help all authorities in Staffordshire have robust BCM arrangements and promote BCM to the Business and voluntary sectors in compliance with the Civil Contingencies Act;
- A Security Management Group is in place which reviews security issues, IT policy and review of operating standards.

SIGNIFICANT GOVERNANCE ISSUES

The Council is satisfied that the governance framework generally provides a reasonable assurance of effectiveness. However, there are a small number of issues that are significant enough to be highlighted, and will be subject to close monitoring until the Council is able to assure itself that the actions proposed to deal with them have been successfully concluded. Other minor issues highlighted through the assurance gathering process have been noted with planned actions to address these issues. Monitoring of the completion of these issues will be completed through reporting to the Audit & Governance Committee.

The significant issues and proposed actions are:

Issue	Proposed Actions
Staff sickness levels are increasing and amongst the worst nationally	Review the actions being taken to reduce staff sickness and monitor the position on a regular basis
Performance in relation to diversity and equality is mixed	Maintain the increased focus on improving equality and diversity
The Council is being affected by the economic downturn	Carry out regular scrutiny of the financial position in the light of the changing economic circumstances
Implementation of the new IFRS is a potentially time consuming exercise which may stretch available resources	Ensure that sufficient capacity is available to manage the implementation the process and regularly update the Audit & Governance Committee of progress
Development of a community, consultation and participation strategy	Development of a Community Consultation, Communication and Participation Strategy to inform the Council's vision, priorities and service development

Signed:

B. Boughton, Leader D. Weatherley, Chief Executive

on behalf of the members and senior officers of Tamworth Borough Council

Date: 30th June 2009

This is an electronic copy without an electronic signature. The original was signed as dated above and a copy can be obtained from the Corporate Director Resources.

GLOSSARY

Accrual
A sum included in the final accounts to cover income or expenditure attributable to the previous financial year for goods or work done, but for which payment has not been received / made by the end of that financial year.

Agency Services
The provision of services by one bodies (the agent) on behalf of, and generally reimbursed by, the responsible body.

Balances
The total sum available to the Council, including the accumulated surplus of income over expenditure. Balances form part of the Councils reserves.

Capital Adjustment Account
This reserve reflects the difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

Capital Expenditure
Expenditure on the acquisition and enhancement of significant fixed assets that will be of use or benefit to the Council in providing its services beyond the year of the account e.g. land and buildings.

Capital Financing Requirement
This represents the Council's underlying need to borrow for capital purposes.

Capital Receipts
Proceeds from the sale of assets e.g. land or buildings, which may be used to finance new capital expenditure or are payable to the Central Government Housing Capital Receipts Pool.

CIPFA
The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional body for accountants working in the public service.

Code of Practice
The Code of Practice on Local Authority Accounting in the United Kingdom is produced by CIPFA and complied with by local authorities in the production of the financial statements.

Collection Fund
A fund administered by the Borough Council into which Business Rates and Council Tax monies are paid.

Contingency
The sum of money set aside to meet unforeseen expenditure.

Contingent Liabilities
A potential liability at the balance sheet date when the accounts are submitted for approval. The liability will be included in the balance sheet if it can be estimated reasonably accurately. Otherwise the liability will be disclosed as a note to the accounts.

Creditors
Amounts owed by the Council for work done, goods received or services rendered which have not been paid for by the end of the financial year.

Debtors
Amounts due to the Council for work done or services supplied which have not been paid for by the end of the financial year.

Depreciation
The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, passage of time or obsolescence through technical or other changes.

Fixed Assets
Tangible assets that yield benefits to the Council for a period of more than one year.

Financial Instruments Adjustment Account
An account which allows the adjustments relating to the accounting for Financial Instruments to be managed in line with statute. It records the timing differences between the rate at which gains and losses are recognised under the SORP and the rate at which debits and credits are required to be made against council tax / rent.

Leasing
A method of financing capital expenditure where rental charges are paid over a specified period of time. There are two main types of leasing arrangements:
(a) finance leases which transfer all the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet:
(b) operating leases where the ownership of the asset remains with the lessor and annual rental is charged direct to the revenue account.

Liabilities
Amounts due to individuals or organisations which will have to be paid some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Liquid Resources
Current asset investments that are readily disposable by the Council without disrupting it's business and are either:-

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

Major Repairs Allowance
The Major Repairs Allowance was introduced in 2001/02 and represents the estimated long-term average amount of capital spending required to maintain the Council's housing stock in its current condition.

Materiality
An item is material if its omission, non-disclosure or misstatement could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision
The minimum amount which must be charged to a revenue account each year and set aside to repay debt, presently 4% of the General Fund Capital Financing Requirement. No MRP is required for the Housing Revenue Account.

National Non-Domestic Rate (NNDR)
The tax paid on non-domestic properties. It is the same for all businesses in England and is set annually by government, on whose behalf it is collected by billing authorities. The Council receives a share of the national pool as part of its resources used to meet the total net expenditure.

Post Balance Sheet Events
Those events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed by the responsible financial officer.

Prior Period Adjustments
Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Precept
This is a demand for payment made by Staffordshire County Council, Staffordshire Police Authority and the Stoke-on-Trent and Staffordshire Fire & Rescue Authority as a means of obtaining income. The payment is met from the Councils collection fund and is based on the council tax bases.

Provision
An amount set aside to meet a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

Public Works Loans Board (PWLB)
A government agency that provides longer-term loans to local authorities, at interest rates below market rate. It also acts as a lender of last resort (at a higher rate of interest).

Reserves
Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

General reserves are accumulated balances generally available to support revenue or capital spending.

Revenue expenditure funded from capital under statute
This is expenditure that is defined as Capital but where there is no matching asset in the accounts - legislation allows the treatment of some expenditure as capital where it does not result in the creation of a fixed asset. An example of this is where grants are awarded to third parties for capital expenditure. These have traditionally been accounted for as deferred charges and written out through the Income and Expenditure Account.

Revaluation Reserve
This reserve records the net gain from revaluations made after 1st April 2007.

Revenue Expenditure
The day-to-day expenditure incurred by an authority in providing services. It is financed by government grants, non-domestic rates, council tax and fees and charges.

Revenue Support Grant (RSG)
A general government grant in support of local authority expenditure.

Specific Grants
Government Grants to local authorities in aid of particular projects or services.

Supported Capital Expenditure
Authorisations given by the Government to local authorities which enable them to finance capital expenditure by either borrowing or government grant.

Appendix to the Income & Expenditure Account

Central Services to the Public

- Local Tax Collection
- Elections
- Emergency Planning
- Local Land Charges

Cultural, Environmental and Planning Services

Cultural

- Culture and Heritage
- Recreation and Sport
- Open Spaces
- Tourism
- Cemetery, Cremation and Mortuary Services
- Service Management and Support Services

Environmental Services

- Community Safety/ Crime Reduction
- Environmental Health
- Licensing
- Flood Defence and Land Drainage
- Agricultural and Fisheries Services
- Consumer Protection
- Street Cleansing
- Waste Collection
- Waste Disposal
- Service Management and Support Services

Planning

- Building Control
- Development Control
- Planning Policy
- Environmental Initiatives
- Economic Development
- Community Development
- Service Management and Support Services

Highways, Roads and Transport Services

- Transport, Planning, Policy and Strategy
- Highways/Roads (Structural)
- Highways/Roads (Routine)
- Street Lighting
- Traffic Management
- Parking Services
- Public Transport
- Service Management and Support Services

Local Authority Housing (HRA)

- Costs associated with management of Council Dwellings
- Welfare Services

Other Housing Services

- Housing Strategy
- Housing Advice
- Housing Advances
- Private Sector Housing Renewal
- Homelessness
- Housing Benefit Payments and Administration
- Other Council Property
- Service Management and Support Services

Corporate and Democratic Core Costs

- Democratic Representation and Management
- Corporate Management

Non Distributed Costs

- Pension Costs Relating to Added Years and Early Retirement

Independent auditor's report to the Members of Tamworth Borough Council

Opinion on the financial statements

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

This report is made solely to the members of Tamworth Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Resources and auditor

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

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

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

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

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

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority 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 in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Tamworth Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

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

James Cook
Engagement Lead

The Audit Commission

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

30 September 2009

This is an electronic copy of the opinion and certificate without an electronic signature. The original was signed as dated above and a copy can be obtained from the Corporate Director Resources.