

# NON-CONFIDENTIAL



**Borough of Tamworth**

Marmion House,  
Lichfield Street, Tamworth,  
Staffordshire B79 7BZ.

Enquiries: 01827 709 709  
Facsimile: 01827 709 271

## **AUDIT AND GOVERNANCE COMMITTEE**

20 June 2013

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 27th June, 2013 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, appearing to be 'A. G. ...', written over a circular stamp or mark.

### **A G E N D A**

#### **NON CONFIDENTIAL**

- 9 Draft Annual Statement of Accounts & Report 2012/13 (Pages 1 - 146)**  
(Report of the Director (Finance))

*People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail [committees@tamworth.gov.uk](mailto:committees@tamworth.gov.uk) preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.*

To Councillors: M Couchman, K Gant, M Gant, S People, S Pritchard, P Seekings and M Thurgood

Tamworth Borough Council

# Statement of Accounts 2012/13

*One Tamworth, Perfectly Placed*



Draft Unaudited

# STATEMENT OF ACCOUNTS

2012/13

## Contents

	Page Number
The Explanatory Foreword	2
The Statement of Responsibilities	12
The Core Financial Statements	
Movement in Reserves Statement	13
Comprehensive Income and Expenditure Statement	17
Balance Sheet	19
Cash Flow Statement	20
Notes to the Core Financial Statements	21
Approval of Accounts	114
The Supplementary Financial Statements	
Housing Revenue Account – Income & Expenditure Statement	115
Statement of Movement on HRA Balance	116
Notes to the Housing Revenue Account (HRA)	117
Collection Fund – Income & Expenditure Statement	122
Notes to the Collection Fund	123
Annual Governance Statement	126
Glossary	134
Appendix to the Comprehensive Income & Expenditure Statement	139
Independent Auditor's Opinion and Certificates	141

## THE EXPLANATORY FOREWORD

The statement of accounts presents the financial position and performance of the Council for the year ended 31<sup>st</sup> March 2013. 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 31<sup>st</sup> March 2013 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom.

The Code is based on International Financial Reporting Standards (IFRS), and has been developed by the CIPFA/Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Code Board overseen by the Financial Reporting Advisory Board. It is based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements.

The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Accounting Standards Board where these provide additional guidance. The latest edition of the Code (2012/13) applies for accounting periods commencing on or after 1<sup>st</sup> April 2012. It supersedes the 2011/12 Code.

In England and Wales, the Code is part of the 'proper practices' requirements governing the preparation of an authority's Statement of Accounts referred to in section 21(2) of the Local Government Act 2003. All English authorities to which section 21 applies and that are required to prepare a Statement of Accounts by the Accounts and Audit Regulations under section 27 of the Audit Commission Act 1998, therefore have a statutory duty to comply with the Code's requirements.

The Council's accounts for 2012/13 are set out on pages 13 to 125 and consist of the following:

- **Core Financial Statements:**
  - **Movement in Reserves Statement:** shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes.

## DRAFT UNAUDITED

- **Comprehensive Income & Expenditure Account:** shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **Balance Sheet:** shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.
- **Cash Flow Statement:** shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
- **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 appropriate notes to the accounts including the Statement of Accounting Policies.

### CHANGES TO THE ACCOUNTS FOR 2012/13

An updated Code of Practice applicable for 2012/13 was issued by CIPFA in January 2012 and the changes reflected in this review must now be incorporated into the Council's 2012/13 accounts, together with relevant changes to accounting policies.

This update to the Code provides accounting guidance on regulations issued and on other legislative developments since the original code was issued.

The 2012/13 Code introduces some changes in accounting practice which the council needs to comply with.

## DRAFT UNAUDITED

Following the significant changes in Local Authority Accounting in recent years, 2012/13 is a year of consolidation with relatively few new requirements as set out below.

- Explanatory Foreword: The Code encourages local authorities to draft their Explanatory Forewords in line with guidance of the requirements of the Government's Financial Reporting Manual. However CIPFA have not prescribed a sector-specific format, and therefore the lay-out of the Explanatory Foreword will remain a local judgement. However, a review has been carried out with the emphasis on 'de-cluttering' the accounts to remove unnecessary information and duplication.
- A number of amendments published as part of the update to the 2011/12 Code issued in early 2012.

### CHANGES IN ACCOUNTING POLICY FOR 2012/13

The need for changes in accounting policy can arise from:

- (i) changes that are mandatory under the annual IFRS based *Code of Practice on Local Authority Accounting* and require a new or revised accounting policy to be adopted by all local authorities;
- (ii) changes within the overall framework of the *Code of Practice* but where the policy to be adopted is discretionary and is dependent upon interpretation of local circumstances.

The changes required to the Council's accounting policies for 2012/13 therefore arise from an updated IFRS based *Code of Practice on Local Authority Accounting* issued by CIPFA in January 2012.

Many of the changes reflected in the 2012/13 code & code update do have to be incorporated into the Council's accounts but do not necessarily impact on its accounting policies. This is because the changes are principally around additional or changed disclosure notes, points of clarification and additional guidance etc.

### SIGNIFICANT TRANSACTIONS IN 2012/13

- The Council own the freehold to an 18 hole golf course at Amington. Following a tender process in 2006, Tamworth Golf Centre (Jack Barker Golf) was appointed the lease and an operating agreement in 2007. The Council received a rental payment from the company, which was responsible for operating the golf course and was required to invest in the facilities. Tamworth Golf Centre entered a company voluntary arrangement, and the Council agreed to a reduction in the rental payment and a renegotiation of the terms of the lease, in 2012.



## DRAFT UNAUDITED

However, the company entered into liquidation in February 2013. At a meeting of the Council's Cabinet on 26<sup>th</sup> March 2013, it was resolved that the Council would operate the Golf Course for an interim period whilst considering the longer term sustainability of the course.

As a result, the accounting entries for the lease arrangement (for the buildings element) have been reversed amounting to £297k and the asset recognised on the balance sheet – at a reduced value reflecting its use as an operational asset. This is reflected within the Cultural & Related Services line of the CIES.

- The pension fund deficit has increased in the year to £34.415m (2011/12 £28.118m) as financial assumptions are less favourable at 31<sup>st</sup> March 2013 than the previous year - this is required to be shown on the Balance Sheet of the Authority. The increased liability is as a result of a fall in the net discount rate of around 0.3% which was partially offset by greater than anticipated asset returns – as reflected in the Actuarial Gains / Losses on Pension Assets / Liabilities line of the Comprehensive Income & Expenditure Account. This follows other recent changes in the LGPS including future pensions being linked to the Consumer Prices Index and not the Retail Price Index, as proposed in the Chancellor's budget statement in June 2010, with other key issues being increased liability for post and future service liabilities and the increase in life expectancy.

### FINANCIAL OUTLOOK

The Council's 2013/14 budget and Medium Term Financial Strategy ensures that appropriate resources are focussed on the single vision and strategic priorities. We will continue to identify where our resources can be realigned to ensure, where possible, we meet the needs of local people.

In light of the national economic situation and the significant constraints in public spending following the 2010 Comprehensive Spending Review (CSR), a measured approach to budget setting was approved by Cabinet as any growth proposals required compensating reductions in other budget areas & services. Even before the current national austerity measures, the Council has been proactive in the design and implementation of innovative and effective measures for driving efficiency.

Through this approach and the use of the Council's reserves and balances, we identified measures to help the council cope with significant grant reductions since 2011/12 with further reductions anticipated in the future.

Even though there is significant uncertainty over future grant levels, reduced income levels (including the impact of welfare benefit reforms from 1<sup>st</sup> April 2013 i.e. achievement of 10% reduction in Local Council Tax Support) and ongoing demands for front line services, the council were able to agree a balanced three year Medium Term Financial Strategy for the General Fund Revenue & Capital Programme and a five year Medium Term Financial Strategy for the Housing Revenue Account (HRA) and the HRA Capital Programme.

## DRAFT UNAUDITED

### FINANCIAL PERFORMANCE

#### Overall Revenue Position

The Movement in Reserves Statement on page 13 shows a net General Fund deficit of £0.102m for the year. This was £0.669m lower than planned in the original budget at the start of the year and has reduced General Fund Balances of £4.721m (with the minimum approved level being £0.5m) brought forward from 2011/12, to produce a cumulative surplus of £4.619m carried forward to 2013/14.

The overall revenue financial position relating to Council Housing as given on page 115 shows an increase in HRA balances for the year of £0.780m. This equates to an under-spend of £1.9m when compared to the approved budget for the year. This has resulted in an increase in balances from £4.487m to £5.267m to be carried forward to 2013/14.

#### 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 £8.229m, representing an under-spend of £0.669m. Major differences between the budget and the outturn are as follows:-

	£000s	£000s
<b>Variance between Budget &amp; Actual Outturn</b>		
<b>Increased / Not Budgeted Income</b>		
Corporate Finance - Government Grants	(24)	
Corporate Finance - Unspent Reserves	(117)	
Investment Income	(45)	
Increase on Icelandic banking returns	(111)	
Council Tax Contributions & Court Costs	(25)	(322)
<b>Shortfalls in Income</b>		
ICT - Shared Service Provision	21	
Recharge to HRA for Interest on Borrowing	58	
Rental Income on Industrial Properties	65	
Outside Car Parks - Fees and Charges	29	
Development Control - Fees and Charges	28	
Assembly Rooms - Bar and Tickets	23	224
<b>Not Budgeted Expenditure / Overspends</b>		
Salaries budgetary funding shortfall (vacancy allowance)	95	
Customer Services - Staffs Connects Contribution	20	
Benefits - Bad Debt Provision	150	
Corporate Finance - MMI levy / provision	71	
Treasury Management - HRA Reform & MRP	92	
Tamworth Golf Centre - Bad Debt Provision	30	458

**DRAFT UNAUDITED**

**Variance between Budget & Actual Outturn**

**Savings / Underspends**

P R & Consultation  
Training & Development  
ICT & Transformation  
Corporate Finance - Specific & IFRS Contingency  
Treasury Management - External Interest Payable  
Joint Waste Arrangement - Costs

<b>£000s</b>	<b>£000s</b>
(22)	
(29)	
(64)	
(73)	
(125)	
(202)	(515)
	(514)
	<b>(669)</b>

**Other Variances - (underspend) / overspend**

**Total (Favourable) / Unfavourable Variance**

## DRAFT UNAUDITED

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] £
<b>Chief Executives Office</b>			
Chief Executive	189,961	183,070	6,891
Director of Transformation & Corporate Performance	104,747	102,310	2,437
Head of Organisational Development	177,280	209,470	(32,190)
Head of Customer Services	392,242	351,410	40,832
Corporate Communications & PR Manager	146,730	162,900	(16,170)
Corporate Performance Manger	53,043	55,140	(2,097)
Payroll Manager	50,506	49,600	906
Sub Total	1,114,509	1,113,900	609
<b>Executive Director Corporate Services</b>			
Executive Director Corporate Services	102,329	91,030	11,299
Head of Benefits	214,774	77,760	137,014
Director of Finance	(211,204)	126,890	(338,094)
Head of Revenues	117,750	147,260	(29,510)
Director of Technology & Corporate Programmes	711,642	710,280	1,362
Solicitor & Monitoring Officer	646,713	692,540	(45,827)
Head of Internal Audit Services	100,044	107,740	(7,696)
Sub Total	1,682,048	1,953,500	(271,452)
<b>Community Services</b>			
Director of Assets & Environment	2,278,880	2,647,650	(368,770)
Director of Housing & Health	801,514	846,250	(44,736)
Director of Communities, Planning & Partnerships	2,352,238	2,336,520	15,718
Sub Total	5,432,632	5,830,420	(397,788)
<b>Total Cost of Services</b>	<b>8,229,189</b>	<b>8,897,820</b>	<b>(668,631)</b>
<b>Transfer to / (from) Balances</b>	<b>(101,789)</b>	<b>(770,420)</b>	<b>(668,631)</b>
<b>Total to be met by Government Grants &amp; Taxpayers</b>	<b>8,127,400</b>	<b>8,127,400</b>	<b>-</b>

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] – (underspend) / overspend) for directly controllable costs.

## DRAFT UNAUDITED

### Council Housing

A summary of the Housing Revenue Account for 2012/13, 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
<b>(Surplus) or Deficit for the Year Added to HRA</b>	<b>(780)</b>	<b>1,120</b>	<b>(1,900)</b>

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

Variance between Budget & Actual Outturn	£000s	£000s
<b>Increased / Not Budgeted Income</b>		
Unspent Temporary Reserve for Pension Costs	(103)	
Council House Rents	(118)	
Interest on Balances	(59)	(280)
<b>Shortfalls in Income</b>		
Women's Refuge - Service Charge - Flats	27	
Garage Rents	79	106
<b>Savings / Underspends</b>		
Repairs Account - Costs	(1,402)	
Provision for Bad Debts	(27)	
HRA Subsidy	(52)	
Interest Charges - Item 8	(54)	(1,535)
<b>Other Variances- (underspend) / overspend</b>		(191)
<b>Total (Favourable) / Unfavourable Variance</b>		<b>(1,900)</b>

## DRAFT UNAUDITED

### Capital Expenditure

During 2012/13 the Council spent £4.987m on capital expenditure. A breakdown by category and sources of finance is shown as Note 36 to the Core Financial Statements on page 93.

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); purchase of Community Safety Equipment and enhancements to the CCTV System.

A total of £4.778m spending originally planned for 2012/13, or earlier, has been deferred to 2013/14. Included within this deferred expenditure, £1,635k enhancement works on HRA dwellings; £560k HRA Environmental Works; £650k Regeneration of Housing Estates; £262k for the HLF project at the Castle, £350k is earmarked for the Mercian Trail; £160k for return on investments and £148k for the Corporate Change Programme

### Provisions, Reserves and Balances

The working balances as at 31<sup>st</sup> March 2013 are £22.991m and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

Working balances of £7.238m relate to capital (including the capital reserve of £4.383m). The £4.778m capital commitments from 2012/13 and previous years carried forward to 2013/14 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 - PWLB) and from the commercial money market (banks, building societies and other lenders). The Councils debt at 31<sup>st</sup> March 2013 was £65.06m (£65.06m 2011/12) and was all borrowed from the PWLB.

### Pensions

The pension fund deficit has increased in the year to £34.415m (2011/12 £28.118m) and is required to be shown on the balance sheet of the Authority. This increase is as a result of less favourable financial assumptions at 31<sup>st</sup> March 2013 than at 31<sup>st</sup> March 2012. Falling bond yields have affected the discount rate used to place a value on the schemes liabilities and though asset returns have been greater than expected, the deficit has grown by some 22.4%. 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 17.6% to 19.6%) arising from the formal valuation on 31<sup>st</sup> March 2010.

## DRAFT UNAUDITED

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

Telephone : 01827 709252.

Email: [john-wheatley@tamworth.gov.uk](mailto: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](http://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.**

## DRAFT UNAUDITED

### 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 Executive Director Corporate Services;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

#### The Executive Director Corporate Services' Responsibilities

The Executive Director Corporate Services 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 Code).

In preparing this Statement of Accounts, the Executive Director Corporate Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Local Authority Code.

The Executive Director Corporate Services 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 expenditure and income for the year ended 31<sup>st</sup> March 2013.

J Wheatley FCCA

Executive Director Corporate Services

Dated: 27<sup>th</sup> June 2013

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



**Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the Housing Revenue Account for council tax setting and dwellings rent setting purposes. The Net Increase /Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and Housing Revenue Account Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

The reserve movements for 2011/12 and 2012/13 are shown on pages 14 to 15.

**DRAFT UNAUDITED**

**Movement in Reserves Statement  
2011/12**

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve HRA Note 3	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 01 April 2011</b>	4,511	6,495	5,087	742	1,907	-	48	18,790	133,082	151,872
<b>Movement in reserves during 2011/12</b>										
(Surplus) or Deficit on the Provision of Services	1,172	-	(45,592)	-	-	-	-	(44,420)	-	(44,420)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(7,283)	(7,283)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>1,172</b>	<b>-</b>	<b>(45,592)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44,420)</b>	<b>(7,283)</b>	<b>(51,703)</b>
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 7)	(804)	-	44,905	-	(131)	-	(4)	43,966	(43,966)	-
<b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>	<b>368</b>	<b>-</b>	<b>(687)</b>	<b>-</b>	<b>(131)</b>	<b>-</b>	<b>(4)</b>	<b>(454)</b>	<b>(51,249)</b>	<b>(51,703)</b>
Transfers to/(from) Earmarked Reserves (Note 8)	(158)	158	87	(87)	-	-	-	-	-	-
<b>Increase / (Decrease) in 2011/12</b>	<b>210</b>	<b>158</b>	<b>(600)</b>	<b>(87)</b>	<b>(131)</b>	<b>-</b>	<b>(4)</b>	<b>(454)</b>	<b>(51,249)</b>	<b>(51,703)</b>
<b>Balance as at 31 March 2012</b>	<b>4,721</b>	<b>6,653</b>	<b>4,487</b>	<b>655</b>	<b>1,776</b>	<b>-</b>	<b>44</b>	<b>18,336</b>	<b>81,833</b>	<b>100,169</b>

**DRAFT UNAUDITED**

**Movement in Reserves Statement  
2012/13**

	General Fund Balance	Earmarked Reserves	Housing Revenue Account	Earmarked HRA Reserves	Capital Receipts Reserve	Major Repairs Reserve HRA Note 3	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Balance as at 01 April 2012</b>	4,721	6,653	4,487	655	1,776	-	44	18,336	81,833	100,169
<b>Movement in reserves during 2012/13</b>										
(Surplus) or deficit on the provision of services	(2,097)	-	6,203	-	-	-	-	4,106	-	4,106
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(3,554)	(3,554)
<b>Total Comprehensive Income &amp; Expenditure</b>	<b>(2,097)</b>	<b>-</b>	<b>6,203</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,106</b>	<b>(3,554)</b>	<b>552</b>
Adjustments between accounting basis & funding basis under regulations (Note 7)	1,695	-	(2,329)	-	(81)	1,112	4	401	(401)	-
<b>Net (Increase) / Decrease before transfers to Earmarked Reserves</b>	<b>(402)</b>	<b>-</b>	<b>3,874</b>	<b>-</b>	<b>(81)</b>	<b>1,112</b>	<b>4</b>	<b>4,507</b>	<b>(3,955)</b>	<b>552</b>
Transfers to/(from) Earmarked Reserves (Note 8)	300	(300)	(3,094)	3,094	-	-	-	-	-	-
<b>Increase / (Decrease) in 2012/13</b>	<b>(102)</b>	<b>(300)</b>	<b>780</b>	<b>3,094</b>	<b>(81)</b>	<b>1,112</b>	<b>4</b>	<b>4,507</b>	<b>(3,955)</b>	<b>552</b>
<b>Balance as at 31 March 2013</b>	<b>4,619</b>	<b>6,353</b>	<b>5,267</b>	<b>3,749</b>	<b>1,695</b>	<b>1,112</b>	<b>48</b>	<b>22,843</b>	<b>77,878</b>	<b>100,721</b>

**Comprehensive Income and Expenditure Statement (CIES)**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

A breakdown of the individual services contained within the CIES headings are detailed within the Appendix to the CIES on page 139.



## DRAFT UNAUDITED

### Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

**DRAFT UNAUDITED**

31 March 2012 £000	<b>Balance Sheet</b>	<b>Notes</b>	31 March 2013 £000
145,609	Property, Plant & Equipment	12	148,157
1,746	Heritage Assets	13	2,582
19,272	Investment Property	14	18,435
101	Intangible Assets	15	124
296	Long Term Investments	16	236
13,301	Long Term Debtors	16	12,961
<b>180,325</b>	<b>Long Term Assets</b>		<b>182,495</b>
7,296	Short Term Investments	16	6,940
25	Inventories	17	31
2,356	Short Term Debtors	18	2,935
9,704	Cash & Cash Equivalents	19	14,701
<b>19,381</b>	<b>Current Assets</b>		<b>24,607</b>
(341)	Cash & Cash Equivalents	19	(415)
(369)	Short Term Borrowing	16	(366)
(5,071)	Short Term Creditors	21	(5,932)
(577)	Provisions	22	(148)
<b>(6,358)</b>	<b>Current Liabilities</b>		<b>(6,861)</b>
(65,060)	Long Term Borrowing	16	(65,060)
(28,118)	Other Long Term Liabilities	23e	(34,415)
(1)	Capital Grants Receipts in Advance	34	(45)
<b>(93,179)</b>	<b>Long Term Liabilities</b>		<b>(99,520)</b>
<b>100,169</b>	<b>Net Assets</b>		<b>100,721</b>
18,336	Usable Reserves		22,843
81,833	Unusable Reserves	23	77,878
<b>100,169</b>	<b>Total Reserves</b>		<b>100,721</b>

The unaudited accounts were issued on 27<sup>th</sup> June 2013.

J Wheatley FCCA

Executive Director Corporate Services

Dated: 27<sup>th</sup> June 2013

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

## DRAFT UNAUDITED

### Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2011/12 £000	Cashflow Statement	Notes	2012/13 £000
44,420	Net (surplus) or deficit on the provision of services		(4,106)
(5,990)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(6,080)
(44,444)	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		1,473
(6,014)	Net cash flows from Operating Activities	24	(8,713)
46,512	Investing Activities	25	1,877
(45,105)	Financing Activities	26	1,913
(4,607)	Net (increase) or decrease in cash & cash equivalents		(4,923)
4,756	Cash & cash equivalents at the beginning of the reporting period		9,363
<b>9,363</b>	<b>Cash &amp; cash equivalents at the end of the reporting period</b>	19	<b>14,286</b>



**DRAFT UNAUDITED**

<b>Notes to the Accounts - Summary</b>	<b>Page</b>
Note 1 Accounting Policies	22
Note 2 Accounting Standards That Have Been Issued but Have Not Yet Been Adopted	49
Note 3 Critical Judgements In Applying Accounting Policies	49
Note 4 Assumptions Made About The Future And Other Major Sources Of Estimation Uncertainty	50
Note 5 Material Items Of Income & Expense	51
Note 6 Events After The Balance Sheet Date	51
Note 7 Adjustments Between Accounting Basis And Funding Basis Under Regulations	53
Note 8 Transfers To / (From) Earmarked Reserves	57
Note 9 Other Operating Expenditure	58
Note 10 Financing & Investment Income & Expenditure	58
Note 11 Taxation & Non Specific Grant Incomes	58
Note 12 Property, Plant & Equipment Assets	59
Note 13 Heritage Assets	63
Note 14 Investment Properties	64
Note 15 Intangible Assets	65
Note 16 Financial Instruments	67
Note 17 Inventories	70
Note 18 Debtors	71
Note 19 Cash & Cash Equivalents	71
Note 20 Assets Held For Sale	71
Note 21 Creditors	71
Note 22 Provisions	72
Note 23 Unusable Reserves	73
Note 24 Cash Flow Statement - Operating Activities	79
Note 25 Cash Flow Statement - Investing Activities	79
Note 26 Cash Flow Statement - Financing Activities	79
Note 27 Amounts Reported For Resource Allocation Decisions	80
Note 28 Acquired & Discontinued Operations	84
Note 29 Trading Operations	85
Note 30 Agency Services	85
Note 31 Members Allowances	85
Note 32 Officers Remuneration	86
Note 33 External Audit Costs	88
Note 34 Grant Income	88
Note 35 Related Parties	89
Note 36 Capital Expenditure & Financing	93
Note 37 Leases	94
Note 38 Impairment Losses	96
Note 39 Termination Benefits	97
Note 40 Defined Benefit Pension Schemes	97
Note 41 Contingent Liabilities	102
Note 42 Contingent Assets	102
Note 43 Nature & Extent Of Risks Arising From Financial Instruments	103

## NOTES TO THE ACCOUNTS

### 1. Accounting Policies

#### 1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2012/13 financial year and its position at the year-end of 31<sup>st</sup> March 2013. The Accounts and Audit Regulations (England) 2011 require the Authority to prepare an Annual Statement of Accounts prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 and the CIPFA Service Reporting Code of Practice 2012/13 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

#### 2. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- a) Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- b) Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority;
- c) Supplies are recorded as expenditure when they are consumed – where considered material, where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- d) Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made;
- e) Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- f) Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## **DRAFT UNAUDITED**

The Council's policy is to review all accruals over £500 together with payments over £5,000 made in March & April to ensure that they are appropriate. Any accruals below this amount are not considered to be material.

### **3. ACQUISITIONS AND DISCONTINUED OPERATIONS**

#### **Acquired operations**

The Authority has not acquired any operations during 2012/13.

#### **Discontinued Operations**

The results of discontinued operations are shown as a single amount on the face of the Comprehensive Income and Expenditure Statement comprising the profit or loss of discontinued operations and the gain or loss recognised either on measurement to fair value less costs to sell or on the disposal of the discontinued operation. A discontinued operation is a unit that has been disposed of, or is classified as held for sale.

### **4. CASH AND CASH EQUIVALENTS**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

### **5. EXCEPTIONAL ITEMS**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Authority's financial performance.

### **6. PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

## **DRAFT UNAUDITED**

### **7. CHARGES TO REVENUE FOR NON CURRENT ASSETS**

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

- a) depreciation attributable to the assets used by the relevant service;
- b) revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and
- c) amortisation of intangible fixed assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement.

### **8. EMPLOYEE BENEFITS**

#### **a) Benefits Payable During Employment**

Short term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. Healthshield cover) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

#### **b) Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards.

## DRAFT UNAUDITED

In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end.

### **c) Post Employment Benefits - The Local Government Pension Scheme**

The pension costs included in these accounts have been determined in accordance with government regulations and IAS 19. The standard requires the full recognition of the pensions liability (and the movement of its constituent parts) in the Comprehensive Income and Expenditure Statement. These requirements are included within the accounts in accordance with CIPFA recommended practice. Note 40 to the Core Financial Statements on page 97 refers.

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 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:

- i. The liabilities of the Staffordshire Local Government Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- ii. Liabilities are discounted to their value at current prices, using a discount rate of 4.5% (based on the single average gilt yield which gives the same present value as the gilt curve applied to the cash flows of a typical LGPS employer with a duration of around 20 years plus the median 'credit spread' applying to AA corporate bonds within the iBoxx Over 15 Years Index). This is no longer consistent with the iBoxx Index yield.
- iii. The assets of Staffordshire Local Government Pension Fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price;
  - unquoted securities – professional estimate;
  - unitised securities – current bid price;
  - property – market value.

## DRAFT UNAUDITED

iv. The change in the net pensions liability is analysed into seven components:

- **Current Service Cost:** The increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- **Past Service Cost:** The increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- **Interest Cost:** The expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **Expected Return on Assets:** The annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement;
- **Gains or Losses on Settlements and Curtailments:** The result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs;
- **Actuarial Gains and Losses:** Changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Pensions Reserve; and
- **Contributions paid to the Staffordshire Local Government Pension Fund:** Cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund and the Housing Revenue Account to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund and Housing Revenue Account of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

## **DRAFT UNAUDITED**

### **d) Discretionary Benefits**

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

### **e) Pension Estimation Techniques**

Staffordshire County Council, the Administering Authority to the Staffordshire County Council Pension Fund instructed Hymans Robertson LLP, an independent firm of actuaries, to undertake pension expense calculations on behalf of Tamworth Borough Council for the purpose of complying with International Accounting Standard 19 'Employee Benefits' (IAS19) for the period ending 31<sup>st</sup> March 2013.

The calculations have been carried out in accordance with the Pensions Technical Actuarial Standards (TAS) adopted by the Financial Reporting Council, which came into effect on 1<sup>st</sup> January 2013 and TAS D – Data, TAS M – Modelling and TAS R – Reporting.

In order to assess the value of the Fund's liabilities as at 31<sup>st</sup> March 2013, 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 IAS 19. In calculating the current service cost, changes in the pensionable payroll have been allowed for, estimated from either contribution or payroll information provided. In calculating the asset share, the share of the assets allocated as at the latest valuation, 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. Note 40 to the Core Financial Statements on page 97 has been prepared on the basis of these disclosures.

It is not possible to assess the accuracy of the estimated rolled-forward liability as at 31<sup>st</sup> March 2013 without conducting a full valuation. The estimated liability will not reflect differences in demographic experience from that assumed (e.g. early retirements) or the impact of differences between aggregate changes in salary and pension and changes for specific individuals.

As required under IAS 19, the projected unit credit 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 mortality assumptions adopted are consistent with those used for the formal funding valuation as at 31<sup>st</sup> March 2010.

The post-retirement mortality assumptions used are in line with the Actuary's Club Vita analysis which was carried out for the formal funding valuation as at 31<sup>st</sup> March 2010. These are a bespoke set of VitaCurves that are specifically tailored to fit the membership profile of the fund and are based on the data provided for the purposes of the last formal valuation. Medium cohort improvements and a 1% p.a. underpin, both from 2007, have also been applied.

## DRAFT UNAUDITED

The other demographic assumptions adopted (e.g. commutation, pre-retirement mortality) are the same as those used for the formal funding valuation as at 31<sup>st</sup> March 2010.

The financial assumptions used to calculate the components of the pension expense for the year ended 31<sup>st</sup> March 2013 were those from the beginning of the year (i.e. 31<sup>st</sup> March 2012) and have not been changed during the year. The financial assumptions used for the purposes of the IAS 19 calculations are detailed in Note 40 to the Core Financial Statements on page 97.

IAS 19 states that the discount rate used to place a value on the liabilities should be 'determined by reference to market yields at the end of the reporting period on high quality corporate bonds. It further states that 'the currency and term of the corporate bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations'.

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 17 years based on a discount rate of 6.1% p.a.).

An assessment has been performed on whether the iBoxx Over 15 Years Index remains appropriate for use in IAS 19 calculations for LGPS funds. It considered the single average gilt yield which gives the same present value as the gilt curve applied to the cash flows of a typical LGPS employer, plus the median 'credit spread' applying to AA corporate bonds within the iBoxx Over 15 Years Index. It concluded that the single average gilt yield when added to the median credit spread on AA corporate bonds, was not consistent with the iBoxx yield at the same date. Therefore the discount rate is no longer equivalent to the gross redemption yield on the iBoxx Sterling Corporates AA Over 15 Years Index at the IAS 19 accounting date and this is consistent with the approach taken in 2011/12.

For the 2012/13 financial year the discount rate derived from corporate bond yields as at 31<sup>st</sup> March 2013 was 4.5% p.a.

In previous years, the inflation assumption (which the assumptions for salary growth and pension increases rely on) was derived by considering the difference in yields available on traditional fixed interest and index-linked Government Bonds. For consistency with the above discount rate assumption, the inflation assumption is derived from the Bank of England implied inflation curve and is set equal to the average rate appropriate for a typical LGPS employer.

The pension increase assumption for 2012/13, as with the accounting exercise in the previous year, will be in line with the Consumer Prices Index (CPI). The CPI assumption will be calculated as RPI less 0.8% p.a., with RPI being calculated as outlined above.

The salary increase assumption has taken into account the Government's public sector pay restraints (originally announced in June 2010 and then extended in November 2011).



## **DRAFT UNAUDITED**

The salary increase assumption is therefore 1% p.a. until 31<sup>st</sup> March 2015, reverting to RPI plus 1.5% thereafter. This is consistent with the approach taken in 2011/12.

The expected return on assets is based on the long term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31<sup>st</sup> March 2012).

IAS 19 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 40 to the Core Financial Statements on page 97.

### **9. EVENTS AFTER THE BALANCE SHEET DATE**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period (30<sup>th</sup> June) and the date when the Statement of Accounts is authorised for issue (30<sup>th</sup> September). Two types of events can be identified:

- a) those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- b) those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **10. FINANCIAL INSTRUMENTS**

#### **a) Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/ settlement.

## DRAFT UNAUDITED

However, where any repurchase takes place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid (up to a maximum of 10 years for the Housing Revenue Account).

The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund or Housing Revenue Account is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

### b) 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 recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority 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 Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

## DRAFT UNAUDITED

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 Comprehensive Income and Expenditure Statement in line with advice and information from the administrators.

### ○ **Available for Sale Assets**

Available for sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement 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 Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority. Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis;

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

## **DRAFT UNAUDITED**

### **○ Instruments Entered Into Before 1<sup>st</sup> April 2006**

The Authority 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 to the extent that provisions might be required or a contingent liability note is needed under the policies set out in the section on Provisions, Contingent Liabilities and Contingent Assets.

### **11. FOREIGN CURRENCY TRANSLATION**

Where the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **12. GOVERNMENT GRANTS AND CONTRIBUTIONS**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- a) the Authority will comply with the conditions attached to the payments, and
- b) the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## DRAFT UNAUDITED

### 13. HERITAGE ASSETS

Heritage Assets are assets that are held by the Council because of their cultural, environmental or historical value. Tangible Heritage Assets include historical buildings, paintings, sculptures / statues, archives and other works of art.

The Authority's Museum, Art and Civic Heritage Assets are held in various sites. The Museum Collection has four main collections, General Collection, Art, Furniture and Archaeological Collection & Ephemera. The collections are used for education, learning, research, enjoyment and are preserved for the use of future generations.

#### ○ Valuation of Heritage Assets

The Code requires that Heritage Assets are measured at valuation in the 2012/13 financial statements (including the 2011/12 comparative information). The Council will recognise in the Balance Sheet each asset shown in the table which has an identified value.

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below.

The accounting policies in relation to Heritage Assets that are deemed to include elements of intangible Heritage Assets are also presented below.

- **General Collection:** Tamworth Castle has held collections and maintained a museum since it was purchased for the Borough in 1897. The collections are crucial for maximising access to and understanding of Tamworth's heritage. These items are reported in the balance sheet at insurance valuation which is based on Market values. Acquisitions, although rare, are initially recognised at cost.
- **Art Collection:** The collection consists principally of views of Tamworth by local artists although some are nationally recognised. The mediums covered include oil, watercolour, lithographs, mezzotints and prints. These too are reported in the balance sheet at insurance valuation based on Market values.
- **Archaeological Collection & Ephemera:** The archaeological collection consists mainly of finds from various excavations local to Tamworth, usually as a result of building development around Tamworth Castle site but also in the town and further afield. These are not recognised on the Balance Sheet as cost or valuation information is not reliable for items of this type due to the diverse nature, and lack of comparable market values for the assets held.
- **Civic Collection and Statues:** The Authority's Civic Collection and Statues were valued in April 2012 by external valuers. These assets are deemed to have an indeterminate life with high residual values; hence the Authority does not consider it appropriate to charge depreciation.
- **Tamworth Castle:** The castle dates from c1070 but has been updated and modernised during the interim period. The current value is based on historic cost but there are regular works to maintain the property.

## DRAFT UNAUDITED

### • Heritage Assets – General

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, e.g. where an item has suffered physical deterioration or breakage, or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Authority's general policies on impairment. There will be the occasional disposal of Heritage Assets which have a doubtful provenance or are unsuitable for public display.

Disposals will be made in line with the Authority's policy on acquisitions and disposals. The proceeds of such items are accounted for in accordance with the authority's general provisions relating to the disposal of Property, Plant and Equipment except where specified in the acquisition and disposal policy. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

### 14. INTANGIBLE ASSETS

Expenditure on non monetary assets that do not have physical substance but are controlled by the Authority as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure over a de minimus level of £10,000 is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. In practice, no intangible asset held by the Authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on Intangible Assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance.

## **DRAFT UNAUDITED**

The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

### **15. INTERESTS IN COMPANIES AND OTHER ENTITIES**

The Council has no material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities that would require it to prepare group accounts.

### **16. INVENTORIES AND LONG TERM CONTRACTS**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **17. INVESTMENT PROPERTY**

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

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

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

### **18. JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS**

Jointly controlled operations are activities undertaken by the Authority in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Authority recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure its incurs and the share of income it earns from the activity of the operation.

## DRAFT UNAUDITED

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Authority and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Authority accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

### 19. LEASES (IAS 17)

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

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

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

#### a) The Authority as Lessee

##### i. Finance Leases

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

Lease payments are apportioned between:

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

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Authority is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets.



## **DRAFT UNAUDITED**

Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### ***ii. Operating Leases***

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

## **b) The Authority as Lessor**

### ***i. Finance Leases***

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal.

At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

A gain, representing the Authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal), matched by a lease (long term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

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

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

## **DRAFT UNAUDITED**

Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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

### ***ii. Operating Leases***

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

### **c) Statutory Requirements**

Regulations were introduced in England and Wales after the publication of the 2012/13 Code that mitigated the impact of lease reclassification on income received when an authority was acting as a lessor. This means that income received under a lease that was reclassified on transition to IFRS continues to be treated as either a capital receipt or as revenue income according to its status prior to reclassification.

Where a lease has been reclassified as a finance lease on transition to IFRS, income received under the lease continues to be treated as revenue income – and transferred from the capital receipt to the General Fund and reported in the Movement in Reserves Statement.

Where a lease has been reclassified as an operating lease on transition to IFRS, any income that would, prior to the reclassification, have been treated as a capital receipt is transferred from the General Fund to the Capital Receipts Reserve, and reported in the Movement in Reserves Statement.

## DRAFT UNAUDITED

### 20. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation;
- Non Distributed Costs – impairment losses chargeable on Assets Held for Sale.

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

### 21. PROPERTY, PLANT AND EQUIPMENT

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

#### a) Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, subject to a de minimus level of £10,000, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### b) Measurement

Assets are initially measured at cost, comprising:

- i. the purchase price;
- ii. any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management;
- iii. the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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

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

## DRAFT UNAUDITED

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

- i. Infrastructure, Community Assets and Assets Under Construction – depreciated historical cost;
- ii. Dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH);
- iii. all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (Existing Use Value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, Depreciated Replacement Cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service).

Where decreases in value are identified, they are accounted for by:

- i. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down firstly against that balance (up to the amount of the accumulated gains); & then
- ii. where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### **c) Impairment**

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

Where the Council has incurred capital expenditure on Council dwellings this is included within the Gross Book Value (GBV) and where it is not considered to add value it is included as impairment. These impairments are subject to write out following a full revaluation exercise (on a 5 yearly basis).

## DRAFT UNAUDITED

During the year a review of garage sites was undertaken and several areas identified for disposal and redevelopment. Where the decision had been made to dispose of a garage site, the value of the buildings element has been impaired to zero leaving only a residual land value.

Where impairment losses are identified, they are accounted for by:

- i. where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down firstly against that balance (up to the amount of the accumulated gains); & then
- ii. where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

### d) Depreciation

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

Depreciation is calculated on the following bases:

- i. **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 50 years.
- ii. **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.
- iii. **Vehicles, Plant and Equipment:** 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.
- iv. **Infrastructure:** Depreciation is calculated on a straight line basis to a nil residual value over the expected useful life of the asset of 30 years.
- v. **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.
- vi. **Heritage Assets:** The Council considers that the Heritage Assets held will have indeterminate lives and a high residual value; hence the Council does not consider it appropriate to charge depreciation for the assets.
- vii. **Computer Hardware:** Computer hardware is depreciated over a period of 3 years on a straight line basis to a nil residual value.

## DRAFT UNAUDITED

- viii. **Investment Properties & Surplus Assets:** No depreciation has been applied to either the land or building value of Investment Properties or Surplus Assets
- ix. **Intangible Fixed Assets:** Software - Computer software licences are amortised to revenue over a period of 3 years.
- x. Furniture and equipment owned by the Council is charged to revenue in the year of acquisition and is not capitalised in the accounts.
- xi. 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 Comprehensive Income and Expenditure Statement in cases where the asset was acquired by way of a finance lease.

Where an item of Property, Plant and Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately – as detailed within the Component Accounting Policy for Property, Plant and Equipment.

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

### **e) Disposals and Non Current Assets Held for Sale**

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

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

## DRAFT UNAUDITED

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale. When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the Capital Financing Requirement). Receipts are appropriated to the Capital Receipts Reserve from the General Fund or Housing Revenue Account in the Movement in Reserves Statement. For 2012/13 £305k was paid over in respect to Government pooling (see the Comprehensive Income & Expenditure Statement on page 16).

The written off value of disposals is not a charge against council tax or housing rents, 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 General Fund or Housing Revenue Account in the Movement in Reserves Statement.

### **f) Component Accounting Policy for Property, Plant and Equipment**

#### **i. De Minimus Level**

The de minimus threshold for Tamworth Borough Council is a current net book value of £250k. Individual assets with a value less than £250k will be disregarded for componentisation. This level will be reviewed annually.

#### **ii. Policy for Componentisation**

The code requires that each part of an asset should be separately identified and depreciated where the cost is significant in relation to the overall cost of the asset.

Cost is defined as the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of acquisition or construction.

To be separately identified as a component, an element of an asset must meet the following criteria:

- have a cost of at least 20% of the cost of the overall asset and
- have a materially different useful life (at least 20% different) and/or
- have a different depreciation method that materially affects the amount charged

## **DRAFT UNAUDITED**

Land and Buildings will be componentised between the two elements where this has not already been done, subject to the de minimus level being considered.

A component can either be part of an individual structure, such as roofs, windows, heating systems or a complete building where many buildings are held as a single asset such as the Council offices.

Where individual assets are beneath the de minimus threshold but collectively are above, they should be considered for componentisation where they are generally treated together elsewhere.

Where components are identified, they will be set up separately in the asset register and have individual values, useful lives and depreciation methods recorded.

The componentisation policy will be applied to new capital spend and new assets with a total cost of over £250k will be considered under the componentisation policy as follows:

- when an asset is enhanced, the cost of the replacement component is compared with the cost of the total asset and the result is measured against the agreed de minimus threshold;
- When an asset is acquired: the cost of any component parts are compared with the overall cost of the new asset and the results assessed against the agreed de minimus threshold;

When such an asset is revalued: the cost of the component part is measured against the cost of the total asset and the result compared with the agreed de minimus threshold.

Car Parks without structures on them (excluding ticket machines) are considered to be one component.

### **iii. Valuation**

The 5 year valuation cycle remains and therefore componentisation needs to be considered for each asset in the portfolio.

In addition in each financial year, a list of assets that have had capital expenditure incurred will be passed to the finance team and/or valuers who can consider componentisation for any properties not already reviewed.

### **iv. Impairment**

We will continue to complete a desktop Impairment review on an annual basis.



## DRAFT UNAUDITED

### 22. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

#### a) Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

#### b) Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

#### c) Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **23. RESERVES**

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

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies. Details can be found in Note 8 to the Core Financial Statements on page 57.

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 23 to the Core Financial Statements on page 73.

### **24. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a Non Current Asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund or Housing Revenue Account to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax or housing rent.

### **25. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

### **26. 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.

## **DRAFT UNAUDITED**

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.

### **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 £24k within the General Fund plus £56k relating to the repayment of Icelandic Capitalisation debt. Under the Act no MRP is chargeable to the Housing Revenue Account.

### **27. ACCOUNTING FOR COUNCIL TAX**

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).

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

### **28. ACCOUNTING FOR NATIONAL NON DOMESTIC RATES**

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 does not recognise NNDR debtors in its' balance sheet but instead recognises a creditor or debtor for the net balance due to or from the Government.

### **29. INTEREST**

All interest earned is credited to the Comprehensive Income & Expenditure Statement 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.

## **DRAFT UNAUDITED**

The long term and current parts of individual instruments (including Interest accruals on loans or investments) are required to 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.

### **30. SERVICE REPORTING CODE OF PRACTICE (SeRCOP)**

SeRCOP 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.

### **31. GROUP ACCOUNTS**

In accordance with the requirements of the Code, 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 2012/13.

## **2. Accounting Standards That Have Been Issued but Have Not Yet Been Adopted**

The Code of Practice on Local Council Accounting in the United Kingdom 2012/13 (the Code) has introduced several changes in accounting policies which will be required from 1<sup>st</sup> April 2013, the following changes are not considered to have a significant impact on the Statement of Accounts as demonstrated below:

- IAS 1 Presentation of Financial Statements - The changes require authorities to disclose separately the gains or losses reclassifiable into the Surplus or Deficit on the Provision of Services. The gains and losses are separately identified on the Comprehensive Income and Expenditure Statement and therefore no further disclosure required;
- IAS 12 Income taxes - This change in the accounting policy particularly affects investment properties. It is not considered that this change will affect the Statement of Accounts;
- IFRS 7 Financial Instruments: Disclosures - The change in accounting policy is in relation to the offsetting of financial assets and liabilities. In future, the cash and cash equivalents line on the balance sheet will need to include the bank overdraft, which is currently shown separately on the balance sheet and in Note 19;
- IAS 19 Employee Benefits - There have been several significant changes for accounting years starting on or after 1 January 2013 and this will affect the budgeted pension expense for the next financial year. The key change affecting LGPS employers relates to the expected return on assets. Advance credit for anticipated outperformance of return seeking assets (such as equities) will no longer be permitted. The expected return on assets is currently credited to profit and loss, however from 2013 this is effectively replaced with an equivalent figure calculated using the discount rate (as opposed to that calculated using the Expected Return on Assets assumption). For 2012/13 this would result in a £467k expense increase in the CIES.

## **3. Critical Judgements in Applying Accounting Policies**

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision;
- The level and timing of recovery of Icelandic Deposits – as detailed in Note 43 on page 103.

#### 4. Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

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

The items in the Authority's Balance Sheet at 31<sup>st</sup> March 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.	Adjustment to the level of liability on the balance sheet. During the year the overall liability increased from £28.1m to £34.4m (following an increase from £22.5m to £28.1m in 2011/12) – see note 40 on page 97.
Property ,Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for Council dwellings would increase by c.£30k for every year that useful lives had to be reduced.

This list does not include assets and liabilities that are carried at fair value based on a recently observed market price.

## 5. Material Items of Income and Expense

The Statement of Accounts includes the following material items of income and expenditure:

### a) Tamworth Golf Course

Tamworth Borough Council own the freehold to an 18 hole golf course at Amington. Following a tender process in 2006, Tamworth Golf Centre (Jack Barker Golf) was appointed the lease and an operating agreement in 2007. The Council received a rental payment from the company, which was responsible for operating the golf course and was required to invest in the facilities. Tamworth Golf Centre entered a company voluntary arrangement, and the Council agreed to a reduction in the rental payment and a renegotiation of the terms of the lease, in 2012. However, the company entered into liquidation in February 2013. At a meeting of the Council's Cabinet on 26<sup>th</sup> March, it was resolved that the Council would operate the Golf Course for an interim period whilst considering the longer term sustainability of the course.

As a result, the accounting entries for the lease arrangement (for the buildings element) have been reversed (approx. £300k) and the asset recognised on the balance sheet – at a reduced value reflecting its use as an operational asset. This is reflected within the Cultural & Related Services line of the CIES.

### b) Pension Fund

The pension fund deficit has increased in the year to £34.415m (2011/12 £28.118m) as financial assumptions are less favourable at 31<sup>st</sup> March 2013 than the previous year - this is required to be shown on the balance sheet of the Authority. The increased liability is as a result of a fall in the net discount rate of around 0.3% which was partially offset by greater than anticipated asset returns – as reflected in the Actuarial Gains / Losses on Pension Assets / Liabilities line of the Comprehensive Income & Expenditure Account.

## 6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director Corporate Services on 27<sup>th</sup> June 2013. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2013, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31<sup>st</sup> March 2013 as they provide information that is relevant to an understanding of the Authority's financial position but do not relate to conditions at that date.

### a) Business Rates Reform

With effect from 1<sup>st</sup> April 2013, local government funding has changed significantly, with local authorities retaining a proportion of the business rates generated in their area.

## DRAFT UNAUDITED

Business rates retention also means that local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list. This will include amounts that were paid to Central Government in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the authorities, but would have been transferred to DCLG.

The Valuation Office deals with appeals against Business Rates – the local authority has no control over the decision or the timing. The latest information from the Valuation Office indicates that there are outstanding appeals covering a Rateable Value of £26m equating to an annual charge of £12m after the appropriate multiplier has been applied. The appeals cover both the 2005 and 2010 revaluations so any successful appeals would also be backdated to the date the appeal was submitted.

However, it is not possible to reliably estimate how many appeals will be successful and what proportion of the rateable value will be affected. The timing of decisions and any resulting interest due are also unknown. The financial impact of any successful appeals will be split between the Council, the County Council, the Fire & Rescue Authority and Central Government in proportion to the local and central shares of business rates.

For the purposes of the Statement of Accounts, an estimate has been made for the proportion of successful claims and the likely reduction in Rateable Value that would apply.

This equates to a potential liability of £1.5m, which would be split as follows:

Authority	Respective Share %	Potential Liability £'000
Tamworth Borough Council	40%	600
County Council	9%	135
Fire & Rescue Authority	1%	15
Department for Communities and Local Government (DCLG)	50%	750

### b) Deposits with Icelandic Banks

Since 31<sup>st</sup> March 2013, the Authority has received the following additional repayments:

Date	KSF £
06/06/2013	95,258





**DRAFT UNAUDITED**

**Adjustments between Accounting Basis and Funding Basis under Regulations**

Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals

Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool

Transfer from Deferred Capital Receipts Reserve upon receipt of cash

**Adjustment primarily involving the Deferred Capital Receipts Reserve:**

Finance Leases

Transfer of Kickstart loans from Birmingham City Council

**Adjustments primarily involving the Major Repairs Reserve:**

Reversal of Major Repairs Allowance credited to the HRA

Use of the Major Repairs Reserve to finance new capital expenditure

**Adjustment primarily involving the Financial Instruments Adjustment Account:**

Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements

**Adjustments primarily involving the Pensions Reserve:**

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 40)

Employer's pensions contribution and direct payments to pensioners payable in the year.

**Adjustment primarily involving the Collection Fund Adjustment Account:**

Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

**Adjustment primarily involving the Accumulated Absences Account:**

Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

**Total Adjustments 2012/13**

	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals	-	(23)	23	-	-	-
Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool	(305)	-	305	-	-	-
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(8)	-	-	8
<b>Adjustment primarily involving the Deferred Capital Receipts Reserve:</b>						
Finance Leases	(303)	-	-	-	-	303
Transfer of Kickstart loans from Birmingham City Council	-	-	-	-	-	-
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	4,477	-	(4,477)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	3,365	-	(3,365)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	2	-	-	-	(2)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 40)	(1,772)	(484)	-	-	-	2,256
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,167	306	-	-	-	(1,473)
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3	-	-	-	-	(3)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(14)	2	-	-	-	12
<b>Total Adjustments 2012/13</b>	<b>(1,695)</b>	<b>2,329</b>	<b>81</b>	<b>(1,112)</b>	<b>(4)</b>	<b>401</b>

**DRAFT UNAUDITED**

**Adjustments between accounting basis and funding basis under regulations**

**2011/12**

**Adjustments primarily involving the Capital Adjustment Account:**

**Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:**

Charges for depreciation & impairment of Non-Current Assets

General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Unusable Reserves
£000	£000	£000	£000	£000	£000
(570)	(6,315)	-	-	-	6,885
(191)	1,436	-	-	-	(1,245)
(119)	-	-	-	-	119
(80)	-	-	-	-	80
372	-	-	-	-	(372)
(439)	(44,668)	-	-	-	45,107
(10)	(177)	-	-	-	187
81	-	-	-	-	(81)
2,147	-	-	-	-	(2,147)
2	1,704	-	-	-	(1,706)
2	-	-	-	(2)	-
-	-	-	-	6	(6)
12	395	(407)	-	-	-
-	-	247	-	-	(247)
-	(3)	3	-	-	-
(291)	-	291	-	-	-

Revaluation losses on Property Plant & Equipment  
Movements in the market value of Investment Properties

Amortisation of Intangible Assets

Capital grants and contributions applied  
Revenue Expenditure Funded from Capital Under Statute

Amounts on Non-Current Assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement

**Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement:**

Statutory provision for the financing of capital investment - Minimum Revenue Provision

Statutory provision for the financing of capital investment - Voluntary Revenue Provision

Capital expenditure charged against the General Fund & HRA balances

**Adjustments primarily involving the Capital Grants Unapplied Account:**

Capital grants and contributions unapplied credited to the Comprehensive Income & Expenditure Statement

Application of grants to capital financing transferred to the Capital Adjustment Account

**Adjustments primarily involving the Capital Receipts Reserve:**

Transfer of cash sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income & Expenditure Statement

Use of the Capital Receipts Reserve to finance new capital expenditure

Contribution from the Capital Receipts Reserve towards administrative costs of Non-Current Asset disposals

Contribution from the Capital Receipts Reserve to finance the payments to the Government Capital Receipts Pool

**DRAFT UNAUDITED**

**Adjustments between accounting basis and funding basis under regulations**

Transfer from Deferred Capital Receipts Reserve upon receipt of cash

**Adjustment primarily involving the Deferred Capital Receipts Reserve:**

Finance Leases

Transfer of Kickstart loans from Birmingham City Council

**Adjustments primarily involving the Major Repairs Reserve:**

Reversal of Major Repairs Allowance credited to the HRA

Use of the Major Repairs Reserve to finance new capital expenditure

**Adjustment primarily involving the Financial Instruments Adjustment Account:**

Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements

**Adjustments primarily involving the Pensions Reserve:**

Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 40)

Employer's pensions contribution and direct payments to pensioners payable in the year.

**Adjustment primarily involving the Collection Fund Adjustment Account:**

Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements

**Adjustment primarily involving the Accumulated Absences Account:**

Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements

**Total Adjustments 2011/12**

	Usable Reserves					Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£000
Transfer from Deferred Capital Receipts Reserve upon receipt of cash			(3)			3
<b>Adjustment primarily involving the Deferred Capital Receipts Reserve:</b>						
Finance Leases	165	-	-	-	-	(165)
Transfer of Kickstart loans from Birmingham City Council	93	-	-	-	-	(93)
<b>Adjustments primarily involving the Major Repairs Reserve:</b>						
Reversal of Major Repairs Allowance credited to the HRA	-	2,833	-	(2,833)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	2,833	-	(2,833)
<b>Adjustment primarily involving the Financial Instruments Adjustment Account:</b>						
Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	-	10	-	-	-	(10)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement (see Note 40)	(1,606)	(423)	-	-	-	2,029
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,233	311	-	-	-	(1,544)
<b>Adjustment primarily involving the Collection Fund Adjustment Account:</b>						
Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	7	-	-	-	-	(7)
<b>Adjustment primarily involving the Accumulated Absences Account:</b>						
Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(4)	(8)	-	-	-	12
<b>Total Adjustments 2011/12</b>	<b>804</b>	<b>(44,905)</b>	<b>131</b>	<b>-</b>	<b>4</b>	<b>43,966</b>

**DRAFT UNAUDITED**

## 8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2012/13.

Transfers to / (from) Earmarked Reserves	Balance at 01 Apr 2011 £000	Transfers out 2011/12 £000	Transfers in 2011/12 £000	Balance at 31 Mar 2012 £000	Transfers out 2012/13 £000	Transfers in 2012/13 £000	Balance at 31 Mar 2013 £000
<b>General Fund:</b>							
Future Capital Expenditure	1,220	(17)	38	1,241	(89)	-	1,152
Temporary Reserves	961	(439)	910	1,432	(760)	259	931
Retained Funds	2,231	(1,003)	675	1,903	(664)	868	2,107
Repairs & Renewals	256	-	3	259	-	-	259
Commuted Sums	1,492	(50)	26	1,468	(31)	77	1,514
Other Reserves	335	(381)	396	350	-	40	390
<b>Total</b>	<b>6,495</b>	<b>(1,890)</b>	<b>2,048</b>	<b>6,653</b>	<b>(1,544)</b>	<b>1,244</b>	<b>6,353</b>
<b>HRA:</b>							
Future Capital Expenditure	391	(1,704)	1,587	274	-	2,957	3,231
Temporary Reserves	217	(160)	173	230	(171)	108	167
Retained Funds	134	-	17	151	(4)	204	351
<b>Total</b>	<b>742</b>	<b>(1,864)</b>	<b>1,777</b>	<b>655</b>	<b>(175)</b>	<b>3,269</b>	<b>3,749</b>

**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.

**DRAFT UNAUDITED**

**9. Other Operating Expenditure**

2011/12 £000	Other Operating Expenditure	2012/13 £000
292	Payments to the Government Housing Capital Receipts Pool	305
(218)	(Gains) / losses on the disposal of non-current assets	5
<b>74</b>	<b>Total</b>	<b>310</b>

**10. Financing and Investment Income and Expenditure**

2011/12 £000	Financing & Investment Income & Expenditure	2012/13 £000
1,435	Interest payable and similar charges	2,976
533	Pensions interest cost and expected return on pensions assets	881
(411)	Interest receivable and similar income	(451)
(851)	Finance Lease Income	(844)
(1,116)	Income) and expenditure in relation to investment properties and changes in their fair value	(2,292)
(2,375)	Investment impairment	(36)
<b>(2,785)</b>	<b>Total</b>	<b>234</b>

The substantial increase in interest payable is due to the Authority being required to take an additional £44.7m of borrowing to fund the HRA Self Financing settlement following the abolition of the HRA national subsidy system on 1<sup>st</sup> April 2012. The Authority's previous obligation to pay approximately £3.4m per annum to central Government as part of the subsidy system has now been removed.

Following return of the majority of deposits placed with Glitnir during March 2012, a substantial reversal of the impairment of £2.4m was shown in 2011/12.

**11. Taxation and Non Specific Grant Income**

2011/12 £000	Taxation & Non-specific Grant Incomes	2012/13 £000
3,509	Council tax income	3,526
3,983	Non domestic rates	4,603
1,497	Non-ringfenced government grants	710
373	Capital grants and contributions	935
<b>9,362</b>	<b>Total</b>	<b>9,774</b>

**DRAFT UNAUDITED**

**12. Property, Plant and Equipment**

<b>Movement in 2012/13</b>	<b>Council Dwellings £000</b>	<b>Other Land &amp; Buildings £000</b>	<b>Vehicles, Plant, Furniture and Equipment £000</b>	<b>Infrastructure Assets £000</b>	<b>Community Assets £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Cost or Valuation</b>						
<b>At 01 April 2012</b>	<b>133,672</b>	<b>20,751</b>	<b>3,809</b>	<b>378</b>	<b>803</b>	<b>159,413</b>
Additions	3,365	22	126	-	-	3,513
Accumulated Depreciation and Impairment written off to Gross Carrying Amount	(15,610)	(113)	-	-	-	(15,723)
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,747	246	-	-	-	1,993
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on the Provision of Services	3,109	(1,875)	-	-	-	1,234
Derecognition - Disposals	(536)	-	(662)	-	-	(1,198)
Assets reclassified (to)/ from Investment Property	-	2,135	-	-	-	2,135
<b>At 31 March 2013</b>	<b>125,747</b>	<b>21,166</b>	<b>3,273</b>	<b>378</b>	<b>803</b>	<b>151,367</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
<b>At 01 April 2012</b>	<b>(10,422)</b>	<b>(519)</b>	<b>(2,711)</b>	<b>(151)</b>	<b>(1)</b>	<b>(13,804)</b>
Depreciation Charge	(1,833)	(402)	(144)	(13)	-	(2,392)
Accumulated Depreciation and Impairment written off to Gross Carrying Amount	15,610	113	-	-	-	15,723
Impairment losses/ (reversals) recognised in the Revaluation Reserve	-	(33)	-	-	-	(33)
Impairment losses/ (reversals) recognised in the Surplus/ Deficit on the Provision of Services	(3,365)	(10)	-	-	(1)	(3,376)
Derecognition - disposals	10	-	662	-	-	672
<b>At 31 March 2013</b>	<b>-</b>	<b>(851)</b>	<b>(2,193)</b>	<b>(164)</b>	<b>(2)</b>	<b>(3,210)</b>
<b>Net Book Value</b>						
at 31 March 2012	123,250	20,232	1,098	227	802	145,609
<b>at 31 March 2013</b>	<b>125,747</b>	<b>20,315</b>	<b>1,080</b>	<b>214</b>	<b>801</b>	<b>148,157</b>
<b>Nature of Holdings at year end</b>						
Owned	125,747	20,315	1,080	214	801	148,157

**DRAFT UNAUDITED**

<b>Comparative Movement in 2011/12</b>	<b>Council Dwellings</b>	<b>Other Land &amp; Buildings</b>	<b>Vehicles, Plant, Furniture and Equipment</b>	<b>Infrastructure Assets</b>	<b>Community Assets</b>	<b>Total Property, Plant &amp; Equipment</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>						
<b>At 01 April 2011</b>	<b>128,869</b>	<b>23,990</b>	<b>3,901</b>	<b>378</b>	<b>703</b>	<b>157,841</b>
Additions	4,537	33	59	-	21	<b>4,650</b>
Accumulated Depreciation and Impairment written off to Gross Carrying Amount	(1,249)	(141)	-	-	(4)	<b>(1,394)</b>
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	258	(2,515)	-	-	(6)	<b>(2,263)</b>
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on the Provision of Services	1,436	(286)	-	-	99	<b>1,249</b>
Derecognition - Disposals	(179)	-	(151)	-	(10)	<b>(340)</b>
Assets reclassified (to)/ from Investment Property	-	(330)	-	-	-	<b>(330)</b>
<b>At 31 March 2012</b>	<b>133,672</b>	<b>20,751</b>	<b>3,809</b>	<b>378</b>	<b>803</b>	<b>159,413</b>
<b>Accumulated Depreciation &amp; Impairment</b>						
<b>At 01 April 2011</b>	<b>(5,435)</b>	<b>(238)</b>	<b>(2,641)</b>	<b>(139)</b>	<b>(5)</b>	<b>(8,458)</b>
Depreciation and Impairment Charge	(1,702)	(407)	(221)	(12)	-	<b>(2,342)</b>
Accumulated Depreciation and Impairment written off to Gross Carrying Amount	1,249	141	-	-	4	<b>1,394</b>
Impairment losses/ (reversals) recognised in the Revaluation Reserve	-	(14)	-	-	-	<b>(14)</b>
Impairment losses/ (reversals) recognised in the Surplus/ Deficit on the Provision of Services	(4,537)	(4)	-	-	-	<b>(4,541)</b>
Derecognition - disposals	3	-	151	-	-	<b>154</b>
Assets reclassified (to)/ from Investment Property	-	3	-	-	-	<b>3</b>
<b>At 31 March 2012</b>	<b>(10,422)</b>	<b>(519)</b>	<b>(2,711)</b>	<b>(151)</b>	<b>(1)</b>	<b>(13,804)</b>
<b>Net Book Value</b>						
at 31 March 2011	123,434	23,752	1,260	239	698	149,383
at 31 March 2012	<b>123,250</b>	<b>20,232</b>	<b>1,098</b>	<b>227</b>	<b>802</b>	<b>145,609</b>
<b>Nature of Holdings at year end</b>						
Owned	123,250	20,232	1,098	227	802	<b>145,609</b>



a) Depreciation

*i) 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 50 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 and Equipment:** 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.

**Infrastructure:** 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:** No depreciation has been applied to either the land or building value of Investment Properties.

**Heritage Assets:** No depreciation has been applied.

*ii) Intangible Fixed Assets:*

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

## DRAFT UNAUDITED

### b) Capital Commitments

At 31<sup>st</sup> March 2013, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £9.060m. Similar commitments at 31<sup>st</sup> March 2012 were £8.001m. The major commitments are:

2011/12 £000	Capital Contract	2012/13 £000
19.6	Private Sector Housing – Disabled Facilities Grants	167.0
-	- IT Projects	115.9
6,041.3	Housing Repairs & Investment	6,869.5
1,203.4	Gas Installations	1,593.5
722.6	Tamworth Castle Heritage Lottery Fund	262.5
4.9	CCTV Camera Renewals	-
9.1	CDM Expenditure	-
-	- Repair to River Bank Castle	9.4
-	- BMX Track	6.6
-	- Assembly Rooms Development	8.0
-	- HR/Payroll System	27.4
<b>8,000.9</b>	<b>Total</b>	<b>9,059.8</b>

### c) Revaluations

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. The valuations are carried out by Council's Property Surveyor, Mr P Evans MRICS, IRRV and external valuers, Specialist Valuation Services Limited. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are carried at historical cost as a proxy for fair value.

The significant assumptions applied in estimating the fair values are:

- Fair Value is: 'The amount for which an asset could be exchanged, between knowledgeable, willing parties, in an arms length transaction';
- Fair Value represents the price that would be reasonably agreed between two specific parties for the exchange of an asset;
- Although the parties may be unconnected and negotiating at arms length, the asset is not necessarily exposed in the wider market and the price agreed may be one that reflects the specific advantages (or disadvantages) of ownership to the parties involved rather than the market at large;

## DRAFT UNAUDITED

- In accounting standards, fair value is normally equated to market value;
- Fair value is a broader concept than market value. Although in many cases the price that is fair between two parties will equate to that obtainable in the general market, there will be cases where the assessment for fair value will involve taking into account matters that have to be disregarded in the assessment of market value.

The following statement show the progress of the Council's rolling programme for revaluation of Non-Current Assets:

Valuations (Cost or Valuation)	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000
Valued at historical cost	-	-	1,080	214	-	1,294
Valued at current cost in:						
2012/13	125,747	4,750	-	-	-	130,497
2011/12	-	7,809	-	-	-	7,809
2010/11	-	5,892	-	-	801	6,693
2009/10	-	1,864	-	-	-	1,864
<b>Total</b>	<b>125,747</b>	<b>20,315</b>	<b>1,080</b>	<b>214</b>	<b>801</b>	<b>148,157</b>

### 13. HERITAGE ASSETS

Movement in 2012/13	Art Collection	Civic Regalia	Museum Exhibits	Statues	Castle	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
At 01 April 2012	97	174	622	233	620	<b>1,746</b>
Additions	-	-	-	-	836	<b>836</b>
<b>At 31 March 2013</b>	<b>97</b>	<b>174</b>	<b>622</b>	<b>233</b>	<b>1,456</b>	<b>2,582</b>

**DRAFT UNAUDITED**

Movement in 2011/12	Art Collection	Civic Regalia	Museum Exhibits	Statues	Castle	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>						
<b>At 01 April 2011</b>	93	183	594	93	606	1,569
Additions	-	-	-	-	64	64
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	4	(9)	28	140	(46)	117
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	(4)	(4)
<b>At 31 March 2012</b>	<b>97</b>	<b>174</b>	<b>622</b>	<b>233</b>	<b>620</b>	<b>1,746</b>

Heritage Assets Five Year Summary of Transactions	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
<b>Cost of Acquisitions of Heritage Assets</b>					
Castle Museum	156	10	4	64	836
Total cost of purchases	156	10	4	64	<b>836</b>

#### 14. Investment Properties

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

2011/12 £000	Investment Properties	2012/13 £000
(1,400)	Rental income from investment property	(1,344)
284	Direct operating expenses arising from investment property	350
<b>(1,116)</b>	<b>Net (gain)/ loss</b>	<b>(994)</b>

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

## DRAFT UNAUDITED

The following table summarises the movement in the fair value of Investment Properties over the year:

2011/12 £000	Fair Value of Investment Properties	2012/13 £000
19,061	Balance at 01 April 2012	19,272
(116)	Disposals Net gains/ losses from fair value adjustments	-
327	Transfers: to/ from Property, Plant & Equipment	(2,135)
-	Valuations: Changes in market valuation	1,298
<b>19,272</b>	<b>Balance at 31 March 2013</b>	<b>18,435</b>

### 15. Intangible Assets

The Authority accounts for its software as Intangible Assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The Intangible Assets include purchased licenses and software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation of £63k charged to revenue in 2012/13 was charged to the IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Cost of Services. It is not possible to quantify exactly how much of the amortisation is attributable to each service heading.

**DRAFT UNAUDITED**

2011/12 £000	Intangible Assets	2012/13 £000
728 (559)	Balance at 01 April 2012 Gross carrying amounts Accumulated amortisation	740 (639)
<b>169</b>	<b>Net carrying amount at 01 April 2012</b>	<b>101</b>
12 (80)	Additions through purchases Amortisation for the period	86 (63)
<b>101</b>	<b>Net carrying amount at 31 March 2013</b>	<b>124</b>
740 (639)	Comprising: Gross carrying amounts Accumulated amortisation	826 (702)
<b>101</b>		<b>124</b>

## 16. Financial Instruments

### a) Categories of Financial Instruments

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

Financial Instruments	Long Term		Current	
	31 March 2012 £000	31 March 2013 £000	31 March 2012 £000	31 March 2013 £000
<b>Investments</b>				
Loans and receivables (Principal amount)	238	178	7,255	6,873
Plus Accounting adjustments	-	-	41	67
Available-for-sale financial assets	58	58	-	-
<b>Total Investments</b>	<b>296</b>	<b>236</b>	<b>7,296</b>	<b>6,940</b>
<b>Debtors</b>				
Loans and receivables	-	-	9,682	14,662
Plus Accounting adjustments	-	-	18	35
Financial assets carried at contract amounts	13,301	12,961	1,279	1,207
<b>Total Debtors</b>	<b>13,301</b>	<b>12,961</b>	<b>10,979</b>	<b>15,904</b>
<b>Borrowings</b>				
Financial liabilities at amortised cost	65,060	65,060	-	-
Plus Accounting adjustments	-	-	369	366
<b>Total Borrowings</b>	<b>65,060</b>	<b>65,060</b>	<b>369</b>	<b>366</b>
<b>Creditors</b>				
Financial liabilities at amortised cost	-	-	341	415
Financial liabilities carried at contract amount	-	-	2,757	4,493
<b>Total Creditors</b>	<b>-</b>	<b>-</b>	<b>3,098</b>	<b>4,908</b>

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).

Fair value has been measured by:

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

**DRAFT UNAUDITED**

**b) Reclassifications**

There were no reclassifications of financial instruments during the year.

**c) Gains and Losses**

The gains and losses recognised in the Comprehensive Income and Expenditure Statement and Movement in Reserves Statements in relation to financial instruments are made up as follows.

Financial Instruments	2011/12					2012/13				
	Financial liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Interest expense	(1,435)	-	-	-	(1,435)	(2,976)	-	-	-	(2,976)
Impairment losses	-	2,375	-	-	2,375	-	36	-	-	36
Fee expense	-	-	-	-	-	-	-	-	-	-
<b>Total expense in (Surplus) or Deficit on the Provision of Services</b>	<b>(1,435)</b>	<b>2,375</b>	<b>-</b>	<b>-</b>	<b>940</b>	<b>(2,976)</b>	<b>36</b>	<b>-</b>	<b>-</b>	<b>(2,940)</b>
Interest income	-	295	2	851	1,148	-	416	2	844	1,262
Interest income accrued on impaired financial assets	-	114	-	-	114	-	33	-	-	33
<b>Total income in (Surplus) or Deficit on the Provision of Services</b>	<b>-</b>	<b>409</b>	<b>2</b>	<b>851</b>	<b>1,262</b>	<b>-</b>	<b>449</b>	<b>2</b>	<b>844</b>	<b>1,295</b>
Gains on revaluation	-	-	2	-	2	-	-	2	-	2
<b>Surplus / (deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>Net gain / (loss) for the year</b>	<b>(1,435)</b>	<b>2,784</b>	<b>4</b>	<b>851</b>	<b>2,204</b>	<b>(2,976)</b>	<b>485</b>	<b>4</b>	<b>844</b>	<b>(1,643)</b>



## DRAFT UNAUDITED

### d) Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term 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:

Financial liabilities	31 March 2012		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	65,429	79,054	65,426	80,354
Creditors	2,757	2,757	4,493	4,493
<b>Total Financial liabilities</b>	<b>68,186</b>	<b>81,811</b>	<b>69,919</b>	<b>84,847</b>

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. This shows a notional future loss (based on economic conditions at 31<sup>st</sup> March 2013) arising from a commitment to pay interest to lenders above current market rates.

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.

**DRAFT UNAUDITED**

Loans and receivables	31 March 2012		31 March 2013	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans <1 year	7,296	6,771	6,940	6,339
Money Market Loans >1 year	238	238	178	178
Debtors	1,279	1,279	1,207	1,207
Long-term debtors	13,301	13,301	12,961	12,961
<b>Total Financial liabilities</b>	<b>22,114</b>	<b>21,589</b>	<b>21,286</b>	<b>20,685</b>

Where the fair value of the assets is lower than the carrying amount this is because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is lower than the rates available for similar loans at the Balance Sheet date & vice versa. This shows, for 2012/13, a notional future loss (based on economic conditions at 31<sup>st</sup> March 2013) attributable to the commitment to receive interest below current market rates.

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.

The differences are attributable to fixed interest instruments payable being held by the Authority whose interest rate is lower than the prevailing rate estimated to be available at 31<sup>st</sup> March 2013. This reduces the fair value of financial liabilities and lowers the value of loans and receivables.

Available for sale assets and assets and liabilities at fair value through profit or loss are carried in the Balance Sheet at their fair value. These fair values are based on public price quotations where there is an active market for the instrument.

Short term debtors and creditors are carried at cost as this is a fair approximation of their value.

## 17. Inventories

Inventories	Castle Stock		Assembly Rooms		Tourist Information Centre		Total	
	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000	2011/12 £000	2012/13 £000
<b>Balance at 01 April 2012</b>	11	11	4	4	10	10	25	25
Movement	-	2	-	1	-	3	-	6
<b>Balance at 31 March 2013</b>	<b>11</b>	<b>13</b>	<b>4</b>	<b>5</b>	<b>10</b>	<b>13</b>	<b>25</b>	<b>31</b>

**DRAFT UNAUDITED**

## 18. Debtors

2011/12 £000	Debtors	2012/13 £000
1,006	Central Government bodies	1,654
181	Other Local Authorities	268
70	Council Taxpayers	74
1,326	Housing Rents	1,506
1,686	Other entities and individuals	1,702
(1,913)	Provision for bad debts	(2,269)
<b>2,356</b>	<b>Total</b>	<b>2,935</b>

## 19. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

2011/12 £000	Cash & Cash equivalents	2012/13 £000
4	Cash held by the Authority	4
(341)	Bank current accounts	(415)
9,700	Short-term deposits with Banks and Building Societies	14,697
<b>9,363</b>	<b>Total Cash and Cash Equivalents</b>	<b>14,286</b>

## 20. Assets Held for Sale

The Council held no assets for sale during 2012/13.

## 21. Creditors

2011/12 £000	Creditors	2012/13 £000
1,877	Central Government bodies	1,005
839	Other Local Authorities	740
67	Council Taxpayers	68
385	Housing Rents	436
370	Precepting Authorities	366
1,533	Other entities and individuals	3,317
<b>5,071</b>	<b>Total</b>	<b>5,932</b>

**DRAFT UNAUDITED**

**22. Provisions**

Provisions	Hoylake Trees £000	Costs Associated with VR £000	Housing Repairs Contract Pensions £000	Municipal Mutual Insurance £000	Land Charges Legal Liability £000	Total £000
<b>2011/12</b>						
<b>Balance at 01 April 2011</b>	85	583	-			668
Additional provisions made in year	-	-	518			518
Amount used in year	(26)	(524)	-			(550)
Unused amounts reversed in year	(59)	-	-			(59)
<b>Balance at 31 March 2012</b>	-	59	518	-	-	577
<b>2012/13</b>						
Additional provisions made in year	-	-	-	33	110	143
Amount used in year	-	(54)	(463)			(517)
Unused amounts reversed in year	-	-	(55)			(55)
<b>Balance at 31 March 2013</b>	-	5	-	33	110	148

**a) Costs Associated with VR**

The provision for the costs associated with VR has reduced by £54k to £5k (£59k in 2011/12). It was established to cover redundancy payments and associated costs arising from a cost reduction scheme introduced during 2010/11. The amount represents the remaining potential outstanding costs.

**b) Housing Repairs Contract Pensions**

This provision was established to cover costs arising from a potential pension liability associated with staff transferred as part of a TUPE arrangement. During 2012/13, £463k was utilised and the remaining £55k written back to revenue.

**c) Municipal Mutual Insurance (MMI)**

This provision has been established as a result of the decision to trigger the 'Scheme of Arrangement' (SOA) with regard to Municipal Mutual Insurance (MMI), at a meeting of the Board of Directors on 13<sup>th</sup> November 2012. Under this SOA, the Council is liable to pay a levy up to the value of claims paid since 1993 (£252k – excluding the first £50k of claims paid). The scheme administrators estimate that a levy of 15% is payable as at 31<sup>st</sup> March 2013, and therefore an amount of £38k has been accrued in 2012/13. The provision of £33k is to cover the potential additional levy of up to 28%.

## DRAFT UNAUDITED

### d) Land Charges Ongoing Legal Action

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. The Council has been informed that the value of those claims at present is £108k plus interest and costs. A provision of £110k has been established at this stage.

### 23. Unusable Reserves

31 March 2012 £000	Unusable Reserves	31 March 2013 £000
7,254	Revaluation Reserve	9,017
89,805	Capital Adjustment Account	90,702
(2)	Financial Instruments Adjustment Account	-
(28,118)	Pensions Reserve	(34,415)
13,083	Deferred Capital Receipts Reserve	12,772
47	Collection Fund Adjustment Account	50
(236)	Accumulated Absences Account	(248)
<b>81,833</b>	<b>Total Unusable Reserves</b>	<b>77,878</b>

#### a) Revaluation Reserve

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

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

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

**DRAFT UNAUDITED**

2011/12 £000	Revaluation Reserve	2012/13 £000
9,597	<b>Balance at 01 April 2012</b>	7,254
904	Upward revaluation of assets	2,109
(3,059)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(149)
<b>(2,155)</b>	Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	1,960
(188)	Difference between fair value depreciation and historical cost depreciation written off to the Capital Adjustment Account	(197)
<b>7,254</b>	<b>Balance at 31 March 2013</b>	<b>9,017</b>

**b) Available for Sale Financial Instruments Reserve**

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Disposed of and the gains are realised

There have been no material movements in available for sale financial instruments in 2012/13.

**c) Capital Adjustment Account**

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

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

**DRAFT UNAUDITED**

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

2011/12 £000	Capital Adjustment Account	2012/13 £000
<b>133,358</b>	<b>Balance at 01 April 2012</b>	<b>89,805</b>
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(6,885)	Charges for depreciation and impairment of non-current assets	(5,757)
1,245	Revaluation losses on Property, Plant and Equipment	1,234
(80)	Amortisation of intangible assets	(63)
(45,107)	Revenue expenditure funded from capital under statute	(554)
(187)	Amounts of non-current assets written off on disposal or sale as part of the gains/loss on disposal to the Comprehensive Income and Expenditure Statement	(526)
		(5,666)
188	Adjusting amounts written out of the Revaluation Reserve	197
	Net written out amount of the cost of non-current assets consumed in the year	(5,469)
	Capital financing applied in the year:	
247	Use of Capital Receipts Reserve to finance new capital expenditure	602
2,833	Use of Major Repairs Reserve to finance new capital expenditure	3,365
372	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	929
6	Application of grants to capital financing from the Capital Grants Unapplied Account	2
81	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - Minimum Revenue Provision	80
2,147	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances - Voluntary Revenue Provision	-
1,706	Capital expenditure charged against the General Fund and HRA Balances	90
		5,068
(119)	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	1,298
<b>89,805</b>	<b>Balance at 31 March 2013</b>	<b>90,702</b>

## DRAFT UNAUDITED

### d) Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed.

2011/12 £000	Financial Instruments Adjustment Account	2012/13 £000
(12)	<b>Balance at 01 April 2012</b>	(2)
10	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	2
10	Amount by which finance costs charge to the Comprehensive Income and Expenditure Statement are different from the finance costs chargeable in the year in accordance with statutory requirements	2
(2)	<b>Balance at 31 March 2013</b>	-

### e) Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.



**DRAFT UNAUDITED**

2011/12 £000	Pensions Reserve	2012/13 £000
<b>(22,505)</b>	<b>Balance at 01 April 2012</b>	<b>(28,118)</b>
(5,128)	Actuarial gains or losses on pensions assets and liabilities	(5,514)
(2,029)	Reversal of items relating to retirement benefits debited or credited to the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(2,256)
1,544	Employer's contributions and direct payments to pensioners payable in the year	1,473
<b>(28,118)</b>	<b>Balance at 31 March 2013</b>	<b>(34,415)</b>

**f) Deferred Capital Receipts Reserve**

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

2011/12 £000	Deferred Capital Receipts Reserve	2012/13 £000
<b>12,828</b>	<b>Balance at 01 April 2012</b>	<b>13,083</b>
(3)	Transfer to Capital Receipts Reserve upon receipt of cash	(8)
165	Finance Leases	(303)
93	Transfer of Kickstart loans from Birmingham City Council	-
<b>13,083</b>	<b>Balance at 31 March 2013</b>	<b>12,772</b>

From 30<sup>th</sup> March 2013 the Golf Course was transferred to an operational asset and the accounting entries for the finance lease arrangement (for the buildings element) have been reversed (approx. £300k).

**DRAFT UNAUDITED**

**g) Collection Fund Adjustment Account**

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

2011/12 £000	Collection Fund Adjustment Account	2012/13 £000
40	<b>Balance at 01 April 2012</b>	47
7	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	3
47	<b>Balance at 31 March 2013</b>	50

**h) Accumulated Absences Account**

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31<sup>st</sup> March 2013. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2011/12 £000	Accumulated Absences Account	2012/13 £000
(224)	<b>Balance at 01 April 2012</b>	(236)
224	Settlement or cancellation of accrual made at the end of the preceding year	236
(236)	Amounts accrued at the end of the current year	(248)
(12)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(12)
(236)	<b>Balance at 31 March 2013</b>	(248)

## 24. Cash Flow Statement – Operating Activities

The cash flows for the operating activities include the following items:

2011/12 £000	Cash flow statement - operating activities	2012/13 £000
421	Interest received	(1,269)
1,459	Interest paid	2,980
4,134	Other	7,002
<b>6,014</b>		<b>8,713</b>

## 25. Cash Flow Statement – Investing Activities

2011/12 £000	Cash flow statement - investing activities	2012/13 £000
4,726	Purchase of property, plant and equipment; investment property and intangible assets	3,654
45,107	REFCUS	-
-	Purchase of short-term and long-term investments	178
(292)	Proceeds from the sale of property, plant and equipment; investment property and intangible assets	(849)
(2,657)	Proceeds from short-term and long-term investments	(621)
(372)	Other receipts from investing activities	(485)
<b>46,512</b>	<b>Net cash flows from investing activities</b>	<b>1,877</b>

## 26. Cash Flow Statement – Financing Activities

2011/12 £000	Cash flow statement - financing activities	2012/13 £000
(44,668)	Cash receipts from short-term and long-term borrowing	-
-	Billing Authorities - Council Tax and NNDR adjustments	1,916
-	Appropriation to/from Collection Fund Adjustment Account	(3)
(437)	Other receipts from financing activities	-
<b>(45,105)</b>	<b>Net cash flows from financing activities</b>	<b>1,913</b>

## 27. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Accounting Code of Practice. However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year under IAS19.
- the finance lease repayment charges are charged in full to the portfolio as opposed to being split between interest cost and repayment of the outstanding liability.
- the costs and income relating to investment properties are shown within the portfolio whereas they are charges/ credited to financing and investment income on the face of the Comprehensive Income and Expenditure Statement.

no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)

**DRAFT UNAUDITED**

The income and expenditure of the Authority's Directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure	Chief Executive	Executive Director Corporate Resources	Director of Finance	Director Technology and Corporate Programmes	Solicitor to the Council	Director Assets and Environmental Services	Director Housing and Health	Director Communities, Planning and Partnerships	Director Transformation and Corporate Performance	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>2012/13</b>										
Fees, charges & other service income	-	(641)	(282)	(35)	(94)	(4,155)	(19,894)	(739)	(74)	<b>(25,914)</b>
Interest and investment income	-	-	(1,167)	-	-	-	(113)	(15)	-	<b>(1,295)</b>
Government grants	-	(27,335)	(624)	-	-	(2)	(62)	(210)	-	<b>(28,233)</b>
<b>Total income</b>	<b>-</b>	<b>(27,976)</b>	<b>(2,073)</b>	<b>(35)</b>	<b>(94)</b>	<b>(4,157)</b>	<b>(20,069)</b>	<b>(964)</b>	<b>(74)</b>	<b>(55,442)</b>
Employee expenses	173	867	945	510	285	3,071	2,387	1,868	989	<b>11,095</b>
Other service expenses	13	27,536	3,340	565	613	4,179	8,241	1,604	428	<b>46,519</b>
Support service recharges	(186)	191	(2,683)	(1,119)	187	(35)	1,854	691	(1,034)	<b>(2,134)</b>
Depreciation, amortisation & impairment	-	-	-	120	-	408	1,903	24	-	<b>2,455</b>
<b>Total operating expenses</b>	<b>-</b>	<b>28,594</b>	<b>1,602</b>	<b>76</b>	<b>1,085</b>	<b>7,623</b>	<b>14,385</b>	<b>4,187</b>	<b>383</b>	<b>57,935</b>
<b>Net Expenditure</b>	<b>-</b>	<b>618</b>	<b>(471)</b>	<b>41</b>	<b>991</b>	<b>3,466</b>	<b>(5,684)</b>	<b>3,223</b>	<b>309</b>	<b>2,493</b>

**DRAFT UNAUDITED**

Income and Expenditure	Chief Executive & Assistant Chief Executive	Corporate Director Community Services	Corporate Director Resources	DD Assets and Environmental Services	DD Housing and Health	DD Communities, Planning and Partnerships	DD Corporate Finance	Total
	£000	£000	£000	£000	£000	£000	£000	£000
<b>2011/12 Comparative Figures</b>								
Fees, charges & other service income	(192)	(84)	(1,256)	(4,831)	(19,209)	(1,683)	(638)	<b>(27,893)</b>
Government grants	-	-	(25,885)	-	-	(309)	(362)	<b>(26,556)</b>
<b>Total income</b>	<b>(192)</b>	<b>(84)</b>	<b>(27,141)</b>	<b>(4,831)</b>	<b>(19,209)</b>	<b>(1,992)</b>	<b>(1,000)</b>	<b>(54,449)</b>
Employee expenses	1,379	2	1,434	2,914	2,241	1,925	1,006	<b>10,901</b>
Other service expenses	1,094	126	27,097	4,469	14,242	2,374	1,929	<b>51,331</b>
Support service recharges	(1,088)	(41)	(1,064)	20	885	749	(1,003)	<b>(1,542)</b>
Depreciation, amortisation & impairment	6	-	210	1,036	2,833	31	(1,288)	<b>2,828</b>
<b>Total operating expenses</b>	<b>1,391</b>	<b>87</b>	<b>27,677</b>	<b>8,439</b>	<b>20,201</b>	<b>5,079</b>	<b>644</b>	<b>63,518</b>
<b>Net Expenditure</b>	<b>1,199</b>	<b>3</b>	<b>536</b>	<b>3,608</b>	<b>992</b>	<b>3,087</b>	<b>(356)</b>	<b>9,069</b>

**Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

2011/12 £000	Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement	2012/13 £000
9,069	Net expenditure in the Directorate Analysis	2,493
48,527	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	2,610
(1,103)	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	21
<b>56,493</b>	<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>5,124</b>

**DRAFT UNAUDITED**

Reconciliation to the (Surplus) or deficit on the provision of services	Directorate Analysis			Cost of Services		Total
	Directorate Analysis	Amounts not Reported to Management for Decision Making	Amounts not included in the Comprehensive Income and Expenditure Statement	Cost of Services	Corporate Amounts	
2012/13	£000	£000	£000	£000	£000	£000
Fees, charges and other service income	(25,914)	-	2,674	(23,240)	(1,378)	(24,618)
Interest and investment income	(1,295)	-	-	(1,295)	(1,296)	(2,591)
Income from council tax	-	-	-	-	(3,525)	(3,525)
Government grants and contributions	(28,233)	-	708	(27,525)	(6,248)	(33,773)
<b>Total Income</b>	<b>(55,442)</b>	<b>-</b>	<b>3,382</b>	<b>(52,060)</b>	<b>(12,447)</b>	<b>(64,507)</b>
Employee expenses	11,095	-	(43)	11,052	43	11,095
Other service expenses	46,519	-	(6,179)	40,340	6,179	46,519
Support service recharges	(2,134)	-	2,861	727	(2,861)	(2,134)
Depreciation, amortisation and impairment	2,455	2,141	-	4,596	(1,334)	3,262
REFCUS	-	554	-	554	-	554
Retirement Benefits	-	(85)	-	(85)	880	795
Payments to Housing Capital Receipts Pool	-	-	-	-	305	305
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	5	5
<b>Total Expenditure</b>	<b>57,935</b>	<b>2,610</b>	<b>(3,361)</b>	<b>57,184</b>	<b>3,217</b>	<b>60,401</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>2,493</b>	<b>2,610</b>	<b>21</b>	<b>5,124</b>	<b>(9,230)</b>	<b>(4,106)</b>

**DRAFT UNAUDITED**

Reconciliation to the (Surplus) or deficit on the provision of services	Directorate Analysis			Cost of Services	Corporate Amounts	Total
	£000	Amounts not reported to management for decision making £000	Amounts not included in the Comprehensive Income and Expenditure Statement £000			
<b>2011/12 Comparative Figures</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fees, charges and other service income	(27,893)	(676)	4,134	<b>(24,435)</b>	(3,104)	<b>(27,539)</b>
Income from council tax	-	-	-	-	(3,509)	<b>(3,509)</b>
Government grants and contributions	(26,556)	(9)	266	<b>(26,299)</b>	(5,852)	<b>(32,151)</b>
<b>Total Income</b>	<b>(54,449)</b>	<b>(685)</b>	<b>4,400</b>	<b>(50,734)</b>	<b>(12,465)</b>	<b>(63,199)</b>
Employee expenses	10,901	2	(23)	<b>10,880</b>	42	<b>10,922</b>
Other service expenses	51,331	1,270	(6,564)	<b>46,037</b>	2,869	<b>48,906</b>
Support service recharges	(1,542)	(88)	1,084	<b>(546)</b>	(1,093)	<b>(1,639)</b>
Depreciation, amortisation and impairment	2,828	2,892	-	<b>5,720</b>	(2,436)	<b>3,284</b>
REFCUS	-	45,107	-	<b>45,107</b>	-	<b>45,107</b>
Retirement Benefits	-	29	-	<b>29</b>	531	<b>560</b>
Payments to Housing Capital Receipts Pool	-	-	-	-	292	<b>292</b>
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	187	<b>187</b>
<b>Total Expenditure</b>	<b>63,518</b>	<b>49,212</b>	<b>(5,503)</b>	<b>107,227</b>	<b>392</b>	<b>107,619</b>
<b>Surplus or deficit on the provision of services</b>	<b>9,069</b>	<b>48,527</b>	<b>(1,103)</b>	<b>56,493</b>	<b>(12,073)</b>	<b>44,420</b>

**28. Acquired and Discontinued Operations**

The Council did not acquire or discontinue any operations during 2012/13.



**DRAFT UNAUDITED**

## 29. Trading Operations

The Authority has a number of trading operations required to operate in a commercial environment as follows:

2011/12 Expenditure £000	2011/12 Income £000	2011/12 (Surplus)/ Deficit £000	Trading Operations	2012/13 Expenditure £000	2012/13 Income £000	2012/13 (Surplus)/ Deficit £000
31	(11)	20	Markets	7	(10)	(3)
173	(658)	(485)	Industrial Estates	(1,153)	(621)	(1774)
134	(764)	(630)	Other Land & Property	206	(723)	(517)
<b>338</b>	<b>(1,433)</b>	<b>(1,095)</b>		<b>(940)</b>	<b>(1,354)</b>	<b>(2294)</b>

Trading operations are incorporated into the Comprehensive Income and Expenditure Statement.

## 30. Agency Services

Staffordshire County Council is currently carrying out Highways Maintenance works on behalf of the Council under a management agreement. This amounted to £190k for 2012/13.

2011/12 £000	Agency Services	2012/13 £000
111	Highways services	139
42	Management fee	51
<b>153</b>	<b>Total</b>	<b>190</b>

## 31. Members' Allowances

The Authority paid the following amounts to members of the council during the year.

2011/12 £000	Members Allowances	2012/13 £000
152	Basic allowance	151
94	Special responsibility	96
3	Other allowances/ expenses	3
<b>249</b>	<b>Total</b>	<b>250</b>

**DRAFT UNAUDITED**

**32. Officers' Remuneration**

The remuneration paid to the Authority's senior employees is as follows:

Officers Remuneration		Salary, Fees and Allowances	Expenses Allowances	Pension Contribution	Total
		£	£	£	£
Chief Executive	<b>2012/13</b>	<b>105,545</b>	<b>1,439</b>	<b>19,873</b>	<b>126,857</b>
	2011/12	105,610	1,419	19,353	126,382
Executive Director Corporate Services	<b>2012/13</b>	<b>84,586</b>	<b>1,322</b>	<b>16,137</b>	<b>102,045</b>
	2011/12	88,228	1,302	16,952	106,482
Director Transformation and Corporate Performance	<b>2012/13</b>	<b>71,426</b>	<b>1,322</b>	<b>13,636</b>	<b>86,384</b>
	2011/12	69,370	1,302	12,897	83,569
Director Assets and Environment	<b>2012/13</b>	<b>75,005</b>	<b>1,322</b>	<b>14,317</b>	<b>90,644</b>
	2011/12	72,847	1,302	13,542	87,691
Director Housing and Health	<b>2012/13</b>	<b>71,426</b>	<b>1,322</b>	<b>13,636</b>	<b>86,384</b>
	2011/12	69,341	1,302	12,897	83,540
Director Finance	<b>2012/13</b>	<b>69,378</b>	<b>1,322</b>	<b>13,239</b>	<b>83,939</b>
	2011/12	65,406	1,302	12,157	78,865
Director Communities, Planning and Partnerships	<b>2012/13</b>	<b>69,384</b>	<b>1,322</b>	<b>13,239</b>	<b>83,945</b>
	2011/12	65,446	1,302	12,157	78,905
Solicitor to the Council	<b>2012/13</b>	<b>61,652</b>	<b>1,322</b>	<b>11,767</b>	<b>74,741</b>
	2011/12	61,631	1,302	11,459	74,392
Director Technology and Corporate Programmes	<b>2012/13</b>	<b>61,608</b>	<b>1,045</b>	<b>11,753</b>	<b>74,406</b>
	2011/12	56,204	465	10,454	67,123
Head of Landlord Services	<b>2012/13</b>	<b>54,043</b>	<b>1,045</b>	<b>12,588</b>	<b>67,676</b>
	2011/12	44,815	1,026	8,336	54,177

**DRAFT UNAUDITED**

The Authority's employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2011/12 Number of employees	Remuneration Band	2012/13 Number of employees left during year	2012/13 Number employed at 31 March 2013	2012/13 Total number of employees
-	£50,000 - £54,999	-	1	1
1	£55,000 - £59,999	-	-	-
1	£60,000 - £64,999	-	2	2
5	£65,000 - £69,999	-	2	2
-	£70,000 - £74,999	-	3	3
1	£80,000 - £84,999	-	1	1
1	£100,000 - £104,999	-	1	1

The number of exit packages with total cost per band and total cost of redundancies are set out below:

Exit Package Cost Band	Number of Departures Agreed		Total Cost of Exit Packages	
	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	24	2	204,132	20,000
£20,001 - £40,000	12	-	317,014	-
£40,001 - £60,000	3	1	139,047	60,000
<b>Total</b>	<b>39</b>	<b>3</b>	<b>660,193</b>	<b>80,000</b>

There were no compulsory redundancies during 2012/13.

**DRAFT UNAUDITED**

### 33. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's External Auditors:

2011/12 £000	External Audit Costs	2012/13 £000
103	Fees payable to Audit Commission with regard to the external audit services carried out by the appointed auditor for the year	61
-	Fees payable to Grant Thornton with regard to the external audit services carried out by the appointed auditor for the year	29
38	Fees payable to Audit Commission for the certification of grants and returns for the year	27
-	Fees payable to Grant Thornton for the certification of grants and returns for the year	8
<b>141</b>	<b>Total</b>	<b>125</b>

### 34. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

2011/12 £000	Grant Income	2012/13 £000
	<b>Credited to Taxation and Non Specific Grant Income</b>	
1,231	Revenue Support Grant	89
3,983	NNDR	4,603
179	New Homes Bonus	257
87	Council Tax Freeze Grant	87
-	Preventing Homelessness Grant	163
-	Local Council Tax Support Scheme	84
-	Community Right to Challenge	9
-	Community Right to Bid	5
-	Deferment Business Rates 2012/13	3
-	Welfare Benefit Changes	13
373	Capital Grants and Contributions	935
<b>5,853</b>	<b>Total</b>	<b>6,248</b>

## DRAFT UNAUDITED

The Authority credited the following grants, contributions and donations to Cost of Services within the Comprehensive Income and Expenditure Statement in 2012/13:

2011/12 £000	Credited to Services Government Grant	2012/13 £000
539	DWP Admin Grant	512
94	NNDR Cost of Collection	93
25,855	Benefits	26,793
7	Discretionary Housing Payment	16
163	Homelessness Prevention Strategy	-
7	Young Persons Homelessness Prevention	-
72	Safer Stronger Communities/Domestic Abuse	37
123	Supporting People	62
2	Business Rate Deferral Scheme	-
8	Housing Benefits Reform Transition	-
36	Mortgage Rescue Programme	-
12	IEWM Transforming Tamworth	-
8	Benefits Atlas Funding/Local Authority Housing Allowance	-
22	PAS - Planning Improvement Proposal	-
	Other contributions	
-	Town Centre Regenerations	10
3	DWP - Visual Aids	-
10	Think Local - BIS LEP	-
-	Miscellaneous	2
<b>26,961</b>	<b>Total</b>	<b>27,525</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year end are as follows:

31 March 12 £000		31 March 13 £000
	<b>Capital Grants Receipts in Advance</b>	
-	HLF Assembly Rooms	44
1	DCMS Free Swimming Grant	1
<b>1</b>	<b>Total</b>	<b>45</b>

### 35. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have control or joint control, or significant influence over the Authority, or are a member of the key management personnel of the Authority. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

## DRAFT UNAUDITED

### a) Central Government

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 27 on reporting for resources allocation decisions. Grant receipts outstanding at 31<sup>st</sup> March 2013 are shown in Note 34.

2011/12 £000	Related Parties	2012/13 £000
3,983	<b>Grant type</b>	
1,231	Redistributed Non-Domestic Rates	4,603
26,416	General Government Grants	710
	Benefit Grant	27,321
<b>31,630</b>	<b>Total</b>	<b>32,634</b>

The balances outstanding as at 31<sup>st</sup> March 2013 were:

31 March 2012 £000	Central Government Grant Due	31 March 2013 £000
	<b>Amount Receivable</b>	
788	Benefit Grant	-
3	Housing Subsidy	-
-	Non-Domestic Rates due from the Pool	969
<b>791</b>	<b>Total</b>	<b>969</b>
	<b>Amount Payable</b>	
(1,288)	Benefit Grant	(400)
	Non-Domestic Rates due to the Pool	-
<b>(1,288)</b>	<b>Total</b>	<b>(400)</b>

### b) Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2012/13 is shown in Note 31. During the financial year ended 31<sup>st</sup> March 2013, there were no material transactions between the Council and its Members, other than the payment of Member Allowances. Details of all transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall during office hours.

## DRAFT UNAUDITED

### c) Officers

During the financial year ended 31<sup>st</sup> March 2013, there were no material transactions between the Council and its Chief Officers, other than the payment of officer salaries. The total of senior officers' remuneration is shown in Note 32.

### d) 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:

31 March 2012 £000	Precepts	31 March 2013 £000
23,975	Staffordshire County Council	24,052
4,139	Staffordshire Police Authority	4,152
1,576	Stoke on Trent & Staffordshire Fire & Rescue Authority	1,581
<b>29,690</b>	<b>Total</b>	<b>29,785</b>

### e) 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 40.

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

31 March 2012 £000	Staffordshire County Council	31 March 2013 £000
123	Supporting People Grant	62
72	Safer Stronger Communities Fund	37
<b>195</b>	<b>Total</b>	<b>99</b>

Under the Recycling Credit Scheme, the Council also receives recycling credits from Staffordshire County Council. These are then paid over to the Joint Waste Unit under arrangements with Lichfield District Council.

31 March 2012 £000	Recycling Credit Scheme	31 March 2013 £000
(537)	Recycling Credits	(508)
<b>(537)</b>	<b>Total</b>	<b>(508)</b>

## DRAFT UNAUDITED

### f) Jointly Controlled Operation – Joint Waste Management Services

The Council's Joint Waste Service with Lichfield District Council was launched in July 2010, and a joint committee - 'Lichfield and Tamworth Waste Collection Services' - was established. The organisation provides waste and recycling services to approximately 73,000 properties across the two councils. Lichfield District Council is responsible for hosting the employment of staff.

The partner councils share the assets and liabilities of the Joint Committee in agreed proportions, based on the number of properties in each area.

The revenue outturn of the Joint Waste Service for the year ended 31<sup>st</sup> March 2013 is as follows:-

2011/12 £000	Joint Waste Arrangement Income / Expenditure	2012/13 £000
	<b>Expenditure</b>	
2,290	Employee Costs	2,289
19	Premises Related Expenses	19
1,539	Transport Costs	1,494
412	Supplies and Services	544
185	Central Support Costs	185
141	Capital Charges	444
<b>4,586</b>	<b>Total expenditure</b>	<b>4,975</b>
	<b>Income</b>	
1,043	Recycling Credits	1,281
86	Other Income	76
<b>1,129</b>	<b>Total income received</b>	<b>1,357</b>
<b>3,457</b>	<b>Total Net Expenditure</b>	<b>3,618</b>

Lichfield DC are the lead Authority for this arrangement, with the Council reimbursing Lichfield for services on the basis of a proportion of actual spend. For 2012/13, the cost of the joint arrangement to the Council was £1.426m.



**DRAFT UNAUDITED**

**36. Capital Expenditure and Capital Financing**

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

2011/12 £000	Capital Expenditure & Financing	2012/13 £000
27,227	<b>Opening Capital Financing Requirement</b>	69,668
	Capital Investment	
4,650	Property, Plant and Equipment	3,513
64	Heritage Assets	836
44,668	HRA Self Financing Settlement	-
12	Intangible Assets	86
439	Revenue Expenditure Funded from Capital under Statute	554
	Sources of Finance	
(247)	Capital receipts	(602)
(127)	Government grants and other contributions	(673)
(4,539)	Sums set aside from revenue - direct revenue contributions	(3,455)
(81)	Sums set aside from revenue - Minimum Revenue Provision	(80)
(2,146)	Sums set aside from revenue - Voluntary Revenue Provision	-
-	Impairment of HRA Non Dwellings	(9)
(252)	Grants - Revenue Expenditure Funded from Capital Under Statute	(259)
<b>69,668</b>	<b>Closing Capital Financing Requirement</b>	<b>69,579</b>
	<b>Explanation of movements in year:</b>	
	Increase in underlying need to borrow:	
44,668	Unsupported Borrowing - HRA Self Financing Settlement	-
(81)	Sums set aside from revenue - Minimum Revenue Provision	(80)
(2,146)	Sums set aside from revenue - Voluntary Revenue Provision	-
-	Impairment of HRA Non Dwellings	(9)
<b>42,441</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>(89)</b>

### 37. Leases

#### a) Authority as Lessee

##### i) Finance Leases

In the year 2012/13 rentals payable under finance leases in respect of Vehicles and Plant was £nil (2011/12 £nil).

The Council has no finance lease liabilities for any assets where it is the lessee.

##### ii) Operating Leases

The Council currently uses vehicles, plant and equipment financed under terms of an operating lease. The amounts paid under these arrangements in 2012/13 was £328k (£271k in 2011/12). These leases have options for annual extensions beyond the original lease term, a number of these options are currently being taken up.

The Council was committed at 31<sup>st</sup> March 2013 to making payments of £328k under operating leases, comprising the following elements:

31 March 2012 £000	Operating Leases	31 March 2013 £000
143	Not later than one year	328
143	Later than one year not later than five years	-
<b>286</b>	<b>Total</b>	<b>328</b>

The expenditure charged to the Cultural & Environmental Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

2011/12 £000	Minimum Lease Payments	2012/13 £000
271	Minimum lease payments	328
<b>271</b>	<b>Total</b>	<b>328</b>

#### b) Authority as Lessor

##### i) Finance Leases

The Authority has leased out property at the Ankerside Shopping Centre inc. Car Park, on a finance lease with a remaining term of 76 years.

## DRAFT UNAUDITED

The Golf Course Club house had been on lease but was taken back as a Council Asset during the year, see forward note on Significant Transactions in 2012/13.

The Authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2012 £000	Assets held for leases (Lessor)	31 March 2013 £000
	Finance lease debtor (NPV of minimum lease payments)	
12,944	Non-current	12,644
52,262	Unearned finance income	51,172
12	Unguaranteed residual value of property	12
<b>65,218</b>	<b>Gross investment in the lease</b>	<b>63,828</b>

The gross investment in the lease and the minimum lease payments will be received over the following periods:

Minimum Lease Payments 31 March 2012 £000	Gross Investment in the Lease 31 March 2012 £000	Minimum Lease Payments	Minimum Lease Payments 31 March 2013 £000	Gross Investment in the Lease 31 March 2013 £000
863	863	Not later than one year	851	851
3,451	3,451	Later than one year not later than five years	3,404	3,404
60,892	60,904	Later than five years	59,561	59,573
<b>65,206</b>	<b>65,218</b>	<b>Total</b>	<b>63,816</b>	<b>63,828</b>

The Council does not set aside any amount for future uncollectible amounts.

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

## DRAFT UNAUDITED

### ii) Operating Leases

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

- for the provision of community services, such as community centres
- for investment purposes to provide suitable affordable accommodation for local businesses.

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

<b>31 March 2012 £000</b>	<b>Future Minimum Lease Payments</b>	<b>31 March 2013 £000</b>
	Operating Leases	
1,031	Not later than one year	907
3,759	Later than one year not later than five years	3,498
52,024	Later than five years	48,364
<b>56,814</b>	<b>Total</b>	<b>52,769</b>

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

The minimum lease payments do not include cancellable rents received during the period, these amounted to £393k in 2012/13 (£424k in 2011/12). There were 25 void units at the 31/03/13 (31 voids at the 31/03/12).

### 38. Impairment Losses

Charges for impairment of £3.409m have been made during 2012/13. This included an amount of £3.365m where the expenditure on Council Dwellings has not produced a similar increase in the value. Of the remaining £44k the majority is in respect of council garages held within Other Land and Buildings which are no longer available for letting. This amount was charged direct to the Comprehensive Income and Expenditure Statement for the Housing Revenue Account.

The expenditure of £3.365m mainly related to improvements to bathrooms, kitchens, central heating, electrical upgrades and disabled adaptations. The impairment has been recognised as the advice of the Council's internal valuer is that such improvements have not increased the overall value of the asset.

## **39. Termination Benefits**

The Authority terminated the contracts of a number of employees in 2012/13, incurring liabilities of £80k (£661k in 2011/12) – see Note 32 Officers' Remuneration for detail of the number of exit packages with total cost per band and total cost of redundancies. .

## **40. Defined Benefit Pension Schemes**

### **a) Participation in Pension Schemes**

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

The authority participates in two post employment schemes:

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

### **b) Transactions Relating to Post-employment Benefits**

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

**DRAFT UNAUDITED**

**Defined Benefit Pension Schemes**

Local Government Pension Scheme 2011/12 £000	Discretionary Benefit Arrangements 2011/12 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2012/13 £000	Discretionary Benefit Arrangements 2012/13 £000
		<b>Comprehensive Income and Expenditure Statement:</b>		
		<b>Cost of Services:</b>		
1,334	75	Current service costs	1,354	72
42	-	Past service costs	21	-
120	-	Settlements and curtailments	-	-
		<b>Financing and Investment Income and Expenditure</b>		
4,004	-	Interest costs	3,840	-
(3,471)	-	Expected return on scheme assets	(2,959)	-
<b>2,029</b>	<b>75</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,256</b>	<b>72</b>
4,942	186	Actuarial (gains) and losses	5,412	102
<b>6,971</b>	<b>261</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>7,668</b>	<b>174</b>

Local Government Pension Scheme 2011/12 £000	Discretionary Benefit Arrangements 2011/12 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2012/13 £000	Discretionary Benefit Arrangements 2012/13 £000
		<b>Movement in Reserves Statement:</b>		
(6,971)	(261)	Reversal of net charges made to the surplus/deficit on the provision of services for post employment benefits in accordance with the code	(7,668)	(174)
1,544	-	Actual amount charged against the General Fund Balance for pensions in the year: Employers' contributions payable to the scheme	1,473	-
-	75	Retirement benefits payable to pensioners	-	72

## DRAFT UNAUDITED

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31<sup>st</sup> March 2013 is a loss of £28.144m (£22.630m 2011/12).

Under the Housing Repairs contract, a separate pension scheme is operated for staff transferred as part of a TUPE arrangement.

### c) Assets and Liabilities in Relation to Post Employment Benefits

Local Government Pension Scheme 2011/12 £000	Discretionary Benefit Arrangements 2011/12 £000	Reconciliation of present value of scheme liabilities (defined benefit obligation)	Local Government Pension Scheme 2012/13 £000	Discretionary Benefit Arrangements 2012/13 £000
72,105	1,029	<b>Balance at 1 April 2012</b>	79,217	1,140
1,409	-	Current service costs	1,426	-
4,004	-	Interest cost	3,840	-
487	-	Contributions by scheme participants	469	-
3,719	186	Actuarial gains and losses	10,233	102
(2,669)	(75)	Benefits paid	(2,584)	(72)
42	-	Past service costs	21	-
120	-	Curtailments	-	-
<b>79,217</b>	<b>1,140</b>	<b>Balance at 31 March 2013</b>	<b>92,622</b>	<b>1,170</b>

Local Government Pension Scheme 2011/12 £000	Reconciliation of fair value of scheme assets	Local Government Pension Scheme 2012/13 £000
50,629	<b>Balance at 1 April 2012</b>	52,239
3,471	Expected rate of return	2,959
(1,223)	Actuarial gains and losses	4,821
1,544	Employer contributions	1,473
487	Contributions by scheme participants	469
(2,669)	Benefits paid	(2,584)
75	Contributions in respect of unfunded benefits	72
(75)	Unfunded benefits paid	(72)
<b>52,239</b>	<b>Balance at 31 March 2013</b>	<b>59,377</b>

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

## DRAFT UNAUDITED

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 £7.789m (£2.256m in 2011/12).

Scheme History	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
<b>Present value of liabilities:</b>					
Local Government Pension Scheme	(52,850)	(87,646)	(72,105)	(79,217)	(92,622)
Discretionary Benefits	(966)	(1,201)	(1,029)	(1,140)	(1,170)
<b>Fair value of assets in the Local Government Pension Scheme</b>	35,200	49,961	50,629	52,239	59,377
<b>Surplus/ (deficit) in the scheme:</b>					
Local Government Pension Scheme	(18,616)	(38,886)	(22,505)	(28,118)	(34,415)
Discretionary Benefits	(17,650)	(37,685)	(21,476)	(26,978)	(33,245)
	(966)	(1,201)	(1,029)	(1,140)	(1,170)
<b>Total</b>	<b>(18,616)</b>	<b>(38,886)</b>	<b>(22,505)</b>	<b>(28,118)</b>	<b>(34,415)</b>

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £34.4m (£28.1m in 2011/12) has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy:

- the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31<sup>st</sup> March 2014 is £1.430m (£1.362m in 2011/12).

### d) Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2010.



## DRAFT UNAUDITED

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2011/12	Discretionary Benefit Arrangements 2011/12	Assumptions	Local Government Pension Scheme 2012/13	Discretionary Benefit Arrangements 2012/13
6.2%	-	Long-term expected rate of return on assets in the scheme:		
3.3%	-	Equity Investments	4.5%	-
4.4%	-	Other Bonds	4.5%	-
3.5%	-	Property Managed Funds	4.5%	-
		Cash	4.5%	-
		Mortality assumptions:		
		Longevity at 65 for current pensioners:		
21.2	21.2	Men	21.2	21.2
23.4	23.4	Women	23.4	23.4
		Longevity at 65 for future pensioners:		
23.3	23.3	Men	23.3	23.3
25.6	25.6	Women	25.6	25.6
2.5%	2.5%	CPI Rate	2.8%	2.8%
4.8%	4.8%	Rate of increase in salaries	5.1%	5.1%
2.5%	2.5%	Rate of increase in pensions	2.8%	2.8%
4.8%	4.8%	Rate for discounting scheme liabilities	4.5%	4.5%
50%/75%	-	Take-up of option to convert annual pension into retirement lump sum	50%/75%	-

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

2011/12		Details of Scheme Assets	2012/13	
£000	%		£000	%
		<b>Assets held at year end:</b>		
40,747	78.0%	Equity Investments	46,908	79.0%
6,269	12.0%	Other Bonds	7,125	12.0%
4,701	9.0%	Property Managed Funds	4,750	8.0%
522	1.0%	Cash	594	1.0%
<b>52,239</b>	<b>100.0%</b>	<b>Total</b>	<b>59,377</b>	<b>100.0%</b>

## DRAFT UNAUDITED

### e) History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31<sup>st</sup> March 2013:

History of experience gains & losses	2008/09	2009/10	2010/11	2011/12	2012/13
	£000	£000	£000	£000	£000
Difference between the expected and actual return on assets	(13,982)	12,626	(2,745)	(1,223)	4,821
Experience gains on losses on liabilities	17	(56)	3,946	(1,188)	131

History of experience gains & losses	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Difference between the expected and actual return on assets	(39.72)%	25.27%	(5.42)%	(2.34)%	8.12%
Experience gains on losses on liabilities	(0.03)%	0.06%	(5.47)%	1.50%	(0.14)%

#### 41. Contingent Liabilities

There were no contingent liabilities for the Council in 2012/13.

#### 42. Contingent Assets

There were no contingent assets for the Council in 2012/13.

## 43. Nature and Extent of Risks Arising from Financial Instruments

### a) Key Risks

The Authority's activities expose it to a variety of financial risks:

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

### a) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and are structured to implement suitable controls to minimise these risks. The procedures for risk management are set out through a legal framework based on the *Local Government Act 2003* and associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services 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 CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential and treasury indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures to the maturity structure of its debt;
  - 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 Government guidance (regulations – Scotland);

## DRAFT UNAUDITED

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 after each year, as is a mid-year update.

The Annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 28<sup>th</sup> February 2012 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2012/13 was set at £92.112m This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £72.268m This is the expected level of debt and other long term liabilities during the year.
- The maximum amounts of fixed and variable interest rate exposure were set at £58m and £7m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown at Annex 3 of the report.

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

### **b) 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 Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial criteria is applied. Details of the Investment Strategy can be found on the Council's website the key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

This Council uses the creditworthiness service provided by Sector. This service uses a sophisticated modelling approach with credit ratings from all three rating agencies - Fitch, Moodys and Standard and Poors, forming the core element. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies

## DRAFT UNAUDITED

- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The full Investment Strategy for 2012/13 was approved by Full Council on 28<sup>th</sup> February 2012 and is available on the Council's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Council.

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £9.902m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at the 31<sup>st</sup> March 2013 that this was likely to crystallise.

The following analysis summarises the Council's maximum exposure to credit risk on other financial assets, based on experience of default, adjusted to reflect current market conditions.

Credit Risk	Amount at 31 March 2013 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2013 % C	Estimated maximum exposure to default and uncollectability at 31 March 2013 £000 (A x C)	Estimated maximum exposure at 31 March 2012 £000
AAA rated counterparties	-	0.13%	0.13%	-	-
AA rated counterparties	-	0.36%	0.36%	-	-
A rated counterparties	9,000	0.79%	0.79%	71	31
BBB rated counterparties	-	2.22%	2.22%	-	-
Caa rated counterparties	258	45.48%	45.48%	117	307
Escrow	644	-	-	-	-
Trade Debtors	1,825	70.82%	70.82%	1,292	1,043
<b>Total</b>	<b>11,727</b>			<b>1,480</b>	<b>1,381</b>

## DRAFT UNAUDITED

No credit limits were exceeded during the reporting period and apart from the monies invested with the Icelandic banks the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

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 Authority does not generally allow credit for customers, such that £1.825m is past its due date for payment. The past due amount as at 31<sup>st</sup> March 2013 but not impaired amount can be analysed by age as follows:

Arrears	31 March 2013 £000	31 March 2012 £000
Less than six months	343	618
Six months to one year	257	231
More than one year	455	247
More than two years	770	643
<b>Total</b>	<b>1,825</b>	<b>1,739</b>

The Council initiates a legal charge on property where, for instance, works have to be carried out in default but those responsible cannot afford to pay immediately. The total collateral at 31<sup>st</sup> March 2013 was £37.1k (£44.2k 2011/12).

### d) Liquidity Risk

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 as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

## DRAFT UNAUDITED

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. 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 maturity analysis of financial liabilities is as follows:

Financial Liabilities	31 March 2013		31 March 2012	
	Average Rate %	Amount £000	Average Rate %	Amount £000
PWLB	4.47%	65,426	4.47%	65,429
<b>Total</b>	<b>4.47%</b>	<b>65,426</b>	<b>4.47%</b>	<b>65,429</b>
less than one year	-	366	-	369
Interest Due	-	-	-	-
Maturing in 2 - 5 years	9.08%	5,000	9.08%	5,000
Maturing in over 15 years	4.09%	60,060	4.09%	60,060
<b>Total</b>	<b>4.47%</b>	<b>65,426</b>	<b>4.47%</b>	<b>65,429</b>

### 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 treasury 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.

## DRAFT UNAUDITED

The maturity analysis of financial assets is as follows:

Financial Assets	31 March 2013		31 March 2012	
	Average Rate* %	Amount £000	Average Rate* %	Amount £000
less than one year	1.88%	6,940	2.41%	7,296
Maturing in 1 - 2 years	-	178	-	238
<b>Total</b>	<b>1.88%</b>	<b>7,118</b>	<b>2.41%</b>	<b>7,534</b>

\* Excluding balances held with Icelandic Banking institutions.

All trade and other payables are due to be paid in less than one year – debtors of £2.9m are not included in the table above.

### e) Market Risk

#### i) 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 Comprehensive Income and Expenditure Statement will rise;
- **Borrowings at fixed rates:** The fair value of the borrowing will fall (no impact on revenue balances);
- **Investments at variable rates:** The interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- **Investments at fixed rates:** The fair value of the assets will fall (no impact on revenue balances).

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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.



## DRAFT UNAUDITED

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum 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, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grant payable on financing costs.

As at 31<sup>st</sup> March 2013, 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.

### ii) Price Risk

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

### iii) Foreign Exchange Risk

The Council has foreign exchange exposure resulting from an element of the settlement received from the Icelandic bank Glitnir. This is being held in Icelandic Krona in an ESCROW account due to the current imposition of currency controls in Iceland.

## DRAFT UNAUDITED

### f) 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	Date Invested	Maturity Date	Amount Invested £	Interest Rate %	Carrying Amount £	Impairment 2012/13 £	Principal Default %
Glitnir	10/10/2007	09/10/2008	1,000,000	6.28	-	-	-
Glitnir	31/08/2007	28/08/2009	1,000,000	6.55	-	-	-
Glitnir	14/12/2007	12/12/2008	1,000,000	6.16	-	-	-
KSF	31/08/2008	09/08/2010	1,000,000	6.69	91,373	(14,138)	14.75
KSF	31/10/2007	29/10/2008	1,000,000	6.16	90,586	(14,260)	14.75
KSF	14/01/2008	14/10/2010	1,000,000	5.90	89,625	(13,916)	14.75
Heritable	12/09/2008	13/10/2008	500,000	5.38	52,089	2,237	11.92
Heritable	15/09/2008	22/10/2008	1,000,000	5.45	104,083	4,538	11.92
<b>Total</b>			<b>7,500,000</b>		<b>427,756</b>	<b>(35,539)</b>	

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.

#### Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008 its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. The Icelandic Supreme Court decision to grant UK local authorities priority status, enabled the winding up board to make a distribution to creditors in a basket of currencies in March 2012.

## DRAFT UNAUDITED

An element of the distribution was in Icelandic Krona which was placed in an ESCROW account in Iceland and is currently earning interest of 4.2%. This element of the distribution has been retained in Iceland due to currency controls currently operating there and as a result is subject to exchange rate risk, over which the Council has no control.

The Council has recognised a gain of 7.4% of the claim amount due to currency fluctuations.

### **Kaupthing Singer and Friedlander Ltd (KSF)**

The current position on actual payments received and estimated future payouts is as shown in the table. The authority has decided to recognise an impairment based on it recovering 85.25p in the £.

<b>Date</b>	<b>Repayment</b>
Received to date	76.00%
June 2013	3.00%
June 2014	3.00%
June 2015	3.25%

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 7<sup>th</sup> October 2008.

### **Heritable Bank**

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7<sup>th</sup> October 2008. The current position on actual payments received and estimated future payouts is as shown in the table below and this Council has used these estimates to calculate the impairment based on recovering 88.08p in the £.

<b>Date</b>	<b>Repayment</b>
Received to date	77.28%
July 2013	2.00%
January 2014	8.80%

Recoveries are expressed as a percentage of the Authority's claim in the administration, which includes interest accrued up to 6<sup>th</sup> October 2008.

### **Accounting for Impairment**

The total impairment gain (principal plus interest) recognised in the Comprehensive Income and Expenditure Statement in 2012/13 of £36k 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.

**DRAFT UNAUDITED**

**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.

<b>Bank</b>	<b>Amount Invested</b>	<b>Interest</b>	<b>Impairment</b>	<b>Repaid</b>	<b>Held in Escrow Account</b>	<b>Carrying Value</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Glitnir	<b>3,000,000</b>	<b>629,401</b>	<b>(431,075)</b>	<b>(2,554,431)</b>	<b>(643,895)</b>	-
KSF	1,000,000	172,963	(265,313)	(816,277)	-	91,373
KSF	1,000,000	148,480	(253,900)	(803,994)	-	90,586
KSF	1,000,000	130,581	(248,033)	(792,924)	-	89,625
	<b>3,000,000</b>	<b>452,024</b>	<b>(767,246)</b>	<b>(2,413,195)</b>	-	<b>271,584</b>
Heritable	500,000	53,173	(113,259)	(387,826)	-	52,089
Heritable	1,000,000	107,186	(227,761)	(775,342)	-	104,083
	<b>1,500,000</b>	<b>160,359</b>	<b>(341,020)</b>	<b>(1,163,168)</b>	-	<b>156,172</b>
<b>Total</b>	<b>7,500,000</b>	<b>1,241,784</b>	<b>(1,539,341)</b>	<b>(6,130,793)</b>	<b>(643,895)</b>	<b>427,756</b>

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:

<b>Date</b>	<b>KSF</b>	<b>Heritable</b>
	<b>£</b>	<b>£</b>
31st March 2014	108,173	168,936
31st March 2015	102,875	-
31 <sup>st</sup> March 2016	104,792	-
<b>Total</b>	<b>315,840</b>	<b>168,936</b>

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

<b>Bank</b>	<b>Credited 2010/11</b>	<b>Repayments 2010/11</b>	<b>Credited 2011/12</b>	<b>Repayments 2011/12</b>	<b>Credited 2012/13</b>	<b>Repayments 2012/13</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Glitnir	48,234	-	51,379	3,140,912	-	-
KSF	49,261	317,526	43,385	317,526	21,318	412,783
Heritable	33,360	268,130	19,109	268,130	11,417	140,858
<b>Total</b>	<b>130,855</b>	<b>585,656</b>	<b>113,873</b>	<b>3,726,568</b>	<b>32,735</b>	<b>553,641</b>

**DRAFT UNAUDITED**

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

The balance on the FIAA relating to impairment of Icelandic investments was written off following capitalisation of the impairment losses in 2009/10.

Draft Unaudited

**DRAFT UNAUDITED**

**Approval of Accounts**

I confirm that these accounts were approved by the Audit and Governance Committee  
at the meeting held on 26<sup>th</sup> September 2013

Signed on behalf of Tamworth Borough Council

Councillor M. Gant, Chair of the Audit and Governance Committee

Dated 26<sup>th</sup> September 2013

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

**DRAFT UNAUDITED**

## Housing Revenue Account

The HRA Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants. The Council charges rents to cover expenditure in accordance with legislative framework; this may be different from accounting cost. The increase or decrease in the year, on the basis which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2011/12 £000	HRA Comprehensive Income & Expenditure Statement	2012/13	
		£000	£000
	<b>Expenditure:</b>		
4,741	Repairs and maintenance	3,125	
4,052	Supervision and management	4,952	
26	Rents, rates, taxes and other charges	26	
3,434	Negative HRA subsidy payable	-	
4,879	Depreciation and impairment of non-current assets	2,168	
26	Debt management costs	16	
163	Movement in the allowance for bad debts	146	
<b>17,321</b>	<b>Total Expenditure</b>		<b>10,433</b>
	<b>Income:</b>		
(16,125)	Dwelling rents	(17,232)	
(434)	Non-dwelling rents	(375)	
(365)	Charges for services and facilities	(402)	
(532)	Contributions towards expenditure	(1,491)	
<b>(17,456)</b>	<b>Total Income</b>		<b>(19,500)</b>
<b>(135)</b>	<b>Net Expenditure of HRA Services as included in the Comprehensive Income and Expenditure Statement</b>		<b>(9,067)</b>
4	HRA services' share of Corporate and Democratic Core		4
44,668	Exceptional Item - HRA Self Financing Settlement		-
<b>44,537</b>	<b>Net Expenditure / (Income) for HRA Services</b>		<b>(9,063)</b>
	<b>HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:</b>		
(215)	(Gain) or loss on sale of HRA non-current assets		(184)
1,224	Interest payable and similar charges		2,974
(61)	Interest and investment income		(113)
107	Pensions interest cost and expected return on pensions assets		183
<b>45,592</b>	<b>(Surplus)/ deficit for the year on HRA services</b>		<b>(6,203)</b>

**DRAFT UNAUDITED**

**Statement of Movement on the HRA Balance**

2011/12 £000	Statement of Movement on the HRA Balance	2012/13 £000	£000
5,087	Balance on the HRA at the end of the previous year		4,487
(45,592)	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	6,203	
44,905	Adjustments between accounting basis and funding basis under statute	(2,329)	
<b>(687)</b>	<b>Net (increase) or decrease before transfers to or from reserves</b>	<b>3,874</b>	
87	Transfers to/ (from) reserves	(3,094)	
(600)	(Increase) or decrease on the HRA		780
<b>4,487</b>	<b>Balance on the HRA at the end of the current year</b>		<b>5,267</b>

**Analysis of Adjustments**

2011/12 £000	Analysis of Adjustments	2012/13 £000
8	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	(1)
(215)	Gain or loss on sale of HRA non-current assets	(184)
113	HRA share of contributions to or from the Pensions Reserve	178
44,668	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	-
(1,704)	Capital expenditure funded by the HRA	-
(2,833)	Transfer to/ from the Major Repairs Reserve	(4,477)
(10)	Transfer to/ from the FIAA	(3)
4,878	Transfer to/ from the Capital Adjustment Account	2,158
<b>44,905</b>	<b>Total adjustments between accounting basis and funding basis under statute</b>	<b>(2,329)</b>



NOTES TO THE HRA

**HRA1. Number & Type of Dwelling**

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

	Houses and Bungalows	High and Medium Rise Flats	Low Rise Flats	Total
<b>Housing stock as at 01 April 2012</b>	<b>2,875</b>	<b>764</b>	<b>886</b>	<b>4,525</b>
Demolitions	-	-	-	-
Sales	(16)	-	(2)	(18)
Purchases	-	-	-	-
Reclassification of Assets	-	-	-	-
<b>Housing stock as at 31 March 2013</b>	<b>2,859</b>	<b>764</b>	<b>884</b>	<b>4,507</b>

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.

**HRA2. Vacant possession value of dwellings**

The Vacant Possession Valuation as at 31st March 2013 is £369.844m (31<sup>st</sup> March 2012 Vacant Possession Value was £367.272m).

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.

Council dwellings are held on the balance sheet at Existing Use Social Housing Value (EUSHV) which for 2012/13, a nationally set adjustment factor for the West Midlands of 34% of vacant possession value has been used (34% for 2011/12).

**DRAFT UNAUDITED**

**Existing Use Social Housing Value of Dwellings**

<b>Existing Use Social Housing Value of Dwellings</b>	<b>Council Dwellings £000</b>	<b>Other Land and Buildings £000</b>	<b>Total £000</b>
<b>Cost or Valuation</b>			
<b>As at 01 April 2012</b>	<b>133,672</b>	<b>2,557</b>	<b>136,229</b>
Additions	3,365	-	<b>3,365</b>
Accumulated Depreciation and Impairment written off to Gross Carrying Amount	(15,610)	-	<b>(15,610)</b>
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	1,747	-	<b>1,747</b>
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on the Provision of Services	3,109	-	<b>3,109</b>
Derecognition - Disposals	(536)	-	<b>(536)</b>
<b>As at 31 March 2013</b>	<b>125,747</b>	<b>2,557</b>	<b>128,304</b>
<b>Accumulated Depreciation &amp; Impairment</b>			
<b>As at 01 April 2012</b>	<b>(10,422)</b>	<b>(328)</b>	<b>(10,750)</b>
Depreciation Charge	(1,833)	(79)	<b>(1,912)</b>
Accumulated Depreciation and Impairment written off to Gross Carrying Amount	15,610	-	<b>15,610</b>
Impairment losses/ (reversals) recognised in the Revaluation Reserve	-	(33)	<b>(33)</b>
Impairment losses/ (reversals) recognised in the Surplus/ Deficit on the Provision of Services	(3,365)	(10)	<b>(3,375)</b>
Derecognition - disposals	10	-	<b>10</b>
<b>As at 31 March 2013</b>	<b>-</b>	<b>(450)</b>	<b>(450)</b>
<b>Net Book Value</b>			
As at 01 April 2012	123,250	2,229	125,479
<b>As at 31 March 2013</b>	<b>125,747</b>	<b>2,107</b>	<b>127,854</b>
<b>Nature of holdings at year end</b>			
<b>Owned</b>	<b>125,747</b>	<b>2,107</b>	<b>127,854</b>

**DRAFT UNAUDITED**

**HRA3. 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 capital expenditure shown was spent on maintaining council dwellings.

2011/12 £000	Major Repairs Reserve	2012/13 £000
-	<b>Balance at 1 April 2012</b>	-
2,833 (2,833)	Contributions to the Major Repairs Reserve Capital Spending on Dwellings	4,477 (3,365)
-	<b>Balance at 31 March 2013</b>	<b>1,112</b>

**HRA4. Capital Expenditure Summary**

The following table details how £3.365m capital expenditure was financed during the year.

2011/12 £000	Capital Expenditure	2012/13 £000
	<b>Capital Expenditure Type:</b>	
4,471	Dwellings	3,365
66	Land	-
44,668	HRA Self Financing Settlement	-
<b>49,205</b>	<b>Total Capital Expenditure</b>	<b>3,365</b>
	<b>Funded by:</b>	
1,704	Revenue contributions	-
44,668	REFCUS	-
2,833	Major Repairs Reserve	3,365
<b>49,205</b>	<b>Total Funding</b>	<b>3,365</b>

## HRA5. Capital Receipts

During the year capital receipts totalling £710k were received in respect of dwellings sold, of which £305k was repaid to CLG under the pooling regime. The un-pooled element of capital receipts are retained for financing housing capital investment and regeneration works

2011/12 £000	Capital Receipts	2012/13 £000
395 (292)	Sale of dwellings under right to buy Amounts pooled to Central Government	710 (305)
<b>103</b>	<b>Net capital receipts</b>	<b>405</b>

## HRA6. 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 £1.833m.

The charge for depreciation of £79k on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

Charges for impairment of £3.409m have been made during 2012/13. This included an amount of £3.365m where the expenditure on capital assets has not produced a similar increase in the value of the asset and £43k in respect of council garages no longer available for letting.

**DRAFT UNAUDITED**

**HRA7. Subsidy**

Until 2011/12 HRA subsidy was 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. However, from 2012/13 subsidy is no longer payable under the HRA Self Financing Regime. The amount of Housing Revenue Account Subsidy payable was calculated as follows:

**HRA8. HRA Pensions Reserve**

2011/12 £000	Pensions	2012/13 £000
482	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	425
806	Interest on share of pensions liability	798
(699)	Expected return on share of assets	(615)
<b>589</b>	<b>Total</b>	<b>608</b>

**HRA9. Rent Arrears**

2011/12 £000	Rent Arrears	2012/13 £000
1,018	Gross arrears	1,180
6.3%	Gross arrears as percentage of gross rent income	6.8%

Approximately 32% (29% 2011/12) of rent arrears refer to former tenants.

2011/12 £000	Provision for Bad Debts	2012/13 £000
<b>657</b>	<b>Rent arrears</b>	
	<b>Balance at 1 April 2012</b>	<b>802</b>
173	Contribution from / (to) HRA in year	151
(28)	Written off in year	(33)
<b>802</b>	<b>As at 31 March 2013</b>	<b>920</b>
	<b>Sundry debtors</b>	
<b>85</b>	<b>Balance at 1 April 2012</b>	<b>68</b>
(9)	Contribution from / (to) HRA in year	(6)
(8)	Written off in year	(5)
<b>68</b>	<b>As at 31 March 2013</b>	<b>57</b>
<b>870</b>	<b>Total provision for bad debts</b>	<b>977</b>

**DRAFT UNAUDITED**

**Collection Fund**

The Collection Fund statement shows the transactions of the Council, as billing authority, in relation to the collection of council tax income on behalf of Staffordshire County Council, the Police Authority, the Fire & Rescue Authority and this Council's General Fund together with non-domestic rates collected on behalf of the Government.

2011/12 £000	<b>Collection Fund Income and Expenditure Statement</b>	2012/13 £000
	<b>INCOME</b>	
(28,138)	Income from council tax	(28,377)
(5,398)	Transfers from General Fund - Council Tax benefits	(5,324)
(30,381)	Income collectable from business ratepayers	(30,256)
<b>(63,917)</b>	<b>Total Income</b>	<b>(63,957)</b>
	<b>EXPENDITURE</b>	
	Precepts	
3,485	- Tamworth Borough Council	3,496
4,139	- OPCC Staffordshire	4,152
1,576	- Stoke on Trent & Staffordshire Fire & Rescue Authority	1,581
23,975	- Staffordshire County Council	24,052
	Business rate	
29,943	-Payment to national pool	29,569
94	-Costs of collection	93
470	Provisions for Bad and doubtful debts/appeals	744
	Distribution of previous year's council tax surpluses	
18	- Tamworth Borough Council	26
21	- OPCC Staffordshire	31
8	- Stoke on Trent & Staffordshire Fire & Rescue Authority	12
121	- Staffordshire County Council	181
<b>63,850</b>	<b>Total Expenditure</b>	<b>63,937</b>
(67)	<b>(Surplus)/ Deficit for the year</b>	(20)
(382)	Fund Balance Brought Forward	(449)
<b>(449)</b>	<b>Fund Balance at 31 March 2013</b>	<b>(469)</b>

**DRAFT UNAUDITED**

2011/12 £000	Collection Fund Income and Expenditure Statement	2012/13 £000
	<b>Analysis of Fund Balance (Surplus)/ Deficit</b>	
(47)	- Tamworth Borough Council	(50)
(56)	- OPCC Staffordshire	(59)
(22)	- Stoke on Trent & Staffordshire Fire & Rescue Authority	(22)
(324)	- Staffordshire County Council	(338)
<b>(449)</b>	<b>Total</b>	<b>(469)</b>

## NOTES TO THE COLLECTION FUND

### CF 1. NNDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2013 was £79,129,606 (£80,110,656 at 31st March 2012).

The NNDR multiplier for 2012/13 was 45.8p in the pound (2011/12 43.3p). The qualifying small business multiplier for 2012/13 was 45.0p in the pound (2011/12 42.6p).

### CF 2. Council Tax Base Calculation

The Council base was as follows:

Number of chargeable properties 2011/12	Adjusted property base (Band D Equivalent) 2011/12	Calculation of Ctax Base	Number of chargeable properties 2012/13	Adjusted property base (Band D Equivalent) 2012/13
		<b>Valuation Band (Multiplier)</b>		
24	13	<b>A - Disabled Relief Reduction (5/9)</b>	<b>20</b>	<b>11</b>
8,010	5,340	<b>A - (6/9)</b>	<b>8,025</b>	<b>5,350</b>
10,450	8,128	<b>B - (7/9)</b>	<b>10,473</b>	<b>8,146</b>
4,910	4,364	<b>C - (8/9)</b>	<b>4,919</b>	<b>4,372</b>
3,261	3,261	<b>D - (9/9)</b>	<b>3,275</b>	<b>3,275</b>
1,574	1,924	<b>E - (11/9)</b>	<b>1,588</b>	<b>1,940</b>
367	530	<b>F - (13/9)</b>	<b>372</b>	<b>538</b>
57	95	<b>G - (15/9)</b>	<b>59</b>	<b>99</b>
1.5	3	<b>H - (18/9)</b>	<b>2</b>	<b>3</b>
<b>28,654.5</b>	<b>23,658</b>	<b>Totals</b>	<b>28,733</b>	<b>23,734</b>
	98.50%	<b>Assumed Collection Rate</b>		<b>98.50%</b>
	<b>23,303</b>	<b>Total Taxbase</b>		<b>23,378</b>

**DRAFT UNAUDITED**

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

Precept	Distribution of previous years estimated surplus/ (deficit)	Total movement on the Collection Fund	Precepts Analysis	Precept	Distribution of previous years estimated surplus/ (deficit)	Total movement on the Collection Fund
2011/12 £	2011/12 £	2011/12 £		2012/13 £	2012/13 £	2012/13 £
3,485,109	47,135	3,532,244	Tamworth Borough Council	3,496,180	49,997	3,546,177
4,139,023	55,979	4,195,002	Office of the Police & Crime Commissioner (OPCC)	4,152,167	58,471	4,210,638
1,576,194	21,318	1,597,512	Staffordshire Fire Authority	1,581,199	22,267	1,603,466
23,975,423	324,262	24,299,685	Staffordshire County Council	24,051,518	338,288	24,389,806
<b>33,175,749</b>	<b>448,694</b>	<b>33,624,443</b>	<b>Total</b>	<b>33,281,064</b>	<b>469,023</b>	<b>33,750,087</b>

**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 2012/13, a sum of £1,023.00 that had been previously transferred to General Fund has been identified as refundable and transferred back to the Collection Fund. £62,732.09 remains held as a retained fund to meet the cost of any refunds requested in the future.



**DRAFT UNAUDITED**

**CF 5. Bad & Doubtful Debts**

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

<b>2011/12 £000</b>	<b>Provision for Bad Debts</b>	<b>2012/13 £000</b>
<b>583</b>	<b>Council Tax Balance at 01 April 2012</b>	<b>709</b>
126	Increase /(decrease) in provision	150
-	Written off in year	(35)
<b>709</b>	<b>As at 31 March 2013</b>	<b>824</b>
<b>599</b>	<b>Business Rates Balance at 01 April 2012</b>	<b>721</b>
344	Increase /(decrease) in provision	595
(222)	Written off in year	(538)
<b>721</b>	<b>As at 31 March 2013</b>	<b>778</b>

## DRAFT UNAUDITED

### Annual Governance Statement 2012/13

#### Scope of Responsibility

The Authority 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 Authority also has a duty under the Local Government Act 1999 (as amended) 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 Authority is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Authority 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 Authority's code is on our website at [www.tamworth.gov.uk](http://www.tamworth.gov.uk). This statement explains how the Authority has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

#### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it is accountable to, engages with and leads its communities. 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 services and value for money.

The system of internal control is a significant part of that 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 Authority's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31<sup>st</sup> March 2013 and up to the date of approval of the statement of accounts.

## DRAFT UNAUDITED

### The Governance Framework

Our vision “One Tamworth, Perfectly Placed” was endorsed in 2011/12 as a single vision by this Authority along with our partners – County Council, Police, Health Service, Fire & Rescue Services, Voluntary Sector and others. The intended outcomes (corporate priorities) and actions to fulfil these are identified in the Corporate Plan. The Corporate Priorities are “To Aspire & Prosper” and “To be Healthier & Safer”. To align with the corporate priorities, the Authority has “Statements of Intent” for **People, Place & Organisation**.

Some of the key elements of the systems, processes and controls that comprise the Authority’s governance arrangements are set out below in line with our statements of intent. Further details of the systems, processes and controls in place can be found in the Code of Corporate Governance.

#### People

Every year, the Authority undertakes consultation with local people on a wide range of issues. Further details can be found in the Code of Corporate Governance. A major consultation exercise completed during 2012/13, ensured the successful implementation of the Council Tax Support Scheme in compliance with statutory requirements under the Welfare Reform Act and ensured that those affected were able to put their views forward on the proposals. Survey and consultation results are made available on the website. Communication and feedback is also completed through several publications which are made available on the website.

We use various types of media to communicate our vision and priorities. Examples are the Corporate Plan and quarterly reporting on achievements. All documents are available on the Authority’s website and in hard copy format.

There is a “Tell Us Scheme “ in place which captures comments, compliments and complaints.

#### Place

The Tamworth Strategic Partnership (TSP) is an umbrella partnership that brings together key local agencies from the public, private, voluntary and community sectors with the vision and priorities aligned to the Authority’s. The TSP has in place a strategic plan, terms of reference, workstreams with lead officers and champions. Partnership Governance guidance has been developed for use in all partnerships.

The Authority is working to promote private sector growth and create quality employment locally. Some of the achievements during 2012/13 include, improvements to be made to the Assembly Rooms and Tamworth Castle which successfully gained heritage lottery funding; progression of the Gateway Projects with the County Council; and influencing both the Greater Birmingham and Solihull Local Enterprise Partnership, and the Staffordshire and Stoke-on-Trent Local Enterprise Partnership, with successful outcomes for Tamworth.

The Authority has successfully implemented Council House Finance Reform which includes a 30 year business plan to bring new resources to the town.

## **Organisation**

The Authority ensures accountability and openness through the publishing of the Corporate Plan and the Annual Review which detail proposed plans for the coming year and achievement of objectives for the previous year. The Annual Review also details the summary accounts for the financial year. The Statement of Accounts is made available to the public on the website both at draft and final stage. The Authority has a balanced three year medium term financial strategy.

We have a Performance Management Framework in place which ensures that our performance against our intended outcomes as identified in the Corporate Plan, making the best use of resources available whilst obtaining value for money, is measured, monitored and reported on a quarterly basis. Details of performance against target are made available on the Authority's website.

The Constitution and Scheme of Delegation is reviewed and approved annually at Full Council. They detail roles and responsibilities of members and the Statutory Officers and the protocol on member/officer relations. All new members are given induction training which covers conduct and standards of behaviour. Members and officers are required to declare gifts and hospitality and to register their interests. A Code of Conduct for officers has been drafted during 2012/13. There is an E-Induction programme in place which includes a section on conduct. All new staff and members are required to complete an induction programme. On-going development of members and officers is identified through the Performance Development Review (PDR) process which is completed annually.

A Risk Management Strategy is in place which has been formally approved by Corporate Management Team and the Audit & Governance Committee. It is updated and reviewed on a regular basis. There is a Corporate Risk Register in place which is monitored by the Corporate Management Team and reported to the Audit & Governance Committee.

The Authority has in place a Counter Fraud & Corruption Policy Statement, Strategy and Guidance Notes and a Whistleblowing Policy which are available on the website. These are reviewed and revised on a regular basis.

The Authority has been undertaking a change management programme over the last two years. In 2012/13, a Corporate Change Board was set up to strengthen the leadership and ownership of the programme.

The Authority's financial management arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*. The Executive Director Corporate Services (the Chief Financial Officer) reports directly to the Chief Executive and is a member of the Corporate Management Team (CMT). He is professionally qualified and his main responsibilities include those set out in the CIPFA Statement on the role of the Chief Finance Officer in Local Government and also as detailed in the Constitution.

## DRAFT UNAUDITED

The Authority's Assurance Arrangements conform to the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*. The Head of Internal Audit Services fulfils this role. She is professionally qualified and reports directly to the Executive Director Corporate Services who is a member of the Corporate Management Team.

The Solicitor to the Council fulfils the role of the Monitoring Officer, the functions of which are detailed in the Constitution and include the responsibility for ensuring that the Authority follows agreed procedures and that all applicable statutes, regulations and other relevant statements of good practice are complied with, for example, changes that have been required regarding the Localism Act 2011 and the Local Authority (Executive Arrangements) (Access to Information) Regulations 2013.

The Chief Executive fulfils the role of the Head of Paid Service, the functions of which are detailed in the Constitution.

The Audit & Governance Committee has been in place since 2006 and its role and function are laid down in the Constitution. The core functions are as identified in *CIPFA's Audit Committees: Practical Guidance for Local Authorities*. Each year, the Committee completes a self assessment against CIPFA guidance to ensure compliance. The Chair reports to the Full Council on an annual basis on the actions taken by the Committee during the year.

## DRAFT UNAUDITED

### Review of Effectiveness

The Authority 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 executive 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 by comments made by the external auditors and other review agencies and inspectorates as detailed below.

<b>Assurance Cycle</b>			
<b>Understand</b>	<b>Plan</b>	<b>Do</b>	<b>Review</b>
What are we seeking to receive assurance on?	What sources of assurance do we require?	How we will arrange ourselves to receive adequate assurances?	How do we know that we are effective?

- During 2012/13, the Governance Group has reviewed and updated against the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*;
- The Head of Internal Audit Services reports to the Audit & Governance Committee on a quarterly basis and provides an opinion on the overall effectiveness of the system of internal control based upon the work completed. For the 2012/13 financial year, the Head of Internal Audit Services' overall opinion of the control environment at this time is that "reasonable assurance" can be given;
- An annual review of the effectiveness of the system of Internal Audit (as required by Regulation 6(3) of the Accounts and Audit Regulations 2011) was completed and Internal Audit complied with CIPFA Code of Internal Audit practice for 2012/13. From the 1<sup>st</sup> April 2013, Internal Audit will comply with the Public Sector Internal Audit Standards;
- Our External Auditors report to each Audit & Governance Committee. They reported in their Annual Governance Report that the Authority had prepared its accounts and supporting working papers to a good standard with relatively few issues to be drawn to the attention of the members. They found no significant matters arising from certification of claims and returns;
- The Ombudsman reported in July 2012 on the enquiries and complaints they received in 2011/12. In total, they received 19 enquiries/complaints of which 5 were passed to the investigative team all of which concluded that there was not enough evidence of fault;

## DRAFT UNAUDITED

- Managers Assurance Statements have been completed and have not identified any significant control issues;
- The Performance Management Framework ensures that the financial healthcheck is reported to Cabinet on a quarterly basis and made readily available on the Authority's website.

### Declaration

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The significant governance issues already addressed and those to be specifically addressed with new actions planned are outlined in the attached **Annex 1**. Other minor issues highlighted through the assurance gathering process have been noted with planned actions to address these issues. Monitoring of the completion of these issues will be completed through reporting to the Audit & Governance Committee.

We propose over the coming year to take steps to address those matters raised to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operations as part of our next review.

Signed

D Cook  
Leader

A E Goodwin  
Chief Executive

Date: 27<sup>th</sup> June 2013

On behalf of the Authority

This information can be produced on request in other formats and languages. Please contact Internal Audit Services on 01827 709234 or email [enquiries@tamworth.gov.uk](mailto:enquiries@tamworth.gov.uk)

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

**Significant Governance Issues raised 2011/12 and action completed**

The significant governance issues identified in relation to the Authority achieving its vision in 2011/12 and action completed are:

No	Issue	Action	Update
1	<p><b>Medium Term Financial Strategy</b></p> <p>The Authority should continue vigorous monitoring and scrutiny of its financial position to ensure the savings plan can be delivered with the planned use of reserves; and that there is no impact on the quality and range of services provided.</p>	<p>The Medium Term Financial Strategy is under continuous review by CMT and the Executive Board to take account of current circumstances and that planned savings are implemented/achieved to enable minimum impact on service delivery.</p>	<p>The Authority approved an updated Medium Term Financial Strategy for 2013/14 to 2015/16 in line with statutory requirements at its meeting 26 February 2013.</p>



Significant Governance Issues 2012/13

The significant governance issues identified in relation to the Authority achieving its vision in 2012/13 are:

No	Issue	Action
1	<p><b>Medium Term Financial Strategy</b> The financial planning process has enabled a balanced MTFS to be delivered and has estimated closing balances over three years to £0.5m which is the minimum approved level.</p>	<p>Review on a regular basis the plans in place to deliver the MTFS to ensure that plans remain realistic and achievable including development of the Sustainability Strategy to address future financial constraints.</p>
2	<p><b>Town Centre Redevelopment</b> The Authority is making plans for the redevelopment of the Town Centre.</p>	<p>Maintain and review plans on a regular basis to ensure that they can be delivered without detrimental impact on the MTFS.</p>
3	<p><b>Golf Course</b> The provision of golfing in Tamworth was at risk due to the financial stability of the management company running the golf course. The Authority has reopened and is managing the golf course for a period of up to two years.</p>	<p>Work is progressing to look at other options for securing the long-term future of the golf course site, including future redevelopment and investment options.</p>
4	<p><b>Housing Regeneration</b> An in-depth study of council housing in Tamworth has identified that some housing in Tinkers Green in Willencote and the Kerria Centre in Amington was unpopular with residents, outdated and unsuitable for current housing needs.</p>	<p>A major redevelopment plan has been approved by the Authority's Cabinet to involve the demolition and rebuilding of parts of the Tinkers Green and Kerria estates.. The Authority will invest around £21.5 million over the next six years in the redevelopment of the two estates.</p>

## DRAFT UNAUDITED 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 body (the agent) on behalf of, and generally reimbursed by, the responsible body.

### **Available for Sale Financial Instruments Reserve**

This contains the gains made by the Council arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments.

### **Balances**

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

### **Balance Sheet**

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council.

### **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 Grants Unapplied**

Capital grants received with no conditions attached are transferred to the capital grants unapplied account until they are used to finance capital expenditure.

### **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.

### **Capital Receipts Reserve**

Capital receipts available to finance capital expenditure in future years are normally held in the usable capital receipts reserve.

### **Cash and Cash Equivalents**

Cash includes bank balances and on demand deposits. Cash Equivalents are short term, highly liquid investments where the date of maturity is three months or less from the date of acquisition that are readily convertible to cash and which are subject to an insignificant risk of change in value.

### **Cash Flow Statement**

This shows the changes in cash and cash equivalents of the Council during the reporting period.

### **CIPFA**

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

## **DRAFT UNAUDITED**

### **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.

### **Collection Fund Adjustment Account**

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

### **Component Accounting**

Where a Property, Plant or Equipment asset has major components, with a cost significant in relation to the total cost of the item, the components are separately identified and depreciated.

### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation.

### **Contingency**

The sum of money set aside to meet unforeseen expenditure.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset which will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the Council's control. Contingent Assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **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.

### **Deferred Capital Receipts Reserve**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

### **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.

## **DRAFT UNAUDITED**

### **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 Code of Practice and the rate at which debits and credits are required to be made against council tax / rent.

### **Housing Revenue Account**

The Housing Revenue Account reflects the statutory requirement to maintain a separate account for Council Housing.

### **IFRS**

International Financial Reporting Standards (IFRS) are to be used for the production of accounts from 2010/11 onwards. The introduction of IFRS is intended to make the Statement of Accounts more robust and comparable with other local authorities and the wider public sector.

### **Intangible Assets**

Non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences).

### **Investment Property**

Under IFRS, investment property is defined as a property which is held exclusively for revenue generation or for the capital gains that the asset is expected to generate - not used directly to deliver the Council's services.

### **Jointly Controlled Assets**

These are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers.

### **Jointly Controlled Operations**

These are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity.

### **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 its 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.

## **DRAFT UNAUDITED**

### **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.

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

### **National Non-Domestic Rates (NDR)**

The tax paid on non domestic properties. It 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.

### **Non-Current Assets Held For Sale**

Non-current assets held for sale are those where the value of the asset will be recovered mainly by selling the asset rather than through usage.

### **Operating Segments**

These are components of the Council about which separate financial information is available that is evaluated regularly by the Council's 'Chief Operating Decision Maker' (Cabinet/Council) in deciding how to allocate resources and in assessing performance. This requires financial information to be analysed by Director.

### **Pension Reserve**

This absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

### **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 material 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 Council's collection fund and is based on the council tax base.

### **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).

### **Related Party**

A related party is a body or individual that has control or joint control, or significant influence over the Council, or is a member of the key management personnel of the Council.

## DRAFT UNAUDITED

### **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.

### **Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

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 of the Council's plant, property and equipment, and intangible assets, made after 1<sup>st</sup> April 2007.

### **Revenue Expenditure**

The day-to-day expenditure incurred by the Council 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.

### **Usable Reserves**

The purpose of each usable reserve is detailed below:

#### *General Fund Balance*

These funds are available to meet the future running costs for the Council for non-housing services.

#### *Housing Revenue Account*

This reserve holds funds that are available to meet future running costs relating to the Council's housing stock.

#### *Capital Receipts Reserve*

This reserve holds all of the Council's receipts generated from the disposal of non-current assets and although this is in the usable reserves section, this reserve can only be used to finance new capital investment or to repay debt.

#### *Major Repairs Reserve*

This reserve is to meet the capital investment requirements of the Council's housing programme.

#### *Capital Grants Unapplied*

This reserve is used to hold capital grants without conditions or where conditions have been satisfied, but the grant has yet to be used to finance capital expenditure.

#### *Earmarked Reserves – General Fund / Housing Revenue Account*

Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. Further details of the significant reserves within this heading are shown in Note 8.

## **Appendix to the Comprehensive Income & Expenditure Statement**

### **Central Services to the Public**

- Local Tax Collection
- Elections
- Emergency Planning and Civil Contingencies
- Local Land Charges

### **Cultural and Related Services**

- 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 and Development Services**

- 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

## **DRAFT UNAUDITED**

### **Local Authority Housing (HRA)**

- Costs associated with management of Council Dwellings
- Welfare Services for tenants

### **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



**DRAFT UNAUDITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TAMWORTH BOROUGH COUNCIL**

**Opinion on the Authority accounting statements**

I have audited the financial statements of Tamworth Borough Council for the year ended 31<sup>st</sup> March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

**Respective responsibilities of the Executive Director Corporate Services and auditor**

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director Corporate Services'; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword and the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

**Opinion on accounting statements**

In my opinion the financial statements:

- give a true and fair view of the financial position of Tamworth Borough Council as at 31<sup>st</sup> March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

## **DRAFT UNAUDITED**

### **Opinion on other matters**

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

### **Matters on which I report by exception**

I report to you if:

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

I have nothing to report in these respects.

### **Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### **Respective responsibilities of the Authority and the auditor**

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 to review regularly the adequacy and effectiveness of these arrangements.

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

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

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

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2012, as to whether the Authority has proper arrangements for:

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

## **DRAFT UNAUDITED**

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31<sup>st</sup> March 2013.

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

### **Conclusion**

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2012, I am satisfied that, in all significant respects, Tamworth Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

### **Certificate**

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

James Cook

Grant Thornton UK LLP

Colmore Plaza, 20 Colmore Circus, Birmingham, West Midlands, B4 6AT

27<sup>th</sup> September 2012

*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 Executive Director Corporate Services.*

This page is intentionally left blank