TAMWORTH BOROUGH COUNCIL

Statement of Accounts 2009/10

Tamworth Borough Council

STATEMENT OF ACCOUNTS

2009/10

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THE EXPLANATORY FOREWORD

The statement of accounts presents the financial position and performance of the Council for the year ended 31st March 2010. 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 2010 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 2009/10 are set out on pages 25 to 77 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 2010. 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 2009/10

The Chartered Institute of Public Finance and Accountancy (CIPFA) have made a number of changes in 2009/10 to the Code of Practice on Local Authority accounting in the UK: a Statement of Recommended Practice (SORP).

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 2009/10 Statement of Accounts including:

- **Accounting for Council Tax**

  CIPFA have now determined that the Council, as a billing authority, acts as the agent of its major preceptors (Staffordshire County Council, Staffordshire Police Authority and the Stoke on Trent and Staffordshire Fire and Rescue Authority) and that consequently the previous practice of including all council tax debtors in the balance sheet did not comply with United Kingdom Generally Accepted Accounting Practice (UK GAAP). The SORP has been updated to take this into account and now includes detailed requirements to include appropriate shares of council tax debtors in the billing authorities' and major preceptors' Balance Sheets.

  Under the new accounting requirements, for both the billing authority and major preceptors, the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

  This change in accounting policy is material and required a prior year adjustment to the 2008/09 corresponding amounts.

- **Accounting for National Non-domestic Rates**

  Similarly, past practice has been to carry National Non-domestic Rate debtors on the Councils' balance sheet. The 2009 SORP confirms that the collection of National Non-Domestic Rates (NNDR) is carried out by authorities as an agent activity on behalf of central government and should be accounted for accordingly. It means that the Council should not recognise NNDR debtors in its' balance sheet but instead recognise a creditor or debtor for the net balance due to or from the Government.

  This change in accounting policy is material and required a prior year adjustment to the 2008/09 corresponding amounts to bring the Statement of Accounts in line with the new accounting requirements.

- **Interest Accruals**

  The 2009 SORP clarifies the position regarding interest accruals on loans or investments and requires that the long-term and current parts of individual instruments should be separated into individual elements of financial instruments, such as interest payable and receivable and dividends receivable. Therefore, interest accruals have been included in either current liabilities or assets.

  New policies relating to accrual of interest payable & receivable have been included in the accounting policies section and consequently comparative figures for 2008/09 have been restated.

- **Disclosure Notes**

  The requirement for 5 notes have been removed as they are not required by accounting standards or legislation:

  i. Section 137 expenditure;
  ii. Publicity spend;
  iii. Building control account;
  iv. Business Improvement District Schemes (BIDS);
  v. Income under the Local Authorities Goods & Services Act.

- **Officers Remuneration**

  The remuneration disclosure requirements of the Accounts & Audit (Amendment No.2) (England) Regulations 2009 came into force on 31st March 2010 and apply to the 2009/10 financial year.

  The Regulations require authorities to publish detailed pay information for chief officers covering, salary; bonuses; expenses allowances; compensation payments; pensions and any other benefits.

  These are detailed within the notes to the accounts and include comparative figures for 2008/09.

- **Housing & Planning Delivery Grant (HPDG)**

  As HPDG 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. Therefore it has been included in the Income and Expenditure Account with other general income sources such as income from the collection fund and NDR distribution.

  Under the SORP there is recognition that HPDG, 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.

  This amounts to a change in accounting policy as it is not a new grant. Consequently comparative figures for 2008/09 have been restated.

- **'True & Fair' View**

  The Accounts & Audit (Amendment) (England) Regulations 2009 require the Responsible Finance Officer (Corporate Director Resources) to certify that the accounts present a true and fair view. This change from the 'presents fairly' basis has no practical effect on how the accounts are prepared but recognises convergence with UK GAAP.

- **Employee Benefits - Short-term accumulating compensated absences**

  Arising from the requirement to implement International Financial Reporting Standards (IFRS) for the 2010/11 year, the 2009/10 financial statements 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 2010 in line with the requirements of IAS19 (Employee Benefits).

The Impact of the Economic Downturn

- **Impairment of Investments**

  The accounting requirements for impairing investments (such as investments placed with Icelandic Banks) have been made in line with Cipfa guidance 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, for 2009/10, a capitalisation direction of up to £4m was approved by the Government which allowed the Council to capitalise £3.386m relating to the impact of the impairment of investments on the General Fund with the reversal shown as a reconciling item in Statement of Movement on General Fund Balance.

- **Asset Valuation**

  The 2009 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 2009/10 has been reviewed and the revised approach for the Council Housing Stock is set out below. For the other Council owned properties, following a revaluation review for all of those properties valued to open market value in 2008/09, the usual rolling programme of revaluing 20% of assets each year has been carried out.

  Housing Stock

  Following a full revaluation in 2008/09 and, in addition to the usual rolling programme of revaluing 20% of assets carried out in 2009/10, a desktop revaluation exercise has been carried out for the remaining beacon properties, given the potential impact on the whole housing stock valuation.

Changes to the Accounts

Whenever changes to accounting principles are made it is necessary to produce comparable figures for the previous year on the new basis – therefore changes to the 2009/10 accounts have been mirrored in re-stated accounts for 2008/09 to allow for like for like comparisons.

In the 2009/10 Statement of Accounts, the Council has adopted the following new accounting policies that impact on the comparative figures for 2008/09.

- Council Tax - the difference between the income included in the Income and Expenditure Account and the amount required by regulation has been credited to the General Fund shall be taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

- NNDR - the Council has not recognised NNDR debtors in its' balance sheet but instead recognised a creditor or debtor for the net balance due to or from the Government.

- The long-term and current parts of individual instruments have been separated into individual elements of financial instruments, such as interest payable and receivable and dividends receivable. Therefore, interest accruals have been included in either current liabilities or assets.

- The inclusion of Housing & Planning Delivery grant within Grants to cover general expenditure (together with Revenue Support Grant, Area Based Grant & Local Authority Business Growth Incentive scheme grant) at the foot of the Income and Expenditure Account after Net Operating Expenditure.

The changes have had a material impact on individual figures within the Income & Expenditure Account, Balance Sheet, Cashflow Statement and HRA Income & Expenditure & the associated disclosure notes. However, 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 26 shows a net General Fund deficit of £390k for the year. The deficit was £1.202m lower than planned in the original budget at the start of the year and has been taken from General Fund Balances of £5.105m (with the minimum approved level being £500k) brought forward from 2008/09, to produce a cumulative surplus of £4.715m carried forward to 2010/11.

The overall revenue financial position relating to Council Housing as given on page 69 shows a surplus for the year of £0.834m. This equates to an under-spend of £0.697m when compared to the approved budget for the year. This has resulted in an increase in balances from £3.830m to £4.664m to be carried forward to 2010/11.

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 £10.529m, representing an under-spend of £1.120m. Major differences between the budget and the outturn are as follows:-

	£000s	£000s
• **Increased / Un - Budgeted Income**		
Corporate Finance – VAT Refund	(516)	
Planning Delivery – Grant Receivable	(112)	
Industrial Properties – Unit Rents	(60)	
Recycling – Government Grant	(50)	
Council Tax – Court Costs	(41)	
Corporate Finance – Government Grant (LABGI)	(34)	
Outside Car Parks – Parking Fees	(17)	(830)
• **Shortfalls in Income**		
Development Control – Fees & Charges	104	
Recycling – Resale of Recyclate	91	
Treasury Management – Investment Income	153	
Land Charges – Fees & Charges	69	
Commercial Properties – Unit Rents	29	
Peaks – Investment Income	34	480
• **Un- Budgeted Expenditure / Overspends**		
Treasury Management – Interest Chargeable	140	
Recycling – Dry Reyclate Gate Fee	28	168
• **Savings / Under-spends**		
Corporate Finance - Contingencies	(313)	
Recycling – Sale of Recyclate Contingency	(150)	
Recycling – Contract Fees	(142)	
Benefits	(104)	
Woodhouse Sports Centre – Joint User Contribution	(54)	
Industrial Properties – Void Business Rates	(39)	
Recycling – Garden Gate Waste Fees	(35)	(837)
• **Other Variances**		(101)
Total		**(1,120)**

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 Executives Office			
Chief Executive	162,193	168,050	(5,857)
Assistant Chief Executive	32,199	37,200	(5,001)
Head of Customer Services	443,434	380,580	62,854
Head Organisational Development	349,783	403,650	(53,867)
Head Performance & Corporate Relations	280,711	303,080	(22,369)
Solicitor and Monitoring Officer	566,106	546,830	19,276
Sub Total	1,834,426	1,839,390	(4,964)
Corporate Director Resources			
Corporate Director Resources	129,655	111,510	18,145
AD Corporate Finance	20,074	739,190	(719,116)
AD Financial Operations	231,615	231,920	(305)
AD I.C.T	807,634	789,660	17,974
Head of Benefits	91,099	237,300	(146,201)
Head of Internal Audit Services	123,916	129,010	(5,094)
Head of Revenues	887,013	958,500	(71,487)
Sub Total	2,291,006	3,197,090	(906,084)
Corporate Director Community Services			
Corporate Director Community Services	147,252	140,590	6,662
DD Operational Services	2,834,838	3,139,570	(304,732)
DD Housing	777,705	754,490	23,215
AD Strategic Planning and Development	658,521	576,650	81,871
AD Partnerships and Community Development	1,520,543	1,538,390	(17,847)
AD Environment, Health and Regulatory Services	464,747	462,390	2,357
Sub Total	6,403,606	6,612,080	(208,474)
Total Cost of Services	**10,529,038**	**11,648,560**	**(1,119,522)**
Transfer to/ (from) Balances	(389,208)	(1,508,730)	1,119,522
Total to be met by Government Grants & Taxpayers	**10,139,830**	**10,139,830**	**-**

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 2009/10, 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	**(834)**	**(137)**	**(697)**

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

	£000s	£000s
• **Increased / Un - Budgeted Income**		
Home Link – Telecare Services Income	(21)	(21)
• **Shortfalls in Income**		
Tenant Rent Income	372	
Garage Rent Income	73	
Interest on Balances	56	
Tenants Contents Insurance	52	553
• **Savings / Under-spends**		
Contribution to Repairs Account	(483)	
HRA Subsidy	(172)	
Estate Management – Street Cleansing Recharge	(184)	
Capital Charges – Item 8 dr	(211)	
Caretakers – Employee Costs	(33)	
Support Services Costs from General Fund	(135)	
Housing Advice – Salaries	(20)	(1,238)
• **Other Variances**		9
Total		**(697)**

Capital Expenditure

During 2009/10 the Council spent £5.645m on capital works and capitalised £3.386m relating to the impairment of Icelandic investments. A breakdown by category and sources of finance is shown as Note 12.2 to the Core Financial Statements on page 38.

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 the expansion of the Waste Management and Recycling Scheme; the relocation of the Skate Park and the enhancements to the CCTV System. There were no significant disposals during the year.

A total of £1.368m spending originally planned for 2009/10, or earlier, has been deferred to 2010/11. Included within this deferred expenditure, £344k is earmarked for Private Sector Home Improvement Grants; £400k Match Funding Contribution re Belgrave Sports Centre Development; £100k for Replacement Homelink Equipment pending outcome of outsourcing exercise; £118k for refurbishment of sheltered scheme and £148k re IT related projects.

Provisions, Reserves and Balances

The working balances at 31st March 2010 stand at £19.151m and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

Working balances of £4.345m relate to capital (including the capital reserve at £1.727m). The £1.368m capital commitments from 2009/10 and previous years carried forward to 2010/11 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 2010 is provided below while further information can be found in the notes to the core financial statements.

Borrowing Facilities

2008/09 £m		2009/10 £m
	Fixed Rate Debt	
23.1	Public Works Loan Board	**22.4**
-	Commercial Money Market	**-**
	Variable Rate Debt	
-	Public Works Loan Board	**-**
23.1	**Total**	**22.4**

Pensions

The pension fund deficit has increased in the year to £38.886m (2008/09 £18.616m) and is required to be shown on the balance sheet of the Authority. However, it should be noted that there has been no impact on the net cost to the taxpayer arising from this - other than as part of the planned increase in annual contributions (from 14.1% to 17.6%) arising from the last formal valuation on 31st March 2007.

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 Council's 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 2009: 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, subject to a de-minimus level of £10k. 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 2008/09);

- 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 is applied to investment properties.

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 12.1 to the Core Financial Statements on page 36.

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 £10K 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 2009/10 £0.18m was paid over in respect to Government pooling (see the Income & Expenditure Account on page 25).

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 Adjustment 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. The depreciation calculated is based on the asset valuation at 1 April 2009.

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 20 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 - No depreciation has been applied to either the land or building value of investment properties or surplus assets

Intangible Fixed Assets:

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

In 2009/10, Council Dwellings depreciation is based upon an expected useful life of the asset of 125 years. A change in the estimation basis has been implemented as at 1st April 2010 which means Council Dwellings will be depreciated on a straight line basis over an expected useful life of 50 years in future years.

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.

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

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 Adjustment 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 and Housing & Planning Delivery Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

The introduction of Housing & Planning Delivery Grant amounts to a change in accounting policy as it is not a new grant. Consequently comparative figures for 2008/09 have 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 £27k 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 18 to the Core Financial Statements on page 45.

Certain of the Council's reserves such as retirement benefits and 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 18 to the Core Financial Statements on page 45.

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 2010 are charged either on an actual or estimated basis.

The Council's policy is to review all accruals over £500 to ensure that they are appropriate. Any accruals below this amount are considered to be immaterial.

- **Accounting for Council Tax**

  CIPFA have now determined that the Council, as a billing authority, acts as the agent of its major preceptors (Staffordshire County Council, Staffordshire Police Authority and the Stoke on Trent and Staffordshire Fire and Rescue Authority) and that consequently the previous practice of including all council tax debtors in the balance sheet did not comply with United Kingdom Generally Accepted Accounting Practice (UK GAAP). The SORP has been updated to take this into account and now includes detailed requirements to include appropriate shares of council tax debtors in the billing authorities' and major preceptors' Balance Sheets.

  Under the new accounting requirements, for both the billing authority and major preceptors, the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund shall be taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

  This change in accounting policy is material and required a prior year adjustment to the 2008/09 corresponding amounts.

- **Accounting for National Non-domestic Rates**

  Similarly, past practice has been to carry National Non-domestic Rate debtors on the Councils' balance sheet. The 2009 SORP confirms that the collection of National Non-Domestic Rates (NNDR) is carried out by authorities as an agent activity on behalf of central government and should be accounted for accordingly. It means that the Council should not recognise NNDR debtors in its' balance sheet but instead recognise a creditor or debtor for the net balance due to or from the Government.

  This change in accounting policy is material and required a prior year adjustment to the 2008/09 corresponding amounts to bring the Statement of Accounts in line with the new accounting requirements.

- **Employee Benefits - Short-term accumulating compensated absences**

  Arising from the requirement to implement International Financial Reporting Standards (IFRS) for the 2010/11 year, the 2009/10 financial statements 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 2010 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 timing 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.

The 2009 SORP clarifies the position regarding interest accruals on loans or investments and requires that the long-term and current parts of individual instruments should be separated into individual elements of financial instruments, such as interest payable and receivable and dividends receivable. Therefore, interest accruals have been included in either current liabilities or assets.

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 12.5 and 12.6 to the Core Financial Statements on page 40/41.

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 19 to the Core Financial Statements on page 48 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 2010.

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 19th 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 31st March 2010, 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 1st April 2009. The assets have also been adjusted to take account of the 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 2010 year end. Note 19 to the Core Financial Statements on page 48 has been prepared on the basis of these disclosures.

It is not possible to assess the accuracy of the estimated liability as at 31st March 2010 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.

As required under FRS17, the projected unit method of valuation has been used to calculate the service cost.

A set of demographic assumptions (including life expectancy and commutation) have been adopted. The post-retirement mortality assumptions adopted differ from those used in previous years. The mortality assumptions adopted were consistent with those used for the formal funding valuation as at 31st March 2007.

The post-retirement mortality assumptions used are the PFA92 and PMA92 'year of birth' tables5 with medium cohort improvements and a 1% p.a. underpin, both applied from 2007. These assumptions lead to higher life expectancies than adopted in previous years. This change is consistent with the continuing trend to make allowance for increasing life expectancy. Age ratings are also applied dependent on geographical location and on class of membership.

The other demographic assumptions adopted (e.g. commutation, pre-retirement mortality) are the same as those used for the formal funding valuation as at 31st March 2007.

The financial assumptions used to calculate the components of the pension expense for the year ended 31st March 2010 were those from the beginning of the year (i.e. 31st March 2009) and have not been changed during the year. The financial assumptions used for the purposes of the FRS17 calculations are detailed in Note 19 to the Core Financial Statements on page 48.

FRS17 states that the discount rate used to place a value on the liabilities should be the "current rate of return available on a high quality corporate bond of equivalent currency and term to the scheme liabilities". It further defines a high quality corporate bond as one that "has been rated at the level of AA or equivalent status".

In the past, a discount rate based on the yield available on a basket of AA-rated bonds with long terms to maturity (the iBoxx Sterling Corporates AA Over 15 Years Index) has been used. However, the constituents of the iBoxx Over 15 Years Index have durations that are somewhat shorter than those for the pension liabilities of a typical employer in the LGPS (estimated to be around 18 years).

An assessment has been performed on whether the iBoxx Over 15 Years Index remains appropriate for use in FRS17 calculations for LGPS funds. It considered the yields available on long dated UK Government fixed interest bonds with a duration of around 18 years plus the median ‘credit spread’ applying to AA corporate bonds within the iBoxx Over 15 Years Index. It concluded that the average yield available on a UK Government fixed interest bond of 18 years duration, when added to the median credit spread on AA corporate bonds, was consistent with the iBoxx yield at the same date. Therefore the discount rate remains equivalent to the gross redemption yield on the iBoxx Sterling Corporates AA Over 15 Years Index at the FRS17 valuation date with one slight amendment – the removal of recently re-rated bonds from the index.

Given the continued instability in the economic environment, the outlook for the majority of companies is still subject to a great amount of uncertainty. This means that company credit ratings are subject to change (mainly downgrading). It is possible that bonds that were previously rated AA may be re-rated and no longer make up part of the iBoxx AA Index. Due to the way the index is calculated, any 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 used 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 by adjusting the previous end of month figure.

For the 2009/10 financial year the discount rate derived from corporate bond yields as at 31st March 2010 was 5.5% p.a.

The inflation assumption (from which the assumptions for salary growth and pension increases are obtained) has been derived by considering the difference in yields available on traditional fixed interest and index-linked Government Bonds.

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 31st 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 19 to the Core Financial Statements on page 48.

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 2009/10.

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 (plus accrued interest) 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 (plus accrued interest) 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 (such as investments placed with Icelandic Banks) have been made in line with Cipfa guidance 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, for 2009/10, a capitalisation direction of up to £4m was approved by the Government which allowed the Council to capitalise £3.386m relating to the impact of the impairment of investments on the General Fund with the reversal shown as a reconciling item in Statement of Movement on General Fund Balance.

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 gives a true and fair view of the financial position of Tamworth Borough Council and its income and expenditure for the year ended 31st March 2010.

J Wheatley FCCA
Corporate Director Resources Dated: 22nd September 2010

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

Restated 2008/09 Net Expenditure £000s			2009/10 Gross Expenditure £000s	2009/10 Gross Income £000s	2009/10 Net Expenditure £000s
632	Central Services to the Public		6,760	(6,130)	630
8,926	Cultural, Environmental & Planning Services		20,144	(11,291)	8,853
3	Highways, Roads & Transport Services		1,820	(1,744)	76
14,560	Local Authority Housing (HRA)		16,499	(16,395)	104
568	Other Housing Services		20,536	(19,270)	1,266
1,685	Corporate & Democratic Core		1,464	(35)	1,429
553	Non Distributed Costs		150	-	150
26,927	**Net Cost of Services**		**67,373**	**(54,865)**	**12,508**
(201)	(Gain)/ Loss on Disposal of Fixed Assets				434
(895)	Income from disposal of an interest in land				-
(657)	(Surplus)/ Deficit on Trading Undertakings	**Note 3**			(1,611)
1,623	Interest Payable & Similar Charges	**Note 25**			1,554
2,578	Impairment of Icelandic Bank Investments	**Note 2**			1,715
259	Contribution of Housing Capital Receipts to the Government Pool	**Note 18.3**			177
(1,371)	Interest & Investment Income	**Note 25.2**			(958)
508	Pension Interest Costs & Expected Return on Pensions Assets	**Note 19**			1,399
28,771	**Net Operating Expenditure**				**15,218**
(3,223)	Income from Council Tax				(3,389)
(990)	General Government Grants	**Note 24**			(1,587)
(5,849)	Non-Domestic Rates Redistribution				(5,503)
18,709	**(Surplus)/ Deficit for the Year**				**4,739**

An appendix detailing the services contained within each section of “Net Cost of Services” can be found on page 87.

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.

Statement of Movement on the General Fund Balance

Restated 2008/09 £000s		Notes	2009/10 £000s
18,709	(Surplus)/ Deficit for the year on the Income and Expenditure Account		4,739
(19,538)	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 11**	(4,349)
(829)	**(Increase)/ Decrease in the General Fund Balance for the Year**		**390**
4,276	General Fund Balance brought forward 1st April 2009		5,105
5,105	**General Fund Balance carried forward 31st March 2010**		**4,715**

Statement of Total Recognised Gains and Losses

Restated 2008/09 £000s		Notes	2009/10 £000s
18,709	(Surplus)/ Deficit for the year on the Income & Expenditure Account		4,739
6,355	(Surplus)/ Deficit arising on revaluation of fixed assets	**Note 18.1**	(17,223)
8,738	Actuarial (Gains)/ Losses on pension fund assets & liabilities	**Note 19**	19,630
33,802	**Total Recognised (Gains)/ Losses for the year ending 31st March**		**7,146**

Balance Sheet

Restated 31st March 2009 £000s		Notes	31st March 2010 £000s	£000s
	Fixed Assets			
143	**Intangible Fixed Assets**	**Note 12.1**	129	
	Tangible Fixed Assets			
	Operational Assets:			
167,395	Council dwellings	**Note 12.1**	180,414	
19,383	Other land and buildings	**Note 12.1**	20,783	
629	Vehicles, plant, furniture and equipment	**Note 12.1**	1,448	
711	Infrastructure assets	**Note 12.1**	252	
1,308	Community assets	**Note 12.1**	1,312	
	Non-operational Assets:			
27,942	Investment Properties	**Note 12.1**	28,038	
811	Surplus assets held for disposal	**Note 12.1**	770	
-	Assets under Construction	**Note 12.1**	309	
218,322	**Total Fixed Assets**			**233,455**
3,722	Long term investments			1,864
218	Long term debtors			271
222,262	**Total Long Term Assets**			**235,590**
	Current Assets			
19	Stocks and work in progress		15	
2,313	Debtors	**Note 13**	2,490	
14,677	Investments		14,820	
266	Cash and bank		7	
				17,332
239,537	**Total Assets**			**252,922**
	Current Liabilities			
(1,150)	Short term borrowing		(2,360)	
(3,701)	Creditors	**Note 14**	(4,405)	
-	Bank overdraft		(102)	
				(6,867)
234,686	**Total Assets less Current Liabilities**			**246,055**
	Long Term Liabilities			
(22,392)	Long term borrowing	**Note 16 / 25.1**		(20,392)
-	Provisions	**Note 17**		(70)
(1,859)	Government grants deferred			(2,034)
(18,616)	Liability related to defined benefit pension scheme	**Note 19**		(38,886)
191,819	**Total Assets less Liabilities**			**184,673**
	Financed by:			
13,518	Revaluation Reserve	**Note 18.1**		30,555
179,842	Capital Adjustment Account	**Note 18.2**		173,924
(2,102)	Financial Instruments Adjustment Account			(45)
(18,616)	Pensions Reserve	**Note 19**		(38,886)
3,553	Usable Capital Receipts Reserve	**Note 18.3**		2,618
48	Deferred Capital Receipts			44
5,105	General Fund Balance			4,715
3,830	Housing Revenue Account Balance			4,664
19	Collection Fund Adjustment Account			42
-	Major Repairs Reserve	**Note HRA 3**		-
6,622	Earmarked Reserves	**Note 18.4**		7,042
191,819	**Total Net Worth**			**184,673**

Cashflow Statement

Restated 2008/09 £000s		2009/10 £000s	2009/10 £000s	2009/10 £000s
	Revenue Activities			
	Cash Outflows:			
12,454	Cash paid to and on behalf of employees	11,994		
23,559	Other operating cash payments	26,671		
6,374	Housing Benefit paid out	8,611		
358	Payments to the capital receipts pool	176		
42,745			47,452	
	Cash Inflows:			
8,936	Rents (after rebates)	8,767		
2,755	Council Tax receipts (excluding major preceptors share of receipts)	2,855		
5,849	National non-domestic rate receipts from national pool	5,503		
814	Revenue Support Grant	1,270		
19,130	DWP Grant for Benefits	23,994		
1,999	Other Government Grants **- Note 24**	2,419		
4,270	Cash Received for Goods and Services	4,069		
5,234	Other operating cash receipts	10,611		
48,987			59,488	
6,242	Sub-total			**12,036**
	Returns on Investments and Servicing of Finance			
	Cash Outflows:			
1,618	Interest Paid	1,594		
-	Interest element of finance lease rental payments	-	1,594	
	Less Cash Inflows:			
1,338	Interest Received		156	(1,438)
5,962	**Net Cash Inflow/(Outflow) from Revenue Activities - Note 20**			**10,598**
	Capital Activities			
	Cash Outflows:			
-	Purchase of Fixed assets		5,079	
1,927	Other Capital cash payments		-	
	Cash Inflows:			
1,334	Sale of Fixed Assets	295		
197	Capital Grants Received	300		
-	Other Capital cash receipts	-	595	(4,484)
5,566	**Net Cash Inflow/(Outflow) before Financing**			**6,114**
	Management of Liquid Resources - Note 21/22			
(1,625)	Net (Increase)/Decrease in Short Term Deposits			(505)
(4,049)	Net Increase in Council Tax Liquid Resources			(4,512)
541	Net Increase in NNDR Liquid Resources			(708)
	Financing - Note 21			
	Cash Outflows:			
-	Repayments of Amounts Borrowed		(750)	
	Cash Inflows:			
700	New Loans Raised		-	(750)
1,133	**Increase/(decrease) in Cash**			**(361)**
	Movements in Cash			
(867)	Cash/ Bank 1st April 2009			266
266	Cash/ Bank 31st March 2010			(95)
1,133	**Movement in Year**			**(361)**

Notes to the Core Financial Statements

1. Acquired/ Discontinued Operations

There were no acquired or discontinued services for the Council in 2009/10.

2. Operational Exceptional Items

Impairment of Financial Assets – Deposits with Icelandic Banks:

The accounting requirements for impairing investments (such as the anticipated loss to the Authority arising from the Icelandic banking sector defaulting on its obligations in October 2008) have been made in line with Cipfa guidance with a loss of £3.386m included in the surplus or deficit on the Income and Expenditure Account for 2009/10 in line with advice and information from the administrators.

In 2008/09, the Authority took advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund, and a sum of £2.0m was been transferred to the Financial Instruments Adjustment Account (with a balance of £0.6m relating to interest borne in full by the General Fund).

However, for 2009/10, a capitalisation direction of up to £4m was approved by the Government which allowed the Council to capitalise £3.386m relating to the impact of the impairment of investments on the General Fund with the reversal shown as a reconciling item in Statement of Movement on General Fund Balance (with a further balance of £0.3m relating to interest borne in full by the General Fund).

VAT Repayments

Following the outcome of the Fleming Conde Nast case an opportunity arose for councils to reclaim back overpaid VAT for the periods between 1974 and 1996.

Working with advisors in both submitting claims in respect of overpaid VAT and also in resolving queries raised by HMRC, the Council has received repayments following areas of activity.

	VAT £'000	**Interest £'000**	**Total £'000**
Sports Services	307	275	582
Cultural Services	49	39	88
Cemeteries	6	7	13
Total Receipt	362	321	683

The VAT repayment, net of fees of £137k, has been shown within the appropriate service with the interest element included within interest receivable.

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:

2008/09 (Surplus)/ Deficit to General Fund £000s		2009/10 Expenditure £000s	2009/10 Income £000s	2009/10 (Surplus)/ Deficit to General Fund £000s
76	Market	327	(270)	57
(505)	Industrial Estates	158	(722)	(564)
(255)	Other Land & Property	352	(1,449)	(1,097)
27	Building Control	1	(8)	(7)
(657)		**838**	**(2,449)**	**(1,611)**

4. Contingent Liabilities

Following recent legal challenges made by private search companies to the Information Commissioner's Office, claiming that all property search information is 'environmental information' and therefore should be provided free of charge, there is currently uncertainty over future charges for such information, or whether the Council might be liable to repay charges levied in the past. The Council does not agree with the guidance of the Information Commissioner's Office, which is not statutory, and continues to charge for such information, however, further advice from central Government is awaited. The Council received a total of £56k in land charges income during 2009/10.

5. Agency Income & Expenditure

Staffordshire County Council is currently carrying out Highways Maintenance works on behalf of the Council under a management agreement. This amounted to £91k for 2009/10.

6. Members Allowances

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

2008/09 £000s		2009/10 £000s
148	Basic Allowance	151
87	Special Responsibility	86
2	Telephone Allowance	3
237		**240**

7. Officers Remuneration

The number of employees whose remuneration, including termination payments but excluding pension contributions, was £50k or more in bands of £5k were:

Remuneration Band		2009/10	*2008/09*
£	£	Number of Employees	*Number of Employees*
50,000	54,999	1	*1*
55,000	59,999	1	*5*
60,000	64,999	5	*1*
65,000	69,999	2	*3*
70,000	74,999	1	*-*
75,000	79,999	-	*-*
80,000	84,999	1	*2*
85,000	89,999	1	*-*
90,000	94,999	-	*-*
95,000	99,999	-	*-*
100,000	104,999	-	*-*
105,000	109,999	1	*1*

8. Senior Officer Remuneration

The remuneration of the Council's Chief Officers for the year was:

Post Holder Information		Salary (Including Fees & Allowances)	Benefits in Kind (e.g Car Allowances)	Total Remuneration Excluding Pension Contributions 2009/10	Pension Contributions	Total Remuneration Including Pension Contributions 2009/10
		£	£	£	£	£
Chief Executive	2009/10	107,335	1,287	108,622	17,480	126,101
	2008/09	*107,258*	*1,212*	*108,470*	*16,195*	*124,665*
Corporate Director Community Services & Deputy Chief Executive	2009/10	86,520	1,170	87,690	14,025	101,716
	2008/09	*86,974*	*1,095*	*88,069*	*12,999*	*101,068*
Corporate Director Resources	2009/10	81,881	1,170	83,051	13,117	96,168
	2008/09	*81,848*	*1,095*	*82,943*	*12,115*	*95,057*
Assistant Chief Executive	2009/10	67,727	1,170	68,897	11,041	79,938
	2008/09	*65,068*	*1,095*	*66,163*	*9,862*	*76,026*
Deputy Director Operations	2009/10	70,861	1,170	72,031	11,593	83,624
	2008/09	*68,152*	*1,095*	*69,247*	*10,356*	*79,603*
Deputy Director Housing	2009/10	67,321	1,170	68,491	11,041	79,532
	2008/09	*64,884*	*1,095*	*65,979*	*9,862*	*75,842*
Assistant Director Corporate Finance	2009/10	61,855	1,170	63,025	10,104	73,128
	2008/09	*59,059*	*1,095*	*60,154*	*9,074*	*69,228*
Assistant Director Environmental Health & Regulatory Services	2009/10	61,847	1,170	63,017	10,118	73,135
	2008/09	*57,324*	*1,095*	*58,419*	*9,364*	*67,783*
Assistant Director Strategic Planning & Development	2009/10	59,448	1,170	60,618	9,750	70,368
	2008/09	*56,879*	*1,095*	*57,974*	*8,646*	*66,620*
Assistant Director Partnerships & Community Development	2009/10	60,096	1,170	61,266	9,750	71,015
	2008/09	*57,504*	*1,095*	*58,599*	*8,707*	*67,306*
Solicitor & Monitoring Officer	2009/10	59,651	1,170	60,821	9,750	70,571
	2008/09	*57,013*	*1,095*	*58,108*	*8,826*	*66,934*
Assistant Director Financial Operations	2009/10	56,608	1,170	57,778	9,217	66,995
	2008/09	*56,438*	*1,095*	*57,533*	*8,543*	*66,076*
Assistant Director Information & Communications Technology	2009/10	54,055	0	54,055	8,863	62,918
	2008/09	*52,454*	*0*	*52,454*	*8,364*	*60,818*

9. Related Party Transactions

- **Members and Chief Officers.**

  During the financial year ended 31st March 2010, 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 6,7 and 8.

- **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:

2008/09 £000s	Grant Type	2009/10 £000s
5,849	Redistributed Non-Domestic Rates	5,503
814	Revenue Support Grant	1,270
20,158	Benefit Grant	23,903
320	Concessionary Travel Grant	328

Amounts payable to central government include the following:

2008/09 £000s	Central Government Payable	2009/10 £000s
1,665	Housing Subsidy	2,451

The balances outstanding at 31st March 2010 were:

2008/09 £000s	Amounts due	2009/10 £000s
191	Non-Domestic Rates due to the Pool	707
781	Benefit Grant	101

2008/09 £000s	Amounts Payable	2009/10 £000s
(74)	Housing Subsidy	(255)

- **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:-

2008/09 £000s	Precepts	2009/10 £000s
22,654	Staffordshire County Council	23,329
3,820	Staffordshire Police Authority	3,991
1,454	Stoke on Trent & Staffs Fire & Rescue Authority	1,519

- **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 19.

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

2008/09 £000s	Grant	2009/10 £000s
131	Supporting People Grant	129
106	Safer Stronger Communities & Domestic Abuse Fund	146

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

2008/09 £000s	Recycling Credit Scheme	2009/10 £000s
482	Recycling Credits	475

10. Audit Fees

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

2008/09 £000s		2009/10 £000s
99	• Fees payable with regard to external audit services carried out	108
6	• Fees payable in respect of statutory inspection	28
35	• Fees payable for the certification of grant claims and returns (estimate)	32
0	• Fees payable in respect of any other services provided by the appointed auditor	0
140		**168**

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

Restated 2008/09 £000s		2009/10 £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.	
(125)	Amortisation of intangible fixed assets	(102)
(23,490)	Depreciation and impairment of fixed assets	(5,512)
3,251	The difference between depreciation charged to HRA services and the Major Repairs Allowance	1,806
1,962	Government Grants Deferred amortisation	264
(1,870)	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	(1,329)
(69)	Revenue Expenditure Funded from Capital Under Statue	(239)
201	Net gain or loss on sale of fixed assets	(434)
895	Income from disposal of an interest in land	-
(509)	Net charges made for retirement benefits in accordance with FRS17	(640)
5	Amount by which Council tax income included in the I&E is different from the amount taken to the GF in accordance with regulation	22
(19,749)	Sub-total	**(6,164)**
	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.	
28	Minimum revenue provision for capital financing	27
514	Capital expenditure charged in-year to the General Fund Balance	711
(259)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(177)
283	Sub-total	**561**
	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.	
1,068	Housing Revenue Account balance	834
(1,140)	Net transfer to or (from) earmarked reserves	420
(72)	Sub-total	**1,254**
(19,538)	**Net additional amount required to be credited or debited to the General Fund Balance for the year ending 31st March 2010**	**(4,349)**

12. Fixed Assets & Capital Expenditure

12.1. Movement on Fixed Assets

Operational Assets:	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Equip	Infra-structure	Community Assets	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Cost or Valuation						
At 1st April 2009	167,395	21,213	2,027	1,040	1,348	193,023
Additions	4,172	3	546	-	10	4,731
Disposals	(434)	(413)	-	-	-	(847)
Reclassifications	-	-	662	(662)	-	-
Revaluations	9,565	592	-	-	-	10,157
At 31st March 2010	**180,698**	**21,395**	**3,235**	**378**	**1,358**	**207,064**
Depreciation						
At 1st April 2009	-	(1,814)	(1,398)	(329)	(40)	(3,581)
Charge for 2009/10	(869)	(467)	(172)	(13)	(6)	(1,527)
Disposals	1	165	-	-	-	166
Reclassifications	-	-	(216)	216	-	-
Revaluations	866	1,512	-	-	-	2,378
At 31st March 2010	**(2)**	**(604)**	**(1,786)**	**(126)**	**(46)**	**(2,564)**
Impairments						
At 1st April 2009	-	(16)	-	-	-	(16)
Charge for 2009/10	(4,856)	(15)	(1)	-	-	(4,872)
Disposals	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
Revaluations	4,574	23	-	-	-	4,597
At 31st March 2010	(282)	(8)	(1)	-	-	**(291)**
Balance Sheet amount at 31 March 2010	**180,414**	**20,783**	**1,448**	**252**	**1,312**	**204,209**
Balance Sheet amount at 1st April 2009	**167,395**	**19,383**	**629**	**711**	**1,308**	**189,426**

Non-operational :	Surplus Assets £000s	Investment Properties £000s	Assets Under Construction £000s	Intangible Assets:	Software £000s
Cost or Valuation				**Cost or**	
At 1st April 2009	811	27,942	-	At 1st April 2009	550
Additions	-	64	309	Additions	88
Disposals	(41)	-	-	Disposals	-
Reclassifications	-	-	-	Reclassifications	-
Revaluations	-	96	-	Revaluation	-
At 31st March 2010	**770**	**28,102**	**309**	**At 31st March 2010**	**638**
Depreciation				**Depreciation**	
At 1st April 2009	-	-	-	At 1st April 2009	(407)
Charge for 2009/10	-	-	-	Charge for 2009/10	(102)
Disposals	-	-	-	Disposals	-
Reclassifications	-	-	-	Reclassifications	-
Revaluations	-	-	-	Revaluations	-
At 31st March 2010	-	-	-	**At 31st March 2010**	(509)
Impairments				**Impairments**	
At 1st April 2009	-	-	-	At 1st April 2009	-
Charge for 2009/10	-	(65)	-	Charge for 2009/10	-
Disposals	-	-	-	Disposals	-
Reclassifications	-	-	-	Reclassifications	-
Revaluations	-	1	-	Revaluations	-
At 31st March 2010	-	(64)	-	**At 31st March 2010**	-
Balance Sheet amount at 31 March 2010	**770**	**28,038**	**309**	Balance Sheet amount at 31 March 2010	**129**
Balance Sheet amount at 1st April 2009	**811**	**27,942**	**-**	Balance Sheet amount at 1st April 2009	**143**

12.2. 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 2009/10 the Council did not undertake any unsupported borrowing and therefore all capital expenditure financed by borrowing is supported by the Government.

2008/09 £000s		2009/10 £000s
22,652	**Opening Capital Financing Requirement**	23,103
	Capital investment:	
4,466	Operational assets	5,039
472	Non-operational assets	64
358	Revenue Expenditure Funded from Capital Under Statute	454
62	Intangible assets	88
-	Icelandic Banking Impairment Capitalisation	3,386
	Sources of finance	
(1,117)	Capital receipts	(1,051)
(216)	Government grants and other contributions	(439)
(3,285)	Sums set aside from Revenue (Revenue Financing & MRP)	(3,487)
(289)	Grants - Revenue Expenditure Funded from Capital Under Statute	(215)
23,103	**Closing Capital Financing Requirement**	**26,942**

2008/09 £000s		2009/10 £000s
	Explanation of movements in year	
	Increase in underlying need to borrow:	
480	Supported by Government financial assistance	480
-	Supported by Government Icelandic Capitalisation Approval	3,386
-	Unsupported by Government financial assistance	-
(29)	Minimum Revenue Provision	(27)
451	**Increase/ (decrease) in Capital Financing Requirement**	**3,839**

2008/09 £000s		2009/10 %	2009/10 £000s
	Summary of Financing		
1,117	Capital receipts	12%	1,051
289	Government grants	3%	307
216	Other contributions	4%	347
3,256	Revenue/ reserves	38%	3,460
480	Supported borrowing	5%	480
-	Supported borrowing Icelandic Impairments	38%	3,386
-	Unsupported borrowing	0%	-
5,358		**100%**	**9,031**

12.3. 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 2010.

Capital Contract	31st March 2010 £000s
Private Sector Housing – Disabled Facilities Grants	19.6
Thomas Hardy Court Refurbishment	86.7
Skate Park Refurbishment	7.8
Investment in Industrial Properties	13.0
Tamworth Castle Repairs	4.5
Tamworth Castle HLF	71.8
IT Projects	60.0
E-Procurement	4.0
Income Management & Receipting System	21.5
Maple Leaf, Amington	15.4
Tennis Courts Refurbishment	34.1
EDRMS	2.7
IP/Telephone/Network	29.8
	370.9

12.4. Information on Tangible Fixed Assets Held

Numbers of major fixed assets owned and/or operated by the Council at 31st March 2010 were as follows:

2008/09		2009/10
	Council Dwellings	
4,586	Council Dwellings	4,573
1,944	Rented Garages	1,944
2	Area Rent Offices	-
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	67
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 and Museum	1
	Vehicles, Plant and Equipment	
77	CCTV Cameras	107
5	Play Areas	6
4	Vehicles	4
	Infrastructure Assets	
2	Footbridges	2

Also included in Vehicles, Plant & Equipment on the balance sheet are various items such as computers, servers, printers, community safety equipment.

12.5. Assets held under leases (lessees)

The Council currently uses vehicles, plant and equipment financed under terms of an operating lease. The amounts paid under these arrangements in 2009/10 was £312k (£271k in 2008/09).

The Council was committed at 31st March 2010 to making payments of £291k during 2010/11 under Operating Leases, comprising the following elements:

2008/09 Vehicles, Plant and Equipment £000s		2009/10 Vehicles, Plant and Equipment £000s
14	Leases expiring within 1 year	20
115	Leases expiring 1 to 5 years	271
135	Leases expiring after 5 years	-

In the year 2009/10 rentals payable under finance leases in respect of Vehicles and Plant was £nil (2008/09 £nil).

12.6. 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:

2008/09 £000s		2009/10 £000s
	Operational Assets	
21	Community Assets	17
2,426	Other Land and Buildings	2,484
2,447	**Total**	**2,501**

The gross value of assets held for use in operating leases was £35.3m at 31st March 2010 (£34.1m at 31st March 2009) and subject to £206k depreciation at that date, (£(76k) at 31st March 2009). A table containing valuations and depreciation applied by classification of assets is shown below:

2008/09			2009/10	
Asset Valuation £000s	Depreciation Applied £000s		Asset Valuation £000s	Depreciation Applied £000s
		Operational Assets:		
1,763	151	Community Assets	2,543	102
31,344	80	Other Land and Buildings	32,720	104
33,107	**231**	**Total**	**35,263**	**206**

12.7. 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 & External Valuers, Calders. The basis for valuation is set out in the statement of accounting policies.

Fixed Asset Valuations

Operational assets:

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant etc £000s	Infra-structure £000s	Community Assets £000s	Investment Properties £000s	Total 2009/10 £000s
Valued at historical	-	88	1,448	252	1,312	108	3,208
Valued at current cost							
2009/10	180,414	6,687	-	-	-	1,676	188,777
2008/09	-	8,028	-	-	-	23,295	31,323
2007/08	-	4	-	-	-	9	13
2006/07	-	-	-	-	-	-	-
2005/06	-	5,976	-	-	-	2,950	8,926
Total	**180,414**	**20,783**	**1,448**	**252**	**1,312**	**28,038**	**232,247**

12.8. 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. A change in the estimation basis has been implemented as at 1st April 2010 which means Council Dwellings will be depreciated on a straight line basis over an expected useful life of 50 years in future 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 20 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 - No depreciation has been applied to either the land or building value of investment properties or surplus assets.

Intangible Fixed Assets:

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

13. Analysis of Debtors

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

Restated 31st March 2009 £000s	Debtor	31st March 2010 £000s
980	Government Departments	1,063
-	Other Local Authorities	3
125	Council Taxpayers	62
1,136	Housing Rents	1,080
491	Accruals	376
1,057	Other	1,325
3,789		**3,909**
1,476	Less: Provision for Bad Debts	1,419
2,313		**2,490**

14. Analysis of Creditors

Restated 31st March 2009 £000s	Creditor	31st March 2010 £000s
563	Government Departments	625
-	Other Local Authorities	18
59	Council Taxpayers	56
335	Housing Rents	386
35	Precepting Authorities	301
181	Capital Contributions not yet utilised	243
102	Creditors for Goods & Services	240
2,426	Accruals	2,536
3,701		**4,405**

15. Analysis of Net Assets Employed

31st March 2009 £000s	Fund Type	31st March 2010 £000s
2,076	General Fund	(13,818)
162,470	Housing Revenue	171,350
19	Collection Fund	42
27,254	Other Trading Services	27,099
191,819		**184,673**

16. Analysis of Long Term Borrowing

31st March 2009 £000s		Range of interest rates payable	31st March 2010 £000s
22,392	Public Works Loans Board (Fixed Rate)	4.25% to 11.75%	20,392
22,392			**20,392**

31st March 2009 £000s		31st March 2010 £000s
	Analysis by Maturity	
	Maturing in:	
2,000	1 - 2 years	-
-	2 - 5 years	-
5,000	5 - 10 years	5,000
-	10 - 20 years	-
15,392	over 20 years	15,392
22,392		**20,392**

This represents the principal amounts outstanding at 31st March 2010. Financial Assets and Liabilities are carried on the balance sheet at amortised cost – this is explained further in note 25 (page 55).

17. Provisions

The Authority has included one new provisions within the accounts for 2009/10 in the sum of £70k in respect of potential costs arising from a Tree Preservation Order claim (£nil in 2008/09). The provision has been made in response to a claim for compensation to cover the cost of remedial work required for structure damage caused to a property by the roots a tree protected under a tree preservation order (TPO). A request had been made by the claimant, and refused by the authority, to lift the TPO and remove the tree to prevent the damage.

The settlement of this claim is expected to be made in 2010/11 but is still subject to negotiation to establish the final costs and range of remedial works attributable to the root damage.

18. Movements in Reserves

	Balance 1st April 2009 £000s	Net Movement in Year £000s	Balance 31st March 2010 £000s	Purpose of Reserve	Further Details of Movements
Revaluation Reserve	13,518	17,037	30,555	- Store of gains on revaluation of fixed assets.	Note 18.1 below
Capital Adjustment Account	179,842	(5,918)	173,924	- Store of capital resources set aside to meet past expenditure	Note 18.2 below
Financial Instruments Adjustment Account	(2,102)	2,057	(45)	- 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	3,553	(935)	2,618	- Proceeds of fixed asset sales available to meet future capital investment	Note 18.3 below
Deferred Capital Receipts	48	(4)	44	- Capital income still to be received when disposals have taken place and deferred payments have been agreed. (Sale of Council House	-
Pensions Reserve	(18,616)	(20,270)	(38,886)	- Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 19 to the core financial statements page 48
General Fund Balance	5,105	(390)	4,715	- Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 26
Housing Revenue Account Balance	3,830	834	4,664	- Resources available to meet future running costs for council houses	HRA Statements page 69
Collection Fund	19	23	42	- Tamworth Borough Council's share of the Collection Fund Surplus available to meet future General Fund spending needs.	Collection Fund Statements page 75
Major Repairs Reserve	-	-	-	- Resources available to meet capital investment in council housing	HRA Statements Note HRA 3 page 71
Earmarked Reserves	6,622	420	7,042	- Resources earmarked to meet specific future spending needs	Note 18.4 below
Total	**191,819**	**(7,146)**	**184,673**		

18.1. 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.

2008/09 £000s		2009/10 £000s
24,136	Balance brought forward at 1st April 2009	13,518
3,867	Gains on revaluation of fixed assets	14,850
(23,435)	Losses on revaluation of fixed assets	(7)
9,121	Write off Accumulated Depreciation for Revalued Assets	2,378
(155)	Additional Depreciation on Revalued Assets	(159)
	Additional Impairment on Revalued Assets	(16)
(16)	Amounts written off for disposals in year	(9)
13,518	**Balance carried forward at 31st March 2010**	**30,555**

18.2. 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.

2008/09 £000s		2009/10 £000s
192,606	Balance brought forward at 1st April 2009	179,842
	Capital investment	
1,117	usable receipts applied	1,051
3,256	capital expenditure financed from other resources	3,460
1,962	Govt Grants Deferred	264
(216)	Disposals	(713)
(18,904)	Revaluations	16
(120)	Depreciation applied	(1,527)
155	Depreciation adjustment re historic costs	159
(125)	Amortisation of intangible fixed assets	(102)
(3,855)	Impairment applied	(4,930)
28	Minimum Revenue Provision	27
4,007	Adjustment - Existing Use Social Housing Value	2
-	Icelandic Impairment	(3,386)
(69)	Revenue Expenditure Funded from Capital Under Statute	(239)
179,842	**Balance carried forward at 31st March 2010**	**173,924**

18.3. Usable Capital Receipts Reserve

2008/09 £000s	Movements	2009/10 £000s
3,601	Balance brought forward at 1st April 2009	3,553
1,329	Receipts in year (net of permitted deductions)	293
(259)	Amount pooled to Government	(177)
4,671	Total usable capital receipts available	3,669
(1,118)	Amounts applied to capital financing	(1,051)
3,553	**Balance carried forward at 31st March 2010**	**2,618**

18.4. Earmarked Reserves

Balance 31st March 2009 £000s	Type	Transfer (to)/ from other reserves £000s	Transfer to/ (from) revenue £000s	Balance 31st March 2010 £000s
1,850	Future Capital Expenditure	-	(123)	1,727
1,089	Temporary Reserve	-	194	1,283
1,188	Retained Funds	-	252	1,440
703	Repairs & Renewals	-	6	709
1,483	Commuted Sums	-	(10)	1,473
309	Other Reserves	-	101	410
6,622	**Total Earmarked Reserves**	**-**	**420**	**7,042**

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 2010 there is an amount of £10k set aside (£29k at 31st March 2009) in respect of the Indoor Bowls Club guarantee, a commitment for the Council until 2015.

19. 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.

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:

2008/09 £000s		2009/10 £000s
	Income & Expenditure Account	
	Net Cost of Services:	
950	Current service cost	801
455	Past service costs	-
(69)	Contributions in respect of unfunded benefits	(71)
	Net Operating Expenditure:	
3,819	Interest cost	3,682
(3,311)	Expected return on assets in the scheme	(2,283)
-	Losses/(Gains) on Curtailments	65
1,844	**Net Charge to the Income & Expenditure Account**	**2,194**
	Statement of Movement in the General Fund Balance	
(509)	Reversal of net charges made for retirement benefits in accordance with FRS17	(640)
	Actual amount charged against the General Fund Balance for pensions in the year	
1,335	Employers' contributions payable to the scheme	1,554

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £19.630m (£8.738m loss in 2008/09) 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 £25.872m.

Assets and Liabilities in relation to retirement benefits:

Reconciliation of present value of the scheme

2008/09 £000s		2009/10 £000s
	Funded Liabilities	
55,465	Balance at 1st April 2009	53,816
950	Current Service cost	801
3,819	Interest cost	3,682
511	Contributions by Members	531
(5,244)	Actuarial gains and losses	32,256
455	Past service costs	-
-	Losses on Curtailments	65
(69)	Estimated Unfunded Benefits Paid	(71)
(2,071)	Estimated Benefits paid	(2,233)
53,816	Balance at 31st March 2010	88,847

Reconciliation of Fair Value of the scheme assets

2008/09 £000s		2009/10 £000s
46,096	Balance at 1st April 2009	35,200
3,311	Expected rate of return	2,283
511	Contributions by scheme participants	531
1,335	Employer contributions	1,554
69	Contributions in respect of Unfunded Benefits	71
(13,982)	Actuarial gains and losses	12,626
(69)	Unfunded Benefits Paid	(71)
(2,071)	Benefits paid	(2,233)
35,200	Balance at 31st March 2010	49,961

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 gain of £14.909m (2008/09 £10.514m loss).

Scheme History:

	2005/06 £000s	2006/07 £000s	2007/08 £000s	2008/09 £000s	2009/10 £000s
Present value of liabilities					
Pension scheme	(63,915)	(63,426)	(55,465)	(53,816)	(88,847)
Fair value of assets in the scheme	47,705	50,083	46,096	35,200	49,961
Surplus /(Deficit) in the scheme					
Pension scheme	(16,210)	(13,343)	(9,369)	(18,616)	(38,886)
Experienced gains/(losses) on assets	7,871	(335)	(7,066)	(13,982)	12,626
Experienced gains/(losses) on liabilities	(1,143)	(5)	719	17	(56)

	2005/06 %	2006/07 %	2007/08 %	2008/09 %	2009/10 %
Experienced gains and (losses) on assets as a % of total assets	16.50%	(0.67)%	(15.33)%	(39.72)%	25.27%
Experienced gains and (losses) on liabilities as a % of total liabilities	1.79%	0.01%	(1.30)%	(0.03)%	0.06%

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £38.9m 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 Authority in the year to 31st March 2011 is £1.424m.

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 2010 based on the latest full valuation of the scheme as at 31st March 2007.

The principal assumptions used by the actuary have been:

	2008/09	2009/10
Long-term expected rate of return on assets in the scheme:		
Equity investments	7.00%	7.80%
Bonds	5.40%	5.00%
Property	4.90%	5.80%
Cash	4.00%	4.80%
Mortality assumptions		
Longevity at 65 for current pensioners (years)		
Men	19.6	20.8
Women	22.5	24.1
Longevity at 65 for future pensioners (years)		
Men	20.7	22.3
Women	23.6	25.7
Rate of Inflation	3.10%	3.80%
Rate of increase in salaries	4.60%	5.30%
Rate of increase in pensions	3.10%	3.80%
Rate for discounting scheme liabilities	6.90%	5.50%
Take-up of option to convert annual pension into retirement lump-sum - Pre April/Post April 2008	50%/75%	50%/75%

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

	2008/09	2009/10
Equiy investments	72.0%	79.0%
Bonds	18.0%	11.0%
Property	8.0%	6.0%
Cash	2.0%	4.0%
	100.0%	100.0%

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

2008/09 £000s		2009/10 £000s	2009/10 £000s
(18,709)	Net Surplus/(Deficit) for year Income on Expenditure Account		(4,739)
50	Net Surplus/(Deficit) for year on Collection Fund		212
	Non-cash Transactions		
	Add:		
20,047	Provision for Depreciation	3,518	
-	Use of Provisions	70	
2,415	Investments / Debt Movements	2178	
(1,673)	Write Down of Government Grants Deferred	-	
(514)	Financing of Capital Expenditure	(711)	
509	Employers Contributions to Pension Fund (FRS17)	640	
(1,096)	Net (Gain) / Loss on Fixed Assets	434	
69	Revenue Expenditure Financed from Capital Under Statute	239	
-	Impairment of Icelandic Investments	3,386	
3,503	Adjustments for Council Tax / NNDR	5,198	14,952
	Items on an Accruals Basis		
	Add:		
4	Reduction in Stocks	4	
997	Reduction in Revenue Debtors	(230)	
360	Increase in Creditors	399	173
5,962	**Net Cash Income from Revenue Activities**		**10,598**

21. 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	**2009/10 £000s**	**2009/10 £000s**
Investments at 1st April 2009	14,072	
Investments at 31st March 2010	14,577	(505)
Long Term Borrowing at 1st April 2009	22,392	
Long Term Borrowing at 31st March 2010	20,392	(2,000)
Short Term Borrowing at 1st April 2009	750	
Short Term Borrowing at 31st March 2010	2,000	1,250
Total		**(1,255)**

22. 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.

23. Analysis of Government Grants shown in the cashflow statement

2008/09 £000s	Government Grant	2009/10 £000s
532	DWP Admin Grant	579
96	NNDR Cost of Collection	96
6	Discretionary Housing Payment	9
119	Housing & Planning Delivery Grant	212
78	Homelessness Prevention Strategy	63
106	Safer Stronger Communities/ Domestic Abuse	146
48	Children's Fund / Healthy Lifestyle	44
120	Communities for Health	100
3	Elections	96
-	IEWM Grant – refuse / recycling	25
8	Local Authority Business Growth Incentive Scheme	34
20	Employment Support Allowance Implementation	-
131	Supporting People Grant	129
320	National Concessionary Travel Scheme	328
-	Business Rate Deferral Scheme	12
4	Council Tax Bill Efficiency / Business Rates Revaluation Fact-sheet	4
3	Empty Property Rate relief administration	-
289	Private Sector Housing Improvement Grants	215
10	Court Desk Provision	-
1	Think Local Partnership	-
49	Area Based Grant	71
1	Environmental Damage (Prevention & Remediation) Regs 2009	-
20	Grants to tackle Anti-social behaviour	27
17	Grant to tackle alcohol related abuse	29
18	Multi Agency Risk Assessment Conference (MARAC)	-
-	Repossession Prevention / Mortgage Rescue Programme	54
-	Further Support for Town Centres	53
-	Habitat Directive Grant	8
-	Impact of Recession on Housing Options in Staffordshire	30
-	Changes to Benefits Subsidy rules re: Temporary Accommodation / In & Out of Work Processes	10
-	Free Swimming	45
1,999	Total	**2,419**

24. Government Grants

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

Restated 2008/09 £000s		2009/10 £000s
814	Revenue Support Grant	1,270
8	Local Authority Business Growth Incentive	34
49	Area Based Grant	71
119	Housing & Planning Delivery Grant	212
990	**Total**	**1,587**

25. Financial Instruments

25.1 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	
	31st March 2009 £000s	**31st March 2010 £000s**	**31st March 2009 £000s**	**31st March 2010 £000s**
Financial liabilities (principal amount)	22,392	20,392	750	2,000
Plus Accounting adjustments	-	-	400	360
Financial liabilities at amortised cost (Note 1)	22,392	20,392	1,150	2,360
Financial liabilities at fair value through the I&E (Note 2)	-	-	-	-
Total borrowings	22,392	20,392	1,150	2,360
Loans and receivables (principal amount)	3,000	1,817	16,632	14,577
Plus Accounting adjustments	670	-	(1,955)	243
Loans and receivables at amortised cost (Note 1)	3,670	1,817	14,677	14,820
Available-for-sale financial assets	52	47	-	-
Financial Assets at fair value through the I&E (Note 2)	-	-	-	-
Unquoted equity investment at cost	52	47	-	-
Total investments	3,722	1,864	14,677	14,820

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.

25.2 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	(1,554)	-	-	-	(1,554)
Losses on derecognition	-	-	-	-	-
Impairment losses	-	(1,715)	-	-	(1,715)
Interest payable and similar charges	**(1,554)**	**(1,715)**	**-**	**-**	**(3,269)**
Interest income	-	640	2	-	642
Interest on VAT repayment	-	321	-	-	321
Gains on derecognition	-	-	-	-	-
Interest and investment income	**-**	**961**	**2**	**-**	**963**
Gains on revaluation	-	-	-	-	-
Losses on revaluation	-	-	(5)	-	(5)
Amounts recycled to the I+E Account after impairment	-	-	-	-	-
Surplus arising on revaluation of financial assets	**-**	**-**	**(5)**	**-**	**(5)**
Total Interest and Investment Income					**958**
Net gain/(loss) for the year	**(1,554)**	**(754)**	**(3)**	**-**	

25.3 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:

31st March 2009		Type of Debt	31st March 2010	
Carrying amount £000s	**Fair Value £000s**		**Carrying amount £000s**	**Fair Value £000s**
23,542	31,308	PWLB debt	22,752	29,275
23,542	31,308	Total debt	22,752	29,275
3,701	3,701	Creditors	4,405	4,405
27,243	**35,009**	**Total Financial Liabilities**	**27,157**	**33,680**

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.

31st March 2009		Type	31st March 2010	
Carrying amount £000s	**Fair Value £000s**		**Carrying amount £000s**	**Fair Value £000s**
14,677	14,677	Money market loans < 1 yr	14,820	14,731
3,670	3,758	Money market loans > 1 yr	1,817	1,817
2,313	2,313	Debtors	2,490	2,490
20,660	**20,748**	**Total Loans and Receivables**	**19,127**	**19,038**

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 31st March 2010. 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 2009/10 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.

26. Disclosure of the 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.

26.1 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 31st March 2010 £000s	Historical experience of default %	Adjustment for market conditions at 31st March 2010 %	Estimated maximum exposure to default £000s
Deposits with banks and financial institutions	(a)	(b)	(c)	(a * c)
AAA rated counterparties	-	0.00%	0.00%	-
AA rated counterparties	11,759	0.00%	0.00%	-
A rated counterparties	-	0.00%	0.00%	-
BBB rated counterparties	2,000	1.59%	1.59%	32
Caa – C rated counterparties	2,635	15.01%	15.01%	396
Trade debtors	1,339	53.3%	53.3%	714
Total	17,733			1,142

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 £1.34m is past its due date for payment. The past due amount as at 31st March 2010 can be analysed by age as follows:

2008/09 £000s	Period	2009/10 £000s
612	Less than six months	622
89	Six months to one year	128
192	More than one year	163
344	More than two years	425
1,237	**Total**	**1,338**

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 31st March 2010 was £33.5k.

26.2 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.

26.3 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:

2008/09 £000s	Period	2009/10 £000s
1,150	Less than one year	2,360
2,000	Between one and two years	-
-	Between two and six years	3,000
5,000	Between six and 15 years	2,000
15,392	More than fifteen years	15,392
23,542		22,752

The maturity analysis of financial assets is as follows:

2008/09 £000s	Period	2009/10 £000s
14,839	Less than one year	14,820
2,620	Between one and two years	750
414	Between two and three years	578
474	More than three years	489
18,347		16,637

All trade and other payables are due to be paid in less than one year - debtors of £2.5m are not shown in the table above.

26.4 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 2010, 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.

27. 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 was 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 2009 outlined that the return to creditors was projected to be 80p in the £ by the end of 2012 with the first dividend payment of 15p in the £ due in the summer of 2009. As at the 31st March 2010 the Administrators have revised their projection upwards to 85p being the 'best case' situation and during the year the Authority has received dividends of £526k or just under 35p in the pound. It is still expected that the final repayment will be in September of 2012. The Authority has recognised an impairment based on it recovering 85p in the £.

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 2009 outlined that the return to creditors was projected to be a minimum of 50p in the £ but no timescale was indicated. As at the 31st March 2010 the Council had received £1,111k or 30p in the pound by way of dividends. The administrator has also revised their projections upward to a best case of 65p to 78p in the pound with the final instalment expected in early 2013.In calculating the impairment the Authority has therefore made the assumption of recovery rate of 71p in the pound. 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 was 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.

Initial indications were that deposits made by Local Authorities would be treated as having 'Preferential' status and that full recovery of principal and interest was likely to be achieved. However, in December 2009 the Winding up Board managing the Glitnir situation rejected our priority status, meaning we would be treated as ordinary creditors and could only expect a dividend of around 29p in the £. This decision was baffling as the Winding up Board of another Icelandic Bank (Landsbanki) had already agreed the preferential status and so with the assistance of the Local Government Association, who have been coordinating our approach, solicitors both in England and Iceland have been appointed to represent our case through the Icelandic courts.

It is anticipated that a decision by the Icelandic High Court will be made in June of 2011, but distributions resulting from this would probably be phased through to 2015.

- 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 originally decided to recognise an impairment based on it recovering the full amount of principal and interest up to 14 November 2008 in the future. Following the Winding up Board's decision in December 2009, it is considered to be prudent and reflect the worst case recovery scenario of 29p. This revised impairment therefore reflects the loss of both principal and interest to the Authority.

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 22nd April 2009.

The impairment loss recognised in the Income and Expenditure Account in 2009/10, £1.7m, 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.

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 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	247,293	815,507
Glitnir	31/08/2007	28/08/2009	1,000,000	6.55	247,219	831,919
Glitnir	14/12/2007	12/12/2008	1,000,000	6.16	245,556	811,150
KSF	31/08/2008	09/08/2010	1,000,000	6.69	348,462	(221,436)
KSF	31/10/2007	29/10/2008	1,000,000	6.16	346,011	(218,404)
KSF	14/01/2008	14/10/2010	1,000,000	5.90	342,608	(215,543)
Heritable	12/09/2008	13/10/2008	500,000	5.38	233,241	(29,303)
Heritable	15/09/2008	22/10/2008	1,000,000	5.45	465,859	(58,684)
Total			**7,500,000**		**2,476,249**	**1,715,206**

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 (including interest accruals) have been estimated as follows, based on the statements made by the administrator:

Date	Glitnir £	KSF £	Heritable £
31st March 2011	-	381,031	301,025
31st March 2012	143,009	381,031	301,025
31st March 2013	143,009	381,031	150,513
31st March 2014	143,009	-	-
31st March 2015	143,009	-	-
31st March 2016	381,357	-	-
Total	953,393	1,143,093	752,563

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

Bank	Credited 2008/09 £	Received 2008/09 £	Credited 2009/10 £	**Repayments 2009/10 £**
Glitnir	276,635	-	195,738	**-**
KSF	265,153	-	72,908	**1,111,340**
Heritable	44,378	-	52,095	**526,472**
Total	586,166	-	320,741	**1,637,812**

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	(195,738)
KSF	(72,908)
Heritable	(52,095)
Total	(320,741)

The balance on the FIAA relating to impairment of Icelandic investments has now been written off following capitalisation of the impairment losses.

28. Post Balance Sheet Events

28.1 Deposits with Icelandic Banks

Since 31st March 2010, the Council has received the following additional repayments:

Date	KSF £	Heritable £
16/7/10	-	94,437.91
30/7/10	317,525.59	-

28.2 Changes to Public Sector Pensions

The Chancellor of the Exchequer announced in his Emergency Budget on 22nd June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of the Council's FRS17 liabilities in the Fund by around 6% and the balance sheet deficit relating to the pension scheme by around 14%.

Approval of Accounts

I confirm that the accounts were approved by the Audit and Governance Committee at a meeting on 29th June 2010. After minor amendments, this final version was authorised for issue after a meeting with the Appointed Auditor on 29th September 2010.

Signed on behalf of Tamworth Borough Council

Councillor S. Munn, Vice Chair of the Audit and Governance Committee

Dated 29th September 2010

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.

Housing Revenue Account
Income and Expenditure Account

2008/09 £000s			2009/10 £000s
	Income		
(14,428)	Dwelling rents		(14,882)
(491)	Non-dwelling rents		(480)
(592)	Charges for services and facilities		(642)
-	Leaseholders' Charges for Services and Facilities		-
(139)	Contributions towards expenditure		(391)
(15,650)	**Total Income**		**(16,395)**
	Expenditure		
4,161	Repairs and maintenance		3,880
4,122	Supervision and management		4,242
87	Rents, rates, taxes and other charges		48
1,665	Housing revenue account subsidy payable	**Note HRA 6**	2,451
20,098	Depreciation and impairment of fixed assets	**Note HRA 5**	5,794
12	Debt management costs		13
65	Increase in provision for bad and doubtful debts		71
30,210	**Total Expenditure**		**16,499**
14,560	**Net cost of HRA services per Authority Income and Expenditure**		104
(193)	(Gain)/ loss on sale of HRA fixed assets		182
1,508	Interest payable and similar charges		1,279
(154)	Interest and investment income		(59)
99	Pensions interest cost and expected return on pensions assets		274
15,820	**(Surplus) or deficit for the year on HRA services**		**1,780**

Statement of Movement on the HRA Balance

2008/09 £000s			2009/10 £000s
15,820	(Surplus)/ Deficit for the year on the HRA Income and Expenditure Account		1,780
(16,888)	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	**Note HRA 9**	(2,614)
(1,068)	**(Increase)/ Decrease in the Housing Revenue Account Balance for the Year**		**(834)**
2,762	Housing Revenue Account surplus brought forward 1st April 2009		3,830
3,830	**Housing Revenue Account surplus carried forward 31st March 2010**		**4,664**

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:

2008/09	Housing Stock: Number	2009/10
2,885	Houses / Bungalows	2,885
767	High/Medium Rise Flats	767
934	Low Rise Flats	921
4,586		**4,573**

2008/09	Housing Stock: Value	2009/10
4,590	Stock at 1st April 2009	4,586
(5)	Less: Sales / Demolitions	(19)
1	Add: Reclassification of Asset	6
4,586	Stock at 31st March 2010	**4,573**

HRA 1b. Fixed Assets

2008/09 £000s	Fixed Assets	2009/10 £000s
	Operational Assets	
167,395	Council Dwellings	180,414
2,173	Other Property	2,173
169,568	**Net Book Value**	**182,587**

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 2010 is £368.8m.

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 Major Repairs Reserve (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 and is then transferred to the MRR.

31st March 2009 £000s		Contribution from HRA £000s	Transferred to HRA £000s	Capital Expenditure £000s	31st March 2010 £000s
-	Major Repairs Reserve	**2,824**	**74**	**2,750**	-

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

HRA 4. Capital Expenditure Summary

The following table details how £4.341m capital expenditure was financed during the year.

	Total Expenditure £000s	Supported Capital Expenditure £000s	Useable Capital Receipts £000s	Capital Reserve £000s	Other Contributions £000s	Major Repairs Allowance £000s
Dwellings	4,158	480	279	655	170	2,574
Non Dwellings	183	-	-	7	-	176
	4,341	**480**	**279**	**662**	**170**	**2,750**

During the year capital receipts totalling £236k were received in respect of dwellings sold, of which £177k 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

Council Dwellings are depreciated on a straight line basis over the period of their useful economic life. The charge for the year was £869k.

The charge for depreciation of £74k on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

Charges for impairment of £4.85m 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:

2008/09 £000s	Subsidy Element	2009/10 £000s
7,077	Allowance for Management and Maintenance	7,079
2,742	Major repairs allowance	2,750
2,447	Charges for capital	2,037
-	Admissible Allowance	-
-	Rental Constraint Allowance	-
(13,971)	Guideline rent income	(14,317)
(5)	Interest receivable	(3)
45	Prior Year Adjustments	3
(1,665)	**Housing Subsidy Receivable/(Payable)**	**(2,451)**

HRA 7. HRA Pensions Reserve

2008/09 £000s		2009/10 £000s
	HRA Income & Expenditure Account	
	Net Cost of Services:	
185	current service cost	157
	Net Operating Expenditure:	
743	interest cost	721
(644)	expected return on assets in the scheme	(447)
284	**Net Charge to the Income & Expenditure Account**	**431**
	Statement of Movement in the HRA Balance	
(24)	Reversal of net charges made for retirement benefits in accordance with FRS17	(127)
	Actual amount charged against the Housing Revenue Account for pensions in the year	
260	Employers' contributions payable to the scheme	304

HRA 8. Rent Arrears

2008/09 £000s	Rent Arrears	2009/10 £000s
822	Gross Rent Arrears at 31st March 2010	**792**

Approximately 35% of rent arrears refer to former tenants.

Provision for Bad Debts:

2008/09 £000s	Element	Contribution from/ (to) HRA In Year £000s	Written Off In Year £000s	2009/10 £000s
635	HRA Rent Arrears	90	117	608
121	HRA Sundry Debtors	(19)	4	98
756		**71**	**121**	**706**

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

2008/09 £000s	Statement of Movement on the HRA Balance	2009/10 £000s
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year.	
193	Gain or loss on sale of HRA fixed assets	(182)
(24)	Net charges made for retirement benefits in accordance with FRS17	(127)
169	**Sub-total**	**(309)**
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year.	
3,251	Transfer to/(from) Major Repairs Reserve	1,806
(177)	Transfer to/(from) Earmarked Reserves	11
122	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	66
(20,608)	Impairment Charges	(4,850)
355	Capital expenditure funded by the HRA	662
(17,057)	**Sub-total**	**(2,305)**
(16,888)	**Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year ending 31st March 2010**	**(2,614)**

The Collection Fund
Income and Expenditure Account

2008/09 £000s		2009/10 £000s	2009/10 £000s
	Income		
(26,845)	Council Tax	(27,257)	
(4,614)	Transfer from the General Fund - Council Tax Benefits	(5,321)	(32,578)
(28,830)	Business Ratepayers		(29,337)
(60,289)	**Total Income**		**(61,915)**
	Expenditure		
	Precepts & Demands:		
22,654	Staffordshire County Council	23,329	
3,820	Staffordshire Police Authority	3,991	
1,454	Stoke-on-Trent & Staffordshire Fire & Rescue Authority	1,519	
3,202	Tamworth Borough Council	3,363	32,202
	Business Rates:		
28,566	Payment to the National Pool	29,028	
96	Costs of Collection	96	
-	Transfer to General fund	-	29,124
	Provision for Bad & Doubtful Debts		
361	Provision	667	
(74)	Write Off	(329)	338
	Contributions towards previous year's estimated Collection Fund Surplus		
117	Staffordshire County Council	28	
20	Staffordshire Police Authority	5	
7	Stoke-on-Trent & Staffordshire Fire & Rescue Authority	2	
16	Tamworth Borough Council	4	39
60,239	**Total Expenditure**		**61,703**
(50)	**(Surplus)/ Deficit for Year**		**(212)**
(140)	**Balance Brought Forward (Surplus)/ Deficit at 1st April 2009**		**(190)**
(190)	**Balance as at 31st March 2010 (Surplus)/ Deficit carried forward**		**(402)**

NOTES TO THE COLLECTION FUND

CF 1. NNDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2010 was £68,828,737 (£68,789,111 at 31st March 2009).

The NNDR multiplier for 2009/10 was 48.5p in the pound (2008/09 46.2p). The qualifying small business multiplier for 2009/10 was 48.1p in the pound (2008/09 45.8p).

CF 2. Council Tax Base Calculation

The Council base was as follows:

2008/09	[-----------------------------------2009/10--]			
No. of Band "D" Equivalent Properties	**Band**	**No. of Chargeable Properties**	**Ratio**	**No. of Band "D" Equivalent Properties**
5,311	A	7,992	6/9	5,326
7,997	B	10,359	7/9	8,057
4,266	C	4,813	8/9	4,278
3,254	D	3,259	1	3,259
1,879	E	1,550	11/9	1,894
536	F	380	13/9	548
93	G	57	15/9	94
3	H	1.5	18/9	3
23,339				**23,459**
98.5%	Multiplied by anticipated collection rate of			98.5%
22,989	Equals Council Tax Base			**23,107**

CF 3. Name of each Authority which made precept or demand on the fund

2008/09	Authority	2009/10		
Total £		**Demand £**	**Surplus £**	**Total £**
22,791,653	Staffordshire County Council	23,329,072	290,900	23,619,972
3,843,169	Staffordshire Police Authority	3,990,810	49,879	4,040,689
1,462,622	Stoke-on-Trent & Staffs Fire & Rescue Authority	1,518,875	18,986	1,537,861
3,221,619	Tamworth Borough Council	3,363,223	42,025	3,405,248
31,319,063		**32,201,980**	**401,790**	**32,603,770**

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 2009-10 a sum of £43k has been identified as meeting the appropriate criteria to be transferred back to General Funds. As a prudent measure £68k 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:

2008/09 £000s	**Provision for Bad Debts - Council Tax**	**2009/10 £000s**
428	Balance at 1st April 2009	473
(74)	Written off in year	(122)
119	Increase/(decrease) in Provision	126
473	**Balance as at 31st March 2010**	**477**

2008/09 £000	**Provision for Bad Debts - Business Rates**	**2009/10 £000**
341	Balance at 1st April 2009	508
-	Written off in year	(207)
167	Increase/(decrease) in Provision	213
508	**Balance as at 31st March 2010**	**514**

ANNUAL GOVERNANCE STATEMENT 2009/10

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 putting in place proper arrangements for the governance of its affairs, facilitating 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 2009 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 31st March 2010 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:

1. The Local Strategic Partnership 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;
2. From the corporate vision and priorities, service areas produce annual business plans to identify and monitor performance targets and actions;
3. Executive meetings of CMT and Cabinet are held on a regular basis;
4. Performance management arrangements in place ensure that progress on business plans and achievement of corporate objectives are monitored on a quarterly basis by Cabinet and monthly by Corporate Management Team;
5. Annual financial statements are published in accordance with a prescribed timetable;
6. 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;
7. The Tell Us complaints procedures are available to all members of the public through Council establishments and the website. Complaints are monitored and reported on a monthly basis;
8. The Anti Fraud and Corruption Strategy and guidance notes and Confidential Reporting Policy were revised in 2009 and made available to staff and members through availability on the Intranet; staff were issued and accepted these policies through a computerised policy management system (NetConsent). Members of the public can access the documents through the Council's website. The Anti Fraud and Corruption Strategy identifies the Council's commitment to Counter Fraud;
9. Value for money is measured through participation in benchmarking exercises and service improvements. 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;
10. The quality of services is measured through performance indicators and service delivery milestones which are monitored through the Covalent performance management system;
11. 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 a regular basis;
12. The Scheme of Delegation is reviewed on an annual basis;
13. There is a code of conduct in place for Members and a Member/Officer protocol;
14. Standing Orders, Financial Regulations and Financial Guidance were updated in 2009 and are reviewed on a regular basis;
15. 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 2009/10;
16. There is a Governance Working Group in place which reviews Governance documents;

17. 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 she 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;
18. The Statutory Officers are members of the CMT/AD's Group;
19. 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;
20. The Authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010)
21. The role of scrutiny is continuously being developed;
22. Records of decisions made at committee meetings are available on the website;
23. A members register of interests is available to the public through the website;
24. A members induction scheme is in place and individual training needs are identified;
25. Local induction programme completed for officers. Personal development reviews are completed annually and reviewed six monthly. Job descriptions and person specifications are in place and are regularly reviewed as part of the PDR process;
26. Training for Councillors is provided on Governance and other issues;
27. Committee meetings are open to the public unless there are confidential items;
28. Consultation strategy is being developed;
29. There is a Standards Committee in place to promote and ensure high standards of conduct for members;
30. Tamworth Listens is an annual consultation process used to inform priorities;
31. A Partnership Guidance Policy is in place.

A review against the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010) has been completed and the authority's financial management arrangements conform to this.

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.

This review is an ongoing process, and during the year various activities, including the following, have been undertaken.

1. The Local Code of Corporate Governance is reviewed on an annual basis and an action plan is adopted to deal with any issues;
2. 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;
3. Review of existing policies as appropriate, production and approval of new or revised policies and procedures;
4. Further development and embedding of risk management. The risk register is on the Covalent Risk Management system and reported as part of the performance management process;
5. 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;
6. 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;
7. The Head of Internal Audit Services provides a quarterly and annual opinion statement to the members charged with governance – the Audit & Governance Committee;
8. 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 in forming their opinion;
9. 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;
10. The Authority receives reports from the Audit Commission in relation to its governance and internal control, and considers and takes action on their recommendations as appropriate;
11. Internal Audit complete a self assessment against the CIPFA Code of Internal Audit Practice and comply with the Code;
12. Annual Ombudsman's report is presented to the Audit & Governance Committee;
13. Performance "Forum" 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;

14. Various services complete benchmarking to aid performance improvement including use of CIPFA benchmarking. Audit Commission VFM profile tool being used to allow high level analysis of comparative spend and performance;
15. The AD/CMT Group acts as the Risk Management Group and risk management performance is reported to the Audit & Governance Committee;
16. The Business Continuity Management (BCM) 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;
17. A Security Management Group is in place which reviews security issues, IT policy and operating standards;
18. Treasury Management Strategy and Policies are presented to the Audit & Governance Committee for scrutiny.
19. the Audit & Governance Committee receive final account implementation plan and are advised on progress.

5 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 an action plan produced. Monitoring of the completion of these issues will be completed through reporting to the Audit & Governance Committee.

The significant issues (high) and proposed actions are:

Issue	Proposed Actions
Ensure there is a robust quality assurance review of the accounts prior to submission for audit in future years	Process in place to undertake data integrity review. Liaising with External Auditors as part of final accounts process. Quality assurance also completed through draft accounts presented to Audit & Governance Committee
Monitor the outcomes achieved by the Council in its priority areas.	Regular review completed by CMT and Cabinet on a quarterly basis.
Monitoring the financial position and identify savings to meet any shortfall in budget.	Balanced 5 year budget in place. Regular reviews completed. Planned savings programmes reviewed by CMT/Cabinet

Signed:

D Cook, Leader D. Weatherley, Chief Executive

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

Date: 30th June 2010

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).

Remuneration
All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash.

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 and Civil Contingencies
- Local Land Charges

Cultural, Environmental and Planning Services

Cultural

- Culture and Heritage
- Recreation and Sport
- Open Spaces
- Tourism
- Service Management and Support Services

Environmental and Regulatory Services

- Cemetery, Cremation and Mortuary 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
- Licensing of Private Sector Landlords
- 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 accounting statements

I have audited the accounting statements and related notes of Tamworth Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The Authority 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 Balance, the Collection Fund Income and Expenditure Account 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Corporate Director Resources and auditor

The Corporate Director Resources' responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of 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 accounting 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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 October 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 2010.

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

Officer of the Audit Commission

Audit Commission, 2nd Floor, 1 Friarsgate, 1011 Stratford Road, Solihull. B20 4EB

Date: 30 September 2010

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.