

TAMWORTH BOROUGH COUNCIL

Statement of Accounts 2011/12



STATEMENT OF ACCOUNTS

2011/12

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THE EXPLANATORY FOREWORD

The statement of accounts presents the financial position and performance of the Council for the year ended 31st March 2012. This foreword describes the nature and purpose of each of the statements which follow and the principal items of interest or note which are contained within the accounts.

THE FINANCIAL STATEMENTS

The Annual Statement of Accounts for the year ended 31st March 2012 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom.

The Council's accounts for 2011/12 are set out on pages 18 to 132 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.
 - **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 2011/12

Prior to 2010/11 Local Authorities were required to prepare their accounts using accounting policies based on UK Generally Accepted Accounting Practice (UK GAAP) and in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice* (the SORP) prepared by the Chartered Institute of Public Finance and Accountancy (CIPFA). It was announced in the 2007 Budget (as amended) that International Financial Reporting Standards (IFRS) would be used for the production of accounts from 2010/11 onwards following a transition period.

The SORP was based on UK Generally Accepted Accounting Principles (GAAP) but modified for local government where legislative requirements demand different treatments to UK GAAP. This was to ensure that there were arrangements in place to mitigate the potential effect upon Council Tax of certain transactions and to recognise the unusual nature of local authority funding.

From 2010/11 there is no longer a Local Authority SORP produced by CIPFA. Instead, there is a Code of Practice on Local Authority Accounting prepared by CIPFA under the guidance of the Financial Resources Advisory Board (FRAB), which is the independent body responsible for overseeing the development of financial reporting within the UK public sector.

An updated Code of Practice applicable for 2011/12 was issued by CIPFA in January 2011 and the changes reflected in this review must now be incorporated into the Council's 2011/12 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 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 applies for accounting periods commencing on or after 1 April 2011. It supersedes the 2010/11 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 2011/12 Code introduces some changes in accounting practice which the council needs to comply with.

CHANGES IN ACCOUNTING POLICY FOR 2011/12

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 2011/12 therefore arise from an updated IFRS based *Code of Practice on Local Authority Accounting* issued by CIPFA in January 2011.

Many of the changes reflected in the 2011/12 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.

Changes to the *Code of Practice* that impact on Council's Accounting Policies in 2011/12 are therefore minimal and relate to Heritage Assets.

Main changes to the Code of Practice on Local Authority Accounting Code (The Code) for 2011/12

Following the significant changes in Local Authority Accounting last year 2011/12 is a year of consolidation with relatively few new requirements. The new requirements are summarised below:

- Heritage Assets
- Exit Packages
- Community Infrastructure Levy and Business Rates Supplements
- Related Party Disclosures
- Financial Instruments
- Accounting for Joint Ventures
- Code Clarifications

1. Heritage Assets

The only change to the Council's accounting policies necessitated by the changes to the accounting framework relates to Heritage Assets.

FRS30 has now been adopted in the Code and there is a new class of assets to be disclosed called Heritage Assets, to be shown (at valuation - with exceptions) on the balance sheet for the first time.

The impact was already assessed and disclosed as part of the 2010/11 Accounts. A new category will be included in the financial statements & assets have been reviewed against the criteria of Heritage Assets. This is a change in accounting policy and as such will need to be treated retrospectively and lead to a need to restate the 2010/11 Balance Sheet.

Heritage Assets are assets which are intended to be preserved in trust for future generations because of their historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture. Examples include; historical buildings such as the Castle, archaeological sites, military and scientific equipment of historical importance, civic regalia, medals, museum collections and works of art.

Community Assets (including parks (excluding archaeological sites); cemeteries and crematoria (land only); and allotments where there are restrictions on alternative uses) are not Heritage Assets, but are accounted for as Property, Plant and Equipment.

The Code also permits, but does not require, authorities to adopt the measurement and disclosure requirements within FRS 30 for community assets.

Heritage Assets should be carried at valuation but may be carried at historical cost where it is not practicable to establish a valuation and historical cost information is available.

Where there is no information available on either cost or value, and the cost of obtaining the information outweighs the benefits to the users of the financial statements, there is no requirement to recognise Heritage Assets on the Balance Sheet. There should, however, be appropriate disclosure of the types of heritage asset held.

Officers have compiled a comprehensive inventory, based on the historical cost or historic valuations of Heritage Assets. Whilst the Council was reluctant, at a time of budget pressures, to engage the services of a professional valuer to update the required information, it was considered appropriate to seek updated insurance valuations for the significant assets held not previously on the Balance Sheet (under a value for money approach). Therefore, the Assay office were requested to value the significant items of Civic Regalia and an external valuer engaged to provide replacement cost values for statues within the borough.

Such assets need to be valued, depreciated (where the Heritage Asset has a finite useful economic life) and reviewed on a regular basis for evidence of impairment losses.

A disclosure has been included which shows the value and type of Heritage Assets held by the Authority, together with a balance sheet movement reconciliation.

An accounting policy for the acquisition, preservation, management and disposal of Heritage Assets has been included.

A review of our current assets held has taken place to re-categorise assets that meet the definition for a heritage asset. Discussions have also taken place with various service managers to ensure all assets that could be captured under the definition have been identified and are included on the Council's balance sheet.

Identified Heritage Assets are held on the Council's Balance Sheet using either historic cost or uplifted insurance valuations. This has resulted in a significant increase in the non current assets value held on the balance sheet for 2011/12.

As this is a retrospective change in accounting policy, the comparative figures for the 2010/11 Statement of Accounts have been restated.

2. Exit Packages

The 2011/12 Code introduces a requirement to report summary information in relation to exit packages (e.g. redundancy).

A new note has been included on the number of staff exit packages agreed (grouped in rising bands of £20,000 up to £100,000, and bands of £50,000 thereafter), analysed between redundancies and other departures.

The note also discloses the total cost of packages agreed in each band. Bands have been combined where this is necessary to ensure that individual exit packages cannot be identified (except where disclosure of payments to the individuals is required elsewhere under regulations).

Exit packages include compulsory (where applicable) and voluntary redundancy costs, pension contributions in respect of added years, ex-gratia payments and other departure costs.

3. Related Party Disclosures

There has been some clarification and change to the definitions of 'related party' and 'close members of the family' of a related party.

Related party transactions are ones which are not arm's length due to one party to a transaction being able to control or exert significant influence over the other.

The 2011/12 Code amends the related party disclosures required in respect of central government departments, government agencies, NHS bodies and other local authorities. Additional guidance on the definition of a related party is also included. New definitions of IAS 24 are included - this is extra guidance and does not represent a change.

The disclosure for government is reduced and the normal disclosure requirements do not apply. For central government departments, government agencies, NHS bodies and other local authorities, the Council has disclosed: The name of the government (i.e. UK Government) and the fact that the government exerts significant influence through legislation and grant funding. The following information in sufficient detail enables users of the entity's financial statements to understand the effect of related party transactions on its financial statements a) the nature and amount of each individually significant transaction, and b) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

4. Financial Instruments

The 2011/12 Code incorporates minor changes to the disclosures of the nature and extent of risks arising from financial instruments. Additional disclosures are also required where the level of soft loans granted by an authority is material.

Soft loans are loans advanced by the Council to third parties at interest rates below the prevailing market rate. The Council does not have any soft loans.

The 2011/12 Code clarifies that financial instrument disclosures are required in respect of leases and PFI, PPP and similar schemes.

Changes include reduced disclosures in respect of financial assets that are neither past due nor impaired, and clarification of the disclosures required in respect of collateral and other credit enhancements obtained.

5. Accounting for Joint Ventures

The Code gives clarification that where an Authority is a party to a joint venture, does not have joint control of that joint venture but does have significant influence, the interest in the joint venture should be accounted for as if it were an associate in line with IAS 31. It also includes additional guidance on the accounts of transfers of functions between public sector bodies. The Council does not have any joint ventures.

The Council entered in a joint arrangement with Lichfield DC with effect from 5th July 2010 providing waste management and recycling services. 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 2011/12, the cost of the joint arrangement to the Council was £1.42m.

6. Code Clarifications

The 2011/12 Code clarifies the requirements in a number of areas where uncertainty was identified in the 2010/11 Code.

SIGNIFICANT TRANSACTIONS IN 2011/12

The following major transactions have occurred during the year which have significant impact on the Financial Statements:

1. HRA Self Financing

With effect from 1st April 2012 the HRA subsidy system was abolished and replaced with a new system of self financing. Under the new system the council was required to take on additional debt totalling £44.668 million. This payment was made to central government on 28th March 2012 and has been shown as an extraordinary payment in the HRA accounts for 2011/12 in accordance with guidance issued in Local Authority Accounting Panel (LAAP) Bulletin 92. The debt appears in the balance sheet.

2. Municipal Mutual Insurance (MMI)

Contingent Liability: Following a Supreme Court decision handed down on 28th March 2012, if Municipal Mutual Insurance (MMI) are unable to foresee a position in which future investment income net of operating expenses would be adequate to achieve payment of agreed claims in full then appropriate alternative arrangements, which might involve the triggering of the Scheme of

Arrangement (SOA), would be made. Under the SOA, the Council could be liable to pay a levy up to the value of claims paid since 1993. The value of claims paid amounts to £250k.

3. The Impact of the Recession

a) Impairment of Investments

The accounting requirements for impairing investments (such as investments placed with Icelandic Banks) have been made in line with CIPFA guidance with the change in impairment included in the surplus or deficit on the Income and Expenditure Account in line with advice and information from the administrators.

Following a capitalisation direction of up to £4m approved by the Government which allowed the Council to capitalise £3.386m in 2009/10 relating to the impact of the impairment of investments on the General Fund – an improvement in the recovery rates for two of the banks (KSF & Heritable) is anticipated which has led to a fall in impairment levels.

With regard to the investment with Glitnir, on 28 October 2011 the Icelandic Supreme Court ruled that UK local Authorities' claims in the administrations of Glitnir qualified as priority claims under Icelandic bankruptcy legislation, confirming the earlier decision of the Reykjavik District Court.

The position as to the status of interest on UK local authorities' deposits maturing between 6 October 2008 and 22 April 2009 has also been fully resolved for Glitnir depositors meaning that the value of the Councils' claims is equal to the value of the original deposit plus interest accrued to 22 April 2009 or, if earlier, the maturity date.

After the decision of the Icelandic Supreme Court had been delivered, the Winding Up Board of Glitnir made a distribution proposal to priority creditors. This was accepted by all UK local authorities and implemented on 16 March 2012. Under the terms of the distribution proposal, payment of each claim (measured in Icelandic krona (ISK) terms as at 22 April 2009) was made in a basket of currencies with conversions made using Central Bank of Iceland selling rates as at 22 April 2009. The distribution currencies were Icelandic krona, Euros, US dollars, pounds sterling, and Norwegian krona. The weightings for the distribution currencies were determined based on the currencies of the adjusted assets held by Glitnir as at 30 September 2011.

The amounts received by the Council in currencies other than Icelandic krona were converted into sterling when received – with the Council receiving £2.6m directly into its bank account on 16 March 2012 (from an anticipated £3.2m). The Council has therefore accounted for the final amount of any impairment charge by comparing the carrying value of the impaired deposit with the sum of the amount actually received in sterling and from conversion of Euro, US dollar and Norwegian krona receipts.

The balance (c. £0.6m) is held in Icelandic krona amounts that have been distributed by the Glitnir Winding Up Board but held in an escrow account in Iceland because, under the applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release Icelandic krona payments held within the Icelandic banking system. The money held in the Glitnir Winding Up Board escrow account is, however, earning interest for the benefit of local authorities at a rate of 3.4%.

Following return of the deposits placed with Glitnir during March 2012 (as well as the balance held in an Escrow account in Iceland), a reversal of the impairment of £2.4m has been included within Financing and Investment Income. Consequently, the element of the capitalisation relating to the Glitnir deposits has also been reversed – equating to a net reversal of £2.15m within the 2011/12 accounts (£2.26m since 2010/11) charged to the Comprehensive Income and Expenditure Statement (reversed through the Capital Adjustment Account within the Movement in Reserves Statement).

4. Changes to the Accounts

Whenever changes to accounting principles are made it is necessary to produce comparable figures for the previous year on the new basis – therefore changes to the 2011/12 accounts have been mirrored in re-stated accounts for 2010/11 to allow for like for like comparisons.

In the 2011/12 Statement of Accounts, the Council has adopted a new accounting policy for Heritage Assets that impacts on the comparative figures for 2010/11.

The following table explains the material differences between the amounts presented in the 2010/11 financial statements and the equivalent amounts presented in the 2011/12 financial statements.

Restatement Table (Balance Sheet Extract)	Opening Balances as at 1 April 2010	Category Transfer	Restatement	Restatement required to opening balances as at 1 April 2010
	£000	£000	£000	£000
Property, Plant and Equipment	203,488	(658)	-	202,830
Heritage Assets	-	658	864	1,522
Long Term Assets	235,574	235,574	236,438	236,438
Total Net Assets	186,856	186,856	187,720	187,720
Unusable Reserves	(167,430)	-	(864)	(168,294)
Net Worth/Total Reserves	(186,856)	(186,856)	(187,720)	(187,720)

FINANCIAL PERFORMANCE

Overall Revenue Position

The Movement in Reserves Statement on page 20 shows a net General Fund surplus of £210k for the year. This was £909k lower than planned in the original budget at the start of the year and has been added to General Fund Balances of £4.511m (with the minimum approved level being £500k) brought forward from 2010/11, to produce a cumulative surplus of £4.721m carried forward to 2012/13.

The overall revenue financial position relating to Council Housing as given on page 122 shows a reduction in HRA balances for the year of £600k. This equates to an under-spend of £79k when compared to the approved budget for the year. This has resulted in a reduction in balances from £5.087m to £4.487m to be carried forward to 2012/13.

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 £8.507m, representing an under-spend of £909k. Major differences between the budget and the outturn are as follows:-

	£000s	£000s
Variance between Budget & Actual Outturn		
• Increased / Un - Budgeted Income		
Corporate Finance - Unspent/Redundant Reserves	(156)	
Interest on Icelandic returns	(114)	
Joint Waste Arrangements - Fees and Charges	(27)	(297)
• Shortfalls in Income		
Interest Charges to HRA	339	
Outside Car Parks - Fees and Charges	104	
Recharges Outside of Fund	97	
Investment Income	39	
Joint Waste Arrangements - Contributions	31	
Tamworth Golf Course - Contract Income	26	
Efficiency Savings - Unachieved	20	656
• Un- Budgeted Expenditure / Overspends		
Land Charges	84	
Tourist Information Centre - Employee Costs	54	
Public Spaces	46	
Pension Costs - West Midlands Council	42	226
• Savings / Under-spends		
External Interest Payments	(360)	
Icelandic Impairment Adjustment	(228)	
Joint Waste Arrangements - Unspent Contingency	(115)	
Minimum Revenue Provision	(113)	
Environmental Health	(92)	

Variance between Budget & Actual Outturn

Development Control	(85)
Employee Costs - Community Services Management	(73)
Vacancy Allowance	(50)
General Fund Housing - Charge from HRA	(50)
General Contingency	(49)
Benefits - Net Surplus on Operations	(41)
Commercial Property Management - Rates, Rental Income	(37)
Joint Waste Arrangements - Contract	(35)
Marmion House - Electricity, Rental Income	(32)
IFRS Contingency	(25)

- **Other Variances**

Total (Favourable) / Unfavourable Variance

£000s	£000s
(85)	
(73)	
(50)	
(50)	
(49)	
(41)	
(37)	
(35)	
(32)	
(25)	(1,385)
	(109)
	(909)

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

	Actual [a] £	Budget [b] £	Variance [c] £
Chief Executives Office			
Chief Executive	180,160	173,200	6,960
Assistant Chief Executive	110,626	108,020	2,606
Head of Organisational Development	222,284	246,020	(23,736)
Head of Customer Services	437,654	380,950	56,704
Head of Performance & Corporate Relations	212,464	223,600	(11,136)
Solicitor & Monitoring Officer	728,463	648,060	80,403
Sub Total	1,891,651	1,779,850	111,801
Corporate Director Resources			
Corporate Director Resources	112,010	101,520	10,490
Deputy Director Corporate Finance, Exchequer & Revenues	(221,914)	830,960	(609,046)
Assistant Director Business Processes	813,311	814,550	(1,239)
Head of Benefits	77,279	67,440	9,839
Head of Internal Audit Services	102,790	110,950	(8,160)
Head of Revenues	116,475	157,750	(41,275)
Sub Total	1,443,779	2,083,170	(639,391)
Deputy Chief Executive & Corporate Director Community Services			
Corporate Director Community Services	6,728	40,090	(33,362)
Deputy Director Communities, Planning & Partnerships	2,115,675	2,209,830	(94,155)
Deputy Director Housing & Health	790,749	854,930	(64,181)
Deputy Director Assets & Environment	2,258,187	2,447,760	(189,573)
Sub Total	5,171,339	5,552,610	(381,271)
Total Cost of Services	8,506,769	9,415,630	(908,861)
Transfer to / (from) Balances	209,511	(699,350)	908,861
Total to be met by Government Grants & Taxpayers	8,716,280	8,716,280	-

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

Council Housing

A summary of the Housing Revenue Account for 2011/12, compared with the approved budget (including decisions made by Members during the financial year) is shown below:-

Council Housing Summary

Housing Revenue Account	Actual £000s	Approved Budget £000s	Variance £000s
(Surplus) or Deficit for the Year Added to HRA	600	679	(79)

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

Variance between Budget & Actual Outturn	£000s	£000s
<ul style="list-style-type: none"> • Increased / Un - Budgeted Income Council House Rents 	(139)	(139)
<ul style="list-style-type: none"> • Shortfalls in Income Garage Rents 	52	52
<ul style="list-style-type: none"> • Un - Budgeted Expenditure/Overspends Provision – Increase Costs HRA Subsidy Provision for Bad Debts Discretionary Contribution from GF Contribution to Reserve – Pension Liability 	518 158 109 58 51	894
<ul style="list-style-type: none"> • Savings / Under-spends Interest Charges – Item 8 Compensation Payments Specific Contingency Repairs Account - Contributions Recharges from General Fund Housing Advice Debt Premiums 	(339) (106) (100) (90) (90) (36) (33)	(794)
<ul style="list-style-type: none"> • Other Variances 		(92)
Total (Favourable) / Unfavourable Variance		(79)

Capital Expenditure

During 2011/12 the Council spent £49.833m on capital expenditure. A breakdown by category and sources of finance is shown as Note 36 to the Core Financial Statements on page 97.

It should be noted that the above figures include the £44.668m capital expenditure relating to the Housing Self Financing Reform which took place on 28th March 2012.

The remaining £5.165m 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 £1.489m spending originally planned for 2011/12, or earlier, has been deferred to 2012/13. Included within this deferred expenditure, £723k for the HLF project at the Castle, £324k is earmarked for Private Sector Home Improvement Grants; £160k for return on investments; £70k for Replacement ICT Equipment as part of Corporate Change Programme and £40k contingency budgets.

Provisions, Reserves and Balances

The working balances at 31st March 2012 stand at £18.913m and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

Working balances of £3.334m relate to capital (including the capital reserve of £1.515m). The £1.489m capital commitments from 2011/12 and previous years carried forward to 2012/13 will be required to be financed from these balances.

Borrowing Facilities

The Council borrows funds where necessary to meet both long term capital expenditure commitments and short-term cash flow demands. Funds are borrowed from the Government (Public Works Loan Board) and from the commercial money market (banks, building societies and other lenders). A summary of the Council's borrowing at 31st March 2012 is provided below while further information can be found in the notes to the core financial statements.

2010/11 £m	Borrowing Facilities	2011/12 £m
	Fixed Rate Debt	
20.4	Public Works Loan Board	65.1
-	Commercial Money Market	-
	Variable Rate Debt	
-	Public Works Loan Board	-
20.4	Total	65.1

Pensions

The pension fund deficit has increased in the year to £28.1m (2010/11 £22.5m) 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 March 2012 than at 31 March 2011. A new approach for calculating the discount rate and falling bond yields have adversely affected the estimate of future liabilities and lower than expected investment performance has reduced asset values. 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 31st March 2010.

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

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

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

Statement of 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 31st March 2012.

J Wheatley FCCA

Executive Director Corporate Services

Dated: 27th September 2012

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 2010/11 and 2011/12 are shown on pages 19 to 20.

**Movement in Reserves Statement
2010/11**

	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
Balance as at 01 April 2010	4,881	6,318	4,712	724	2,618	-	173	19,426	168,337	187,763
Movement in reserves during 2010/11 (Surplus) or Deficit on the Provision of Services	6,547	-	(35,784)	-	-	-	-	(29,237)	-	(29,237)
Other Comprehensive Income & Expenditure	-	-	-	-	-	-	-	-	(6,654)	(6,654)
Total Comprehensive Income & Expenditure	6,547	-	(35,784)	-	-	-	-	(29,237)	(6,654)	(35,891)
Adjustments between Accounting Basis & Funding Basis under Regulations (Note 7)	(6,644)	-	36,081	-	(711)	-	(125)	28,601	(28,601)	-
Net (Increase) / Decrease before transfers to Earmarked Reserves	(97)	-	297	-	(711)	-	(125)	(636)	(35,255)	(35,891)
Transfers to/(from) Earmarked Reserves (Note 8)	(273)	177	78	18	-	-	-	-	-	-
Increase / (Decrease) in 2010/11	(370)	177	375	18	(711)	-	(125)	(636)	(35,255)	(35,891)
Balance as at 31 March 2011	4,511	6,495	5,087	742	1,907	-	48	18,790	133,082	151,872

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

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 143.

Comprehensive Income & Expenditure Statement

2010/11

2011/12

Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
7,193	(6,321)	872	Central Services	6,468	(6,099)	369
4,842	(2,368)	2,474	Cultural & Related Services	4,124	(1,399)	2,725
6,795	(1,266)	5,529	Environmental & Regulatory Services	4,793	(735)	4,058
2,459	(689)	1,770	Planning Services	1,953	(288)	1,665
2,001	(1,624)	377	Highways & Transport Services	1,086	(1,356)	(270)
(2,593)	(16,567)	(19,160)	Local Authority Housing (HRA)	17,321	(17,456)	(135)
-	-	-	Exceptional Item - HRA Self Financing Settlement	44,668	-	44,668
55,316	-	55,316	Exceptional Item - Change in EUSHV	-	-	-
-	(1,780)	(1,780)	Exceptional Item - Change in Pension	-	-	-
22,416	(20,719)	1,697	Other Housing Services	23,489	(21,841)	1,648
1,637	(6)	1,631	Corporate & Democratic Core	1,649	(23)	1,626
29	(3)	26	Non Distributed Costs	119	-	119
-	(7,027)	(7,027)	Exceptional Item - Change in Pension	-	-	-
100,095	(58,370)	41,725	Net Cost of Services	105,670	(49,197)	56,473
		450	Other Operating Expenditure			74
		(2,292)	Financing & Investment Income & Expenditure (FIIE)			410
		-	FIIE – Exceptional Item for Reversal of Impairment			(2,375)
		79	Surplus or Deficit of Discontinued Operations			20
		(10,725)	Taxation & Non Specific Grant Income			(9,362)
		29,237	(Surplus) or Deficit on Provision of Services			44,420
		15,024	Surplus or Deficit on Revaluation of Property, Plant & Equipment Assets			2,155
		-	Surplus or Deficit on Revaluation of Available for Sale Financial Assets			-
		(8,370)	Actuarial Gains / Losses on Pension Assets / Liabilities			5,128
		6,654	Other Comprehensive Income & Expenditure			7,283
		35,891	Total Comprehensive Income & Expenditure			51,703

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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'.

31 March 2011 £000	Balance Sheet	Notes	31 March 2012 £000
149,383	Property, Plant & Equipment	12	145,609
1,569	Heritage Assets	13	1,746
19,061	Investment Property	14	19,272
169	Intangible Assets	15	101
-	Assets Held for Sale	20	-
1,350	Long Term Investments	16	296
13,065	Long Term Debtors	16	13,301
184,597	Long Term Assets		180,325
8,880	Short Term Investments	16	7,296
18	Inventories	17	25
2,741	Short Term Debtors	18	2,356
5,102	Cash & Cash Equivalents	19	9,704
16,741	Current Assets		19,381
(346)	Cash & Cash Equivalents	19	(341)
(345)	Short Term Borrowing	16	(369)
(5,143)	Short Term Creditors	21	(5,071)
(668)	Provisions	22	(577)
(6,502)	Current Liabilities		(6,358)
-	Long Term Creditors	16	-
-	Provisions	22	-
(20,392)	Long Term Borrowing	16	(65,060)
(22,505)	Other Long Term Liabilities	23e	(28,118)
-	Donated Assets Account		-
(67)	Capital Grants Receipts in Advance	34	(1)
-	Revenue Grants Receipts in Advance		-
(42,964)	Long Term Liabilities		(93,179)
151,872	Net Assets		100,169
18,790	Usable Reserves		18,336
133,082	Unusable Reserves	23	81,833
151,872	Total Reserves		100,169

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.

2010/11 £000	Cash Flow Statement		2011/12 £000
29,237	Net (Surplus) or Deficit on the Provision of Services		44,420
(34,926)	Adjustments to Net (Surplus) or Deficit on the Provision of Services for non cash movements		(5,990)
605	Adjustments for items included in Net (Surplus) or Deficit on the Provision of Services that are Investing and Financing Activities		(44,444)
<hr/>			<hr/>
(5,084)	Net Cash Flows from Operating Activities	Note 24	(6,014)
5,537	Investing Activities	Note 25	46,512
1,969	Financing Activities	Note 26	(45,105)
<hr/>			<hr/>
2,422	Net Increase or Decrease in Cash & Cash Equivalents		(4,607)
<hr/>			<hr/>
7,178	Cash & Cash Equivalents at the beginning of the reporting period		4,756
<hr/>			<hr/>
4,756	Cash & Cash Equivalents at the end of the reporting period	Note 19	9,363

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1. Accounting Policies

1. GENERAL PRINCIPLES

The Statement of Accounts summarises the Authority's transactions for the 2011/12 financial year and its position at the year-end of 31st March 2012. 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 2011/12, 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.

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 2011/12.

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.

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.

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 101 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 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 4.8% (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.
- 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.

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, 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 31st March 2012.

The calculations have been carried out in accordance with the Pensions Technical Actuarial Standards (TAS) adopted by the Board for Actuarial Standards, which came into effect on 1st April 2011 and TAS D – Data, TAS M – Modelling and TAS R – Reporting.

In order to assess the value of the Fund's liabilities as at 31st March 2012, 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 contribution information provided. In calculating the asset share, 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 101 has been prepared on the basis of these disclosures.

It is not possible to assess the accuracy of the estimated liability as at 31st March 2012 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 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 31st 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 31st 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 2010 valuation. Medium cohort improvements and a 1% p.a. underpin, both from 2007, have also been applied.

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

The financial assumptions used to calculate the components of the pension expense for the year ended 31st March 2012 were those from the beginning of the year (i.e. 31st March 2011) 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 101.

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 20 years).

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 yields available on long dated UK Government fixed interest bonds with a duration of around 20 years plus the median 'credit spread' applying to AA corporate bonds within the iBoxx Over 15 Years Index. It concluded that the average yield available on a UK Government fixed interest bond of 20 years duration, 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.

For the 2011/12 financial year the discount rate derived from corporate bond yields as at 31st March 2012 was 4.8% p.a.

The inflation assumption (which the assumptions for salary growth and pension increases rely on) will be derived by considering the difference in yields available on traditional fixed interest and index-linked Government Bonds.

The pension increase assumption for 2011/12, 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 changed this year as the Government's public sector pay restraints have been taken into account. The salary increase assumption is therefore 1% p.a. for the next 3 years, reverting to RPI plus 1.5% thereafter. This is a change from previous years due to further pay restraints now applying.

The expected return on assets is based on the long term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31st March 2011).

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 101.

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 (30th June) and the date when the Statement of Accounts is authorised for issue (30th 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. 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.

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).

○ **Instruments Entered Into Before 1 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.

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 including the Castle Museum, Store and Town Hall. 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 2011/12 financial statements (including the 2010/11 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.

- **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. 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 it incurs and the share of income it earns from the activity of the operation.

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. 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.

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 2011/12 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.

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 2011/12* (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.

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).

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.
- 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.

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 2011/12 £292k was paid over in respect to Government pooling (see the Comprehensive Income & Expenditure Statement on page 21).

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

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.

Example

Building A

Total current market value of asset = £3m

Cost of building = £2m (15 years ago)

Cost of roof = £350k (15 years ago)

Useful life of building = 40yrs

Useful life of roof = 20yrs

Roof as a percentage of the overall asset (350/2000) = 17.5%

This would be considered for componentisation as the current value is above the de minimus threshold but although the useful life of the roof is materially different, the cost of the roof is less than 20% of the overall cost so no componentisation is required.

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.

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 60.

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 78.

24. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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.

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 £25k 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.

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 2011/12.

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

Amendments to IFRS7 Financial Instruments *has been adopted within* the 2012/13 Code and requires the following disclosure in the 2011/12 financial statements of local authorities in the UK.

The adoption of amendments to IFRS 7 Financial Instruments: Disclosures (issued October) 2010 by the code will result in a change in accounting policy that requires disclosure.

The amendments are intended to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including the possible effects of any risks that may remain with the entity that transferred the assets. It also includes additional disclosure requirements where there is a disproportionate amount of transfer transactions around the end of the reporting period. The effective date of the standard was 1 July 2011 but we are not required by the Code to implement this amended disclosure requirement until 1 April 2012.

Following a review of the Authority's financial assets and liabilities at 31 March 2012, it is considered unlikely that the IFRS 7 accounting standard will have a material impact on the financial statements of the Council.

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 107.

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 March 2012 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 £22.5m to £28.1m (following a reduction from £38.9m to £22.5m in 2010/11) – see note 40 on page 101.
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) HRA Self Financing

With effect from 1st April 2012 the HRA subsidy system was abolished and replaced with a new system of self financing. Under the new system the council was required to take on additional debt totalling £44.668 million. This payment was made to central government on 28th March 2012 and has been shown as an extraordinary payment in the HRA accounts for 2011/12 in accordance with guidance issued in Local Authority Accounting Panel (LAAP) Bulletin 92. The debt appears in the balance sheet.

b) Impairment of Financial Assets – Deposits with Icelandic Banks

The accounting requirements for impairing investments (such as the anticipated loss to the Authority arising from the Icelandic banking sector defaulting on its obligations in October 2008) have been made in line with Cipfa guidance with an impairment gain of £2.375m included in the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement for 2011/12.

c) Pensions

The pension fund deficit has increased in the year to £28.1m (2010/11 £22.5m) 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 March 2012 than at 31 March 2011. A new approach for calculating the discount rate and falling bond yields have adversely affected the estimate of future liabilities and lower than expected investment performance has reduced asset values.

6. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Executive Director Corporate Services on 27 June 2012. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2012, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2012 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.

Deposits with Icelandic Banks

Since 31st March 2012, the Authority has received the following additional repayments:

Date	KSF £	Heritable £
20/04/2012	-	57,038.98
02/05/2012	317,525.59	-

7. Adjustments between Accounting Basis and Funding Basis under Regulations

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

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	-	-	-
-	-	(3)	-	-	3

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

Amortisation of Intangible Assets

Capital Grants and Contributions Applied

Movement in the Donated Assets Account

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

Transfer from Deferred Capital Receipts Reserve
upon receipt of cash

Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustment primarily involving the Deferred Capital Receipts Reserve:

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

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
	-	-	-	-	-	-
	165	-	-	-	-	(165)
	93	-	-	-	-	(93)
	-	2,833	-	(2,833)	-	-
	-	-	-	2,833	-	(2,833)
	-	10	-	-	-	(10)
	(1,606)	(423)	-	-	-	2,029
	1,233	311	-	-	-	(1,544)
	7	-	-	-	-	(7)
	(4)	(8)	-	-	-	12
Total Adjustments 2011/12	804	(44,905)	131	-	4	43,966

Adjustments between Accounting Basis and Funding Basis under Regulations

2010/11

**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
(1,215)	(5,947)	-	-	-	7,162
(377)	(35,401)	-	-	-	35,778
2,052	-	-	-	-	(2,052)
(50)	-	-	-	-	50
344	90	-	-	-	(434)
-	-	-	-	-	-
(419)	-	-	-	-	419
(29)	(581)	-	-	-	610
195	-	-	-	-	(195)
15	893	-	-	-	(908)
-	-	-	-	-	-
-	-	-	-	125	(125)
58	432	(490)	-	-	-
-	-	877	-	-	(877)
-	(6)	6	-	-	-
(324)	-	324	-	-	-

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:

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

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 2010/11

	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	-	-	(6)	-	-	6
Adjustment primarily involving the Deferred Capital Receipts Reserve:						
Transfer of deferred sale proceeds credited as part of the gain/ loss on disposal to the Comprehensive Income & Expenditure Statement	-	-	-	-	-	-
Finance Leases	(7)	-	-	-	-	7
Adjustments primarily involving the Major Repairs Reserve:						
Reversal of Major Repairs Allowance credited to the HRA	-	2,801	-	(2,801)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	2,801	-	(2,801)
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	-	33	-	-	-	(33)
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)	5,082	1,270	-	-	-	(6,352)
Employer's pensions contribution and direct payments to pensioners payable in the year.	1,324	335	-	-	-	(1,659)
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	(2)	-	-	-	-	2
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	(3)	-	-	-	-	3
Total Adjustments 2010/11	6,644	(36,081)	711	-	125	28,601

8. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund and HRA balances in Earmarked Reserves to provide financing for future expenditure plans and the amounts posted back from Earmarked Reserves to meet General Fund and HRA expenditure in 2011/12.

Transfers to / (from) Earmarked Reserves	Balance at 01 Apr 2010 £000	Transfers out 2010/11 £000	Transfers in 2010/11 £000	Balance at 31 Mar 2011 £000	Transfers out 2011/12 £000	Transfers in 2011/12 £000	Balance at 31 Mar 2012 £000
General Fund:							
Future Capital Expenditure	1,220	-	-	1,220	(17)	38	1,241
Temporary Reserves	1,066	(878)	773	961	(439)	910	1,432
Retained Funds	1,440	(267)	1,058	2,231	(1,003)	675	1,903
Repairs & Renewals	709	(453)	-	256	-	3	259
Commuted Sums	1,473	(160)	179	1,492	(50)	26	1,468
Other Reserves	410	(75)	-	335	(381)	396	350
Total	6,318	(1,833)	2,010	6,495	(1,890)	2,048	6,653
HRA:							
Future Capital Expenditure	507	(116)	-	391	(1,704)	1,587	274
Temporary Reserves	217	(127)	127	217	(160)	173	230
Retained Funds	-	-	134	134	-	17	151
Repairs & Renewals	-	-	-	-	-	-	-
Commuted Sums	-	-	-	-	-	-	-
Other Reserves	-	-	-	-	-	-	-
Total	724	(243)	261	742	(1,864)	1,777	655

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.

9. Other Operating Expenditure

2010/11 £000	Other Operating Expenditure	2011/12 £000
324	Payments to the Government Housing Capital Receipts Pool	292
126	(Gains) / losses on the disposal of Non Current Assets	(218)
450	Total	74

10. Financing and Investment Income and Expenditure

2010/11 £000	Financing and Investment Income & Expenditure	2011/12 £000
1,585	Interest payable and similar charges	1,435
912	Pensions interest cost and expected return on Pensions Assets	533
(447)	Interest receivable and similar income	(411)
(857)	Finance lease Income	(851)
(3,142)	(Income) and expenditure in relation to Investment Properties and changes in their fair value	(1,116)
(343)	Reversal of Icelandic Bank Investment impairment	(2,375)
(2,292)	Total	(2,785)

11. Taxation and Non Specific Grant Income

2010/11 £000	Taxation and Non Specific Grant Income	2011/12 £000
3,505	Council tax income	3,509
5,978	Non domestic rates	3,983
965	Non ringfenced government grants	1,497
277	Capital grants and contributions	373
10,725	Total	9,362

12. Property, Plant and Equipment

Movement in 2011/12

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

**Comparative Movement in
2010/11**

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant, Furniture and Equipment £000	Infrastructure Assets £000	Community Assets £000	Surplus Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuation								
At 01 April 2010	180,698	20,379	3,236	378	700	-	309	205,700
Additions	4,352	122	518	-	100	-	8	5,100
Donations	-	-	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	(19,648)	4,571	-	-	6	-	-	(15,071)
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on the Provision of Services	(35,401)	(285)	-	-	(103)	-	-	(35,789)
Derecognition - Disposals	(582)	-	-	-	-	-	-	(582)
Derecognition - Other	(720)	(797)	-	-	-	-	-	(1,517)
Assets reclassified (to)/ from Held for Sale	-	-	-	-	-	-	-	-
Other movements in cost or valuation	170	-	147	-	-	-	(317)	-
At 31 March 2011	128,869	23,990	3,901	378	703	-	-	157,841
Accumulated Depreciation & Impairment								
At 01 April 2010	(284)	(627)	(1,787)	(126)	(5)	-	-	(2,829)
Depreciation and Impairment Charge	(1,610)	(417)	(854)	(13)	-	-	-	(2,894)
Impairment losses/ (reversals) recognised in the Surplus/ Deficit on the Provision of Services	(4,262)	19	-	-	-	-	-	(4,243)
Derecognition - disposals	1	-	-	-	-	-	-	1
Derecognition - other	720	797	-	-	-	-	-	1,517
Other movements in depreciation and impairment	-	(10)	-	-	-	-	-	(10)
At 31 March 2011	(5,435)	(238)	(2,641)	(139)	(5)	-	-	(8,458)
Net Book Value								
at 31 March 2010	180,414	19,752	1,449	252	695	-	309	202,871
at 31 March 2011	123,434	23,752	1,260	239	698	-	-	149,383
Nature of Holdings at year end								
Owned	123,434	23,752	1,260	239	698	-	-	149,383
Finance Lease	-	-	-	-	-	-	-	-

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.

b) Capital Commitments

At 31 March 2012, the Authority has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £8.001m. Similar commitments at 31 March 2011 were £195.5k. The major commitments are:

2010/11 £000	Capital Contract	2011/12 £000
67.4	Private Sector Housing – Disabled Facilities Grants	19.6
18.0	IT Projects	-
93.1	High Rise Lift Refurbishment	-
11.8	TIC Relocation	-
5.2	Window & Door Renewals	-
-	Tamworth Castle Heritage Lottery Fund (HLF)	722.6
-	CCTV Camera Renewals	4.9
-	Housing Repairs & Investment	6,041.3
-	Gas Installations	1,203.4
-	CDM costs	9.1
195.5	Total	8,000.9

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, Calders. 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;
- 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	Surplus Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	-	-	1,098	227	-	-	-	1,325
Valued at current cost in:								
2011/12	62,025	11,944	-	-	-	-	-	73,969
2010/11	1,347	6,316	-	-	802	-	-	8,465
2009/10	59,878	1,972	-	-	-	-	-	61,850
Total	123,250	20,232	1,098	227	802	-	-	145,609

13. HERITAGE ASSETS

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

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.

Movement in 2011/12

	Art Collection	Civic Regalia	Museum Exhibits	Statues	Castle	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
Cost or Valuation						
At 01 April 2011	93	183	594	93	606	1,569
Additions	-	-	-	-	64	64
Disposals	-	-	-	-	-	-
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)
Depreciation	-	-	-	-	-	-
At 31 March 2012	97	174	622	233	620	1,746

Movement in 2010/11

Cost or Valuation

At 01 April 2010

Additions

Disposals

Revaluation increases/ (decreases) recognised in the Revaluation Reserve

Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on the Provision of Services

Impairment Losses/(Reversals) recognised in the Revaluation Reserve

Depreciation

At 31 March 2011

	Art Collection	Civic Regalia	Museum Exhibits	Statues	Castle	Total Heritage Assets
	£000	£000	£000	£000	£000	£000
At 01 April 2010	88	174	565	93	602	1,522
Additions	-	-	-	-	4	4
Disposals	-	-	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	5	9	29	-	6	49
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on the Provision of Services	-	-	-	-	-	-
Impairment Losses/(Reversals) recognised in the Revaluation Reserve	-	-	-	-	-	-
Depreciation	-	-	-	-	(6)	(6)
At 31 March 2011	93	183	594	93	606	1,569

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:

2010/11 £000	Investment Properties	2011/12 £000
(1,408)	Rental income from Investment Property	(1,400)
318	Direct operating expenses arising from Investment Property	284
(1,090)	Net (gain)/ loss	(1,116)

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.

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

2010/11 £000	Fair Value of Investment Properties	2011/12 £000
17,025	Balance at 01 April 2011	19,061
13	Additions: Subsequent expenditure	-
(29) 2052	Disposals Net gains/ losses from fair value adjustments	(116)
-	Transfers: to/ from Property, Plant & Equipment	327
19,061	Balance at 31 March 2012	19,272

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 £80k charged to revenue in 2011/12 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.

2010/11 £000	Intangible Assets	2011/12 £000
638 (509)	Balance at 01 April 2011 Gross carrying amounts Accumulated amortisation	728 (559)
129	Net carrying amount at 01 April 2011	169
90 - - - - - (50) -	Additions through purchases Assets reclassified as held for sale Revaluation increases or decreases Impairment losses recognised in the Surplus/ Deficit on the Provision of Services Reversal of past impairment losses written back to the Surplus/ Deficit on the Provision of Services Amortisation for the period Other Changes	12 - - - - - (80)
169	Net carrying amount at 31 March 2012	101
728 (559)	Comprising: Gross carrying amounts Accumulated amortisation	740 (639)
169		101

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 2011 £000	31 March 2012 £000	31 March 2011 £000	31 March 2012 £000
Investments				
Loans and receivables (Principal amount)	1,302	238	8,849	7,255
Plus Accounting adjustments	-	-	31	41
Available for Sale Financial Assets	48	58	-	-
Unquoted equity investment at cost	-	-	-	-
Total Investments	1,350	296	8,880	7,296
Debtors				
Loans and receivables	-	-	5,090	9,682
Plus Accounting adjustments	-	-	8	18
Financial assets carried at contract amounts	13,065	13,301	1,314	1,279
Total Debtors	13,065	13,301	6,412	10,979
Borrowings				
Financial liabilities at amortised cost	20,392	65,060	-	-
Plus Accounting adjustments	-	-	345	369
Total Borrowings	20,392	65,060	345	369
Other Long Term Liabilities				
PFI and finance lease liabilities	-	-	-	-
Total other long term liabilities	-	-	-	-
Creditors				
Financial liabilities at amortised cost	-	-	346	341
Financial liabilities carried at contract amount	-	-	3,997	2,757
Total Creditors	-	-	4,343	3,098

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.

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	2010/11					2011/12				
	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	(1,585)	-	-	-	(1,585)	(1,435)	-	-	-	(1,435)
Losses on derecognition	-	-	-	-	-	-	-	-	-	-
Reductions in fair value	-	-	-	-	-	-	-	-	-	-
Impairment (losses) / gain	-	343	-	-	343	-	2,375	-	-	2,375
Fee expense	-	-	-	-	-	-	-	-	-	-
Total expense in (Surplus) or Deficit on the Provision of Services	(1,585)	343	-	-	(1,242)	(1,435)	2,375	-	-	940

Financial Instruments	2010/11					2011/12				
	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 income	-	255	2	857	1,114	-	295	2	851	1,148
Interest on VAT repayment	-	59	-	-	59	-	-	-	-	-
Interest income accrued on impaired financial assets	-	131	-	-	131	-	114	-	-	114
Increases in fair value	-	-	-	-	-	-	-	-	-	-
Gains on derecognition	-	-	-	-	-	-	-	-	-	-
Fee income	-	-	-	-	-	-	-	-	-	-
Total income in (Surplus) or Deficit on the Provision of Services	-	445	2	857	1,304	-	409	2	851	1,262
Gains on revaluation	-	-	2	-	2	-	-	2	-	2
Losses on revaluation	-	-	-	-	-	-	-	-	-	-
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	-	-	-	-	-	-	-	-	-	-
Surplus / (deficit) arising on revaluation of financial assets in Other Comprehensive Income and Expenditure	-	-	2	-	2	-	-	2	-	2
Net gain / (loss) for the year	(1,585)	788	4	857	64	(1,435)	2,784	4	851	2,204

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 2011		31 March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB Debt	20,737	27,601	65,429	79,054
Creditors	3,997	3,997	2,757	2,757
Long-term creditors	-	-	-	-
Total Financial liabilities	24,734	31,598	68,186	81,811

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 March 2012) 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. The fair values for non-PWLB debt has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.

Loans and receivables	31 March 2011		31 March 2012	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Money Market Loans <1 year	8,880	8,898	7,296	6,771
Money Market Loans >1 year	1,302	1,302	238	238
Debtors	1,314	1,314	1,279	1,279
Long-term debtors	13,065	13,065	13,301	13,301
Total Financial liabilities	24,561	24,579	22,114	21,589

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 2011/12, a notional future loss (based on economic conditions at 31 March 2012) 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 31st March 2012. 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

	Castle Stock		Assembly Rooms		Tourist Information Centre		Other		Total	
	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000	2010/11 £000	2011/12 £000
Balance at 01 April 2011	9	9	2	4	3	5	1	-	15	18
Movement	-	2	2	-	2	5	(1)	-	3	7
Write offs	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2012	9	11	4	4	5	10	-	-	18	25

18. Debtors

2010/11 £000	Debtors	2011/12 £000
1,358	Central Government bodies	1,006
230	Other Local Authorities	181
69	Council Taxpayers	70
1,142	Housing Rents	1,326
1,577	Other entities and individuals	1,686
(1,635)	Provision for bad debts	(1,913)
2,741	Total	2,356

19. Cash and Cash Equivalents

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

2010/11 £000	Cash & Cash Equivalents	2011/12 £000
4	Cash held by the Authority	4
(346)	Bank current accounts	(341)
5,098	Short-term deposits with Banks and Building Societies	9,700
-	Other	-
4,756	Total Cash and Cash Equivalents	9,363

20. Assets Held for Sale

The Council held no assets for sale during 2011/12.

21. Creditors

2010/11 £000	Creditors	2011/12 £000
850	Central Government bodies	1,877
1,399	Other Local Authorities	839
58	Council Taxpayers	67
369	Housing Rents	385
239	Precepting Authorities	370
-	Public Corporations and trading funds	-
2,228	Other entities and individuals	1,533
5,143	Total	5,071

22. Provisions

Provisions	Hoylake Trees £000	Costs Associated with VR £000	Housing Repairs Contract Pensions £000	Total £000
2010/11				
Balance at 01 April 2010	70	-	-	70
Additional provisions made in year	15	583	-	598
Amount used in year	-	-	-	-
Unused amounts reversed in year	-	-	-	-
Balance Outstanding at end of 31 March 2011	85	583	-	668
2011/12				
Additional provisions made in year	-	-	518	518
Amount used in year	(26)	(524)	-	(550)
Unused amounts reversed in year	(59)	-	-	(59)
Balance Outstanding at end of 31 March 2012	-	59	518	577

a) Hoylake Trees

The provision for the Tree Preservation Order claim has been cleared following settlement of the claim. The amounts remaining following the settlement have been returned to the revenue accounts in 2011/12.

b) Costs Associated with VR

The provision for the Costs associated with VR has reduced by £524k to £59k (£583k in 2010/11). It was established to cover redundancy payments and associated costs arising from a cost reduction scheme introduced on 2010/11. The amount represents the remaining potential outstanding costs such as retraining schemes.

c) Housing Repairs Contract Pensions

The Authority has included a new provision for 2011/12 in the sum of £518k for costs arising from a potential pension liability associated with staff transferred as part of a TUPE arrangement.

23. Unusable Reserves

31 March 2011 £000	Unusable Reserves	31 March 2012 £000
9,597	Revaluation Reserve	7,254
-	Available for Sale Financial Instruments Reserve	-
133,358	Capital Adjustment Account	89,805
(12)	Financial Instruments Adjustment Account	(2)
(22,505)	Pensions Reserve	(28,118)
12,828	Deferred Capital Receipts Reserve	13,083
40	Collection Fund Adjustment Account	47
(224)	Accumulated Absences Account	(236)
133,082	Total Unusable Reserves	81,833

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 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.

2010/11 £000	Revaluation Reserve	2011/12 £000
24,794	Balance at 01 April 2011	9,597
4,863	Upward revaluation of assets	904
(19,887)	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,059)
(15,024)	Surplus or deficit on the revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	(2,155)
(173)	Difference between fair value depreciation and historical cost depreciation	(188)
-	Accumulated gains on assets sold or scrapped	-
(173)	Amount written off to the Capital Adjustment Account	(188)
9,597	Balance at 31 March 2012	7,254

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 2011/12.

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 April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

2010/11 £000	Capital Adjustment Account	2011/12 £000
169,812	Balance at 01 April 2011	133,358
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:	
(7,162)	Charges for depreciation and impairment of Non Current Assets	(6,885)
(35,778)	Revaluation losses on Property, Plant and Equipment	1,245
(50)	Amortisation of intangible assets	(80)
(419)	Revenue expenditure funded from capital under statute	(45,107)
(610)	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	(187)
		(51,014)
173	Adjusting amounts written out of the Revaluation Reserve	188
	Net written out amount of the cost of non-current assets consumed in the year	(50,826)
	Capital financing applied in the year:	
877	Use of Capital Receipts Reserve to finance new capital expenditure	247
2,801	Use of Major Repairs Reserve to finance new capital expenditure	2,833
434	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	372
125	Application of grants to capital financing from the Capital Grants Unapplied Account	6
195	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances – Minimum Revenue Provision	81
-	Statutory provision for the financing of capital investment charged against the General Fund and HRA balances – Voluntary Revenue Provision	2,147
908	Capital expenditure charged against the General Fund and HRA Balances	1,706
		7,392
2,052	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	(119)
133,358	Balance at 31 March 2012	89,805

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.

2010/11 £000	Financial Instruments Adjustment Account	2011/12 £000
(45)	Balance at 01 April 2011	(12)
33	Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	10
-	Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	-
33	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	10
(12)	Balance at 31 March 2012	(2)

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.

2010/11 £000	Pensions Reserve	2011/12 £000
(38,886)	Balance at 01 April 2011	(22,505)
8,370	Actuarial gains or losses on pensions assets and liabilities	(5,128)
6,352	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	(2,029)
1,659	Employer's contributions and direct payments to pensioners payable in the year	1,544
(22,505)	Balance at 31 March 2012	(28,118)

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.

2010/11 £000	Deferred Capital Receipts Reserve	2011/12 £000
12,841	Balance at 01 April 2011	12,828
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(6)	Transfer to Capital Receipts Reserve upon receipt of cash	(3)
(7)	Finance Leases	165
-	Transfer of Kickstart loans from Birmingham City Council	93
12,828	Balance at 31 March 2012	13,083

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.

2010/11 £000	Collection Fund Adjustment Account	2011/12 £000
42	Balance at 01 April 2011	40
(2)	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	7
40	Balance at 31 March 2012	47

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 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2010/11 £000	Accumulated Absences Account	2011/12 £000
(221)	Balance at 01 April 2011	(224)
221	Settlement or cancellation of accrual made at the end of the preceding year	224
(224)	Amounts accrued at the end of the current year	(236)
(3)	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)
(224)	Balance at 31 March 2012	(236)

24. Cash Flow Statement – Operating Activities

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

2010/11 £000	Cash Flow Statement - Operating Activities	2011/12 £000
511	Interest received	421
1,601	Interest paid	1,459
2,972	Other	4,134
5,084	Net Cash Flows from Operating Activities	6,014

25. Cash Flow Statement – Investing Activities

2010/11 £000	Cash Flow Statement - Investing Activities	2011/12 £000
5,130	Purchase of Property, Plant and Equipment; investment property and intangible assets	4,726
-	REFCUS	45,107
1,016	Purchase of short-term and long-term investments	-
-	Other payments for investing activities	-
(488)	Proceeds from the sale of Property, Plant and Equipment; investment property and intangible assets	(292)
-	Proceeds from short-term and long-term investments	(2,657)
(121)	Other receipts from investing activities	(372)
5,537	Net Cash Flows from Investing Activities	46,512

26. Cash Flow Statement – Financing Activities

2010/11 £000	Cash Flow Statement - Financing Activities	2011/12 £000
-	Cash receipts from short-term and long-term borrowing	(44,668)
(93)	Other receipts from financing activities	(437)
-	Cash payments for the reduction of the outstanding liabilities relating to finance leases	-
2,000	Repayments of short-term and long-term borrowing	-
62	Other payments for financing activities	-
1,969	Net Cash Flows from Financing Activities	(45,105)

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 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)

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

Directorate 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
2011/12								
Fees, charges & other service income	(192)	(84)	(1,256)	(4,831)	(19,209)	(1,683)	(638)	(27,893)
Government grants	-	-	(25,885)	-	-	(309)	(362)	(26,556)
Total income	(192)	(84)	(27,141)	(4,831)	(19,209)	(1,992)	(1,000)	(54,449)
Employee expenses	1,379	2	1,434	2,914	2,241	1,925	1,006	10,901
Other service expenses	1,094	126	27,097	4,469	14,242	2,374	1,929	51,331
Support service recharges	(1,088)	(41)	(1,064)	20	885	749	(1,003)	(1,542)
Depreciation, amortisation & impairment	6	-	210	1,036	2,833	31	(1,288)	2,828
REFCUS	-	-	-	-	-	-	-	-
Retirement Benefits	-	-	-	-	-	-	-	-
Total operating expenses	1,391	87	27,677	8,439	20,201	5,079	644	63,518
Net Expenditure	1,199	3	536	3,608	992	3,087	(356)	9,069

Directorate 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
2010/11 Comparative Figures								
Fees, charges & other service income	(253)	(15)	(1,099)	(4,398)	(21,994)	(1,966)	(1,460)	(31,185)
Government grants	(77)	-	(25,389)	(90)	(260)	(599)	(438)	(26,853)
Total income	(330)	(15)	(26,488)	(4,488)	(22,254)	(2,565)	(1,898)	(58,038)
Employee expenses	1,723	141	1,640	3,622	2,675	2,317	1,334	13,452
Other service expenses	1,021	52	26,263	4,884	11,381	1,881	3,108	48,590
Support service recharges	(1,077)	(16)	(1,081)	(28)	4,647	792	(1,147)	2,090
Depreciation, amortisation & impairment	7	-	89	39	41,348	(546)	(343)	40,594
REFCUS	-	-	-	-	417	2	-	419
Retirement Benefits	(2)	-	(4)	(13)	(1,607)	(9)	(6,306)	(7,941)
Total Operating Expenses	1,672	177	26,907	8,504	58,861	4,437	(3,354)	97,204
Net Expenditure	1,342	162	419	4,016	36,607	1,872	(5,252)	39,166

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.

2010/11 £000	Reconciliation to Cost of Services in Comprehensive Income and Expenditure Statement	2011/12 £000
39,166	Net expenditure in the Directorate Analysis	9,069
-	Net expenditure of services and support services not included in the Analysis	-
-	Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	48,507
2,559	Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(1,103)
41,725	Cost of Services in Comprehensive Income and Expenditure Statement	56,473

Reconciliation to the (Surplus) or deficit on the provision of services	Directorate Analysis	Services and support services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the Comprehensive Income and Expenditure Statement	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2011/12								
Fees, charges and other service income	(27,893)	-	(676)	4,134	-	(24,435)	(3,104)	(27,539)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	-	-
Income from council tax	-	-	-	-	-	-	(3,509)	(3,509)
Government grants and contributions	(26,556)	-	(9)	266	-	(26,299)	(5,852)	(32,151)
Total Income	(54,449)	-	(685)	4,400	-	(50,734)	(12,465)	(63,199)
Employee expenses	10,901	-	2	(23)	-	10,880	42	10,922
Other service expenses	51,331	-	1,250	(6,564)	-	46,017	2,889	48,906
Support service recharges	(1,542)	-	(88)	1,084	-	(546)	(1,093)	(1,639)
Depreciation, amortisation and impairment	2,828	-	2,892	-	-	5,720	(2,436)	3,284
REFCUS	-	-	45,107	-	-	45,107	-	45,107
Retirement Benefits	-	-	29	-	-	29	531	560
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	292	292
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	187	187
Total Expenditure	63,518	-	49,192	(5,503)	-	107,207	412	107,619
(Surplus) or deficit on the provision of services	9,069	-	48,507	(1,103)	-	56,473	(12,053)	44,420

Reconciliation to the (Surplus) or deficit on the provision of services	Directorate Analysis	Services and support services not in Analysis	Amounts not reported to management for decision making	Amounts not included in the Comprehensive Income and Expenditure Statement	Allocation of recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2010/11 Comparative Figures								
Fees, charges and other service income	(31,185)	-	-	2,944	-	(28,241)	(2,944)	(31,185)
Surplus or deficit on associates and joint ventures	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	-	-
Income from council tax	-	-	-	-	-	-	(3,505)	(3,505)
Government grants and contributions	(26,853)	-	-	346	-	(26,507)	(7,220)	(33,727)
Total Income	(58,038)	-	-	3,290	-	(54,748)	(13,669)	(68,417)
Employee expenses	13,452	-	-	(40)	-	13,412	40	13,452
Other service expenses	48,590	-	-	(3,208)	-	45,382	3,208	48,590
Support service recharges	2,090	-	-	1,034	-	3,124	(1,034)	2,090
Depreciation, amortisation and impairment	40,594	-	-	2,395	-	42,989	(2,395)	40,594
REFCUS	419	-	-	-	-	419	-	419
Retirement Benefits	(7,941)	-	-	(912)	-	(8,853)	912	(7,941)
Payments to Housing Capital Receipts Pool	-	-	-	-	-	-	324	324
Gain or Loss on Disposal of Fixed Assets	-	-	-	-	-	-	126	126
Total Expenditure	97,204	-	-	(731)	-	96,473	1,181	97,654
Surplus or deficit on the provision of services	39,166	-	-	2,559	-	41,725	(12,488)	29,237

28. Acquired and Discontinued Operations

The Council did not acquire or discontinue any operations during 2011/12 (The market operation transferred at 31 March 2011 to LSD Promotions).

29. Trading Operations

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

2010/11 (Surplus)/ Deficit £000	Trading Operations	2011/12 Expenditure	2011/12 Income	2011/12 (Surplus)/ Deficit £000
		£000	£000	£000
79	Markets	31	(11)	20
(555)	Industrial Estates	173	(658)	(485)
410	Other Land & Property	134	(764)	(630)
(66)		338	(1,433)	(1,095)

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 £153k for 2011/12.

2010/11 £000	Agency Services	2011/12 £000
68	Highways services	111
51	Management fee	42
119	Total	153

31. Members' Allowances

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

2010/11 £000	Members Allowances	2011/12 £000
153	Basic allowance	152
90	Special responsibility	94
3	Other allowances/ expenses	3
246	Total	249

32. Officers' Remuneration

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

Officers Remuneration		Salary, Fees and Allowances	Expenses Allowances	Compensation for Loss of Office	Pension Contribution	Total
		£	£	£	£	£
Chief Executive	2011/12	105,610	1,419	-	19,353	126,382
	2010/11	106,773	1,419	-	18,767	126,959
Corporate Director Community Services & Deputy Chief Executive	2011/12	-	-	-	-	-
	2010/11	85,865	1,303	-	15,011	102,179
Corporate Director Resources	2011/12	91,235	1,302	-	16,952	109,489
	2010/11	81,382	1,302	-	14,081	96,765
Assistant Chief Executive	2011/12	69,370	1,302	-	12,897	83,569
	2010/11	69,421	1,302	-	12,204	82,927
Deputy Director Assets & Environment	2011/12	72,847	1,302	-	13,542	87,691
	2010/11	72,848	1,302	-	12,814	86,964
Deputy Director Housing & Health	2011/12	69,341	1,302	-	12,897	83,540
	2010/11	69,341	1,302	-	12,204	82,847
Deputy Director Corporate Finance	2011/12	65,406	1,302	-	12,157	78,865
	2010/11	63,511	1,301	-	11,087	75,899
Assistant Director Environmental Health & Regulatory Services	2011/12	-	-	-	-	-
	2010/11	15,402	310	64,027	2,711	82,450
Deputy Director Communities, Planning & Partnerships	2011/12	65,446	1,302	-	12,157	78,905
	2010/11	63,538	1,302	-	11,087	75,927
Solicitor & Monitoring Officer	2011/12	61,631	1,302	-	11,459	74,392
	2010/11	61,619	1,302	-	10,843	73,764
Assistant Director Financial Operations	2011/12	-	-	-	-	-
	2010/11	15,276	340	74,000	98,421	188,037
Assistant Director Business Processes	2011/12	56,204	465	-	10,454	67,123
	2010/11	56,225	63	-	9,892	66,180

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

2010/11 Number of employees	Remuneration Band	2011/12 Number of employees left during year	2011/12 Number employed at 31 March 2011	2011/12 Total number of employees
-	£50,000 - £54,999	-	-	-
2	£55,000 - £59,999	-	1	1
5	£60,000 - £64,999	-	1	1
-	£65,000 - £69,999	-	5	5
3	£70,000 - £74,999	-	-	-
-	£75,000 - £79,999	-	-	-
1	£80,000 - £84,999	-	1	1
1	£85,000 - £89,999	-	-	-
-	£90,000 - £94,999	-	-	-
-	£95,000 - £99,999	-	-	-
-	£100,000 - £104,999	-	1	1
1	£105,000 - £109,999	-	-	-

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	
	2010/11 No.	2011/12 No.	2010/11 £	2011/12 £
£0 - £20,000	18	24	178,277	204,132
£20,001 - £40,000	-	12	-	317,014
£40,001 - £60,000	1	3	58,738	139,047
£60,001 - £80,000	1	-	64,027	-
£80,001 - £100,000	-	-	-	-
£100,001 - £150,000	-	-	-	-
£150,001 - £200,000	1	-	170,000	-
Total	21	39	471,042	660,193

There were no compulsory redundancies during 2011/12.

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:

2010/11 £000	External Audit Costs	2011/12 £000
106	Fees payable to the Audit Commission with regard to the external audit services carried out by the appointed auditor for the year	103
8	Fees payable to the Audit Commission in respect of statutory inspections	-
25	Fees payable to the Audit Commission for the certification of grants and returns for the year	38
-	Fees payable in respect of other services provided by the Audit Commission during the year	-
-	Other entities and individuals	-
139	Total	141

34. Grant Income

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

2010/11 £000	Grant Income	2011/12 £000
	Credited to Taxation and Non Specific Grant Income	
868	Revenue Support Grant	1,231
5,978	NNDR	3,983
-	New Homes Bonus	179
97	Area Based Grant	-
-	Council Tax Freeze Grant	87
277	Capital Grants and Contributions	373
7,220	Total	5,853

2010/11 £000	Grant Income	2011/12 £000
	Credited to Net Cost of Services	
586	DWP Admin Grant	539
94	NNDR Cost of Collection	94
25,154	Benefits	25,855
5	Discretionary Housing Payment	7
63	Homelessness Prevention Strategy	163
-	Young Persons Homelessness Prevention	7
132	Safer Stronger Communities/Domestic Abuse	72
44	Children's Fund	-
45	IEWM Grant - refuse/recycling	-
120	Supporting People	123
337	National Concessionary Travel Scheme	-
7	Business Rate Deferral Scheme	2
-	Housing Benefits Reform Transition	8
155	Private Sector Housing Improvement Grants	-
159	Anti Social Behaviour	-
6	Alcohol Abuse	-
-	Mortgage Rescue Programme	36
16	Habitat Directive	-
25	Free Swimming	-
8	IEWM Transforming Tamworth	12
38	Future Jobs Fund	-
34	New Burdens - Land Charges	-
35	Benefits Atlas Funding/Local Authority Housing Allowance	8
8	Apprentice Scheme - Greenskill	-
37	Lottery Play Funds	-
67	Castle HLF	-
10	Tenant Fraud Initiative	-
-	PAS - Planning Improvement Proposal	22
	Other contributions	
265	Locality Working -LPSA2	-
99	Local Strategic Partnerships	-
116	SCC Public Spaces	-
36	Other contributions SCC	-
20	Participatory budgeting	-
12	Community Engagement	-
-	DWP - Visual Aids	3
-	Think Local - BIS LEP	10
27,733	Total	26,961

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 11 £000	Grant Income	31 March 12 £000
	Capital Grants Receipts in Advance	
1	Lottery Grant Wiggington Park	-
2	DCMS Free Swimming Grant	1
14	HLF Lottery re Castle	-
50	Staffordshire Primary Care Trust	-
67	Total	1

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.

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 March 2012 are shown in Note 34.

2010/11 £000	Related Parties	2011/12 £000
	Grant type	
5,978	Redistributed Non Domestic Rates	1,231
868	Revenue Support Grant	3,983
25,744	Benefit grant	26,416
337	Concessionary travel grant	-
32,927	Total	31,630

Amounts payable to central government include the following:

2010/11 £000	Central Government payable	2011/12 £000
2,686	Housing Subsidy	3,434
2,686	Total	3,434

The balances outstanding as at 31 March 2012 were:

31 March 2011 £000	Central Government Grant Due	31 March 2012 £000
	Amount Receivable	
657	Benefit Grant	788
-	Housing Subsidy	3
286	Non Domestic Rates due to the Pool	-
943	Total	791
	Amount Payable	
-	Non Domestic Rates due to the Pool	(1,288)
(193)	Housing Subsidy	-
(193)	Total	(1,288)

b) Members

Members of the council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2011/12 is shown in Note 31. During the financial year ended 31st March 2012, 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.

c) Officers

During the financial year ended 31st March 2012, 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 2011 £000	Precepts	31 March 2012 £000
23,914	Staffordshire County Council	23,975
4,128	Staffordshire Police Authority	4,139
1,572	Stoke on Trent & Staffordshire Fire & Rescue Authority	1,576
29,614	Total	29,690

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 2011 £000	Staffordshire County Council	31 March 2012 £000
120	Supporting People Grant	123
96	Safer Stronger Communities & Domestic Abuse Fund	72
216	Total	195

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 2011 £000	Recycling Credit Scheme	31 March 2012 £000
83	Recycling Credits	(537)
83	Total	(537)

f) JOINTLY CONTROLLED OPERATION – JOINT WASTE MANAGEMENT SERVICES

The Joint Waste Service for Tamworth Borough Council and 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 forecast revenue outturn of the Joint Waste Service for the year ended 31st March 2012 is as follows:-

2010-11 £'000s		2011-12 £'000s
	Expenditure	
1,875	Employee Costs	2,290
0	Premises Related Expenses	19
1,067	Transport Costs	1,539
415	Supplies and Services	412
190	Central Support Costs	185
0	Capital Charges	141
3,547	Total expenditure	4,586
	Income	
746	Recycling Credits	1,043
95	Other Income	86
851	Total income received	1,129
2,696	Total Net Expenditure	3,457

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 2011/12, the cost of the joint arrangement to the Council was £1.42m.

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.

2010/11 £000	Capital Expenditure & Financing	2011/12 £000
26,942	Opening Capital Financing Requirement	27,227
	Capital Investment	
5,098	Property, Plant and Equipment	4,650
4	Heritage Assets	64
-	HRA Self Financing Settlement	44,668
13	Investment Properties	-
90	Intangible Assets	12
419	Revenue Expenditure Funded from Capital under Statute	439
	Sources of Finance	
(877)	Capital receipts	(247)
(402)	Government grants and other contributions	(127)
(3,709)	Sums set aside from revenue - direct revenue contributions	(4,539)
(195)	Sums set aside from revenue - Minimum Revenue Provision	(81)
-	Sums set aside from revenue - Voluntary Revenue Provision	(2,146)
(156)	Grants - Revenue Expenditure Funded from Capital Under Statute	(252)
27,227	Closing Capital Financing Requirement	69,668
	Explanation of movements in year:	
	Increase in underlying need to borrow:	
480	Supported by Government financial assistance	-
-	Unsupported Borrowing - HRA Self Financing Settlement	44,668
-	Unsupported by government financial assistance	-
(195)	Sums set aside from revenue - Minimum Revenue Provision	(81)
-	Sums set aside from revenue - Voluntary Revenue Provision	(2,146)
285	Increase/(decrease) in Capital Financing Requirement	42,441

37. Leases

a) Authority as Lessee

i) Finance Leases

In the year 2011/12 rentals payable under finance leases in respect of Vehicles and Plant was £nil (2010/11 £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 2011/12 was £271k (£291k in 2010/11).

The Council was committed at 31st March 2012 to making payments of £286k under operating leases, comprising the following elements:

31 March 2011 £000	Operating Leases	31 March 2012 £000
271	Not later than one year	143
286	Later than one year not later than five years	143
-	Later than five years	-
557	Total	286

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:

2010/11 £000	Minimum Lease Payments	2011/12 £000
291	Minimum lease payments	271
-	Contingent rents	-
-	(sublease payments receivable)	-
291	Total	271

b) Authority as Lessor

i) Finance Leases

The Authority has leased out property at the Ankerside Shopping Centre inc. Car Park, and the Golf Course Club House on a finance lease with remaining terms of 77 & 46 years respectively.

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 2011 £000	Assets held for leases (Lessor)	31 March 2012 £000
	Finance lease debtor (net present value of minimum lease payments)	
-	Current	-
12,718	Non current	12,944
53,674	Unearned finance income	52,262
73	Unguaranteed residual value of property	12
66,465	Gross investment in the lease	65,218

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

Minimum Lease Payments 31 March 2011 £000	Gross Investment in the Lease 31 March 2011 £000	Minimum Lease Payments	Minimum Lease Payments 31 March 2012 £000	Gross Investment in the Lease 31 March 2012 £000
863	863	Not later than one year	863	863
3,451	3,451	Later than one year not later than five years	3,451	3,451
62,078	62,151	Later than five years	60,892	60,904
66,392	66,465	Total	65,206	65,218

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.

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:

31 March 2011 £000	Future Minimum Lease Payments	31 March 2012 £000
	Operating Leases	
1,143	Not later than one year	1,031
3,783	Later than one year not later than five years	3,759
54,394	Later than five years	52,024
59,320	Total	56,814

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 £424k in 2011/12 (£339k in 2010/11). There were 31 void units at the 31/03/12 (23 voids at the 31/03/11).

38. Impairment Losses

Charges for impairment of £4.541m have been made during 2011/12. This included an amount of £4.537m where the expenditure on Council Dwellings has not produced a similar increase in the value. The remaining £4k 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 £4.537m 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.

The Council's car parks have also been impaired by £3.197m in 2011/12. This represents a material impairment arising from a revaluation based on likely lower future income levels as experienced during 2011/12.

Of this £2.947m was charged to the revaluation reserve with the remaining £250k being charged direct to the Highways and Transport Services within the Comprehensive Income and Expenditure Statement.

39. Termination Benefits

The Authority terminated the contracts of a number of employees in 2011/12, incurring liabilities of £660k (£471k in 2010/11) – see Note 32 Officers' Remuneration for detail of the number of exit packages with total cost per band and total cost of redundancies. Termination benefits were mainly due to the completion of a voluntary redundancy process in December 2011.

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:

Defined Benefit Pension Schemes

Local Government Pension Scheme 2010/11 £000	Discretionary Benefit Arrangements 2010/11 £000	Defined Benefit Pension Schemes	Local Government Pension Scheme 2011/12 £000	Discretionary Benefit Arrangements 2011/12 £000
		Comprehensive Income and Expenditure Statement:		
		Cost of Services:		
1,543	69	Current service costs	1,334	75
(8,891)	-	Past service costs	42	-
84	-	Settlements and curtailments	120	-
		Financing and Investment Income and Expenditure		
4,500	-	Interest costs	4,004	-
(3,588)	-	Expected return on scheme assets	(3,471)	-
(6,352)	69	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,029	75
(8,267)	(103)	Actuarial (gains) and losses	4,942	186
(14,619)	(34)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	6,971	261

		Movement in Reserves Statement:		
14,619	34	Reversal of net charges made to the surplus/deficit on the provision of services for post employment benefits in accordance with the code	(6,971)	(261)
		Actual amount charged against the General Fund Balance for pensions in the year:		
1,659	-	Employers' contributions payable to the scheme	1,544	-
-	69	Retirement benefits payable to pensioners	-	75

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2012 is a loss of £22.630m (£17.502m 2010/11).

Under the Housing Repairs contract, a separate pension scheme is operated for staff transferred as part of a TUPE arrangement.– for 2011/12 (the final year of the contract), a provision has been included within the accounts for £518k (the Council's element from a total liability of £569k) for costs arising from the potential pension liability associated with the ending of the contract.

c) Assets and Liabilities in Relation to Post Employment Benefits

Local Government Pension Scheme 2010/11 £000	Discretionary Benefit Arrangements 2010/11 £000	Reconciliation of present value of scheme liabilities (defined benefit obligation)	Local Government Pension Scheme 2011/12 £000	Discretionary Benefit Arrangements 2011/12 £000
87,646	1,201	Balance at 1 April 2011	72,105	1,029
1,612	-	Current service costs	1,409	-
4,500	-	Interest cost	4,004	-
527	-	Contributions by scheme participants	487	-
(11,012)	(103)	Actuarial gains and losses	3,719	186
(2,361)	(69)	Benefits paid	(2,669)	(75)
(8,891)	-	Past service costs	42	-
84	-	Curtailments	120	-
72,105	1,029	Balance at 31 March 2012	79,217	1,140

Local Government Pension Scheme 2010/11 £000	Reconciliation of fair value of scheme assets	Local Government Pension Scheme 2011/12 £000
49,961	Balance at 1 April 2011	50,629
3,588	Expected rate of return	3,471
(2,745)	Actuarial gains and losses	(1,223)
1,659	Employer contributions	1,544
527	Contributions by scheme participants	487
(2,361)	Benefits paid	(2,669)
69	Contributions in respect of unfunded benefits	75
(69)	Unfunded benefits paid	(75)
50,629	Balance at 31 March 2012	52,239

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

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

The actual return on scheme assets in the year was £2.256m (£4.227m in 2010/11).

Scheme History	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Present value of liabilities:					
Local Government Pension Scheme	(54,449)	(52,850)	(87,646)	(72,105)	(79,217)
Discretionary Benefits	(1,016)	(966)	(1,201)	(1,029)	(1,140)
Fair value of assets in the Local Government Pension Scheme	46,096	35,200	49,961	50,629	52,239
Surplus/ (deficit) in the scheme:					
Local Government Pension Scheme	(9,369)	(18,616)	(38,886)	(22,505)	(28,118)
Discretionary Benefits	(8,353)	(17,650)	(37,685)	(21,476)	(26,978)
	(1,016)	(966)	(1,201)	(1,029)	(1,140)
Total	(9,369)	(18,616)	(38,886)	(22,505)	(28,118)

The liabilities show the underlying commitments that the authority has in the long run to pay post employment (retirement) benefits. The total liability of £28.1m 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 March 2013 is £1.362m.

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 March 2010.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme 2010/11	Discretionary Benefit Arrangements 2010/11	Assumptions	Local Government Pension Scheme 2011/12	Discretionary Benefit Arrangements 2011/12
7.5%	-	Long-term expected rate of return on assets in the scheme:	6.2%	-
0.0%	-	Equity Investments	0.0%	-
4.9%	-	Government Bonds	3.3%	-
5.5%	-	Other Bonds	4.4%	-
4.6%	-	Property Managed Funds	3.5%	-
0.0%	-	Cash	0.0%	-
		Other		
		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
2.8%	2.8%	CPI Rate	2.5%	2.5%
5.1%	5.1%	Rate of increase in salaries	4.8%	4.8%
2.8%	2.8%	Rate of increase in pensions	2.5%	2.5%
5.5%	5.5%	Rate for discounting scheme liabilities	4.8%	4.8%
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:

2010/11		Details of scheme assets	2011/12	
£000	%		£000	%
39,491	78%	Assets held at year end:	40,747	78.0%
-	0%	Equity Investments	-	0%
5,569	11%	Government Bonds	6,269	12%
3,544	7%	Other Bonds	4,701	9%
2,025	4%	Property Managed Funds	522	1%
-	0%	Cash	-	0%
		Other		
50,629	100%	Total	52,239	100%

e) History of Experience Gains and Losses

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

History of experience gains & losses	2007/08	2008/09	2009/10	2010/11	2011/12
	£000	£000	£000	£000	£000
Difference between the expected and actual return on assets	(7,066)	(13,982)	12,626	(2,745)	(1,223)
Experience gains on losses on liabilities	719	17	(56)	3,946	(1,188)

History of experience gains & losses	2007/08	2008/09	2009/10	2010/11	2011/12
	%	%	%	%	%
Difference between the expected and actual return on assets	(15.33)%	(39.72)%	25.27%	(5.42)%	(2.34)%
Experience gains on losses on liabilities	(1.32)%	(0.03)%	0.06%	(5.47)%	1.50%

41. Contingent Liabilities

Following recent legal challenges made in the last municipal year by private search companies to the Information Commissioner's Office, claiming that all property search information is 'environmental information' and therefore should be provided free of charge, there is currently uncertainty over future charges for such information, or whether the Council might be liable to repay charges levied in the past. The Council does not agree with the guidance of the Information Commissioner's Office, which is not statutory, and continues to charge for such information, however, further advice from Central Government is awaited. The Council received a total of £65k in land charges income during 2011/12. The legal action raised by the private search companies is ongoing and settlement should be made at some stage but agreement on settlement terms has yet to be reached. At this stage a contingent liability of £100k has been established.

Following the Government announcement that the West Midlands Councils organisation would no longer be supported, a potential liability exists for the Council members. We have recently entered an agreement in relation to this matter and have agreed liability for a sum in the region of £43k amongst all West Midlands Councils.

Following a Supreme Court decision handed down on 28th March 2012, if Municipal Mutual Insurance (MMI) are unable to foresee a position in which future investment income net of operating expenses would be adequate to achieve payment of agreed claims in full then appropriate alternative arrangements, which might involve the triggering of the Scheme of Arrangement (SOA), would be made. Under the SOA, the Council could be liable to pay a levy up to the value of claims paid since 1993. The value of claims paid amounts to £250k.

42. Contingent Assets

There were no contingent assets for the Council in 2011/12.

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.

b) 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);

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 22nd February 2011 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £36.1m This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £27.6m 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 £14.6m and £2.7m based on the Council's net debt.
- The maximum and minimum exposures to the maturity structure of debt are shown at Appendix 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.

c) 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
- 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 2011/12 was approved by Full Council on 22nd February 2011 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 £7.494m 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 March 2012 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 2012 £000 A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2012 % C	Estimated maximum exposure to default and uncollectability at 31 March 2012 £000 (A x C)	Estimated maximum exposure at 31 March 2011 £000
AAA rated counterparties	-	0.03%	0.03%	-	-
AA rated counterparties	-	0.22%	0.22%	-	14
A rated counterparties	6,000	0.52%	0.52%	31	-
BBB rated counterparties	-	15.77%	15.77%	-	-
Caa rated counterparties	913	33.61%	33.61%	307	755
Escrow	581				
Trade Debtors	1,739	60.00%	60.00%	1,043	893
Total	9,233			1,381	1,662

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 £1.74m is past its due date for payment. The past due amount as at 31 March 2012 but not impaired amount can be analysed by age as follows:

Arrears	31 March 2012	31 March 2011
	£000	£000
Less than six months	618	554
Six months to one year	231	169
More than one year	247	271
More than two years	643	497
Total	1,739	1,491

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 31st March 2012 was £44.2k (£33.5k 2010/11).

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.

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 2012		31 March 2011	
	Average Rate %	Amount £000	Average Rate %	Amount £000
PWLB	4.47%	65,429	6.61%	20,737
Other Lenders	-	-	-	-
Total	4.47%	65,429	6.61%	20,737
less than one year Interest Due	-	369	-	345
less than one year	-	-	-	-
Maturing in 1 - 2 years	-	-	-	-
Maturing in 2 - 5 years	9.08%	5,000	7.29%	3,000
Maturing in 5 - 10 years	-	-	11.75%	2,000
Maturing in 10 - 15 years	-	-	-	-
Maturing in over 15 years	4.09%	60,060	5.80%	15,392
Total	4.47%	65,429	6.61%	20,737

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.

The maturity analysis of financial assets is as follows:

Financial Assets	31 March 2012		31 March 2011	
	Average Rate %	Amount £000	Average Rate %	Amount £000
less than one year	-	7,296	-	8,880
Maturing in 1 – 2 years	-	238	-	781
Maturing in 2 – 5 years	-	-	-	521
Maturing in 5 - 10 years	-	-	-	-
Maturing in 10 - 15 years	-	-	-	-
Maturing in over 15 years	-	-	-	-
Total	-	7,534	-	10,182

All trade and other payables are due to be paid in less than one year – debtors of £2.4m 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.

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 31st March 2012, 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.

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 £	Principal Default %
Glitnir	10/10/2007	09/10/2008	1,000,000	6.28	-	(752,525)	-
Glitnir	31/08/2007	28/08/2009	1,000,000	6.55	-	(794,879)	-
Glitnir	14/12/2007	12/12/2008	1,000,000	6.16	-	(753,827)	-
KSF	31/08/2008	09/08/2010	1,000,000	6.69	209,287	(12,307)	16.50
KSF	31/10/2007	29/10/2008	1,000,000	6.16	206,951	(12,392)	16.50
KSF	14/01/2008	14/10/2010	1,000,000	5.90	204,496	(11,573)	16.50
Heritable	12/09/2008	13/10/2008	500,000	5.38	97,517	(12,556)	12.00
Heritable	15/09/2008	22/10/2008	1,000,000	5.45	194,871	(25,036)	12.00
Total			7,500,000		913,122	(2,375,095)	

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.

An element of the distribution is in Icelandic Krona which has been placed in an ESCROW account in Iceland and is earning interest of 3.4%. This element of the distribution has been retained in Iceland due to currency controls currently operating in Iceland and as a result is subject to exchange rate risk, over which the Council has no control.

The distribution has been made in full settlement, representing 100% of the claim.

The Council has made an impairment of 2.8% 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 83.5p in the £.

Date	Repayment
Received to date	63.0%
May 2012	10.00%
January 2013	5.00%
January 2014	5.50%

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

Heritable Bank

Heritable bank is a UK registered bank under Scottish law. The company was placed in administration on 7 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 88p in the £.

Date	Repayment
Received to date	67.90%
April 2012	3.79%
July 2012	3.50%
October 2012	3.50%
January 2013	3.50%
April 2013	5.81%

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

Accounting for Impairment

The total impairment gain (principal plus interest) recognised in the Comprehensive Income and Expenditure Statement in 2011/12 of £2.375m has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits in order to recognise the anticipated loss of interest to the Authority until monies are recovered. Adjustments to the assumptions will be made in future accounts as more information becomes available.

Note to the Accounts - Impairment of Investments

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

Cumulative	Amount Invested £	Interest £	Impairment £	Repaid £	Held in Escrow Account £	Carrying Value £
GLITNIR	1,000,000	190,268	(157,447)	(851,477)	(181,344)	-
GLITNIR	1,000,000	206,643	(130,043)	(851,477)	(225,123)	-
GLITNIR	1,000,000	175,075	(143,585)	(851,477)	(180,013)	-
	3,000,000	571,987	(431,075)	(2,554,432)	(586,481)	-
KSF	1,000,000	165,389	(279,451)	(666,804)	-	219,134
KSF	1,000,000	141,580	(268,160)	(666,804)	-	206,616
KSF	1,000,000	123,738	(261,949)	(666,804)	-	194,985
	3,000,000	430,707	(809,561)	(2,000,411)	-	620,735
HERITABLE	500,000	49,398	(111,021)	(340,770)	-	97,607
HERITABLE	1,000,000	99,543	(223,223)	(681,540)	-	194,781
	1,500,000	148,941	(334,244)	(1,022,309)	-	292,388
	7,500,000	1,151,635	(1,574,879)	(5,577,152)	(586,481)	913,123

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

Date	Glitnir £	KSF £	Heritable £
31st March 2013	-	476,288	215,083
31st March 2014	-	174,639	87,448
31st March 2015	-	-	-
31st March 2016	-	-	-
Total	-	650,927	302,531

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

Bank	Credited 2010/11 £	Received 2010/11 £	Credited 2011/12 £	Repayments 2011/12 £
Glitnir	48,234	-	51,379	3,140,912
KSF	49,261	317,526	43,385	317,526
Heritable	33,360	268,130	19,109	268,130
Total	130,855	585,656	113,873	3,726,568

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 2009/2010.

Following return of the deposits placed with Glitnir during March 2012 (as well as the balance held in an Escrow account in Iceland), the element of the capitalisation relating to the Glitnir deposits has been reversed – equating to a net reversal of £2.15m within the 2011/12 accounts (£2.26m since 2010/11).

44. Heritage Assets - Five Year Summary of Transactions

	2007/08 £000	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
Cost of Acquisitions of Heritage Assets					
Art Collection	-	-	-	-	-
Civic Regalia	-	-	-	-	-
Museum exhibits	-	-	-	-	-
Statues	-	-	-	-	-
Castle Museum	56	156	10	4	64
Total cost of purchases	56	156	10	4	64

45. Heritage Assets: Further information on the Collections

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.

Museum Collection

Councillor Frederick A. Allsopp made a significant contribution to Tamworth Castle’s collections when he donated his own private collections to Tamworth Castle in 1952. The contents of this range across all the fields of classification, from a large collection of approximately 450 books, (which have now been audited and the list sent to the British Library in London for assessment as to their significance, some of the publications being as early as 1560’s), to weapons and armour, general social history objects, ephemera, and some art. Included is the donation was the William MacGregor, the eminent Egyptologist, collection, which included items from the excavations of Professor Flinders Petrie, Professor Garstang and Sir Oliver Lodge.

There is also a small but significant collection of Skeys pottery, including vases and earthenware jugs. Based at the Wilnecote works, it was a local firm set up by George Skeys who was influential in the community, work life, church and political life of Tamworth. Skeys was eventually absorbed into Royal Doulton in the 20th century.

Statues

There are a variety of Statues dating from three Portland stone Urns probably imported in to the castle grounds around 1807 when 'the gardens were newly laid out and the mound was planted' to the Colin Grazier Memorial of 2003.

Civic Regalia

The collection includes the Mayoral chain and badge of office dating from 1889. It was presented to the borough by Mr Philip Albert Muntz in 1890, in commemoration of his performing the opening ceremony of the Assembly Rooms in the previous year on 8th October 1889. There are also two silver ceremonial maces dating from the Charles II period.

Tamworth Castle

It is likely the original motte and bailey castle was built c1070. It was given to Robert le Dispenser. He was the main steward for Duke William of Normandy, later William the Conqueror (1066-1087). Tamworth Castle was inherited by Robert Marmion c1100 through his marriage to Matilda, daughter of Urse of d'Abitot. The castle was occupied by a number of families significant to the area until in 1897 the Townhend family sold the Castle to Tamworth Corporation, later Tamworth Borough Council for the people of Tamworth. The Castle cost £3k and opened as a museum two years later in 1899

Heritage Assets of particular importance

There are a number of art and museum collections which although important to the local area do not in themselves carry a significant value. Significant amongst the collection is the Statue of Sir Robert Peel standing in front of the Town Hall, dating back to 1852. The Civic Regalia Collection includes 2 silver Charles II maces that have been identified as particularly rare and interesting examples of their type by the regional Assay office when recently valued.

Preservation and Management

The Heritage services Manager manages the majority of the Heritage Assets, excluding some of the Statues and the Civic Regalia, and manages the assets in accordance with the policies and procedures as set out in the museums accreditation scheme. The Castle Museum is a fully accredited Museum. Tamworth Castle will comply with standards of good practice widely accepted in the Museums sector in the UK, for example, the code of ethics published by the Museums Association and United Kingdom Institute for Conservation; and the standards expected by MLA. Further information is provided in the Museums separate document *Tamworth Castle Collections Care Manual* which has been produced in accordance with national guidelines.

Acquisitions are rare and primarily made by donation. However, on rare occasions when particularly important asset is available for purchase, the Authority will undertake the purchase provided that it meets the objectives of the Museum and the Authority in terms of its collection of Heritage Assets.

Assets are collated, preserved and managed in accordance with the documented procedural manual. The full *Catalogue of Collection* records the nature, provenance, condition and current location on each asset. The Museum has also initiated a project to computerise these records. The project will allow the public to access images of the assets. It is estimated that the project will be fully complete in three years' time.

46. Heritage Assets: Change in Accounting Policy Required by the Code of Practice For Local Authority Accounting in the United Kingdom

The *Code of Practice on local Authority accounting in the United Kingdom 2011/12* introduced a change to the treatment in accounting for Heritage Assets held by the authority. As set out in our summary of significant accounting policies, the Authority now requires Heritage Assets to be carried in the Balance Sheet at valuation.

Heritage Assets

For 2011/2 the Authority is required to change its accounting policy for Heritage Assets and recognise them at valuation. Previously, Heritage Assets were either recognised as Community Assets (at cost) in the Property, Plant and Equipment classification in the Balance Sheet or were not recognised in the Balance Sheet as it was not possible to obtain cost information on the assets. Community Assets (that are now to be classified as Heritage Assets) that were donated to the Authority were held at valuation as a proxy for historical cost. The Authority's accounting policies for recognition and measurement of Heritage Assets are set out in the Authority's summary of significant accounting policies (see Note 1 on page 27).

In applying the new accounting policy, the Authority has identified that the assets that were previously held as Community Assets within Property, Plant and Equipment at £658k should now be recognised as Heritage Assets and measured at £658k. These assets relate to a proportion of the Statue Collection and the Castle Museum. The authority will also recognise an additional £864k for the recognition of Heritage Assets that were not previously recognised in the Balance Sheet. This increase is also recognised in the Revaluation Reserve. The 1 April 2010 and 31 March 2011 Balance Sheets and 2010/11 comparative figures have thus been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £1.522 million. The element that was previously recognised in Property, Plant and Equipment has been reclassified and written down by £658k. The Revaluation Reserve has increased by £658k.
- The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Restatement Table 1 April 2010
(Balance Sheet Extract)

	Opening Balances as at 1 April 2010	Category Transfer	Restatement	Restatement required to opening balances as at 1 April 2010
	£000	£000	£000	£000
Property, Plant and Equipment	203,488	(658)	-	202,830
Heritage Assets	-	658	864	1,522
Long Term Assets	235,574	235,574	236,438	236,438
Total Net Assets	186,856	186,856	187,720	187,720
Unusable Reserves	(167,430)	-	(864)	(168,294)
Net Worth/Total Reserves	(186,856)	(186,856)	(187,720)	(187,720)

Restatement Table 31 March 2011
(Balance Sheet Extract)

	Closing Balances as at 31 March 2011	category transfer	Restatement	Restatement required to Closing balances as at 31 March 2011
	£000	£000	£000	£000
PPE	150,045	(662)	0	149,383
Heritage Assets	0	662	907	1,569
Long-term assets	183,690	183,690	184,597	184,597
Total Net Assets	150,965	150,965	151,872	151,872
Unusable reserves	(132,175)	-	(907)	(133,082)
Net Worth/Total Reserves	(150,965)	(150,965)	(151,872)	(151,872)

Approval of Accounts

I confirm that these accounts were approved by the Audit and Governance Committee
at the meeting held on 27th September 2012

Signed on behalf of Tamworth Borough Council

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

Dated 27th September 2012

*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.*

Housing Revenue Account

This statement reflects the statutory requirement to maintain a separate account for Council Housing.

2010/11 £000	HRA Comprehensive Income & Expenditure Statement	2011/12	
		£000	£000
	EXPENDITURE:		
4,003	Repairs and maintenance	4,741	
4,537	Supervision and management	4,052	
31	Rents, rates, taxes and other charges	26	
2,686	Negative HRA subsidy payable	3,434	
(13,969)	Depreciation and impairment of non-current assets	4,879	
3	Debt management costs	26	
116	Movement in the allowance for bad debts	163	
-	Sums directed by the Secretary of State that are expenditure in accordance with the Code	-	
(2,593)	Total Expenditure		17,321
	INCOME		
(15,160)	Dwelling rents	(16,125)	
(460)	Non-dwelling rents	(434)	
(542)	Charges for services and facilities	(365)	
(405)	Contributions towards expenditure	(532)	
-	HRA Subsidy receivable	-	
-	Sums directed by the Secretary of State that are income in accordance with the Code	-	
(16,567)	Total Income		(17,456)
(19,160)	Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement		(135)
3	HRA services' share of Corporate and Democratic Core		4
-	HRA share of other amounts included in the whole authority Cost of Services but not allocated to specific services		-
-	Exceptional Item - HRA Self Financing Settlement (Note 5a)		44,668
55,316	Exceptional Item - Change in EUSHV		-
(1,780)	Exceptional Item - Change in Pension		-
34,379	Net Cost/ (Income) for HRA Services		44,537
	HRA Share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
156	(Gain) or loss on sale of HRA non-current assets		(215)
1,209	Interest payable and similar charges		1,224
(54)	Interest and investment income		(61)
184	Pensions interest cost and expected return on pensions assets		107
(90)	Capital grants and contributions receivable		-
35,784	(Surplus)/ deficit for the year on HRA Services		45,592

Statement of Movement on the HRA Balance

2010/11 £000	Statement of Movement on the HRA Balance	2011/12	
		£000	£000
4,712	Balance on the HRA at the end of the previous year		5,087
(35,784)	Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	(45,592)	
36,081	Adjustments between accounting basis and funding basis under statute	44,905	
297	Net increase or (decrease) before transfers to or from reserves	(687)	
78	Transfers (to)/ from reserves	87	
375	Increase or (decrease) on the HRA		(600)
5,087	Balance on the HRA at the end of the current year		4,487

Analysis of Adjustments

2010/11 £000	Analysis of Adjustments	2011/12 £000
-	Difference between any other item of income and expenditure determined in accordance with the code and determined in accordance with HRA requirements	8
156	Gain or loss on sale of HRA non-current assets	(215)
(1,605)	HRA share of contributions to or from the Pensions Reserve	113
-	Revenue Expenditure Funded from Capital Under Statute (REFCUS)	44,668
(893)	Capital expenditure funded by the HRA	(1,704)
(2,801)	Transfer to/ from the Major Repairs Reserve	(2,833)
(33)	Transfer to/ from the FIAA	(10)
41,257	Transfer to/ from the Capital Adjustment Account	4,878
36,081	Total Adjustments between Accounting Basis and Funding Basis under Regulations	44,905

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
Housing Stock as at 01 April 2011	2,878	767	887	4,532
Demolitions	-	-	-	-
Sales	(3)	(3)	(1)	(7)
Purchases	-	-	-	-
Reclassification of Assets	-	-	-	-
Housing Stock as at 31 March 2012	2,875	764	886	4,525

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 2012 is £367.272m (31st March 2011 Vacant Possession Value was £366.49m).

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 2011/12, a nationally set adjustment factor for the West Midlands of 34% of vacant possession value has been used (34% for 2010/11).

Vacant Possession Value of Dwellings	Non-current assets Council Dwellings £000	Other Land and Buildings £000	Current assets Assets Held for Sale £000	Total £000
Cost or Valuation				
As at 01 April 2011	128,869	2,557	-	131,426
	-			
Additions	4,537	-	-	4,537
Donations	-	-	-	-
Revaluation increases/ (decreases) recognised in the Revaluation Reserve	258	-	-	258
Revaluation increases/ (decreases) recognised in the Surplus/ Deficit on the Provision of Services	1,436	-	-	1,436
Derecognition - Disposals	(179)	-	-	(179)
Derecognition - Other	(1,249)	-	-	(1,249)
Assets reclassified to/ from Held for Sale	-	-	-	-
Other movements in cost or valuation	-	-	-	-
As at 31 March 2012	133,672	2,557	-	136,229
Accumulated Depreciation & Impairment				
As at 01 April 2011	(5,435)	(239)	-	(5,674)
Depreciation and Impairment Charge	(1,702)	(71)	-	(1,773)
Depreciation written out on Revaluation	-	-	-	-
Impairment losses/ (reversals) recognised in the Revaluation Reserve	-	(14)	-	(14)
Impairment losses/ (reversals) recognised in the Surplus/ Deficit on the Provision of Services	(4,537)	(4)	-	(4,541)
Derecognition - disposals	3	-	-	3
Derecognition - other	1,249	-	-	1,249
Other movements in depreciation and impairment	-	-	-	-
As at 31 March 2012	(10,422)	(328)	-	(10,750)
Net Book Value				
As at 01 April 2011	123,434	2,318	-	125,752
As at 31 March 2012	123,250	2,229	-	125,479
Nature of holdings at year end				
Owned	123,250	2,229	-	125,479

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 amount of MRA received is determined by the subsidy calculations and paid into the Housing Revenue Account and is then transferred to the MRR.

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

2010/11 £000	Major Repairs Reserve	2011/12 £000
2,801 (2,801)	Balance at 1 April 2010 Contributions to the Major Repairs Reserve Capital Spending on Dwellings	2,833 (2,833)
-	Balance at 31 March 2012	-

HRA4. Capital Expenditure Summary

The following table details how £49.205m capital expenditure was financed during the year.

2010/11 £000	Capital Expenditure	2011/12 £000
4,288	Capital Expenditure Type: Dwellings	4,471
64	Land	66
-	PVE	-
-	HRA Self Financing Settlement	44,668
-	Other	-
4,352	Total Capital Expenditure	49,205
480	Funded by: Borrowing attracting Government support	-
-	Borrowing not attracting Government support	-
88	Usable capital receipts	-
893	Revenue contributions	1,704
-	REFCUS	44,668
90	External grants and contributions	-
2,801	Major Repairs Reserve	2,833
4,352	Total Funding	49,205

HRA5. Capital Receipts

During the year capital receipts totalling £395k were received in respect of dwellings sold, of which £292k 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

2010/11 £000	Capital Receipts	2011/12 £000
432 (324)	Sale of dwellings under right to buy Amounts pooled to Central Government	395 (292)
108	Net Capital Receipts	103

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 £1.702m.

The charge for depreciation of £72k on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

Charges for impairment of £4.541m have been made during 2011/12. This included an amount of £4.537m where the expenditure on capital assets has not produced a similar increase in the value of the asset and £4k in respect of council garages no longer available for letting.

HRA7. Subsidy

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

2010/11 £000	Housing Subsidy	2011/12 £000
7,296	Management and maintenance allowance	7,360
2,801	Major repairs allowance	2,833
1,888	Charges for capital	1,883
(14,675)	Guideline rental income	(15,533)
(3)	Interest on receipts	(3)
	Interest on Self Financing Settlement Payment	16
(2,693)	Net Housing Subsidy payable to Government	(3,444)
7	Prior year adjustment	10
(2,686)	Net amount payable to Government	(3,434)

HRA8. HRA Pensions Reserve

2010/11 £000	Pensions	2011/12 £000
2,266	Difference between current service cost of pensions and past service cost in accordance with IAS 19 and actual employers' contributions	482
909	Interest on share of pensions liability	806
(725)	Expected return on share of assets	(699)
2,450	Total	589

HRA9. Rent Arrears

2010/11 £000	Rent Arrears	2011/12 £000
838	Gross arrears	1,018
5.5%	Gross arrears as percentage of gross rent income	6.3%

Approximately 29% of rent arrears refer to former tenants.

2010/11 £000	Provision for Bad Debts	2011/12 £000
	Rent Arrears	
608	Balance at 1 April 2010	657
128	Contribution from / (to) HRA in year	173
(79)	Written off in year	(28)
657	As at 31 March 2012	802
	Sundry Debtors	
98	Balance at 1 April 2010	85
(13)	Contribution from / (to) HRA in year	(9)
-	Written off in year	(8)
85	As at 31 March 2012	68
742	Total Provision for Bad Debts	870

2010/11 £000	Collection Fund Income and Expenditure Statement	2011/12 £000
	INCOME	
(27,943)	Income from council tax	(28,138)
	Transfers from General Fund	
(5,552)	- Council tax benefits	(5,398)
-	-Transitional relief	-
-	-Discounts for prompt delivery	-
(28,952)	Income collectable from business ratepayers	(30,381)
	Contributions	
-	-Towards previous year's Collection Fund deficit	-
-	-Adjustment of previous years' community charges	-
(62,447)	Total Income	(63,917)
	EXPENDITURE	
	Precepts	
3,476	- Tamworth Borough Council	3,485
4,128	- Staffordshire Police Authority	4,139
1,572	- Staffordshire Fire Authority	1,576
23,914	- Staffordshire County Council	23,975
	Business rate	
28,678	-Payment to national pool	29,943
94	-Costs of collection	94
306	Provisions for bad and doubtful debts/appeals	470
	Distribution of previous year's council tax surpluses	
31	- Tamworth Borough Council	18
37	- Staffordshire Police Authority	21
14	- Staffordshire Fire Authority	8
217	- Staffordshire County Council	121
62,467	Total Expenditure	63,850
20	(Surplus)/ Deficit for the year	(67)
(402)	Fund Balance Brought Forward	(382)
(382)	Fund Balance at 31 March 2012	(449)
	Analysis of Fund Balance (Surplus)/ Deficit	
(40)	- Tamworth Borough Council	(47)
(48)	- Staffordshire Police Authority	(56)
(18)	- Staffordshire Fire Authority	(22)
(276)	- Staffordshire County Council	(324)
(382)	Total	(449)

NOTES TO THE COLLECTION FUND

CF 1. NNDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2012 was £80,110,656 (£76,047,456 at 31st March 2011).

The NNDR multiplier for 2011/12 was 43.3p in the pound (2010/11 41.4p). The qualifying small business multiplier for 2011/12 was 42.6p in the pound (2010/11 40.7p).

CF 2. Council Tax Base Calculation

The Council base was as follows

Number of chargeable properties 2010/11	Adjusted property base (Band D Equivalent) 2010/11	Calculation of Ctax Base	Number of chargeable properties 2011/12	Adjusted property base (Band D Equivalent) 2011/12
		Valuation Band (Multiplier)		
23	13	A - Disabled Relief Reduction (5/9)	24	13
7,970	5,313	A - (6/9)	8,010	5,340
10,399	8,088	B - (7/9)	10,450	8,128
4,872	4,331	C - (8/9)	4,910	4,364
3,288	3,288	D - (9/9)	3,261	3,261
1,577	1,927	E - (11/9)	1,574	1,924
375	542	F - (13/9)	367	530
56	93	G - (15/9)	57	95
1.5	3	H - (18/9)	1.5	3
28,561.5	23,598	Totals	28,654.5	23,658
	98.50%	Assumed Collection Rate		98.50%
	-	Plus adjustment for Armed Forces Dwellings		-
	23,244	Total Taxbase		23,303

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

Precept 2010/11 £	Distributio n of previous years estimated surplus/ (deficit) 2010/11 £	Total movement on the Collection Fund 2010/11 £	Precepts Analysis	Precept 2011/12 £	Distributio n of previous years estimated surplus/ (deficit) 2011/12 £	Total movement on the Collection Fund 2011/12 £
3,476,143	40,057	3,516,200	Tamworth Borough Council	3,485,109	47,135	3,532,244
4,128,367	47,573	4,175,940	Staffordshire Police Authority	4,139,023	55,979	4,195,002
1,572,135	18,116	1,590,251	Staffordshire Fire Authority	1,576,194	21,318	1,597,512
23,913,669	275,566	24,189,235	Staffordshire County Council	23,975,423	324,262	24,299,685
33,090,314	381,312	33,471,626	Total	33,175,749	448,694	33,624,443

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.

No credits have been transferred during 2011/12. However, as a prudent measure £63,755.09 remains held as a retained fund within the General Fund to meet the cost of any refunds requested in the future.

CF 5. Bad & Doubtful Debts

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

2010/11 £000	Provision for Bad Debts	2011/12 £000
477	Council Tax	
	Balance at 01 April 2011	583
126	Increase /(decrease) in provision	126
(20)	Written off in year	-
583	As at 31 March 2012	709
	Business Rates	
514	Balance at 01 April 2011	599
180	Increase /(decrease) in provision	344
(95)	Written off in year	(222)
599	As at 31 March 2012	721

ANNUAL GOVERNANCE STATEMENT 2011 - 12

1 SCOPE OF RESPONSIBILITY

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

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

The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.tamworth.gov.uk. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011 (as amended) in relation to the publication of an annual governance statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

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

3 THE GOVERNANCE FRAMEWORK

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

- 3.1 The Tamworth Strategic Partnership (TSP) provides the leadership and strategic direction necessary to achieve the shared priorities and objectives for Tamworth. The TSP Executive Board is made up of Chief Officers and Elected Members of partner organisations. It functions as an outcome based Public Sector Commissioning Board with actions commissioned via an established Commissioning Framework and delivered via either Task & Finish Groups or commissioned service providers;
- 3.2 Based upon the corporate vision and priorities, the Council produces a Corporate Plan which in turn, informs annual business plans produced by each Service Area in order to identify and monitor strategic outcomes, performance targets and community impact;

- 3.3 Executive Board meetings of CMT and Cabinet are held on a regular basis;
- 3.4 Performance management arrangements are in place ensure that progress on business plans and achievement of corporate objectives are reported quarterly but managed on a reactive basis;
- 3.5 Annual financial statements are published in accordance with a prescribed timetable;
- 3.6 Council wide and service specific quality promises are in place and made available to the public through publication on the website and through publications available at all council establishments;
- 3.7 The Tell Us complaints procedures are available to all members of the public through council establishments and the website. Complaints are monitored and reported on, on a monthly basis;
- 3.8 The Counter Fraud and Corruption Policy Statement, Strategy and guidance notes and Whistleblowing Policy were revised in February 2009 and made available to staff and members through availability on the Intranet; staff were issued and accepted these policies through a computerised policy management system. Members of the public can access the documents through the Council's website. The Counter Fraud and Corruption Policy Statement, Strategy identifies the Council's commitment to Counter Fraud. The Counter Fraud and Corruption Policy Statement, Strategy and Guidance Notes and Whistleblowing Policy have been reviewed and updated and were approved by the Audit & Governance In May 2012;
- 3.9 Value for money is measured through participation in benchmarking exercises. A Corporate Change Programme is in place which is a fully integrated corporate project which looks at services, methods of working, systems and processes in order to establish where efficiencies can be gained and improvements made;
- 3.10 The quality of services is measured through performance indicators and service delivery milestones all of which are based upon either best practice or service specific standards which are monitored through the Covalent performance management system;
- 3.11 The Constitution sets out a clear statement of respective roles and responsibilities of the executive, non executive, scrutiny and officer functions. The Constitution is reviewed on an annual basis;
- 3.12 The Scheme of Delegation is reviewed on an annual basis;
- 3.13 There is a code of conduct in place for members and a member/officer protocol;
- 3.14 Standing Orders, Financial Regulations and Financial Guidance were updated in March 2011 and are reviewed on a regular basis;
- 3.15 The Audit & Governance Committee undertakes the core functions of an Audit Committee as identified in *CIPFA's Audit Committee – Practical Guidance for Local Authorities*. The Audit & Governance Committee have completed a self assessment of their effectiveness during 2011/12;
- 3.16 There is a Governance Working Group in place which reviews Governance documents;
- 3.17 Compliance with the statutory officer roles, i.e. Head of Paid Service (the Chief Executive), Section 151 Officer (Executive Director – Corporate Services) and Monitoring Officer (Solicitor to the Council) to ensure compliance with laws and regulations. The Monitoring Officer's role is to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Section 151 Officer, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered;

- 3.18 The Statutory Officers are members of the Corporate Management Team (CMT);
- 3.19 The financial management of the Authority is conducted in accordance with the financial rules set out in Part 4 of the Constitution and within Financial Regulations and Guidance. The Council has designated the Executive Director – Corporate Services as the responsible financial officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a four-year Medium Term Financial Strategy (Capital & Revenue), updated annually, to support the medium-term aims of the Corporate Plan;
- 3.20 The Authority’s financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2010);
- 3.21 The Authority’s internal audit arrangements conform to the requirements of the CIPFA Statement of the Role of the Head of Internal Audit;
- 3.22 The role of scrutiny is aligned to the Strategic Priorities i.e. Aspire & Prosper Scrutiny Committee and Healthier and Safer Scrutiny Committee and their roles are continuously being developed;
- 3.23 Records of decisions made at Committee meetings are available on the website;
- 3.24 A Members register of interests is available to the public through the website;
- 3.25 A Members induction scheme is in place and individual training needs are identified. Frequent training sessions are provided for statutory committees in particular in response to legislative changes and policy reforms;
- 3.26 A local induction programme is completed for officers. Personal development reviews are completed annually and reviewed six monthly. Job descriptions and person specifications are in place with all job descriptions reviewed in 2005 as part of the Job Evaluation process. Job descriptions are regularly reviewed as part of the PDR process. An annual staff AGM takes place;
- 3.27 Training for Councillors is provided on Governance and other issues;
- 3.28 Committee meetings are open to the public unless there are confidential items;
- 3.29 Consultation Strategy 2009/2011 is in place;
- 3.30 There is a Standards Committee in place to promote and ensure high standards of conduct for members;
- 3.31 Tamworth Listens is an annual consultation process used to inform corporate priorities;
- 3.32 A Partnership Guidance Policy is in place;
- 3.33 The Regulation of Investigatory Powers Act (RIPA) Policy is in place which is regularly reviewed and updated;
- 3.34 There is a Safeguarding Children and Vulnerable Adults Policy in place which is regularly reviewed and updated;
- 3.35 A risk assessment of the impact of the Localism Act has been completed and working groups set up to monitor and review the impacts of the Act;
- 3.36 Freedom of Information requests are monitored and regularly reviewed by Corporate Management Team.

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

4 REVIEW OF EFFECTIVENESS

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

This review is an ongoing process, and during the year various activities, including the following, have been undertaken as part of this review:-

- 4.1 The Local Code of Corporate Governance is reviewed on an annual basis and an action plan is adopted to deal with any issues;
- 4.2 The Solicitor to the Council (the "Monitoring Officer") has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting;
- 4.3 Review of existing policies as appropriate, production and approval of new or revised policies and procedures;
- 4.4 Further development and embedding of risk management;
- 4.5 The continued extension of management review processes (e.g. Corporate Change Programme, Senior Management Review and Support Services Review) by which the effectiveness of processes, resource use, and necessary improvement, is considered;
- 4.6 Internal Audit is responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an audit plan which is approved by the Audit & Governance Committee, and from which the annual workload is identified. The reporting process for Internal Audit requires a report on each audit to be submitted to the relevant service manager/Head of Service, and Director. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The process includes follow-up within 6 months of the implementation of agreed actions to address recommendations;
- 4.7 The Head of Internal Audit Services provides a quarterly and annual opinion statement to the members charged with governance – the Audit & Governance Committee;
- 4.8 The Internal Audit Section is subject to regular inspection by the Council's External Auditors who place reliance on the work and its quality carried out by the section;
- 4.9 The Authority has access to various Anti Fraud networks and participates in the National Fraud Initiative;
- 4.10 Managers are required to provide statements of assurance with regard to the adequacy of internal controls in their areas of responsibility, which are reflected in this Statement where necessary;
- 4.11 The Authority receives reports from the Audit Commission in relation to its governance and internal control, and considers and takes action on their recommendations as appropriate;
- 4.12 Internal Audit complete a self assessment against the CIPFA Code of Internal Audit Practice and comply with the Code;
- 4.13 An Annual Ombudsman's report is presented to the Audit & Governance Committee;
- 4.14 CMT meet on a fortnightly basis and part of their remit is to address matters concerning performance;
- 4.15 The Corporate Change Programme is a fully integrated corporate project, a primary aspect of which looks at services, methods of working, systems and processes in order to establish where efficiencies can be gained and improvements made. Various services engage in benchmarking to aid performance improvement. The Audit Commission VFM profile tool is being used to allow high level analysis of comparative spend and performance;

- 4.16 The CMT is the Risk Management Group and risk management performance is reported to the Audit & Governance Committee;
- 4.17 The Civil Contingencies Working Group meets bi-monthly to develop the business continuity plan within the Authority. The Director Technology & Corporate Programmes is chair of the Group and liaises with other authorities within Staffordshire, co-ordinated through the Civil Contingencies Unit of Staffordshire Fire and Rescue Service which seeks to support all authorities in Staffordshire in having robust BCM arrangements and promote BCM to the Business and voluntary sectors in compliance with the Civil Contingencies Act;
- 4.18 A Security Management Group is in place which reviews security issues, IT policy and operating standards;
- 4.19 Treasury Management Strategy and Policies are presented to the Audit & Governance Committee for scrutiny.

5 SIGNIFICANT GOVERNANCE ISSUES

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

The significant issues and proposed actions are:

Issue	Proposed Actions
<p>Medium Term Financial Strategy</p> <p>The Council 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>

Signed:

D Cook, Leader

A Goodwin, Chief Executive

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

Date: 28th June 2012

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

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..

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.

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.

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 Authority as a result of past events (eg 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 Authority 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.

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 Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves.

National Non-Domestic Rate (NNDR)

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 Deputy or Assistant 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 bases.

Provision

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

Public Works Loans Board (PWLB)

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

Related Party

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

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 1st April 2007.

Revenue Expenditure

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

Revenue Support Grant (RSG)

A general government grant in support of local authority expenditure.

Specific Grants

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

Supported Capital Expenditure

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

Usable Reserves

The purpose of each usable reserve is detailed below:

General Fund Working 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. (A fixed proportion of Housing Capital Receipts must be paid over to the Government - as detailed in the accounting policy on disposals).

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

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

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

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 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword 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 2011, as to whether the Authority has proper arrangements for:

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

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

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the 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 2011, 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 2012.

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

Officer of the Audit Commission

1st Floor, No.1 Friarsgate, 1011 Stratford Road, Shirley, Solihull, West Midlands, B90 4BN

27th 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.

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