

Pre-Audit

Statement

of

Accounts

2011/2012



Wyre Forest
District Council

WYRE FOREST DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2011/12

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WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

1. FINANCIAL FOREWORD

Welcome to the Council's Statement of Accounts for the year ended 31st March 2012. These statements detail the financial position of the Council for the last year along with accompanying notes and explanations of the main issues affecting the Council.

The Council continues with its strong financial performance and due to decisions to reduce expenditure in previous years is in a relatively healthy position to meet the challenges of reduced government funding. Local authority financial settlements for 2011/12 and beyond are now known to be increasingly challenging and the Local Government Resource Review presents significant change and adds a new dimension to future funding plans. Over the next four years the Council is expecting government support to reduce by at least a further 32%. However, during 2011/12 the Council has been able to take a reduced contribution from reserves. These valuable reserves, together with carefully managed earmarked reserves, will enable the Council to make the necessary adjustments to spending in a planned manner and help towards mitigating the impact of the reduced government support in the short-term whilst plans to improve medium and long-term sustainability are progressed.

An overview of issues now faced, together with our planned response to ensure that the Council is ready to meet future challenges, particularly in light of the significant reductions in levels of central government support, the Local Government Resource Review and as a result of the extremely challenging economic times, is summarised below:-

Overview of key issues facing the District and the Council

Following work done under the Wyre Forest Forward programme last year, the Council was able to set a balanced budget for the next 3 years, with net revenue expenditure planned to fall from £14.3m in 2011/12 to £13.0m in 2014/15. Work will continue over the coming period as the budget continues to draw on general reserves and there is uncertainty about future levels of Government grant support. We will hear in the autumn whether our assumption of further reductions is correct. Despite the reduction in spending overall, the Council was able to invest significantly in its priority of securing the economic prosperity of the district, with a £1m capital and revenue injection in 2012/13 and some ongoing revenue support in following years. The "State of the Area debate" was an invigorating process and involved businesses, public and a range of partners in helping to shape plans for how this investment can be used to best effect and to draw down funding contributions from others. For its part, the Council is also investing some of its own resources in creating three additional apprenticeships and a trainee planning officer post.

The Council has continued with its strong track record of implementing efficiency savings and other cost reductions. This has concentrated recently on reducing the costs of waste collection and revenues and benefits. Where possible, these are achieved by making efficiencies that protect services. New waste collection arrangements were launched on 15th May 2012, with collections being made on 4 days a week instead of 5. Using "systems thinking", we have simplified processes in revenues and benefits, improved service for customers with more casework being dealt with at the point of contact in the hub and reduced costs. Since staffing costs represent a significant proportion of our controllable expenditure, reducing our expenditure often means that we have to reduce staffing levels. So far, staffing reductions have largely been achieved through volunteers and the number of compulsory redundancies has been kept low.

WYRE FOREST DISTRICT COUNCIL

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1. FINANCIAL FOREWORD (continued)

The peer review team organised by the Local Government Association spent 3 days with us in November 2011 and made a one day follow up visit, at the end of March. They successfully "held up a mirror" to our transformation programme and made a number of recommendations which we have acted upon. The Transformation Board, which oversaw only some of our transformation projects, has been replaced by a regular meeting of Group leaders and their deputies with members of the Cabinet and Corporate Management Team – this oversees all aspects of our transformation work which we have brought together under the Wyre Forest Forward brand. This provides clarity for staff and councillors and ensures that all the political groups are involved in the programme of change. The introduction of the bi-monthly Members' Forum, in place of the quarterly scrutiny briefing, has provided a stronger mechanism for ensuring that all members are briefed on key issues and that they receive reports back from members sitting on external bodies.

Following the peer review, we have carried out a considerable amount of work on clarifying the purposes of the Council in accordance with systems thinking methodology and produced a one page diagram showing how they support the three priorities in the corporate plan. Our attention is now focused on the measures that we will use to monitor performance and progress.

The major challenges over the coming year relate to:

- a successful move to the new HQ, Wyre Forest House, in September 2012, to secure delivery of over £500k revenue savings per annum going forward;
- rolling out the full effect of systems thinking. Alongside this, other service areas will also be considered later in 2012 so that we can start to produce savings towards the £500k target that has been agreed;
- identifying other savings/income opportunities so that we can be further assured of a balanced budget by 2015 at the latest (we have enough reserves on current projections to last us till 2016 but we need to know future Government funding plans before we can be more confident);
- changes to the council tax support system and how business rates are retained and distributed – these involve significant policy decisions;
- driving forward the work on economic prosperity including how the £1m fund for 2012/13 can be used to greatest effect;
- undertaking the site acquisition and procurement process for the new leisure centre, our next major project after the new HQ.

Key actions implemented against the priorities set in the corporate plan in 2011/12

We have seen further significant progress on major projects that contribute to our priority of "delivering together, with less". The new cemetery and crematorium was completed by our private sector partner at the end of 2011 and officially dedicated in February. Construction for our new HQ building is well under way, although the completion date has slipped slightly from mid June to end July 2012. The project remains within the (reduced) budget of £10m and will save over £500k a year in building and staff running costs. In addition to the shared services successfully implemented during 2011 for Economic Development and Regeneration, Watercourses/Flooding, Building Control and Payroll services, the shared Emergency Planning service for North Worcestershire went live on 1st April 2012. Three of these five shared services are hosted by Wyre Forest.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

1. FINANCIAL FOREWORD (continued)

The Council will need to continue to identify opportunities that would sustain local facilities and services but at lower cost to itself, through transferring them to town or parish councils, community groups, development trusts and the voluntary sector. We have held initial discussions with town and parish councils about the potential to transfer assets and services to them. The most significant project relates to the future of the Civic Hall and Civic Centre in Stourport-on-Severn, one of only five national exemplar projects being funded by the Asset Transfer Unit. The principle of transfer has already been agreed by the Cabinet and implementation now depends on some key decisions to be taken shortly by potential tenants, including the county council.

In terms of "securing the economic prosperity of the district", in addition to the major financial investment made by the Council, we have seen progress on the following fronts:

- being well advanced in completing our local development framework. We are still the only council in Worcestershire or the area of the Greater Birmingham and Solihull local enterprise partnership to have an adopted core strategy;
- our involvement in the two Local Enterprise Partnerships (LEP), for Worcestershire and for Greater Birmingham and Solihull, has borne fruit, with both LEPs providing funding from the Growing Places Fund for the first stage of the Hoobrook link road which will open up the development of the former British Sugar site. We supported the site owners, St Francis Group, in making the successful applications;
- we have consulted on a local development order to simplify the planning process within the area of the South Kidderminster enterprise park. This will be taken to Council in June for adoption, prior to formal approval by the Secretary of State.

The progress that we have made in transforming the Council

Mobile and Flexible Working

Over 80 staff are now working wholly or mainly from home and mobile technologies are being implemented for front-line staff. This has been underpinned by work on back-scanning records so that they are available electronically and reducing our stores of paper documents. The second phase of the administration review has been implemented. Underpinning all our transformation efforts is the ICT strategy - implementation has continued to progress satisfactorily, and we have a more resilient and cost-effective infrastructure. The main focus recently has been the roll-out of Outlook as the email client for all users and the work to support the move to the new HQ which will take up an increasing amount of time during the summer.

Management Structure

There is still a heavy programme of work facing the Council. Against that backdrop, the decision to retain a structure of four directors until 2014 provides some comfort around corporate capacity.

The former Section 151 officer David Buckland left the Council at the end of February 2012 and Joanne Wagstaffe was appointed from early June 2012 as a permanent replacement.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

1. FINANCIAL FOREWORD (continued)

Icelandic Investments

In addition to the transformation programme and service reviews mentioned above the Council has also been actively seeking the recovery of the deposits with "Icelandic Banks". The Council had £9m invested in these banks and has been working over the last three and half years to secure their recovery. Full details are provided within the Financial Instruments section of these statements. At the Certificate date, over £5.6 million has already been recovered and the Council is confident that overall returns will be closer to a full recovery than previously predicted.

The Council's position was boosted in October 2011 when we were successful in maintaining the priority status for the Landsbanki investment, as confirmed by the Supreme Icelandic Court. This was excellent news and two dividend repayments have now been received with a forecast recovery close to 100% expected.


It must be noted however, that the recovery of these investments will continue to take more years to come. At present the final settlements are expected in 2019/20, however, the position is regularly monitored with reports to Council and Cabinet.

Financial Strategy

As highlighted above, these remain challenging times for the Council as we come to grips with an environment where funds will be reducing. The Financial Strategy 2012/15 approved by Council in February 2012 provides a stable financial platform to move forward with. For the coming year, Council approved a freeze in Council Tax which released an additional one-off grant from Government, however, in each of the following two years annual increases of 2.5% have been assumed, along with a 32% reduction in Government Grant over the next four years.

It should be noted that the Council is still debt free, however, as part of the Financial Strategy it is recognised that the Council will be borrowing to fund assets such as the new Crematorium, ICT infrastructure and future Leisure provision.

If you have any queries relating to this foreword or the rest of the Statement of Accounts please do not hesitate to contact us.



Joanne Wagstaffe CPFA
Director of Resources



Nathan Desmond
Cabinet Member for Resources & Transformation

20th June 2012

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

2. EXPLANATORY FOREWORD

This foreword provides a brief explanation of the financial aspects of the Council's activities during the last year and draws attention to the main characteristics of the Council's financial position.

The Statement of Accounts for 2011/12 was approved by the Director of Resources and presented to the Council's Audit Committee on 25th June 2012. The Chief Financial Officer is required to approve the 2011/12 Statement of Accounts by 30th June 2012.

The accounts present a true and fair financial position of Wyre Forest District Council for the financial year ended 31st March 2012. Up to date and proper accounting records have been maintained in accordance with the accounting policies outlined in this document (page 23) including compliance with the statutory International Financial Reporting Standards (IFRS) reporting requirements.

The Chief Executive and Leader of the Council are required to confirm that the Council's governance arrangements, reflected in the Annual Governance Statement, can be relied upon to produce an accurate Statement of Accounts (page 12).

The Council's accounts for the financial year ended 31st March 2012, that follow, mainly comprise:

(a) Movement in Reserves Statement

This account shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services 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 accounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

(b) The Comprehensive Income and Expenditure Statement

This account brings together income and expenditure relating to all of the Council's functions. It demonstrates and reconciles the accounting costs of providing services in accordance with generally accepted accounting practices; it does not show the amount to be funded from the taxpayers, as the accounting cost is different to this.

(c) The Balance Sheet

This is fundamental to the understanding of the Council's year end financial position. It shows the balances and reserves at the Council's disposal, including the Collection Fund, its long term indebtedness, the current assets employed in its operations and summarised information on the fixed assets held.

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STATEMENT OF ACCOUNTS 2011/12

2. EXPLANATORY FOREWORD (continued)

(d) **The Cash Flow Statement**

This statement summarises major changes of the Council Funds over the period of the financial year. The statement shows how the Council 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 Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

(e) **The Collection Fund Income and Expenditure Account**

This reflects the statutory requirement to maintain a separate Collection Fund. This account records income received from the Council Tax and Business Rates. It also shows the distribution of that income to precepting authorities, such as Wyre Forest District Council, Worcestershire County Council, West Mercia Police Authority and The Hereford and Worcester Fire and Rescue Authority, along with the payment to the National Non Domestic Rate pool.

3. 2011/12 BUDGET

At its Council meeting on 23rd February 2011 Wyre Forest District Council set a budget of £14.225 million and a Band D Equivalent Council Tax of £197.62 (£197.62 in 2010/11).

Total reserves available for the Finance Strategy decreased from £3.398 million as at 31st March 2011 (including £0.7million Working Balance) to £3.069 million as at 31st March 2012. The approved Budget showed a planned reduction in general reserves of £883,730. This was reduced to £328,970, after taking into account Final Accounts savings.

4. BUDGET OUTTURN

The main areas of the Council's expenditure are Employee Costs, Running Expenses and Grants & Benefits. This expenditure is funded by Specific Government Grant, Fees & Charges, Council Tax, Business Rates and Revenue Support Grant and the Council's reserves.

The main components of the budget for the year ended 31st March 2012, and how these compared with actual expenditure, are set out below.

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STATEMENT OF ACCOUNTS 2011/12

4. BUDGET OUTTURN (continued)

(a) Revenue Expenditure - General Fund Services

| | Estimated Expenditure (Income) £'000 | Actual Expenditure (Income) £'000 |
|--|---|--|
| Gross Expenditure on Services | 64,677 | 60,378 |
| Less: Income | (49,993) | (45,606) |
| Net Expenditure on Services | 14,684 | 14,772 |
| Less: Collection Fund and Grant Income | (13,341) | (13,984) |
| Precept to Parish Councils | (459) | (459) |
| Net Deficit for Year* | 884 | 329 |

*The reduced Net Deficit on Services is accounted for as follows:-

| | £'000 |
|---|--------------|
| Reduction in Employee and General Expenses | (385) |
| Reduction Corporate Pension Contribution | (174) |
| Reduction in External Borrowing Costs | (170) |
| Increase in Interest Received | (137) |
| Increase in Regulatory Services Income/Refund | (123) |
| Reserve for the Town Centre Support Fund | 250 |
| Local Services Support Grant | 184 |
| Total Reduction of Net Deficit on Services | (555) |

The reduction in net expenditure analysis above includes a reduction of £360k in the costs of Employee and General Expenses and associated pension contribution of £174k. There is currently a period of consultation on proposed changes to the pension scheme which includes an increase in contributions from officers, a reduction in the benefits arising and an increase in the age for eligibility. The £170k reduction in the interest on external borrowing is as a result in Capital Programme slippage and the use of internal rather than external borrowing. Income from external interest increased by £137k as a result of improved interest rates due to longer duration of investments with government backed institutions. Regulatory Services have increased their income and refunded a surplus from the shared service resulting in a net increase of £123k.

The overall reduction in Net Deficit on Services includes the creation of a reserve for £250k to support the Council's priority for securing the economic prosperity of the District. Additional expenditure of £184k was funded from grant received from Communities and Local Government.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

4. BUDGET OUTTURN (continued)

(b) Capital Expenditure and Capital Receipts

During the financial year 2011/12, the Council spent £7.763 million on capital schemes (£4.735 million 2010/11). The majority of this expenditure relates to the acquisition of fixed assets and to the payment of Disabled Facilities/Improvement Grants. The major capital schemes were the new HQ, a contribution towards the new District Cemetery, the vehicle replacement programme and the ICT strategy.

This capital expenditure was financed by the application of capital receipts of £4.756 million (£2.128 million in 2010/11), by internal prudential borrowing of £1.773 million (£1.829 million in 2010/11) and by the application of grants and contributions of £0.664 million (£0.765 million in 2010/11). The balance of financing was Direct Revenue Financing of £0.570 million, (£0.013 million in 2010/11). The Council did not pay a proportion of Housing Capital Receipts into the National Pool in 2011/12 (payments in 2010/11 totalled £2,482). The reason for the cessation of these payments was based on the advice of our Treasury advisors, Sector.

The total external loans outstanding stood at £0.16 million at the end of the financial year (£0.18 million 2010/11).

5. SIMPLIFIED BALANCE SHEET

An extract from the main Balance Sheet to give an overview of what the Council owns and is owed is shown below:-

| 31/03/2011 £'000 (restated) | What the Council owns and is owed | 31/03/2012 £'000 |
|--|---|-----------------------------|
| 48,966 | What we own: Property, Land, Vehicles and Equipment | 51,121 |
| 86 | Inventories | 88 |
| 17,274 | Cash Invested | 9,109 |
| 2,499 | Money owed to the Council | 3,835 |
| (5,759) | What we owe: Money owed by the Council | (4,361) |
| (38,529) | Pension Fund Liability | (46,309) |
| 24,537 | Total Value of what we own | 13,483 |

6. COLLECTION FUND

The Collection Fund Accounts for 2011/12 are shown on page 95 of this Statement; the overall surplus has increased from £0.143million as at 31st March 2011 to £0.193million at 31st March 2012. This surplus, together with next year's projection, will be taken into account when setting the Council Tax levy for 2013/14. Council Tax collection rates are just below the target of 98.0% being 97.27% for the year with a total of £53.303million receivable (analysed in note 2 of the Notes to the Collection Fund).

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STATEMENT OF ACCOUNTS 2011/12

7. ACCOUNTING POLICIES

The accounting policies adopted by the Council comply with the relevant recommended accounting practices. The notes to the accounts form part of the accounts.

The CIPFA/LASAAC Joint Committee has fully incorporated the requirements of the International Financial Reporting Standards (IFRS) into the Code of Practice on Local Authority Accounting in the United Kingdom (The Code). This includes recognition of the net liability and a pensions reserve in the Balance Sheet and entries in the Comprehensive Income and Expenditure Statement and Movement In Reserves Statement for movements in the liability.

Significant work took place last year to implement the full requirements of the International Financial Reporting Standards (IFRS) and this is the second year the accounts have been prepared on the basis of the IFRS and the Code of Practice on Local Authority Accounting in the UK (The Code). The main areas of review and change as a result of this for 2011/12 relate to the treatment of the Council's Heritage Assets.

Further information about the Council's Finances is available from:

Joanne Wagstaffe, C.P.F.A.
Director of Resources
Duke House, Clensmore Street
KIDDERMINSTER
Worcestershire, DY10 2JX

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The authority is required:

- (a) 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 Director of Resources;
- (b) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- (c) to approve the Statement of Accounts.

The Director of Resources Responsibilities

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

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

- (a) selected suitable accounting policies and applied them consistently;
- (b) made judgements and estimates that were reasonable and prudent;
- (c) complied with the local authority Code

The Director of Resources has also:

- (a) kept proper accounting records which were up to date;
- (b) taken reasonable steps for the prevention and detection of fraud and other irregularities.

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STATEMENT OF ACCOUNTS 2011/12

Annual Governance Statement – 2011/12

Scope of Responsibility

Wyre Forest District 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. Wyre Forest District 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, Wyre Forest District Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Wyre Forest District Council has adopted the code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*, and has implemented this framework during the last year. A copy of the code is on our website at www.wyreforestdc.gov.uk or can be obtained from The Worcestershire Hub at Wyre Forest, Wyre Forest Customer Services Centre at the Town Hall, Kidderminster. This statement explains how Wyre Forest District Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2011 in relation to the publication of a statement on internal control.

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 that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Wyre Forest District 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 effectively, efficiently and economically.

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

The Governance Framework

This is defined as 'the systems by which local authorities direct and control their functions and relate to their communities'.

The key elements of the Council's systems and processes that comprise the authority's governance arrangements are as follows. These arrangements have been implemented to provide a robust framework to deliver good governance. A review was undertaken based upon the six core principles of governance approved by the Audit Committee on 12th March 2012, which are:

WYRE FOREST DISTRICT COUNCIL

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Annual Governance Statement – 2011/12 (continued)

1. Focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

Delivery

The Council delivers these outcomes through:

- Annually reviewing local procedures and practices, which together create the framework for good corporate governance as described in the CIPFA/SOLACE Framework Corporate Governance in Local Government: A Keystone for Community Governance.
- Producing an Assurance Statement on the extent to which the local code has been adhered to and the actions required where, adherence has not been achieved.
- During 2011/12 the Council made a commitment to 'Systems Thinking' - Systems Thinking focuses on delivering exactly what the customer wants and at the first point of contact. This approach empowers staff to transform their whole service around the customer and thereby improve performance and eliminate waste. Systems Thinking complements and contributes to the delivery of good governance; significant work has been completed, led by the Corporate Management Team, on the redefinition of the purposes of the council, measures for checks on the success of the delivery of these purposes and leadership of purposes and values. This work strengthens the delivery of good governance.

Review of Effectiveness

Wyre Forest District 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 the effectiveness of the system of internal control is informed by the work of the Management Team within the authority, which has responsibility for the development and maintenance of the governance environment, the Section 151 Officer's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The Council process for maintaining and reviewing the effectiveness of the governance framework includes:

- Findings and recommendations of Internal Audit;
- Updates by the managers within the authority who have responsibility for the development and maintenance of the internal control environment;

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Annual Governance Statement – 2011/12 (continued)

- Findings and recommendations by the external auditors and other review agencies and inspectorates.

A review undertaken for the 2011/12 statement was carried out by the Corporate Management Team on 7th June 2012. This review took into account:

- the Annual report from the Section 151 Officer for 2011/12 reported to the Corporate Management Team on the 7th June 2012 and considered by the Audit Committee on 25th June 2012;
- comments of other review agencies, inspectorates and external bodies;
- the findings and recommendations of the External Audit's Annual Audit & Inspection Letter reported to the Audit Committee on 12th December 2011;

All Councillors and Officers of the Council adhere to the Constitution and codes of conduct. The duty to ensure compliance is predominantly the responsibility of the Council's three statutory officers:

- Head of the Paid Service (Chief Executive)
- Monitoring Officer (Director of Community Assets & Localism)
- Chief Financial Officer (Director of Resources)

The constitution is under constant review, to ensure that it remains fit for purpose.

The Audit Committee is the member forum that is responsible for reviewing and monitoring Corporate Governance in relation to Risk and Audit matters.

The Council's Director of Resources has the overall responsibility to ensure that the internal control environment is effective and adhered to. This is delivered through the Internal Audit service. Internal Audit undertake regular reviews of all of the Council's systems and produce reports containing recommendations for improvement wherever necessary, in line with their 3-year audit plan (2012/15). The Council's Internal Audit operates using the CIPFA Code of Practice Standards 2006.

External audit reports are reviewed and considered by the Audit Committee and the Council's Management Team. In addition to this, the Council is also subject to formal review by other inspectorates, these reviews are considered by the Council's Cabinet.

The authority has been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of systems is shown below.

Significant Governance Issues

The main issues, which are being or need to be addressed during the coming year, include:

- Completion and occupation of the New HQ project to ensure that the Council achieves Value for Money in its accommodation requirements;
- Continued priority to be given to the on-going recovery of the Council's "Icelandic" investments;

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Annual Governance Statement - 2011/12 (continued)

- Further development of the Corporate Risk Register as a working tool to support the leadership to focus on the management of key risks;
- Continued progression with the Wyre Forest Forward programme and associated Transformation projects, including an effective communication strategy and robust monitoring with the opportunity to challenge as appropriate, against savings plans ;
- Maintaining financial resilience by securing approval of a medium term Financial Strategy with a fully balanced budget, taking into account the challenges presented by the Local Government Resource Review, including further work around forecasting and profiling of income.

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

Signed



I Miller
Chief Executive



J P Champion
Leader of the Council

20th June 2012

WYRE FOREST DISTRICT COUNCIL

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MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/(Deficit) on the Provision of Services line shows the true economic cost of providing the Council'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 for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

| 91 | Notes | General fund balance | Earmarked reserves | Capital receipts reserve | Capital grants unapplied account | Total usable reserves | Pensions reserve | Financial instruments adjustment account | Collection fund adjustment account | Revaluation reserve | Capital adjustment account | Deferred capital receipts | Accumulated absences | Total unusable reserves | Total reserves |
|----|--|----------------------|--------------------|--------------------------|----------------------------------|-----------------------|------------------|--|------------------------------------|---------------------|----------------------------|---------------------------|----------------------|-------------------------|-----------------|
| | | 7 | 8 | 23 | 23 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 | 24 |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| | Balance at 31 March 2011 | 3,398 | 2,688 | 10,104 | 885 | 17,075 | (38,529) | - | 20 | 12,796 | 33,252 | (20) | (57) | 7,462 | 24,537 |
| | Surplus/(deficit) on provision of services | (2,931) | - | - | - | (2,931) | - | - | - | - | - | - | - | - | (2,931) |
| | Other comprehensive income & expenditure | - | - | - | 20 | 20 | (7,832) | - | - | (311) | - | - | - | (8,143) | (8,123) |
| | Total comprehensive income & expenditure | (2,931) | - | - | 20 | (2,911) | (7,832) | - | - | (311) | - | - | - | (8,143) | (11,054) |
| | Adjustments between accounting basis & funding basis under regulations | 3,917 | - | (4,620) | (89) | (792) | 52 | - | 7 | (187) | 1,000 | - | (80) | 792 | - |
| | Net increase/ (decrease) before transfers to earmarked reserves | 986 | - | (4,620) | (69) | (3,703) | (7,780) | - | 7 | (498) | 1,000 | - | (80) | (7,351) | (11,054) |
| | Transfers to/(from) earmarked reserves | (1,315) | 1,315 | - | - | - | - | - | - | - | - | - | - | - | - |
| | Increase/ (decrease) in year | (329) | 1,315 | (4,620) | (69) | (3,703) | (7,780) | - | 7 | (498) | 1,000 | - | (80) | (7,351) | (11,054) |
| | Balance at 31 March 2012 | 3,069 | 4,003 | 5,484 | 816 | 13,372 | (46,309) | - | 27 | 12,298 | 34,252 | (20) | (137) | 111 | 13,483 |

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

2010/2011 Comparative Information

| | General fund balance | Earmarked reserves | Capital receipts reserve | Capital grants unapplied account | Total usable reserves | Pensions reserve | Financial instruments adjustment account | Collection fund adjustment account | Revaluation reserve | Capital adjustment account | Deferred capital receipts | Accumulated absences | Total unusable reserves | Total reserves |
|--|----------------------|--------------------|--------------------------|----------------------------------|-----------------------|------------------|--|------------------------------------|---------------------|----------------------------|---------------------------|----------------------|-------------------------|----------------|
| Notes | 7 | 8 | 23 | 23 | | 24 | 24 | 24 | 24 | 24 | 24 | 24 | | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Balance at 31 March 2010 | 2,976 | 1,963 | 11,887 | 810 | 17,636 | (49,170) | (436) | 15 | 12,675 | 33,583 | (20) | (172) | (3,525) | 14,111 |
| Surplus/(deficit) on provision of services | 4,153 | - | - | - | 4,153 | - | - | - | - | - | - | - | - | 4,153 |
| Other comprehensive income & expenditure | - | - | - | - | - | 5,950 | - | - | 323 | - | - | - | 6,273 | 6,273 |
| Total comprehensive income & expenditure | 4,153 | - | - | - | 4,153 | 5,950 | - | - | 323 | - | - | - | 6,273 | 10,426 |
| Adjustments between accounting basis & funding basis under regulations | (3,006) | - | (1,783) | 75 | (4,714) | 4,691 | 436 | 5 | (202) | (331) | - | 115 | 4,714 | - |
| Net increase/ (decrease) before transfers to earmarked reserves | 1,147 | - | (1,783) | 75 | (561) | 10,641 | 436 | 5 | 121 | (331) | - | 115 | 10,987 | 10,426 |
| Transfers to/(from) earmarked reserves | (725) | 725 | - | - | - | - | - | - | - | - | - | - | - | - |
| Increase/ (decrease) in year | 422 | 725 | (1,783) | 75 | (561) | 10,641 | 436 | 5 | 121 | (331) | - | 115 | 10,987 | 10,426 |
| Balance at 31 March 2011 | 3,398 | 2,688 | 10,104 | 885 | 17,075 | (38,529) | - | 20 | 12,796 | 33,252 | (20) | (57) | 7,462 | 24,537 |

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

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. The Council raises 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.

| 2010/2011 Expenditure £'000 (Re-stated) | 2010/2011 Income £'000 (Re-stated) | 2010/2011 Net £'000 (Re-stated) | Notes | 2011/2012 Expenditure £'000 | 2011/2012 Income £'000 | 2011/2012 Net £'000 |
|--|---|--|-------|-----------------------------------|------------------------------|---------------------------|
| Service Expenditure Analysis | | | | | | |
| 10,846 | (9,566) | 1,280 | | 10,840 | (9,443) | 1,397 |
| 5,557 | (518) | 5,039 | | 4,461 | (629) | 3,832 |
| 4,875 | (1,260) | 3,615 | | 5,215 | (1,150) | 4,065 |
| 2,324 | (755) | 1,569 | | 2,451 | (1,413) | 1,038 |
| 3,057 | (1,882) | 1,175 | | 1,779 | (1,444) | 335 |
| 31,318 | (29,686) | 1,632 | | 32,536 | (31,065) | 1,471 |
| 2,954 | (336) | 2,618 | | 2,621 | (461) | 2,160 |
| 95 | - | 95 | | 475 | (1) | 474 |
| - | (5,557) | (5,557) | 46 | - | - | - |
| 61,026 | (49,560) | 11,466 | | 60,378 | (45,606) | 14,772 |
| Other operating expenditure: | | | | | | |
| 459 | - | 459 | 9 | 459 | - | 459 |
| 119 | - | 119 | 9 | 344 | - | 344 |
| 2 | - | 2 | | - | - | - |
| Financing, investment income & expenditure: | | | | | | |
| 55 | - | 55 | 10 | 70 | - | 70 |
| 5,512 | - | 5,512 | | 5,009 | - | 5,009 |
| - | (3,400) | (3,400) | | - | (3,728) | (3,728) |
| - | (143) | (143) | | - | (152) | (152) |
| - | (270) | (270) | | - | (236) | (236) |
| (520) | - | (520) | | 2 | - | 2 |
| (166) | - | (166) | | - | - | - |
| - | (528) | (528) | | - | (551) | (551) |
| 227 | - | 227 | | 1,079 | - | 1,079 |
| - | (988) | (988) | | - | (136) | (136) |
| - | (14) | (14) | | - | - | - |
| - | (2) | (2) | | - | (10) | (10) |
| Taxation & non-specific grant income: | | | | | | |
| - | (7,382) | (7,382) | 11 | - | (7,455) | (7,455) |
| - | (7,044) | (7,044) | | - | (4,769) | (4,769) |
| - | (1,023) | (1,023) | | - | (1,474) | (1,474) |
| - | (327) | (327) | | - | (293) | (293) |
| - | (186) | (186) | | - | (20) | (20) |
| 66,714 | (70,867) | (4,153) | | 67,341 | (64,430) | 2,911 |
| (Surplus) or deficit on the provision of services | | | | | | |
| Other comprehensive income and expenditure: | | | | | | |
| | | (323) | | | | 311 |
| | | (5,950) | 24 | | | 7,832 |
| | | (6,273) | | | | 8,143 |
| | | (10,426) | | | | 11,054 |

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the asset and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council 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 are those that the Council 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".

| 1 April 2010 | 31 March 2011 | | Notes | 31 March 2012 |
|---------------------|----------------------|---|--------------|----------------------|
| £'000 | £'000 | | | £'000 |
| (Re-stated) | (Re-stated) | | | |
| | | Property, Plant and Equipment: | | |
| 32,001 | 30,260 | Land and Buildings | 12,37 | 28,864 |
| 2,261 | 3,317 | Vehicles, Plant and Equipment | 12,37 | 3,359 |
| 637 | 693 | Community Assets | 12,37 | 720 |
| 1,119 | 1,005 | Surplus Assets not held for Sale | 12,37 | 795 |
| 227 | 1,631 | Assets under Construction | 12 | 6,049 |
| 1,157 | 1,166 | Heritage Assets | 13,45 | 1,176 |
| 6,899 | 7,900 | Investment Property | 14,37 | 8,041 |
| 757 | 783 | Intangible Assets | 15 | 709 |
| 4,644 | 4,350 | Long-term Investments | 16 | 2,933 |
| 166 | 128 | Long-term Debtors | 18 | 99 |
| 49,868 | 51,233 | Long Term Assets | | 52,745 |
| 2,011 | 3,507 | Short-term Investments | 16 | 22 |
| 6,596 | 9,417 | Cash and Cash Equivalents | 19 | 6,154 |
| 106 | 86 | Inventories | 17 | 88 |
| 6,404 | 2,371 | Short-term Debtors | 18 | 3,736 |
| 2,844 | 2,211 | Assets held for Sale (less than one year) | 20,37 | 1,408 |
| 17,961 | 17,592 | Current Assets | | 11,408 |
| (148) | (148) | Short-term Borrowing | 16 | (128) |
| (4,078) | (5,301) | Short-term Creditors | 21 | (4,084) |
| (165) | (182) | Short-term Provisions | 22 | (30) |
| (4,391) | (5,631) | Current Liabilities | | (4,242) |
| (30) | (24) | Long-term Provisions | 22 | (19) |
| (35) | (31) | Long-term Borrowing | 16 | (27) |
| (49,170) | (38,529) | Other Long-term Liabilities | 39 | (46,309) |
| (92) | (73) | Capital Grants Receipts in Advance | 33 | (73) |
| (49,327) | (38,657) | Long-term Liabilities | | (46,428) |
| 14,111 | 24,537 | Net Assets | | 13,483 |
| | | Financed by: | | |
| 17,636 | 17,075 | Usable Reserves | 8,23 | 13,372 |
| (3,525) | 7,462 | Unusable Reserves | 24 | 111 |
| 14,111 | 24,537 | Total Reserves | | 13,483 |

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

CASH FLOW STATEMENT

This statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

| 2010/2011 | | Notes | 2011/2012 |
|------------------|--|--------------|------------------|
| £'000 | | | £'000 |
| 4,153 | Net surplus/(deficit) on the provision of services | | (2,911) |
| 1,183 | Adjust net (surplus)/deficit for non cash movements: | | (229) |
| (489) | Adjust for items included in the net (surplus)/deficit on the provision of services that are investing and financing activities: | | (273) |
| 4,847 | Net cash flows from operating activities | | (3,413) |
| (3,694) | Net cash flows from investing activities | 26 | (983) |
| 1,668 | Net cash flows from financing activities | 27 | 1,133 |
| 2,821 | Net (increase)/decrease in cash or cash equivalents | | (3,263) |
| 6,596 | Cash and cash equivalents at the beginning of the reporting period | | 9,417 |
| 9,417 | Cash and cash equivalents at the end of the reporting period | | 6,154 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

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WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

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WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES

1.1 General Principles

The annual Statement of Accounts, required by The Accounts and Audit (England) Regulations 2011, summarises the Council's transactions for the 2011/2012 financial year and its position at 31st March 2012. It has been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code), recognised by statute as representing proper accounting practices. This has been supplemented by the Service Reporting Code of Practice 2011/12 (SeRCOP), supported by International Financial Reporting Standards (IFRS) that establishes proper practice for consistent financial reporting and also the relevant Local Authority Accounting Panel (LAAP) Bulletins including the latest issues giving guidance on the impairment of deposits with Icelandic Banks to ensure compliance with the prevailing Capital Regulation for Accounting for Sums at Risk.

1.2 Accruals of Income and Expenditure

All revenue and capital expenditure is accounted for on an accruals basis in accordance with the Code and IAS8. That is, sums due to or from the Council during the year are recorded, irrespective of whether the cash has actually been received or paid during the year.

1.3 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 highly liquid investments that mature in no more than three 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 Council's cash management.

1.4 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 Council's financial performance.

1.5 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.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

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 Council'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.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

There were no prior period adjustments in the 2011/12 accounts.

1.6 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 non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- 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
- amortisation of intangible assets attributable to the service.

The Council 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 Council in accordance with statutory guidance. This is the Minimum Revenue Provision (MRP). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the MRP 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.

1.7 Employee Benefits

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 for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of 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 charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday and time off in lieu entitlements are charged to revenue in the financial year in which the absence occurs.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement when the Council 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 balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to 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.

Redundancy payments are based upon an employee's actual week's pay and the number of weeks as defined in the Employment Relations Act 1996, up to a maximum of 30 weeks pay. These payments are charged to revenue in accordance with SeRCOP.

Post Employment Benefits

The Council participates in one defined benefit scheme for its employees, administered by Worcestershire County Council. Pension costs are assessed in accordance with the advice of an independent qualified Actuary using the projected unit method. An actuarial valuation was undertaken by the funds actuaries Mercer Human Resource Consulting Limited as at 1st April 2010. This has continued the annual increase in contribution rates payable by the Council in future financial years.

The Local Government Pension Scheme

- The liabilities of the Worcestershire County Council pension fund attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit credit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality AA rated corporate bond). The assets of Worcestershire County Council pension fund attributable to the Council 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

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

- 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 Council, 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 Council 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
 - contributions paid to the Worcestershire County Council 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 balance to be charged with the amount payable by the Council 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 of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Further information in respect of the Pension Fund Accounts is available from Mr P. Birch C.P.F.A. Director of Resources, Worcestershire County Council, County Hall, Spetchley Road, Worcester, WR5 2NP www.worcestershire.gov.uk

1.8 Events After the Reporting Period

Events after the balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

- 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
- 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.

1.9 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council 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.

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.

Financial Assets

The carrying amount of the Council's investments is the initial cost plus accrued interest. The frozen investments are also shown net of impairment charges relating to interest, as required by LAAP Bulletins 79 and 82.

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. The Council currently does not hold any available-for-sale assets.

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council 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 Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

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 de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.10 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 Council when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- 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-ring-fenced 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.

Local Services Support Grant

Local Services Support Grant (LSSG) is a general grant allocated by central government directly to local authorities as additional revenue funding. LSSG is non-ring-fenced and is credited to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

1.11 Heritage Assets

Heritage assets are held in support of the Council's primary objective of increasing the knowledge, understanding and appreciation of the social and industrial history of the Wyre Forest area. They consist of the Worcester Street clock, previously reported as a community asset within property, plant and equipment, the Horse sculpture and Angel of Peace statue and those exhibits that are held in the Bewdley Museum and in other Council Buildings, grouped as follows:

- the art collection
- antique musical instruments and furniture
- statues and other museum exhibits

The Worcester Street clock has been reclassified as a heritage asset from community assets, within property, plant & equipment. It is deemed to have a useful economic life so it has been measured in the Balance Sheet at depreciated historic cost. All other heritage assets have indeterminate useful economic lives and high residual values and, therefore, it is not considered appropriate to charge depreciation. The Council can value these other heritage assets by whatever suitable method is appropriate and therefore they have been measured in the Balance Sheet at their insurance valuations. These are based on market values and are updated every two years unless, in the interim, evidence from the various trade press or auctions etc indicates a significant variation in prices of similar assets. All tangible heritage assets have been valued at either depreciated historic cost or insurance valuations. The Council holds no intangible heritage assets such as recordings of significant historical events. The accounting treatment of revaluation gains & losses are in accordance with those for property, plant & equipment.

The Balance Sheet carrying values of all heritage assets are reviewed at the end of the year where there is evidence of impairment, 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 Council's general policies on impairment (Note 1.18).

Purchases and acquisitions e.g. by donations are rare, but when they do occur purchases will be initially recognised at cost and acquisitions e.g. by donations will be initially recognised at valuations ascertained by either the museum's curators, with reference to the appropriate commercial markets, or by an external valuer.

The Council will occasionally dispose of heritage assets which have a doubtful provenance or are unsuitable for public display. The proceeds of such items are accounted for in accordance with the Council's general provisions relating to the disposal of property, plant and equipment. Any disposal proceeds will be disclosed separately in the notes to the financial statements and will be accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (Note 1.18).

The Council applies a de minimis level of £10,000 for assets included in the Balance Sheet. However, there are many de minimis Heritage Assets that, when aggregated, exceed this level. Therefore, all Heritage Assets have been aggregated into the categories stated above and included in the Balance Sheet.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

1.12 Intangible Assets

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

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 Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure 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).

Intangible assets are measured initially at cost. Amounts are only re-valued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council 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.

1.13 Interests in Other Entities

The Council does not have material interests in another entity that has the nature of subsidiaries, associates or jointly controlled entities that require it to prepare group accounts. The Council is a partner in the Worcestershire Regulatory Shared Service Joint Committee. This Partnership is a jointly controlled operation and does not therefore require it to prepare group accounts.

1.14 Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula for fuel. This is a departure from the Code of Practice but the impact is immaterial upon these accounts.

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. The Council currently has long term contracts with DC Leisure for the leisure centre service and the Community Housing Group for the homelessness service. The contract values in 2011/12 were £0.7m and £0.3m respectively.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

1.15 Jointly Controlled Operations and Jointly Controlled Assets

The Council is a partner in the Worcestershire Regulatory Shared Service Joint Committee together with Bromsgrove District Council (the host), Worcestershire County Council, Redditch Borough Council, Malvern Hills District Council, Worcester City Council and Wychavon District Council. This partnership is a jointly controlled operation that uses the assets and resources of the partner authorities without the establishment of a separate entity. Under this arrangement, each participant in the arrangement accounts separately for its own transactions arising within the agreement, including the assets, liabilities, income, expenditure and cash flows. During 2011/12 the Council entered into partnership arrangements with Bromsgrove District Council as host authority for Building Control and Redditch Borough Council as host authority for Payroll Services. As the host Authority, the Council entered into shared service agreements with Redditch Borough Council and Bromsgrove District Council for North Worcester Economic Development and Regeneration and North Worcestershire Water Management. The Council also entered into shared provision of services at the Worcestershire Hub with Wyre Forest Community Housing. From 1st April 2012 the Council will host the shared service for Emergency Planning in partnership with Redditch Borough Council and Bromsgrove District Council. The provision of the Human Resources service through a shared service with Worcestershire County Council commenced in November 2010.

1.16 Leasing

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.

The Authority as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting 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).

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

The Authority as Lessor

Operating Leases

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

The Council has not identified any material Finance Leases.

1.17 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 Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – impairment losses chargeable on Assets Held for Sale and assets that can no longer be utilised, in accordance with the Code

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 Expenditure on Continuing Services.

1.18 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.

Recognition

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

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

Measurement

Assets are initially measured at cost, comprising:

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

The Council does not capitalise borrowing costs incurred whilst assets are under construction. The Council did not incur any borrowing costs in 2011/12, however there may be an impact in future years.

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

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

- infrastructure, community assets and assets under construction – depreciated historical cost
- 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 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 Surplus or Deficit on the Provision of Services 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:

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

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

Impairment

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

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

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

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:

- buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant and equipment – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer
- no depreciation is charged in the year of acquisition

Where an item of Property, Plant and Equipment asset, valued in excess of £1million, has major components whose cost is 20% in relation to the total cost of the item, the components are depreciated separately.

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.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

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 previous 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. Receipts are 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 Reserve from the General Fund Balance in the Movement in Reserves Statement.

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

Surplus Assets

Assets that have been declared 'surplus' but are being held pending an improvement in market conditions are classified as surplus assets but continue to be held within Property Plant and Equipment.

1.19 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.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

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.

1.20 Provisions

Provisions are made where an event has taken place that gives the Council 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 example, the Council may have approved a restructure resulting in severance payments that are to be paid in the next financial year.

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

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.

1.21 Contingent Liabilities

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

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

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

1.22 Contingent Assets

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

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

1.23 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance 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 Balance in the Movement in Reserves Statement so that there is no net charge against council tax 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 Council – these reserves are explained in the relevant policies.

1.24 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 Council 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 Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

1.25 Value Added Tax (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.

1.26 Interest and Investment Income

Investments of surplus resources are carried out in accordance with regulations. Interest is credited to the General Fund based on the actual interest earned on investments during the year. Funds are managed in accordance with the Council's Treasury Management Strategy.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 1: ACCOUNTING POLICIES (continued)

The accounting entries for the interest due on impaired investments have been prepared in accordance with the relevant guidance on the impairment of deposits with Icelandic banks including LAAP Bulletins 79 and 82 to meet the prevailing Capital Regulation allowing this Council to defer the impact of impairment on the frozen investments.

1.27 Borrowing

In accordance with the Capital and Treasury Management Strategies the Council has made use of the prudential borrowing regime. The vehicle, equipment and systems renewals schedule (with the exception of the ICT Strategy from 2009/2010) contained within the capital programme is being financed largely through prudential borrowing, the result being that the Capital Financing Requirement (CFR) will increase. A statutory minimum revenue provision (MRP) is being made, based on the writing down period of the assets. The CFR is kept under review with the possibility of external borrowing being available if required.

Minimum Revenue Provision

The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision).

CLG Regulations have been issued which require full Council to approve an MRP Statement in advance of each year. A variety of options are provided to councils to replace the existing Regulations, so long as there is a prudent provision. The Council approved the following revised MRP Policy Statement on 23rd February 2011:

- For outstanding debt liability incurred prior to the new guidance – ie pre 2008/09 then MRP is calculated based on the previous 4% reducing balance method;
- From 1st April 2008 for all unsupported borrowing the MRP will be:

Asset Life Method – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Directive).

1.28 Other Accounting Principles

- The Bad Debt Provision is estimated by reference to previously issued CIPFA guidance and local knowledge.
- Note 31 - Officer's remuneration it has been determined that payments for Acting Returning Officer duties are not included, but are disclosed separately within the same note.
- Note 42 - Building Regulations has been included at the discretion of this Authority to provide additional information and meet the publication deadline of the 30th September for this service area. The decision has been taken to ring-fence this service, with surpluses held in earmarked reserves.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 2: ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

IFRS 7 Financial Instruments: Disclosures (transfers of financial assets)

These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure (referred to as 'continuing involvement') in the asset.

The amendments also require disclosure where transfers of financial assets are not evenly distributed throughout the period.

Disclosures will be made in the 2012/13 accounts if applicable.

Note 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:

- The main critical judgement in the Statement of Accounts is due to the high degree of uncertainty about future levels of funding for local government from central government. The Council was given details of a reduced financial settlement for 2011/12 and 2012/13 but does not yet have a sufficient level of certainty to provide an indication that the assets of the Council might be impaired as a result of any further reduction in funding leading to the need to close facilities and reduce levels of service provision.
- The Authority had £4,294,320 remaining outstanding, deposited with Icelandic Banks Heritable Bank, Kaupthing Singer and Friedlander (KSF) and Landsbanki as at the 31st March 2012 that are in administration. In relation to the Landsbanki investment, the Council has been successful in defending our "priority" status. Following an appeal, the Icelandic Supreme Court upheld the priority status. As a result the Council expects to recover close to 100% of the Landsbanki investment.

Note 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the 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 31st March 2012 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (continued)

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|-------------------------------|--|---|
| 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. | <p>If the useful life of assets is reduced, depreciation will increase and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £23,802 for every year that useful lives had to be reduced.</p> |
| Icelandic Investments | <p>Estimations of the repayments in respect of the three Icelandic investments are included in the accounts based on guidance in LAAP Bulletins 79 and 82. Significant impairment was shown in the 2009/10 accounts (capitalisation direction secured) and further adjustments made to reflect the most up-to-date position this year. Full details are contained in Note 16 but in summary estimated repayments are:</p> <p>Heritable – 88% of £1 million KSF – 83.5% of £5 million Landsbanki – close to 100% of £3m</p> <p>A small proportion of the Landsbanki distribution was made in Icelandic Krona (ISK) and is held in an escrow account (Balance Sheet value of £21,881). Under the applicable currency controls operating in Iceland, the permission of the Central Bank of Iceland is required to release ISK payments held within the Icelandic banking system. The money held in the escrow account in Iceland is earning interest in the meantime.</p> | <p>The effect of changes in the dividend payouts are:</p> <p>Heritable – 1% change +/-£10k KSF – 1% change +/-£50k Landsbanki – 1% change +/-£30k</p> <p>The Icelandic Supreme Court upheld the priority status of the local authority deposits. As a result the Council anticipates close to 100% recovery of the Landsbanki investment.</p> <p>The ISK Escrow account is subject to interest rate fluctuations but these will not be material given the small balance currently held.</p> |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 4: ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY (continued)

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|--------------------|---|--|
| Pensions Liability | <p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. The Actuary, Mercer Human Resource Consulting Ltd, is engaged to provide the Authority with expert advice about the assumptions to be applied.</p> | <p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £1.5m.</p> <p>However, the assumptions interact in complex ways. During 2011/12, the Authority's actuaries advised that the net pension liability had increased by £4.845m as a result of estimates being corrected as a result of experience and decreased by £2.987m attributable to updating of the assumptions.</p> |
| Arrears | <p>At 31st March 2012, the Authority had a balance of sundry debtors of £2.413m. A review of significant balances suggested that the standard CIPFA Bad and Doubtful Debts Provision which has continued to be used by the authority for a number of years has proven to be an accurate reflection of the probability of successfully collecting debts based upon their age. The percentages used are 0.5% for debts up to 6 months old, 25% for debts between 6 and 12 months old, 50% for debts between 12 and 24 months old and 100% for debts outstanding in excess of 24 months. A provision equivalent to 29% (£701,027) of the sundry debtors outstanding has been provided for on this basis for 2011/12 which we believe to be appropriate in the current economic climate.</p> | <p>If collection rates were to deteriorate, we would have to review whether the method used to calculate the provision for bad and doubtful debts was adequate in the prevailing economic climate.</p> <p>As a general rule of thumb, any debt outstanding for more than 6 months must be considered to be a bad debt. However, a debt can go bad at any time during its life cycle even when it is current.</p> <p>If we were to assume that any debt outstanding for more than 6 months was deemed to be a bad debt, then we would need to provide for £920,093 (an equivalent of 38% of the sundry debtors figure).</p> <p>A further increase of £219,066 would therefore be required in the provision.</p> |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 5: TRANSITION ARRANGEMENTS

Principles

The Statement of Accounts for 2011/12 is the second to be prepared on an IFRS basis. First time adoption of the IFRS-based Code resulted in the restatement of various balances and transactions as set out and explained in last years Statement.

The full compliance with FRS30 – Heritage Assets (an accounting Standard issued but not adopted in the 2010/11 accounts) has resulted in the Worcester Street Clock being reclassified, set out in Note 45.

Note 6: EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts 2011/12 was approved by the Director of Resources on 25th June 2012. The Director of Resources confirms that the following Post Balance Sheet Events (PBE) have been identified as at 25th June 2012, the date that the pre-audit Statement of Accounts 2011/12 was approved:

The financial statements and notes have not been adjusted for the following events which took place after 31st March 2012 as they provide information that is relevant to an understanding of the Council's financial position but do not relate to conditions at that date:

- PBE 1. A further dividend was received from Kaupthing, Singer & Friedlander on 2nd May 2012 of 10p in the £, totalling £500,000 principal and £15,637.81 interest, together with £37,900 principal and £1,175.41 interest from Heritable on 20th April 2012. A second distribution in respect of the Landsbanki investment was received on 29th May 2012, totalling £367,026 principal and £22,401.93 interest.
- PBE 2. Completion of the New HQ is on schedule for the end of July 2012 with occupation in September 2012. Note 12 gives details of the outstanding contractual commitments for this major construction contract as at the Balance Sheet date.
- PBE 3. A late amendment to LAAP Bulletin 82 was received in June 2012 after the accounts had been closed. The impact was to reduce the impairment charge for the Landsbanki investment (Comprehensive Income and Expenditure Statement) by approximately £80,000 and, as a result, increase the carrying value of the investment in the Balance Sheet. This will be reflected in the 2012/13 accounts.

The financial statements and notes have been adjusted for the following events which took place after 31st March 2012 as they reflect decisions taken before the end of the financial year:

- PBE 4. The decision to pay termination payments to two employees has been made as a result of minor restructuring decisions taken before the 31st March 2012. Details of these payments are included in Note 22 Provisions, Note 31 Officers Remuneration and Note 38 Termination Benefits.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)

| 2011/12 | Usable Reserves | | | Movement in Unusable Reserves £'000 |
|---|-------------------------------|-----------------------------------|-----------------------------------|--|
| | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | |
| Adjustments involving the Capital Adjustment Account: | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Charges for depreciation and impairment of non current assets | 2,640 | | | (2,640) |
| Movements in the fair value of Investment Properties | (136) | | | 136 |
| Capital grants and contributions applied | (554) | | | 554 |
| Capital grants and contributions unapplied | | | (89) | 89 |
| Revenue expenditure funded from capital under statute | 2,324 | | | (2,324) |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 344 | | | (344) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment | (162) | | | 162 |
| Capital expenditure charged against the General Fund balance | (570) | | | 570 |
| Adjustments involving the Capital Receipts Reserve: | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | | 137 | | (137) |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (4,757) | | 4,757 |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | 10 | | | (10) |
| Adjustments involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 2,602 | | | (2,602) |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,654) | | | 2,654 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | |
| 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) | | | 7 |
| Adjustment involving the Accumulated Absences Account: | | | | |
| 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 | 80 | | | (80) |
| Total Adjustments | 3,917 | (4,620) | (89) | 792 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 7: ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS (continued)

| 2010/11 Comparative Figures | Usable Reserves | | | Movement in Unusable Reserves £'000 |
|---|-------------------------------|-----------------------------------|-----------------------------------|--|
| | General Fund Balance £'000 | Capital Receipts Reserve £'000 | Capital Grants Unapplied £'000 | |
| Adjustments involving the Capital Adjustment Account: | | | | |
| Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Charges for depreciation and impairment of non current assets | 3,381 | | | (3,381) |
| Movements in the fair value of Investment Properties | (988) | | | 988 |
| Capital grants and contributions applied | (132) | | | 132 |
| Capital grants and contributions unapplied | (75) | | 75 | - |
| Revenue expenditure funded from capital under statute | 514 | | | (514) |
| Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 119 | | | (119) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement: | | | | |
| Statutory provision for the financing of capital investment | (568) | | | 568 |
| Capital expenditure charged against the General Fund balance | (12) | | | 12 |
| Adjustments involving the Capital Receipts Reserve: | | | | |
| Transfer of sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | | 347 | | (347) |
| Use of the Capital Receipts Reserve to finance new capital expenditure | | (2,128) | | 2,128 |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool. | 2 | (2) | | - |
| Adjustments involving the Financial Instruments Adjustment Account: | | | | |
| Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | (520) | | | 520 |
| Clearing the balance of the Financial Instruments Adjustment Account in accordance with statutory requirements – expiry of Regulations | 84 | | | (84) |
| Adjustments involving the Pensions Reserve: | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (2,180) | | | 2,180 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (2,511) | | | 2,511 |
| Adjustments involving the Collection Fund Adjustment Account: | | | | |
| 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 | (5) | | | 5 |
| Adjustment involving the Accumulated Absences Account: | | | | |
| 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 | (115) | | | 115 |
| Total Adjustments | (3,006) | (1,783) | 75 | 4,714 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 8: TRANSFERS TO/FROM EARMARKED RESERVES

This note details the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from the earmarked reserves to meet General Fund expenditure in 2011/12.

| Earmarked Reserve | Balance at 1st April 2010 £'000 | Transfers Out 2010/11 £'000 | Transfers In 2010/11 £'000 | Balance at 31st March 2011 £'000 | Transfers Out 2011/12 £'000 | Transfers In 2011/12 £'000 | Balance at 31st March 2012 £'000 |
|---|---|--|---------------------------------------|--|--|---------------------------------------|--|
| Other Reserves – Collection Fund and Building Control | 45 | (29) | 4 | 20 | (4) | - | 16 |
| £700k One off Costs of Cabinet Proposals | - | - | - | - | - | 553 | 553 |
| Building Control Fee Earning Account | - | - | 50 | 50 | - | 7 | 57 |
| Corporate Governance Requests | - | - | - | - | - | 30 | 30 |
| District Local Development Framework | 33 | - | 20 | 53 | (15) | 55 | 93 |
| FMS Consultancy | 35 | (21) | 20 | 34 | (1) | 10 | 43 |
| New HQ | 400 | - | 52 | 452 | - | 7 | 459 |
| Housing Benefits, Council Tax & NNDR Administration Grants | 80 | (15) | - | 65 | (18) | 49 | 96 |
| Housing Benefits 2010/11 Claim Adjustment | - | - | - | - | - | 194 | 194 |
| ICT- Annual Maintenance | - | - | - | - | - | 35 | 35 |
| Kidderminster Town Centre Enhancement Project | - | - | 66 | 66 | - | - | 66 |
| North Worcestershire EDR Shared Service | - | - | - | - | - | 78 | 78 |
| Personal Search Refunds | - | - | 34 | 34 | - | - | 34 |
| Property Payments Reserve | - | - | 250 | 250 | (141) | - | 109 |
| Regulatory Services | - | - | - | - | - | 61 | 61 |
| Repairs & Maintenance of Admin Buildings | - | - | 35 | 35 | - | 43 | 78 |
| St Georges Hall Development Support | - | - | - | - | - | 50 | 50 |
| Town Centre Support Fund | - | - | - | - | - | 250 | 250 |
| Transformation Fund | 100 | (15) | 100 | 185 | (62) | - | 123 |
| Worcestershire County ERDF Business Support Package – Redditch BC | - | - | - | - | - | 31 | 31 |
| Worcestershire County ERDF Business Support Package – Worcestershire CC | - | - | - | - | - | 30 | 30 |
| Earmarked Reserves below £30k | 656 | (566) | 876 | 966 | (750) | 310 | 526 |
| External Funding | 578 | (329) | 185 | 434 | (182) | 696 | 948 |
| Insurance Excesses | 36 | (12) | 20 | 44 | (17) | 16 | 43 |
| Total | 1,963 | (987) | 1,712 | 2,688 | (1,190) | 2,505 | 4,003 |

Note 9: OTHER OPERATING EXPENDITURE

| | 2010/11 £'000 | 2011/12 £'000 |
|--|--------------------------|--------------------------|
| Parish Council Precepts | 459 | 459 |
| Payments to the Government Housing Capital Receipts Pool | 2 | - |
| Losses on the disposal of non current assets | 119 | 344 |
| Total | 580 | 803 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 10: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

| | 2010/11 £'000 | 2011/12 £'000 |
|---|--------------------------|--------------------------|
| Interest payable and similar charges | 55 | 70 |
| Pension interest cost and expected return on pension assets | 2,112 | 1,281 |
| Interest receivable and similar income | (143) | (152) |
| Income and expenditure in relation to investment properties and changes in their fair value | (1,289) | 392 |
| Icelandic investments interest adjustment | (270) | (236) |
| Icelandic investments impairment adjustments | (520) | 2 |
| Icelandic investments release of provision | (166) | - |
| Other gains and losses | (14) | - |
| Surplus on Trading Accounts | (2) | (10) |
| Total | (237) | 1,347 |

Note 11: TAXATION AND NON SPECIFIC GRANT INCOMES

| | 2010/11 £'000 | 2011/12 £'000 |
|---------------------------------------|--------------------------|--------------------------|
| Council tax income | (7,382) | (7,455) |
| Non domestic rates | (7,044) | (4,769) |
| Revenue Support Grant | (1,023) | (1,474) |
| Non-service related government grants | (327) | (293) |
| Capital grants and contributions | (186) | (20) |
| Total | (15,962) | (14,011) |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 12: PROPERTY PLANT AND EQUIPMENT (PPE)

The movements in 2011/12 were as follows:

| | Land and Buildings | Vehicles, Plant & Equipment | Community Assets | Surplus Assets | Assets Under Construction (New HQ) | Total Property, Plant and Equipment |
|---|--------------------|-----------------------------|------------------|----------------|------------------------------------|-------------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation at April 1st 2011 | 31,317 | 5,544 | 751 | 1,005 | 1,631 | 40,248 |
| Additions | 10 | 800 | 34 | - | 4,418 | 5,262 |
| Net Revaluation Increases/(Decreases) | (765) | - | 17 | 115 | - | (633) |
| Derecognition (Disposals) | - | (679) | - | (325) | - | (1,004) |
| At 31st March 2012 | 30,562 | 5,665 | 802 | 795 | 6,049 | 43,873 |
| Accumulated Depreciation and Impairment at April 1st 2011 | (1,057) | (2,227) | (58) | - | - | (3,342) |
| Depreciation Charge | (793) | (616) | (24) | - | - | (1,433) |
| Depreciation Written Out | 152 | 537 | - | - | - | 689 |
| Impairment | (682) | - | - | - | - | (682) |
| Impairment Written Off/Reversed | 682 | - | - | - | - | 682 |
| At 31st March 2012 | (1,698) | (2,306) | (82) | - | - | (4,086) |
| Net Book Value at 31st March 2012 | 28,864 | 3,359 | 720 | 795 | 6,049 | 39,787 |

The movements in 2010/11 were as follows:

| | Land and Buildings | Vehicles, Plant and Equipment | Community Assets | Surplus Assets | Assets Under Construction (New HQ) | Total Property, Plant and Equipment |
|---|--------------------|-------------------------------|----------------------|----------------|------------------------------------|-------------------------------------|
| | £'000 | £'000 | (Re-stated) £'000 | £'000 | £'000 | (Re-stated) £'000 |
| Cost or Valuation at April 1st 2010 | 33,733 | 4,752 | 671 | 1,119 | 227 | 40,502 |
| Additions | 82 | 1,769 | 51 | - | 1,404 | 3,306 |
| Net Revaluation Increases/(Decreases) | (2,498) | - | 29 | (114) | - | (2,583) |
| Derecognition (Disposals) | - | (977) | - | - | - | (977) |
| At 31st March 2011 | 31,317 | 5,544 | 751 | 1,005 | 1,631 | 40,248 |
| Accumulated Depreciation and Impairment at April 1st 2010 | (1,732) | (2,491) | (34) | - | - | (4,257) |
| Depreciation Charge | (833) | (617) | (24) | - | - | (1,474) |
| Depreciation Written Out | 1,508 | 881 | - | - | - | 2,389 |
| Impairment | (3,409) | - | (41) | (115) | - | (3,565) |
| Impairment Written Off/Reversed | 3,409 | - | 41 | 115 | - | 3,565 |
| At 31st March 2011 | (1,057) | (2,227) | (58) | - | - | (3,342) |
| Net Book Value at 31st March 2011 | 30,260 | 3,317 | 693 | 1,005 | 1,631 | 36,906 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 12: PROPERTY PLANT AND EQUIPMENT (continued)

Information about Depreciation Methodologies:

Method

All non current assets are depreciated on a straight line basis over a period of their useful economic life (see section 1.18 of the Accounting Policies also).

Useful lives

| Asset Category | Life |
|---|-------------|
| Offices, Sport & Leisure Centres, Museum and Market | 20-90 |
| Depot & Workshops | 20-30 |
| Public Conveniences | 15-25 |
| Miscellaneous Community Assets | 10-35 |
| Vehicles, Plant & Machinery, Equipment & Lighting | 3-10 |
| ICT Systems | 3-5 |
| CCTV | 2 |

The number and type of major non current assets are:

| Asset Description | 2010/11 (Re-stated) | 2011/12 |
|--|--------------------------------|----------------|
| Land & Properties: | | |
| Asset Under Construction – New HQ | 1 | 1 |
| Car Parks | 29 | 29 |
| Civic & Administrative Buildings | 4 | 4 |
| Farms | 2 | 2 |
| Leisure Centres (leasehold interest in Bewdley Leisure Centre) | 3 | 3 |
| Museums | 1 | 1 |
| Nature Reserves | 3 | 3 |
| Other Land & Buildings | 37 | 37 |
| Public Conveniences | 14 | 14 |
| Sports & Social Clubs | 4 | 4 |
| Sports Fields & Parks | 22 | 22 |
| Trading Estates & Enterprise Centres | 5 | 5 |
| Heritage Assets: | | |
| Kidderminster Town Hall – Furniture & Equipment | Various | Various |
| Kidderminster Town Hall – Organ | 1 | 1 |
| Other Museum Exhibits | Various | Various |
| Paintings, Portraits, Drawings, Prints, Photos, Negatives etc | Various | Various |
| Regalia & Plate | Various | Various |
| Statues | Various | Various |
| Trophies & Cups | Various | Various |
| Worcester Street Clock | 1 | 1 |
| Vehicles, Equipment & Systems: | | |
| Equipment | Various | Various |
| Systems & Software | Various | Various |
| Vehicles | 88 | 78 |
| Play Equipment | Various | Various |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 12: PROPERTY PLANT AND EQUIPMENT (continued)

The major Items of capital expenditure in 2011/12 were:

| Scheme | £'000 |
|--|--------------|
| New HQ | 4,418 |
| New Municipal Cemetery Contribution | 1,250 |
| Disabled Facilities Grants | 670 |
| Vehicle Replacement Programme | 506 |
| ICT Strategy | 416 |
| Affordable Housing Grants to Registered Social Landlords | 194 |
| Other Capital Schemes | 309 |
| Total Capital Expenditure | 7,763 |

The Council's Capital Programme was financed as follows:

| Type of Financing | £'000 |
|---------------------------------|--------------|
| Application of Capital Receipts | 4,756 |
| Internal Prudential Borrowing | 1,773 |
| Grants | 664 |
| Direct Revenue Financing | 570 |
| Total Financing | 7,763 |

Contractual Commitments

At 31st March 2012 the following Capital contracts had been entered into, with the following sums remaining to be paid.

| Description | £'000 |
|----------------------------|--------------|
| Disabled Facilities Grants | 163 |
| New HQ | 2,714 |

The contract for the construction of the Council's New HQ was awarded to Thomas Vale Construction Ltd early in 2011/12 and construction work is progressing well with completion and handover planned for the end of July, followed by occupation in September 2012.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 13: HERITAGE ASSETS

Reconciliation of the carrying value of heritage assets held by the Council.

| | Previously Reported as Community Assets | Art Collection | Antique Musical Instruments and Furniture | Statues and Other Museum Exhibits | Total Heritage Assets |
|---|---|----------------|---|-----------------------------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation at April 1st 2011 | 73 | 588 | 275 | 232 | 1,168 |
| Additions | - | - | - | 12 | 12 |
| At 31st March 2012 | 73 | 588 | 275 | 244 | 1,180 |
| Accumulated Depreciation and Impairment at April 1st 2011 | (2) | - | - | - | (2) |
| Depreciation Charge | (2) | - | - | - | (2) |
| At 31st March 2012 | (4) | - | - | - | (4) |
| Net Book Value at 31st March 2012 | 69 | 588 | 275 | 244 | 1,176 |

Comparative Information for 2010/11:

| | Previously Reported as Community Assets | Art Collection | Antique Musical Instruments and Furniture | Statues and Other Museum Exhibits | Total Heritage Assets |
|---|---|----------------|---|-----------------------------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or Valuation at April 1st 2010 | 65 | 588 | 275 | 232 | 1,160 |
| Net Revaluation Increases/(Decreases) | 8 | - | - | - | 8 |
| At 31st March 2011 | 73 | 588 | 275 | 232 | 1,168 |
| Accumulated Depreciation and Impairment at April 1st 2010 | (3) | - | - | - | (3) |
| Depreciation Charge | (2) | - | - | - | (2) |
| Depreciation Written Out | 3 | - | - | - | 3 |
| At 31st March 2011 | (2) | - | - | - | (2) |
| Net Book Value at 31st March 2011 | 71 | 588 | 275 | 232 | 1,166 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 13: HERITAGE ASSETS (continued)

The Worcester Street clock previously classified as a community asset within property, plant and equipment is reported in the Balance Sheet at depreciated historic cost valuation. The Art Collection, Antique Musical Instruments and Furniture together with Statues and other Museum Exhibits are reported at insurance valuation, based on market values and updated every two years, unless evidence from the various trade press or auctions etc indicate a significant variation in prices of similar assets. A review of insurance values, for 2012/13, was undertaken at 1 April 2012.

Antique Musical Instruments include the William Hill Organ built in 1855 on display at Kidderminster Town Hall. It is one of only five of its type in the world and attracts visitors from across the globe, with many coming from the USA. This is currently subject to a Heritage Lottery Fund bid for restoration funding.

The additions, in 2011/12, related to the purchase of the Horse sculpture. There were no other purchases, acquisitions e.g. by donations or disposals in 2010/11 or 2011/12.

Note 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 | 2011/12 £'000 |
|---|--------------------------|--------------------------|
| Rental income from Investment Property | 528 | 551 |
| Direct operating expenses arising from Investment Property* | (227) | (1,079) |
| Net gain/(loss) | 301 | (528) |

*In 2011/12 this includes a property revaluation reduction of £741k that is charged to the Comprehensive Income and Expenditure Statement in accordance with The Code, but the impact is removed in the Movement in Reserves Statement.

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

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

| | 2010/11 £'000 | 2011/12 £'000 |
|---------------------------------------|--------------------------|--------------------------|
| Balance at Start of Year | 6,899 | 7,900 |
| Additions/Enhancements | 13 | 5 |
| Disposals | - | - |
| Net Gains from Fair Value Adjustments | 988 | 136 |
| Balance at Close of Year | 7,900 | 8,041 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 15: INTANGIBLE ASSETS

| | 2010/11 £'000 | 2011/12 £'000 |
|---|--------------------------|--------------------------|
| Balance at Start of Year: | | |
| Gross Carrying Amounts | 1,467 | 1,717 |
| Accumulated Amortisation | (710) | (934) |
| Net Carrying Amount at Start of Year | 757 | 783 |
| Additions: | | |
| Purchases | 250 | 152 |
| Amortisation for Period | (224) | (226) |
| Net Carrying Amount at End of Year | 783 | 709 |
| Comprising: | | |
| Gross Carrying Amount | 1,717 | 1,869 |
| Accumulated Amortisation | (934) | (1,160) |
| Net Carrying Amount at End of Year | 783 | 709 |

Note 16: FINANCIAL INSTRUMENTS

WFDC Investments as at 31st March 2012 (Principal)

| Financial Institution | Amount Invested £'000 | Maturity Date |
|------------------------------|----------------------------------|----------------------|
| Royal Bank of Scotland | 1,000 | Instant Access |
| Lloyds TSB Bank | 865 | Instant Access |
| NatWest Bank | 1,000 | Instant Access |
| Bank of England (DMADF) | 1,345 | Overnight |
| Nationwide Building Society | 1,400 | 12/04/2012 |
| Barclays Bank | 1,500 | 13/04/2012 |
| Lloyds TSB Bank | 1,200 | 27/04/2012 |
| Total | 8,310 | |

Long- Term (Icelandic) Investments as at 31st March 2012 (Outstanding Principal)

| Financial Institution | Amount Invested £'000 | Maturity Date | Balance Sheet Carrying Value £'000 |
|---------------------------------|----------------------------------|----------------------|---|
| Landsbanki | 2,123 | 30/10/2008 | 1,723 |
| Kaupthing, Singer & Friedlander | 1,850 | 30/10/2008 | 1,010 |
| Heritable Bank | 321 | 30/10/2008 | 200 |
| Total | 4,294 | | 2,933 |

Long Term Investments (including accrued interest)

In light of the current economic climate, the Council held no long term investments other than the Icelandic deposits shown above, as at 31st March 2011 and 2012.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 16: FINANCIAL INSTRUMENTS (continued)

The above investments are classified in the Balance Sheet, along with the bank overdraft and investment interest accrued, as follows:

| | £'000 |
|----------------------------------|--------------|
| Royal Bank of Scotland | 1,000 |
| Lloyds TSB Bank | 865 |
| NatWest Bank | 1,000 |
| Nationwide Building Society | 1,400 |
| Lloyds TSB Bank | 1,200 |
| Barclays Bank | 1,500 |
| Bank of England (DMADF) | 1,345 |
| Interest Accrued on Investments | 1 |
| Bank Overdraft | (2,157) |
| Cash and Cash Equivalents | 6,154 |
| ISK Escrow Account | 22 |
| Short-term Investments | 22 |
| Landsbanki | 1,723 |
| Kaupthing, Singer & Friedlander | 1,010 |
| Heritable Bank | 200 |
| Long-term Investments | 2,933 |

Key Risks

The Council's Treasury Management activities expose it to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.
- Foreign exchange rate risk - the Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic Krona in an escrow account due to the current imposition of currency controls.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 16: FINANCIAL INSTRUMENTS (continued)

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 in the Local Government Act 2003 and the 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;
- 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 for exposures and 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 the Government Guidance.

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

The annual treasury management strategy which incorporated the prudential indicators was approved by Council on 1st December 2010, this included the Sector Creditworthiness Methodology; and was reaffirmed by Council on 23rd February 2011 and is available on the Council website.

http://www.wyreforest.gov.uk/council/docs/doc43033_20101116_cabinet_report.pdf

http://www.wyreforest.gov.uk/council/docs/doc43036_20101116_cabinet_report.pdf

http://www.wyreforest.gov.uk/council/docs/doc43385_20110215_cabinet_report.pdf

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 16: FINANCIAL INSTRUMENTS (continued)

The key issues within the strategy were:

- The Authorised Limit for 2011/12 was set at £15m. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £10m. 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 100% and 100% based on the Council's net debt.

These policies are implemented by a central 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.

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 and are summarised in Key Note 2, page 60 (Council approval on the 1st December 2010 and reaffirmed 23rd February 2011).

The key area of the Investment Strategy is that the minimum criteria for investment counterparties is arrived at by using 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
- credit default swaps (CDS) spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of 25% of total investments with any financial institution or group 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 Council's deposits, but there was no evidence at the 31st March 2012 that this was likely to crystallise.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 16: FINANCIAL INSTRUMENTS (continued)

No significant breaches of the Council's counterparty criteria occurred during the reporting period although there was a single minor breach in February 2012. This was as a result of a premature repayment error by Lloyds Bank, resulting in an overnight breach of Co-op £1m limit (£500k breach – compensation was received for this error). The Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

In October 2008 the Icelandic banking sector defaulted on its obligations. The Council had £9m invested in this sector at that time (£4.29m at 31st March 2012). 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 revenue accounts in accordance with the successful Capitalisation direction in 2009/10 and government regulations; although all related investment income has been fully impaired.

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

The Council held no other deposits in Non-UK domiciled institutions as at 31st March 2011 and 2012.

The Councils standard credit terms are 14 days from invoice date for it's trade debtors, the past due amount can be analysed by age as follows:

| Age of Debt | 31st March 2011 £'000 | 31st March 2012 £'000 |
|------------------------|---|---|
| Less than three months | 704 | 883 |
| Three to six months | 19 | 53 |
| Six months to one year | 134 | 94 |
| More than one year | 123 | 130 |
| Total | 980 | 1,160 |

Loans, Contractual Creditors and Receivables held on the 31st March 2012 at carrying value (equivalent to fair value) were:-

| Loans, Contractual Creditors and Receivables | 31st March | |
|---|-----------------------|-----------------------|
| | 2011 £'000 | 2012 £'000 |
| Sundry Creditors - contractual | 1,497 | 1,738 |
| Receivables: | | |
| Mortgages | 41 | 27 |
| Assisted Car Purchase Scheme | 87 | 72 |

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.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 16: FINANCIAL INSTRUMENTS (continued)

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 assets is as follows:

| | 31st March 2011 £'000 | 31st March 2012 £'000 |
|-----------------------------|---|---|
| Less than one year | 15,040 | 9,476 |
| Between one and two years | 1,159 | 539 |
| Between two and three years | 262 | 215 |
| More than three years | 1,327 | 1,036 |
| Total | 17,788 | 11,266 |

The maturity structure of the frozen investments has been calculated by using the CIPFA model provided with LAAP Bulletin 82. A late amendment to LAAP Bulletin 82 issued in June 2012 has re-scheduled the maturity profile of the Landsbanki investment. This will be reflected in the 2012/13 accounts (Note 6, Post Balance Sheet Event 3).

Refinancing and Maturity Risk

The Council currently maintains a significant 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 the maturing of longer term financial assets. As the only long term investments relate to Icelandic deposits, this risk is currently mitigated.

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 investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council as part of the Treasury Management Strategy, see Key Note 1).

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 16: FINANCIAL INSTRUMENTS (continued)

| | Approved Maximum Limits | Approved Minimum Limits | Actual 31st March 2011 £'000 | Actual 31st March 2012 £'000 |
|----------------------------|--|--|--|--|
| Less than one year | 100% | - | 148 | 128 |
| Between one and two years | 100% | - | - | - |
| Between two and five years | 100% | - | - | 8 |
| Between five and ten years | 100% | - | 31 | 19 |
| More than ten years | 100% | - | - | - |
| Total | 100% | - | 179 | 155 |

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its 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:

- 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).

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.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

| | £'000 |
|--|--------------|
| Increase in interest payable on variable rate borrowings (zero as no external borrowing) | - |
| Increase in interest receivable on variable rate investments | (172) |

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Key Note 3– Fair value of Assets and Liabilities carried at Amortised Cost

Price risk - The Council, excluding the pension fund, does not generally invest in equity shares or marketable bonds.

Foreign exchange risk in Relation to Icelandic Deposits - The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic Krona in an escrow account due to the current imposition of currency controls.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 16: FINANCIAL INSTRUMENTS (continued)

- (1) Key Note to the Accounts – Treasury Management Prudential Indicators and Limits on Activity approved at Council 1st December 2010 and the 23rd February, 2011.

| | 2010/11 | 2011/12 | 2012/13 |
|--|--------------|--------------|--------------|
| Interest rate Exposures | | | |
| | Upper | Upper | Upper |
| Limits on fixed interest rates | 100% | 100% | 100% |
| Limits on variable interest rates based on net debt | 100% | 100% | 100% |
| Maturity Structure of fixed interest rate borrowing 2011/12 | | | |
| | Lower | Upper | |
| Under 12 months | 0% | 100% | |
| 12 months to 2 years | 0% | 100% | |
| 2 years to 5 years | 0% | 100% | |
| 5 years to 10 years | 0% | 100% | |
| 10 years and above | 0% | 100% | |
| Maximum principal sums invested > 364 days | | | |
| Principal sums invested > 364 days | £7m | £4m | £2m |

(2) Key Note to the Accounts – Counterparty and Investment Criteria

The selection of counterparties with a high level of creditworthiness will be achieved by selection of institutions down to a minimum durational band within Sector's weekly credit list of worldwide potential counterparties. The Council will therefore use counterparties within specified durational bands in accordance with the approved methodology contained within the approved Treasury Management Service Strategy.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 16: FINANCIAL INSTRUMENTS (continued)

(3) Key Note to the Accounts - Financial Instruments Balances

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

| £'000 | Long-Term | | Current | |
|--|---|---|---|---|
| | 31 st March 2011 £'000 | 31 st March 2012 £'000 | 31 st March 2011 £'000 | 31 st March 2012 £'000 |
| Financial liabilities (principal amount) | 31 | 27 | 148 | 128 |
| Financial liabilities at amortised cost (1) | 31 | 27 | 148 | 128 |
| Total Borrowings | 31 | 27 | 148 | 128 |
| Other long term liabilities | - | - | - | - |
| Total Creditors | 31 | 27 | 148 | 128 |
| Financial Guarantees | - | - | - | - |
| Soft loans received | - | - | - | - |
| Loans and receivables (principal amount) | - | - | 19,274 | 12,603 |
| + Accrued interest | - | - | 13 | 1 |
| +/- Accounting adjustments | - | - | (1,499) | (1,338) |
| Loans and receivables at amortised cost | - | - | - | - |
| Available-for-sale financial assets | - | - | - | - |
| Financial Assets at fair value through profit or loss | - | - | - | - |
| Unquoted equity investment at cost | - | - | - | - |
| Total investments | - | - | 17,788 | 11,266 |

Allowance for Credit Losses

Section 7.4.2.6 of the Code states when financial assets are impaired by credit losses and the authority records the impairment in a separate account (e.g. an allowance account used to record individual impairments or a similar account used to record a collective impairment of assets) rather than directly reducing the carrying amount of the asset, it should disclose a reconciliation of changes in that account during the period for each class of financial assets.

Key Note to the Accounts – Financial instruments Gains/Losses

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

| Financial Instruments Gains and Losses | Financial Assets Loans and Receivables 2010/11 £'000 | Financial Assets Loans and Receivables 2011/12 £'000 |
|--|--|--|
| Impairment adjustments | 686 | (2) |
| Interest payable and similar charges | (55) | (70) |
| Interest income | 413 | 388 |
| Net gain for the year | 1,044 | 316 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 16: FINANCIAL INSTRUMENTS (continued)

Note – Fair value of Assets and Liabilities carried at Amortised Cost

The fair values calculated are as follows:

Investments as at 31st March 2012 for fair value purposes

| | 31st March 2011 | | 31st March 2012 | |
|------------------------------------|--------------------------|---------------------|--------------------------|---------------------|
| | Carrying Amount £'000 | Fair Value £'000 | Carrying Amount £'000 | Fair Value £'000 |
| Cash and Cash Equivalents | 9,417 | 9,417 | 6,154 | 6,154 |
| Add back: (Cash at Bank)/Overdraft | 514 | 514 | 2,157 | 2,157 |
| Short-term Investments | 3,507 | 3,507 | 22 | 22 |
| Long-term Investments | 4,350 | 4,350 | 2,933 | 2,933 |
| Total Temporary Investments | 17,788 | 17,788 | 11,266 | 11,266 |

Icelandic Bank Defaults –

In October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had **£9m** deposited across **3** of these institutions, with varying interest rates as follows:

| | Date Invested | Maturity Date | Amount Invested £'000 | Interest Rate | Carrying Amount £'000 | Total Impairment charged to C I & E as at 31 st March 2012 £'000 | Principal Default % |
|--------------------------------|---------------|---------------|--------------------------|---------------|--------------------------|--|---------------------|
| Landsbanki | 01/11/07 | 30/10/08 | 3,000 | 6.12% | 1,723 | 1,255 | 0.00 |
| Heritable | 02/04/08 | 30/10/08 | 1,000 | 6.04% | 200 | 240 | 12.00 |
| Kaupthing Singer & Friedlander | 02/04/08 | 30/10/08 | 5,000 | 6.04% | 1,010 | 1,358 | 16.50 |
| Total | | | 9,000 | | 2,933 | 2,853 | |

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 future payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable bank is a UK registered bank under English law. The company was placed in administration on 7th 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 £.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 16: FINANCIAL INSTRUMENTS (continued)

| 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% |
| Total Expected Recovery | 88% |

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

Kaupthing Singer and Friedlander Ltd

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% |
| Total Expected Recovery | 83.50% |

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

Landsbanki

Landsbanki Islands 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 Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a resolution committee. Following the Icelandic Supreme Court decision to grant UK local authorities priority status, the winding up board made a distribution to creditors in a basket of currencies in February 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 3.35%. 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 current position on estimated future payouts is as shown in the table below and this council has used these estimates to calculate the impairment based on recovering close to 100p in the £.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 16: FINANCIAL INSTRUMENTS (continued)

| Date | Repayment |
|--------------------------------|----------------------|
| Received to date | 30.00% |
| May 2012 | 12.20% |
| December 2012 | 7.00% |
| December 2013 | 7.00% |
| December 2014 | 7.00% |
| December 2015 | 7.00% |
| December 2016 | 7.00% |
| December 2017 | 7.00% |
| December 2018 | 7.00% |
| December 2019 | Close to 8.80% |
| Total Expected Recovery | Close to 100% |

Recovery is subject to the following uncertainties and risks:

- The impact of exchange rate fluctuations on the value of assets recovered by the resolution committee and on the settlement of the authority's claim, which may be denominated wholly or partly in currencies other than sterling.

Recoveries are expressed as a percentage of the authority's claim in the administration.

Foreign exchange risk in Relation to Icelandic Deposits - The Council has foreign exchange exposure resulting from an element of the settlement received from Landsbanki. This is being held in Icelandic Krona in an escrow account due to the current imposition of currency controls.

Accounting for Impairment

Impairment (principal plus interest not received) recognised in the Income and Expenditure Account in 2011/12 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 17: INVENTORIES

| Inventories | 31st March | |
|---------------------------------|---------------|---------------|
| | 2011 £'000 | 2012 £'000 |
| Inventories - at central stores | 71 | 75 |
| Inventories - other | 15 | 13 |
| Total Balance at Year End | 86 | 88 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 18: DEBTORS

Short Term Debtors

| Short Term Debtors | 31st March | |
|--|-----------------------|-----------------------|
| | 2011 £'000 | 2012 £'000 |
| Amounts receivable within one year: | | |
| Government Departments | 620 | 1,405 |
| Other Local Authorities | 223 | 451 |
| Sundry Debtors | 2,064 | 2,413 |
| Council Tax and Rate Payers | 258 | 284 |
| | 3,165 | 4,553 |
| Less provision for bad debts: | | |
| Sundry Debtors | 684 | 701 |
| Collection Fund | 110 | 116 |
| | 794 | 817 |
| Total Balance at Year End | 2,371 | 3,736 |

Long Term Debtors

| Long Term Debtors | 31st March | |
|----------------------------------|-----------------------|-----------------------|
| | 2011 £'000 | 2012 £'000 |
| Mortgages | 41 | 27 |
| Assisted Car Purchase Scheme | 87 | 72 |
| Total Balance at Year End | 128 | 99 |

Note 19: CASH AND CASH EQUIVALENTS

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

| Cash and Cash Equivalents | 2010/11 £'000 | 2011/12 £'000 |
|---|--------------------------|--------------------------|
| Cash held by the Authority | 14 | 14 |
| Bank current accounts | (528) | (2,171) |
| Short-term deposits with banks/building societies | 9,931 | 8,311 |
| Total Balance at Year End | 9,417 | 6,154 |

Note 20: ASSETS HELD FOR SALE

| Assets Held For Sale | 2010/11 £'000 | 2011/12 £'000 |
|-----------------------------|--------------------------|--------------------------|
| Balance at Start of Year | 2,844 | 2,211 |
| Additions/Enhancements | 18 | 8 |
| Disposals | (355) | - |
| Revaluations | 73 | - |
| Impairments | (369) | (811) |
| Balance at Year End | 2,211 | 1,408 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 20: ASSETS HELD FOR SALE (continued)

Assets included in the Held for Sale category are those which were being actively marketed at the balance sheet date. There are three such assets, sites at Bridge Street, Coventry Street and Worcester Street. It is the Council's intention to market the other surplus properties in due course.

Note 21: CREDITORS

| Creditors | 1st April 2010 £'000 | 31st March | |
|----------------------------------|----------------------------|---------------|---------------|
| | | 2011 £'000 | 2012 £'000 |
| Government Departments | 263 | 2,190 | 937 |
| Local Authorities | 258 | 339 | 317 |
| Sundry Creditors | 2,328 | 1,497 | 1,738 |
| Precepting Authorities | - | - | - |
| Council Taxpayers (overpayments) | 102 | 92 | 68 |
| Receipts in Advance | 1,124 | 1,181 | 1,013 |
| Contractors and Other Deposits | 3 | 2 | 11 |
| Total Balance at Year End | 4,078 | 5,301 | 4,084 |

Note 22: PROVISIONS

| Description of Provision | 1st April 2011 £'000 | Provided in Year £'000 | Payments in Year £'000 | 31st March 2012 £'000 |
|--|----------------------------|------------------------------|------------------------------|--------------------------------|
| Severn Trent Superannuation Fund | 24 | - | (5) | 19 |
| Future Severance Costs – WETT - Regulatory Services | 57 | - | (57) | - |
| Transformation Costs – WETT – Regulatory Services | 14 | - | (14) | - |
| Termination Benefits | 111 | 30 | (111) | 30 |
| Total All Provisions | 206 | 30 | (187) | 49 |

The Severn Trent Superannuation Fund consists of income received from Severn Trent pending its payment to Worcestershire County Council, the Superannuation Fund managers for the Council.

The Provision for Termination Benefits is in respect of 2 employees to be made redundant in 2012/13 as part of service review decisions taken before the 31st March 2012.

No insurance provision is held. An earmarked reserve account in respect of insurance excesses is held and the movement in the year is a reduction of £362.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 23: USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and this Note.

Usable Capital Receipts Reserve

These are capital receipts which are available for financing new capital expenditure but have yet to be applied for that purpose.

| Usable Capital Receipts Reserve | 31st March | |
|---|-----------------------|-----------------------|
| | 2011 £'000 | 2012 £'000 |
| Balance at 1st April | 11,887 | 10,104 |
| Receipts from Sales of Assets etc. | 347 | 136 |
| Receipts applied for new Capital Expenditure | (2,128) | (4,756) |
| Contribution of Housing Receipts to the National Pool | (2) | - |
| Balance at 31st March | 10,104 | 5,484 |

Capital Grants Unapplied

| | 31st March | |
|------------------------------|-----------------------|-----------------------|
| | 2011 £'000 | 2012 £'000 |
| Balance at 1st April | 810 | 885 |
| Receipts in Year | 843 | 574 |
| Adjustments | (21) | - |
| Applied in Year | (747) | (643) |
| Balance at 31st March | 885 | 816 |

Note 24: UNUSABLE RESERVES

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment (and Intangible Assets). 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.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 24: UNUSABLE RESERVES (continued)

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

| Revaluation Reserve | 31st March | |
|---|------------------------------|---------------|
| | 2011 £'000 (Re-stated) | 2012 £'000 |
| Balance at 1st April* | 12,675 | 12,796 |
| Revaluation Gains | 2,578 | 202 |
| Excess Current Value Depreciation over Historic Cost Depreciation | (202) | (187) |
| Impairment written off against prior balances | (2,155) | (513) |
| Balance written out following disposal | (100) | - |
| Balance at 31st March | 12,796 | 12,298 |

*The opening balance has been re-stated by an additional £1,095k to reflect the inclusion of the Heritage Assets (Note 45).

Capital Adjustment Account

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

| Capital Adjustment Account | 31st March | |
|---|---------------|---------------|
| | 2011 £'000 | 2012 £'000 |
| Balance at 1st April | 33,583 | 33,252 |
| Capital Receipts Applied | 2,128 | 4,756 |
| Contribution to disposal costs of capital sales | - | (10) |
| Depreciation | (1,699) | (1,662) |
| Impairment Adjustments | (796) | (980) |
| Direct Revenue Financing | 12 | 570 |
| Repayments of Long Term Debts | (14) | (14) |
| Appropriation of Minimum Revenue Provision | 568 | 162 |
| Revenue Expenditure Funded From Capital Under Statute | (1,148) | (2,324) |
| Disposal of Non Current Assets | (451) | (329) |
| Capital Grants | 766 | 644 |
| Revaluation Reserve | 303 | 187 |
| Balance at 31st March | 33,252 | 34,252 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 24: UNUSABLE RESERVES (continued)

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council 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 Council 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 shows a substantial shortfall in the benefits earned by past and current employees and the resources available to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| Pensions Reserve | 2010/11 £'000 | 2011/12 £'000 |
|--|--------------------------|--------------------------|
| Balance at 1st April | (49,170) | (38,529) |
| Actuarial gains or losses on pensions assets and liabilities | 5,950 | (7,832) |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 2,180 | (2,602) |
| Employer's pension contributions and direct payments to pensioners payable in the year | 2,511 | 2,654 |
| Balance at 31st March | (38,529) | (46,309) |

Deferred Capital Receipts Reserve

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

| Deferred Capital Receipts Reserve | 2010/11 £'000 | 2011/12 £'000 |
|--|--------------------------|--------------------------|
| Balance at 1st April | (20) | (20) |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - | - |
| Transfer to the Capital Receipts Reserve upon receipt of cash | - | - |
| Balance at 31st March | (20) | (20) |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 24: UNUSABLE RESERVES (continued)

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.

| Collection Fund Adjustment Account | 2010/11 £'000 | 2011/12 £'000 |
|--|--------------------------|--------------------------|
| Balance at 1st April | 15 | 20 |
| 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 | 5 | 7 |
| Balance at 31st March | 20 | 27 |

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 31st March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

| Accumulated Absences Account | 2010/11 £'000 | 2011/12 £'000 |
|--|--------------------------|--------------------------|
| Balance at 1st April | (172) | (57) |
| Reversal of Opening Balance | 172 | 57 |
| Amounts accrued at the end of the current year | (57) | (137) |
| Balance at 31st March | (57) | (137) |

Note 25: CASH FLOW STATEMENT - OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| Cash Flow Statement – Operating Activities | 2010/11 £'000 | 2011/12 £'000 |
|---|--------------------------|--------------------------|
| Interest received | 143 | 152 |
| Interest paid | (2) | (2) |
| Dividends received | - | - |
| Net cash flows from operating activities | 141 | 150 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 26: CASH FLOW STATEMENT - INVESTMENT ACTIVITIES

| Cash Flow Statement – Investment Activities | 2010/11 £'000 | 2011/12 £'000 |
|--|--------------------------|--------------------------|
| Purchase of property, plant and equipment, investment property and intangible assets | 3,571 | 5,996 |
| Purchase of short-term and long-term investments | 445 | - |
| Other payments for investing activities | 1,012 | 973 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | (355) | (137) |
| Proceeds from short-term and long-term investments | (147) | (5,229) |
| Other receipts from investing activities | (832) | (620) |
| Net cash flows from investing activities | 3,694 | 983 |

Note 27: CASH FLOW STATEMENT - FINANCING ACTIVITIES

| Cash Flow Statement – Financing Activities | 2010/11 £'000 | 2011/12 £'000 |
|---|--------------------------|--------------------------|
| Other receipts from financing activities | (1,674) | (1,159) |
| Repayments of short and long-term borrowing | 4 | 24 |
| Other payments for financing activities | 2 | 2 |
| Net cash flows from financing activities | (1,668) | (1,133) |

Note 28: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS – SEGMENTAL REPORTING

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 Code of Practice. However, decisions about resource allocation are taken by the Council'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 cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to directorates.

The following tables detail the Council's net revenue expenditure by service as reported under management reporting arrangements and how this reconciles to the Comprehensive Income and Expenditure statement and the subjective analysis within the Comprehensive Income and Expenditure Statement on page 18. From 1st March 2012 there was a change in the Directorate structure. However, this has been reflected with effect from 1st April 2012 for consistency of reporting.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 28: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS – SEGMENTAL REPORTING (continued)

| 2011/12 | Resources £'000 | Chief Executive £'000 | Community & Partnership £'000 | Planning & Regulatory £'000 | Legal & Corporate £'000 | Total Net Expenditure by Service £'000 |
|--------------------------------------|----------------------------|----------------------------------|--|--|--|---|
| Fees, Charges & Other Service Income | (957) | - | (1,222) | (3,648) | (406) | (6,233) |
| Recharges | (3,733) | (240) | (3,828) | (2,364) | (2,039) | (12,204) |
| Government Grants | (39,403) | - | - | (2) | - | (39,405) |
| Total Income | (44,093) | (240) | (5,050) | (6,014) | (2,445) | (57,842) |
| Employee Expenses | 5,879 | 764 | 3,358 | 3,751 | 1,234 | 14,986 |
| Other Service Expenses | 42,884 | 44 | 4,901 | 4,190 | 2,168 | 54,187 |
| Support Service Recharges | 1,246 | 489 | 923 | 1,410 | 528 | 4,595 |
| Total Expenditure | 50,009 | 1,297 | 9,182 | 9,351 | 3,929 | 73,768 |
| Net Cost of Services | 5,916 | 1,057 | 4,132 | 3,337 | 1,484 | 15,926 |

| 2010/11 Comparative Figures | Resources £'000 | Chief Executive £'000 | Community & Partnership £'000 | Planning & Regulatory £'000 | Legal & Corporate £'000 | Total Net Expenditure by Service £'000 |
|--------------------------------------|----------------------------|----------------------------------|--|--|--|---|
| Fees, Charges & Other Service Income | (1,407) | (35) | (1,020) | (3,212) | (259) | (5,933) |
| Recharges | (4,410) | (267) | (3,154) | (3,030) | (2,494) | (13,355) |
| Government Grants | (38,155) | - | - | (6) | - | (38,161) |
| Total Income | (43,972) | (302) | (4,174) | (6,248) | (2,753) | (57,449) |
| Employee expenses | 6,238 | 769 | 2,883 | 4,620 | 1,436 | 15,946 |
| Other Service Expenses | 42,167 | 98 | 4,467 | 3,983 | 1,969 | 52,684 |
| Support Service Recharges | 1,629 | 627 | 1,004 | 1,303 | 525 | 5,088 |
| Total Expenditure | 50,034 | 1,494 | 8,354 | 9,906 | 3,930 | 73,718 |
| Net Cost of Services | 6,062 | 1,192 | 4,180 | 3,658 | 1,177 | 16,269 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 28: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS – SEGMENTAL REPORTING (continued)

Reconciliation to Net Cost of Services in Comprehensive Income and Expenditure Statement

| | 2010/11 £'000 | 2011/12 £'000 |
|--|--------------------------|--------------------------|
| Net Cost of Service from Service Analysis | 16,269 | 15,926 |
| Add amounts not reported to management (see table below) | (4,634) | 677 |
| Amounts not included in the Comprehensive Income and Expenditure Statement (see table below) | (169) | (1,831) |
| Net Cost of Services in Comprehensive Income and Expenditure Statement | 11,466 | 14,772 |

Reconciliation to Subjective Analysis - (Surplus)/deficit on the provision of services

| 2011/12 | Directorate Analysis £'000 | Not reported to Management £'000 | Not included in CIES £'000 | Net Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 |
|--|---|---|---|---|--|------------------------|
| Fees, Charges & Other Service Income | (6,233) | (542) | 576 | (6,199) | - | (6,199) |
| Recharges | (12,204) | - | - | (12,204) | - | (12,204) |
| Surplus on Trading Account & Investment Properties | - | - | - | - | 518 | 518 |
| Changes in Fair Value of Investment Properties | - | - | - | - | (136) | (136) |
| Other Gains & Losses | - | - | - | - | - | - |
| Interest & Investment Income | - | - | - | - | (152) | (152) |
| Icelandic Investments Interest | - | - | - | - | - | - |
| Adjustment | - | - | - | - | (236) | (236) |
| Income from Council Tax | - | - | - | - | (7,455) | (7,455) |
| Government Grants and Contributions | (39,405) | - | - | (39,405) | (6,556) | (45,961) |
| Total Income | (57,842) | (542) | 576 | (57,808) | (14,017) | (71,825) |
| Employee expenses | 14,986 | (1,333) | - | 13,653 | - | 13,653 |
| Other Service Expenses | 54,187 | 2,552 | (2,407) | 54,332 | - | 54,332 |
| Support Service Recharges | 4,595 | - | - | 4,595 | - | 4,595 |
| Long Term Investments - Impairment Adjustments | - | - | - | - | 2 | 2 |
| Pension Interest Cost & Expected Return | - | - | - | - | 1,281 | 1,281 |
| Interest Payments | - | - | - | - | 70 | 70 |
| Parish Precepts | - | - | - | - | 459 | 459 |
| Payment to Housing Capital Receipts Pool | - | - | - | - | - | - |
| Capitalisation of Icelandic Investments | - | - | - | - | - | - |
| Gain or Loss on Disposal of Non-current Assets | - | - | - | - | 344 | 344 |
| Gross Cost of Services | 73,768 | 1,219 | (2,407) | 72,580 | 2,156 | 74,736 |
| (Surplus) /Deficit on the Provision of Services | 15,926 | 677 | (1,831) | 14,772 | (11,861) | 2,911 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 28: AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS – SEGMENTAL REPORTING (continued)

| 2010/11 Comparative Figures | Directorate Analysis £'000 | Not reported to Management £'000 | Not included in CIES £'000 | Net Cost of Services £'000 | Corporate Amounts £'000 | Total £'000 |
|--|-------------------------------|-------------------------------------|-------------------------------|-------------------------------|----------------------------|-----------------|
| Fees, Charges & Other Service Income | (5,933) | (634) | 604 | (5,963) | - | (5,963) |
| Recharges | (13,355) | - | - | (13,355) | - | (13,355) |
| Surplus on Trading Account & Investment Properties | - | - | - | - | (303) | (303) |
| Changes in Fair Value of Investment Properties | - | - | - | - | (988) | (988) |
| Other Gains & Losses | - | - | - | - | (14) | (14) |
| Interest & Investment Income | - | - | - | - | (143) | (143) |
| Icelandic Investments Interest Adjustment | - | - | - | - | (270) | (270) |
| Income from Council Tax | - | - | - | - | (7,382) | (7,382) |
| Government Grants and Contributions | (38,161) | - | - | (38,161) | (8,580) | (46,741) |
| Total Income | (57,449) | (634) | 604 | (57,479) | (17,680) | (75,159) |
| Employee expenses | 15,946 | (6,803) | - | 9,143 | - | 9,143 |
| Other Service Expenses | 52,684 | 2,803 | (773) | 54,714 | - | 54,714 |
| Support Service Recharges | 5,088 | - | - | 5,088 | - | 5,088 |
| Long Term Investments - Impairment Adjustments | - | - | - | - | (686) | (686) |
| Pension Interest Cost & Expected Return | - | - | - | - | 2,112 | 2,112 |
| Interest Payments | - | - | - | - | 55 | 55 |
| Parish Precepts | - | - | - | - | 459 | 459 |
| Payment to Housing Capital Receipts Pool | - | - | - | - | 2 | 2 |
| Capitalisation of Icelandic Investments | - | - | - | - | - | - |
| Gain or Loss on Disposal of Non-current Assets | - | - | - | - | 119 | 119 |
| Gross Cost of Services | 73,718 | (4,000) | (773) | 68,945 | 2,061 | 71,006 |
| (Surplus)/ deficit on the provision of services | 16,269 | (4,634) | (169) | 11,466 | (15,619) | (4,153) |

Explanatory Note on unreported/excluded items included in previous two tables:

Items not reported to management are in respect of technical accounting adjustments not known until year-end, such as impairment and pension adjustments. These cannot be made until the relevant guidance is issued/ information known.

Note 29: TRADING OPERATIONS

The Authority has Markets and Industrial Estate Trading Operations, where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the authority or other organisations. Details of all of these units in 2011/12 are as follows:

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 29: TRADING OPERATIONS (continued)

| Trading Operations | 2010/2011 £'000 | 2011/2012 £'000 |
|--|----------------------------|----------------------------|
| Market Undertakings The Authority manages a Market operation in Kidderminster Town Centre, with services provided by a private sector contractor. | | |
| Income | (10) | (10) |
| Expenditure | 8 | - |
| Net Income | (2) | (10) |
| Industrial Estates The Authority provides ground leases on 4 industrial estates. It also lets and manages 27 units on 1 further small industrial estate, comprising of starter units for which an initial rent free incentive may be offered | | |
| Income | (528) | (551) |
| Expenditure | 227 | 339 |
| Net Income | (301) | (212) |

Note 30: MEMBERS ALLOWANCES

Members' Allowances paid during the year are as follows:

| Description of Allowance | 2010/2011 £ | 2011/2012 £ |
|---------------------------------|------------------------|------------------------|
| Allowances | 330,500 | 296,929 |
| Travel & Subsistence | 2,920 | 3,831 |
| Telephone | 14,760 | 6,448 |
| Total Members Allowances | 348,180 | 307,208 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 31: OFFICERS' REMUNERATION

The number of officers whose remuneration for the year exceeded £50,000 (including salary, redundancy payments and other minor allowances):

| Total Remuneration | 2010/2011 | 2011/2012 |
|---------------------------|------------------|------------------|
| £50,000 - £54,999 | 1 | 1 |
| £55,000 - £59,999 | - | - |
| £60,000 - £64,999 | - | - |
| £65,000 - £69,999 | - | 1 |
| £70,000 - £74,999 | 4 | 3 |
| £75,000 - £79,999 | - | - |
| £80,000 - £84,999 | - | - |
| £85,000 - £89,999 | - | - |
| £90,000 - £94,999 | - | - |
| £95,000 - £99,999 | - | - |
| £100,000 - £104,999 | - | - |
| £105,000 - £109,999 | - | - |
| £110,000 - £114,999 | - | 1 |
| £115,000 - £119,999 | 1 | - |

The following table details the remuneration of Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year:

| Position/Post Holder | Salary (including fees & allowances) | Compensation for loss of Office | Benefits In kind | Total Remuneration Excl pension contributions 2011/2012 | Pension Contribution | Total Remuneration Incl pension Contributions 2011/2012 |
|--|---|--|-----------------------------|--|---------------------------------|--|
| | £ | £ | £ | £ | £ | £ |
| Chief Executive Mr I Miller * | 108,303 | - | 1,755 | 110,058 | 31,311 | 141,369 |
| Director of Resources Mr D Buckland (left on 29/02/2012) | 65,924 | - | 485 | 66,409 | 19,382 | 85,791 |
| Director of Legal and Corporate Services Mrs C Newlands | 71,917 | - | 147 | 72,064 | 21,144 | 93,208 |
| Director of Planning and Regulatory Services Mr M Parker | 71,917 | - | 1,101 | 73,018 | 21,144 | 94,162 |
| Director of Community and Partnership Services Mrs L Collis | 71,917 | - | 184 | 72,101 | 21,144 | 93,245 |
| Total | 389,978 | - | 3,672 | 393,650 | 114,125 | 507,775 |

*In addition to the above salary, Mr I Miller received £3,181 in 2011/12 as remuneration for his role as Elections Returning Officer for the Wyre Forest District.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 31: OFFICERS' REMUNERATION (continued)

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

| (a) Exit package cost band (including special payments) | (b) Number of compulsory redundancies | | (c) Number of other departures agreed | | (d) Total number of exit packages by cost band [(b)+(c)] | | (e) Total cost of exit packages in each band | |
|--|--|----------|--|-----------|--|-----------|---|----------------|
| | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 | 2011/12 | 2010/11 £ | 2011/12 £ |
| £0 - £20,000 | 1 | 1 | 4 | 11 | 5 | 12 | 43,067 | 130,842 |
| £20,001 - £40,000 | - | - | 3 | - | 3 | - | 96,750 | - |
| £40,001 - £60,000 | - | - | 1 | - | 1 | - | 40,967 | - |
| £60,001 - £80,000 | - | 2 | - | - | - | 2 | - | 137,205 |
| Total | 1 | 3 | 8 | 11 | 9 | 14 | 180,784 | 268,047 |

The total cost of £268,047 in the table above includes £237,865 for exit packages that have been agreed and charged to the Council's Comprehensive Income and Expenditure Statement in the current year. In addition the Council's Comprehensive Income and Expenditure Statement includes a provision for £30,182, which has been agreed and is payable to 2 officers in 2012/13.

Note 32: EXTERNAL AUDIT COSTS

| Fees payable to the Council's External Auditors | 2010/11 £ | 2011/12 £ |
|--|----------------------|----------------------|
| External Audit Services / Statutory Inspection | 121,927 | 106,433 |
| Certification of Grant Claims | 26,431 | 23,352 |
| Total External Audit Costs | 148,358 | 129,785 |

The agreed fee for external audit and statutory inspection services in 2011/12 was £98,666 (net of rebate). This differs from the amount stated above due to timing differences of the payments.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 33: GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

| Grant Income | 2010/11 £'000 (re-stated) | 2011/12 £'000 |
|---|--|--------------------------|
| Credited to Taxation and Non Specific Grant Income | | |
| Revenue Support Grant | 1,023 | 1,474 |
| Area Based Grant | 327 | - |
| Local Services Support Grant | - | 293 |
| Other Capital Grants | 186 | 20 |
| Total Credited to Taxation and Non Specific Grant Income | 1,536 | 1,787 |
| Credited to Services | | |
| Housing Benefit Subsidy | 36,990 | 37,932 |
| Housing Benefit Admin | 976 | 862 |
| Concessionary Travel | 304 | - |
| Worcestershire Hub Contribution | 188 | 192 |
| NNDR Cost of Collection Allowance | 139 | 137 |
| Homelessness | 128 | 47 |
| Safer & Stronger Communities | 79 | 121 |
| Planning Delivery Grant / New Homes Bonus | 76 | 308 |
| Recycling Enhancement Grant | 55 | 74 |
| Sports Joint Delivery Plan | 36 | 17 |
| Local Housing Allowance Subsidy | 34 | - |
| Land Charges Grant | 34 | - |
| Best Foot Forward | 31 | 22 |
| Community Safety Partnership | 24 | 67 |
| District Council Support Package | 20 | - |
| Wyre Forest Matters | 20 | 51 |
| Air Pollution | 19 | - |
| Future Jobs Fund | 16 | - |
| Baxter Gardens | 15 | - |
| Grazing Animal Project | 15 | - |
| The Dance Project | 14 | 40 |
| Community Sports Coach Scheme | 14 | 30 |
| Rural Payments Agency | 14 | 17 |
| Play Rangers Big Lottery Funding | - | 32 |
| Rangers Educational Events | 10 | - |
| Britannia Gardens - Section 106 | 10 | 39 |
| Shared Service Contribution | - | 493 |
| Worcestershire PCT | - | 250 |
| Council Tax Freeze Grant | - | 173 |
| Natural England | - | 56 |
| Business Start Up Grant Contribution | - | 50 |
| ATLAS Funding | - | 37 |
| Stourvale/Oxbow – Section 106 | - | 26 |
| Neighbourhood Planning Grant | - | 20 |
| WCC Flood Water Management Contribution | - | 20 |
| Employee Support Allowance | - | 18 |
| Sports Development | - | 16 |
| Other Grants | 89 | 110 |
| Total Grant Income Credited to Services | 39,350 | 41,257 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 33: GRANT INCOME (continued)

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached that may require the monies to be returned to the giver.

The balances at the year end are as follows:

Current Liabilities

| Revenue Grants - Receipts in Advance | 31st March 2011 £'000 | 31st March 2012 £'000 |
|---|--------------------------------------|--------------------------------------|
| Rangers Lottery Funding | 14 | - |
| The Dance Project | 18 | - |
| Community Sports Coach Scheme | 16 | - |
| Brittania Gardens/Watery Lane - Section 106 | 36 | - |
| Stourvale/Oxbow Way - Section 106 | 26 | - |
| Employment support allowance | 12 | - |
| Community Safety Partnership | 31 | - |
| Safer & Stronger Communities | 48 | - |
| Wyre Forest Matters | 18 | - |
| Health and wellbeing funding | 22 | - |
| Master plan funding | 50 | - |
| New Homes Bonus | - | 40 |
| Other | 50 | 6 |
| Total Revenue Grants - Receipts in Advance | 341 | 46 |

Long-term Liabilities

| Capital Grants - Receipts in Advance | 31st March 2011 £'000 | 31st March 2012 £'000 |
|---|--------------------------------------|--------------------------------------|
| Community Safety Grant income | 3 | 3 |
| Franchise Street - Section 106 | 70 | 70 |
| Total Capital Grants - Receipts in Advance | 73 | 73 |

Note 34: RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties, that is, bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. 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 Council.

Central Government in England has significant influence over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 34: RELATED PARTY TRANSACTIONS (continued)

The following table details the transactions for the period 1st April 2011 to 31st March 2012 with organisations with which the Council has a related party interest.

| Organisation | Member/Senior Officer | Relationship | Income £'000 | Expenditure £'000 |
|---|--|--------------------------------------|-------------------------|------------------------------|
| Community Housing Group | Cllr J Aston , Cllr D Godwin, Cllr N Gale, Cllr J Greener, Cllr I Hardiman, Cllr G Yarranton | Non-Executive Board Members | 86 | 943 |
| Age Concern | Cllr M Salter | Member | - | 8 |
| Bewdley Development Trust | Cllr S Clee, Town Centres Manager | Director Member | - | 10 |
| Citizens' Advice Bureau | Cllr P Harrison | Board Member | - | 38 |
| Local Government Association | Cllr D Godwin Cllr H Phillips Cllr H Martin Cllr F Oborski | Members | - | 17 |
| North Worcestershire Community Safety Partnership | Cllr I Hardiman | Member | - | 2 |
| Relate – Worcestershire | Cllr B Glass | Member | - | 3 |
| Stourport Forward | Cllr M Salter, Town Centres Manager | Members | - | 15 |
| The Elizabeth Mills Centre | Cllr C Rogers | Member | - | 1 |
| West Midlands Councils Board | Cllr J-P Champion | Member | - | 10 |
| Worcestershire County Council (excludes precepts & Pension) | Cllr M Ahmed, Cllr J-P Champion, Cllr S Clee, Cllr N Desmond, Cllr, M Hart, Cllr A Hingley, Cllr F Oborski, Cllr J Parish, Cllr J Thomas, Cllr G Yarranton | Members (of which 3 Cabinet members) | 609 | 307 |
| Wyre Forest Nightstop & Mediation | Cllr J Phillips | Member | - | 4 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 34: RELATED PARTY TRANSACTIONS (continued)

Outstanding balances as at 31st March 2012 are as follows:

| Organisation | Income £'000s | Expenditure £'000 |
|-------------------------------|--------------------------|------------------------------|
| Community Housing Group | 23 | 14 |
| Worcestershire County Council | 4 | 10 |

Other Public Bodies:

The Council collects precepts on behalf of Worcestershire County Council, Worcestershire Police Authority, Hereford and Worcester Fire & Rescue Authority, and the Town and Parish Councils.

Some Wyre Forest District Council Councillors are also members of these bodies – major transactions between Wyre Forest District Council and other Parishes are shown below:

| Parish Councils | Numbers of Members | Income £'000 | Payments (excl. precepts) £'000 |
|--------------------------------|-------------------------------|-------------------------|--|
| Kidderminster Charter Trustees | 23 | 3 | - |
| Stourport Town Council | 6 | 145 | 76 |
| Bewdley Town Council | 2 | 8 | 101 |

Jointly Controlled Operations:

The Council is a partner in the Worcestershire Regulatory Shared Service Joint Committee, which is a jointly controlled operation hosted by Bromsgrove District Council. Under this shared service the Council paid £565,517 to Bromsgrove District Council, received a refund relating to 2010/11 for £31,710, and placed an accrual in 2011/12 for a further refund which is owed for £61,494 relating to 2010/11 (£32,570) and 2011/12 (£28,924). The Council received £37,997 from them for recharges, and at 31st March 2012 £6,811 was owed by Bromsgrove District Council.

The Council is also a partner in the North Worcestershire Building Control shared service which is a collaborative agreement hosted by Bromsgrove District Council. This shared service commenced on 1st September 2011. Under this shared service the Council paid £131,837 to Bromsgrove District Council and received £5,709 from them for recharges. At 31st March 2012 £992 was owed by Bromsgrove District Council.

The Council hosts the North Worcestershire Economic Development and Regeneration shared service which is a collaborative agreement that commenced on 1st June 2011. Under this shared service the council received £173,393 from Bromsgrove District Council and £269,583 from Redditch Borough Council. Of these amounts £17,339 (BDC) and £25,883 (RBC) were still owed at 31st March 2012. The Council paid £12,154 back to Bromsgrove District Council and £70,479 to Redditch Borough Council for expenditure they had incurred.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 34: RELATED PARTY TRANSACTIONS (continued)

The Council has a collaborative agreement with Redditch Borough Council for the provision of Payroll Services. This shared service commenced on the 1st April 2011. Under this shared service the Council paid £43,619 to Redditch Borough Council for 2011/12.

The Council entered into a shared service with The Community Housing Group Limited (CHG) to jointly provide advice and services to the public through the shared occupancy of the Worcestershire Hub. This agreement commenced on 9th May 2011. Under this agreement the Council receives £19,277 from the CHG. As of 31st March 2012, this amount was owed by CHG.

The Council also hosts the North Worcestershire Water Management Shared Service which is a collaborative agreement that commenced on 1st November 2011. Under this shared service the council received £16,763 from Bromsgrove District Council and £27,590 from Redditch Borough Council. Of these amounts £3,353 (BDC) and £5,518 (RBC) were still owed at 31st March 2012. The Council paid £15,280 back to Redditch Borough Council for expenditure they had incurred during the financial year.

The Council has a shared service for the provision of Human Resources hosted by Worcestershire County Council that commenced 1st November 2010. Under this agreement the Council paid £122,600 for this service in 2011/12.

Note 35: CAPITAL EXPENDITURE AND CAPITAL FINANCING

| Capital Expenditure and Capital Financing | 2010/11 £'000 | 2011/12 £'000 |
|--|--------------------------|--------------------------|
| Opening Capital Financing Requirement | 1,697 | 2,959 |
| Operational Assets | 2,152 | 1,016 |
| Non-operational Assets | 1,435 | 4,423 |
| Revenue Expenditure Funded from Capital Under Statute | 1,148 | 2,324 |
| Capital Receipts | (2,128) | (4,756) |
| Government Grants and other Contributions | (765) | (664) |
| Sums Set Aside from Revenue | (580) | (732) |
| Closing Capital Financing Requirement | 2,959 | 4,570 |
| Explanation of movements in the year: | | |
| Increase in underlying requirement to borrow (unsupported by Government financial assistance) | 1,262 | 1,611 |
| Increase in Capital Financing Requirement | 1,262 | 1,611 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 36: LEASES

The authority was committed at 31st March 2012 to making payments of £107,700 under operating leases in 2012/13, comprising the following elements:

| Leases | 31 st March 2011 | | 31 st March 2012 | |
|---|-----------------------------|---------------------------------|-----------------------------|---------------------------------|
| | Land and Buildings £'000 | Other Operating Leases £'000 | Land and Buildings £'000 | Other Operating Leases £'000 |
| Not later than one year | - | - | 74 | - |
| Later than one year and not later than five years | 110 | 5 | 34 | - |
| Later than five years | 34 | - | - | - |
| Total | 144 | 5 | 108 | - |

Other Operating Leases

The Council has previously provided vehicles, equipment and systems through operating leases. Following the introduction of the Prudential Code there were no assets acquired by lease during 2011/12. The amount paid under outstanding operating lease obligations in 2011/12 was £102 (2010/11 £926).

Land and Buildings

The Council leases an automated public convenience in Stourport and land at Rushock Trading Estate, accounted for as operating leases. The rentals payable in 2011/12 were £7,061 for the automated public convenience (2010/11 £7,061) and £27,240 for land at Rushock Trading Estate (2010/11 £27,240). In addition, the Council leases Duke House, Clensmore Street on a short-term lease. The amount payable in 2011/12 was £110,000 (2010/11 £110,000).

Note 37: VALUATION OF NON CURRENT ASSETS

The Council's Land, Buildings, Community Assets and Surplus Assets are valued on a five year rolling programme. Investment Properties and Assets Held for Sale are subject to an annual revaluation. In addition, all residual values are reviewed annually. The current asset values used in the accounts are based on valuations provided by V Bendall, MRICS, P Harris, MRICS (the Council's Estates Surveyors) and Bruton Knowles, Independent Valuers. The valuations of assets carried at current value are analysed in the table below. This table does not include Vehicles, Plant and Equipment or Assets under Construction as these assets are carried at Depreciated Historical Cost and are not, therefore, subject to revaluation.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 37: VALUATION OF NON CURRENT ASSETS (continued)

Valuations of non current assets carried at current value:

| Description | Land and Buildings £'000 | Community Assets £'000 | Investment Properties £'000 | Surplus Assets £'000 | Assets Held for Sale £'000 | Total £'000 |
|-----------------------------|-----------------------------|---------------------------|--------------------------------|-------------------------|-------------------------------|----------------|
| Valued at historical cost | 338 | 162 | - | - | - | 500 |
| Valued at current value in: | | | | | | |
| 2011/2012 | 1,766 | 111 | 5,939 | 400 | 628 | 8,844 |
| 2010/2011 | 26,654 | 343 | 2,102 | 395 | 780 | 30,274 |
| 2009/2010 | - | - | - | - | - | - |
| 2008/2009 | - | 104 | - | - | - | 104 |
| 2007/2008 | 106 | - | - | - | - | 106 |
| Total | 28,864 | 720 | 8,041 | 795 | 1,408 | 39,828 |

Note 38: TERMINATION BENEFITS

The Council terminated the contracts of 14 employees in 2011/12, incurring liabilities of £268,047 (2010/11 £180,784) – see Note 31 for the number of exit packages and total cost per band. A Provision has been made for Termination Benefits in respect of 2 employees as part of internal service review decisions taken before the 31st March 2011, incurring liabilities of £30,182. See Note 22 - Provisions. The Council had one ill-health retirement in 2011/12, that is excluded from the above figures.

Note 39: POST EMPLOYMENT BENEFITS

As part of the terms and condition of employment of its officers, the Council makes contributions towards the costs of post employment benefits. Although these benefits will not be payable until the employee retires, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme, administered locally by Worcestershire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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:

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 39: POST EMPLOYMENT BENEFITS (continued)

| Funded Benefit Scheme | 2010/11 £'000 | 2011/12 £'000 |
|---|--------------------------|--------------------------|
| Cost of Services | | |
| Current Service Cost | 1,265 | 1,093 |
| Past Service and Curtailment Costs | (5,209) | 228 |
| Financing and Investment Income and Expenditure | | |
| Expected Return on Assets | (3,400) | (3,728) |
| Interest on Pension Liabilities | <u>5,107</u> | <u>4,676</u> |
| Total Post Employment Benefit Charge to the Surplus or Deficit on the Provision of Services | (2,237) | 2,269 |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | <u>4,265</u> | <u>(108)</u> |
| Actual amount charged against the General Fund for pensions in the year | | |
| Employers Contribution payable to the scheme | 2,028 | 2,161 |

| Unfunded Benefit Scheme | 2010/11 £'000 | 2011/12 £'000 |
|---|--------------------------|--------------------------|
| Cost of Services | | |
| Current Service Cost | - | - |
| Past Service and Curtailment Costs | (348) | - |
| Financing and Investment Income and Expenditure | | |
| Expected Return on Assets | - | - |
| Interest on Pension Liabilities | <u>405</u> | <u>333</u> |
| Total Post Employment Benefit Charge to the Surplus or Deficit on the Provision of Services | 57 | 333 |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | <u>426</u> | <u>160</u> |
| Actual amount charged against the General Fund for pensions in the year | | |
| Employers Contribution payable to the scheme | 483 | 493 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 39: POST EMPLOYMENT BENEFITS (continued)

In addition to the recognised gains and losses included in the Comprehensive Income and Expenditure Statement, actuarial losses of £7,832,000 (gains of £5,950,000 in 2010/11) were also included in the Statement.

Assets and Liabilities in Relation to Post Employment Benefits

Reconciliation of present value of the scheme liabilities:

| | 2010/11 £'000 Unfunded Benefits | 2010/11 £'000 Funded Benefits | 2011/12 £'000 Unfunded Benefits | 2011/12 £'000 Funded Benefits |
|---|--|--|--|--|
| Opening balance at 1 st April | (7,478) | (41,692) | (6,308) | (32,221) |
| Current Service Costs | - | (1,265) | - | (1,093) |
| Contribution by scheme participants | 483 | 2,028 | 493 | 2,161 |
| Benefits Paid | - | - | - | - |
| Curtailment Costs | 348 | 5,209 | - | (228) |
| Interest cost | (405) | (5,107) | (333) | (4,676) |
| Expected return on assets | - | 3,400 | - | 3,728 |
| Actuarial Gain/(Loss) | 744 | 5,206 | (142) | (7,690) |
| Net Pension Liability at 31 st March | (6,308) | (32,221) | (6,290) | (40,019) |

In the UK budget statement on 22nd June 2010 the Chancellor announced that with effect from 1st April 2011 public service pensions would be up-rated in line with Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

Reconciliation of fair value of the scheme:

| | 2010/2011 £'000 Unfunded Benefits | 2010/2011 £'000 Funded Benefits | 2011/2012 £'000 Unfunded Benefits | 2011/2012 £'000 Funded Benefits |
|---|--|--|--|--|
| Opening balance at 1 st April | - | 50,478 | - | 53,779 |
| Expected rate of Return | - | 3,400 | - | 3,728 |
| Actuarial Gain/(Loss) | - | 1,085 | - | (4,845) |
| Employer Contributions | 483 | 2,028 | 493 | 2,161 |
| Contributions by scheme participants | - | 470 | - | 441 |
| Benefits Paid | (483) | (3,682) | (493) | (3,503) |
| Closing balance at 31 st March | - | 53,779 | - | 51,761 |

The expected return on scheme assets is determined by considering the expected return available on the assets underlying the current investment policy. Expected yields on fixed 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 loss on scheme assets in the year was £1,118,000 (2010/11 gains of £4,140,000).

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 39: POST EMPLOYMENT BENEFITS (continued)

Scheme History

| | 31st March 2008 £'000 | 31st March 2009 £'000 | 31st March 2010 £'000 | 31st March 2011 £'000 | 31st March 2012 £'000 |
|--|--|--|--|---|---|
| Fair Value of Assets in the Local Government Pension Scheme | | | | | |
| Local Government Pension Scheme | 47,124 | 36,185 | 50,478 | 53,779 | 51,761 |
| Unfunded Benefits | - | - | - | - | - |
| Present Value of Liabilities | | | | | |
| Local Government Pension Scheme | (82,043) | (70,531) | (92,170) | (86,000) | (91,780) |
| Unfunded Benefits | (7,423) | (6,298) | (7,478) | (6,308) | (6,290) |
| Net Liabilities | (42,342) | (40,644) | (49,170) | (38,529) | (46,309) |

The liabilities show the underlying commitments that the Council has in the long run to pay post employment (retirement) benefits. The total liability of £46,309,000 has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in an overall balance of £13,483,000.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the schemes independent actuaries, Mercer Human Resource Consulting Ltd.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2012/13 is £2,496,000.

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 including mortality rates and salary levels etc. The Local Government Pension Scheme has been assessed by Mercer Ltd, an independent firm of actuaries, and estimates for the Council fund are based on the latest full valuation of the scheme as at 1st April 2010.

The Principal assumptions used by the actuary have been:

| Long term expected rate of return on assets in the scheme | | |
|--|----------------------|----------------------|
| | 2010/11 % | 2011/12 % |
| Equities | 7.50 | 7.00 |
| Government Bonds | 4.40 | 3.10 |
| Other Bonds | 5.10 | 4.10 |
| Property | N/A | 6.00 |
| Cash/Liquidity | 0.50 | 0.50 |
| Other | N/A | 7.00 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 39: POST EMPLOYMENT BENEFITS (continued)

| Financial Assumptions | | |
|--|----------------|----------------|
| | 2010/11 | 2011/12 |
| | % | % |
| Rate of Inflation (RPI) | 3.40 | Not shown |
| Rate of Inflation (CPI) | 2.90 | 2.50 |
| Rate of increase in salaries | 4.40 | 4.00 |
| Rate of increase in pensions | 2.90 | 2.50 |
| Discount Rate on liabilities | 5.50 | 4.90 |
| Take up of option to convert annual pension into retirement lump sum | 50 | 50 |

| Mortality Assumptions | | |
|---------------------------------------|------------------|------------------|
| | 2010/2011 | 2011/2012 |
| | Yrs | Yrs |
| Longevity at 65 of current pensioners | | |
| Male | 22.0 | 22.1 |
| Female | 24.5 | 24.6 |
| Longevity at 65 of future pensioners | | |
| Male | 23.4 | 23.5 |
| Female | 26.1 | 26.1 |

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

| Split of assets between investment categories | | |
|--|------------------|------------------|
| | 2010/2011 | 2011/2012 |
| | % | % |
| Equities | 92.70 | 88.90 |
| Government Bonds | 2.60 | 3.20 |
| Other Bonds | 3.80 | 4.00 |
| Cash/Liquidity | 0.90 | 3.90 |

History of Experience of Gains and Losses

The actuarial gains and losses identified as movements on the Pension Reserve for the current and recent years can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March each year:

| | 31st | 31st | 31st | 31st | 31st |
|---|--------------|--------------|--------------|--------------|--------------|
| | March | March | March | March | March |
| | 2008 | 2009 | 2010 | 2011 | 2012 |
| | % | % | % | % | % |
| Difference between expected and actual return on assets | (14.5) | (40.2) | 27.5 | 2.0 | 9.4 |
| Experience gains and losses on liabilities | 0.4 | - | - | 4.9 | - |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 39: POST EMPLOYMENT BENEFITS (continued)

Pensions Liability Relating to Shared Services

For the Regulatory shared services governed by Joint Committee this Council transferred its staff to the host authority – Bromsgrove District Council on a fully funded basis for pension's purchases. The shared service was admitted to the pensions fund as a ghost admitted body, as such any liability or surplus that accrues is the responsibility of the partners to those shared services.

The table below shows the overall deficit of the admitted bodies together with this Council's share as defined by the partnership legal agreement.

| | 2011/12 £'000 |
|------------------------------------|--------------------------|
| Present value of liabilities | 18,167 |
| Fair value of assets | (16,951) |
| (Surplus)/Deficit in scheme | 1,216 |
| WFDC Share – 10.82% | 132 |

Further information can be found in the Worcestershire County Council's Pension Fund Annual Report which is available upon request from Mr. P Birch C.P.F.A., Director of Resources, Worcestershire County Council, County Hall, Spetchley Road, Worcester, WR5 2NP. www.worcestershire.gov.uk

Note 40: CONTINGENT LIABILITIES

Upon transfer to the New HQ the Council will be vacating various properties. There may be a contingent liability in respect of dilapidations. It is not possible to quantify the liability of any potential dilapidations charges at this time, if any.

The Council has a number of Service Reviews in progress as part of the Wyre Forest Forward Work Programme; these are programmed over the medium term financial strategy. It is possible that these Service Reviews will result in reductions in employee numbers and a reduction in overall service costs necessitating the payment of Severance Costs that may be classed as future Termination Benefits. As the exact details of these future severance costs are not yet known they are a potential contingent liability, applicable in particular to the Systems Thinking service interventions for 2012/13, although there are several other smaller service reviews for which this contingent liability may also be relevant. The Council has recognised the need to resource the cost of implementing such Cabinet Proposals and approved a 2011/12 budget of £700,000 towards funding such one-off costs. This has been utilised in part and replenished by a further approval leaving £552,474 in balances as at 31st March 2012.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 41: TRUST FUNDS

The Kidderminster Educational Foundation is a registered charity governed by a Scheme made by the Secretary of State on 31st July 1973, varied by a Scheme approved by the Charity Commissioners on 7th August 1991. In the original trust deeds, Kidderminster Borough Council was appointed Corporate Trustee of the Foundation. Wyre Forest District Council succeeded as Corporate Trustee on 1st April 1974 under Section 210 of the Local Government Act 1972. The Council is the Corporate Trustee of the Charity. Individual Members are not themselves Trustees. The assets of the Foundation were mainly derived from the sale of assets (the Old Schools of Art and Science) and these are held in trust by the Council and can only be used to further the objectives expressed in the governing scheme. The basic activity of the Foundation is a grant-maker to individuals and to assist other organisations in their activities, which comply with the governing objectives. This Fund is invested in the money market but is not included within the Balance Sheet. The capital balance invested during the year was £271,209 (£271,209 at 31st March 2011) whilst the revenue balance was £11,410 at 31st March 2012 (£8,791 at 31st March 2011).

The Council became trustee of the Bewdley Museum Trust in May 1975, and operates the Museum as a local service under powers contained in the Public Libraries and Museums Act 1964. The Council retains the shop profits to partially offset the gross expenditure incurred in running the Museum. There is, therefore, no income or expenditure accruing directly to the Trust.

| 2011/2012 | Income £'000 | Expenditure £'000 | Assets £'000 | Liabilities £'000 |
|--------------------------------------|-------------------------|------------------------------|-------------------------|------------------------------|
| Kidderminster Educational Foundation | 9 | 7 | 282 | - |
| TOTAL | 9 | 7 | 282 | - |
| Bewdley Museum Trust | - | - | - | - |
| TOTAL | - | - | - | - |

Note 42: BUILDING REGULATIONS CHARGEABLE AND NON-CHARGEABLE ACCOUNT

The Building (Local Authority Charges) Regulations 2010 require local authorities to publish a financial statement relating to the Building Regulations Chargeable and Non-chargeable Account by 30th September each year. Previously, the Chargeable and Non-chargeable accounts were operated under the Building (Local Authority Charges) Regulations 1998.

On 1st September 2011, the North Worcestershire Building Control Shared Service was formed comprising of Wyre Forest District Council, Redditch Borough Council and Bromsgrove District Council. The shared service is hosted by Bromsgrove District Council. Outturn for 2010/11 is also shown below for comparison purposes.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 42: BUILDING REGULATIONS CHARGEABLE AND NON-CHARGEABLE ACCOUNT
(continued)

| | 2010/11 | | | 2011/12 | | |
|---------------------------------------|------------------|-------------------------|------------------|------------------|-------------------------|------------------|
| | Chargeable £ | Non- Chargeable £ | Total £ | Chargeable £ | Non- Chargeable £ | Total £ |
| Expenditure | | | | | | |
| Employees | 130,330 | 92,250 | 222,580 | 51,320 | 37,960 | 89,280 |
| Premises | 12,230 | 8,690 | 20,920 | 5,750 | 1,440 | 7,190 |
| Transport | 8,390 | 4,520 | 12,910 | - | - | - |
| Supplies & Services | 5,820 | 2,300 | 8,120 | 17,700 | 4,120 | 21,820 |
| Third Party Payments | - | - | - | 109,350 | 22,490 | 131,840 |
| Support Services | 52,840 | 39,460 | 92,300 | 52,690 | 32,520 | 85,210 |
| Total Expenditure | 209,610 | 147,220 | 356,830 | 236,810 | 98,530 | 335,340 |
| Income | | | | | | |
| Building Regs Charges | (209,860) | - | (209,860) | (228,790) | - | (228,790) |
| Partnership Income | (19,260) | - | (19,260) | (10,050) | - | (10,050) |
| Miscellaneous Income | (870) | - | (870) | (450) | - | (450) |
| Reimbursement of Expenditure | - | - | - | (4,470) | (1,240) | (5,710) |
| Total Income | (229,990) | - | (229,990) | (243,760) | (1,240) | (245,000) |
| <i>(Surplus)/Deficit for the Year</i> | <i>(20,380)</i> | <i>147,220</i> | <i>126,840</i> | <i>(6,950)</i> | <i>97,290</i> | <i>90,340</i> |
| <u>(Surplus)/Deficit Balance</u> | | | | | | |
| Brought Forward | (29,500) | | | (49,880) | | |
| Carried Forward | (49,880) | | | (56,830) | | |

The Building Regulations Chargeable account continues to be a “ring-fenced” account with year end surpluses/deficits held in earmarked reserves subject to review and comparison of costs and income.

Note 43: HERITAGE ASSETS: FIVE-YEAR SUMMARY OF TRANSACTIONS

The Code of Practice for Local Authority Accounting in the United Kingdom requires a disclosure note, in table format, showing, over the last five years; the total cost of purchases, total value of acquisitions (by donations) together with the carrying value and proceeds from disposals. This can be aggregated into groups or classes of heritage assets, provided such aggregation does not obscure significant information. A table format is not considered to assist in the further understanding of the transactions over the last five years as there were no transactions of any significance prior to 2011/12. The only transaction in 2011/12 was the cost of acquiring the Horse sculpture (£11,992),

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 44: HERITAGE ASSETS: FURTHER INFORMATION ON MUSEUM COLLECTIONS

There are approximately 30,000 items held by the Council, of which (approximately) 10,000 items are in the Bewdley collection and 20,000 items in the Kidderminster collection, acquired in 1990 following the closure of the Kidderminster Museum and Art Gallery. The collection includes the William Hill Organ, built in 1855, on display at Kidderminster Town Hall. It is one of only five of its type in the world and attracts visitors from across the globe, with many coming from the USA.

The Council own over 95% of the museum collections of which 30% of those on display relate to the working trades of the Wyre Forest area and include wooden artefacts (spale baskets, besoms, tools etc) pewter, brass, fire and agricultural equipment and some large scale industrial machinery. The reserve social and industrial collections include additional materials associated with these trades and materials relating to coalmining, the carpet industry together with domestic & personal life. The Kidderminster collection includes paintings, textiles, printed matter and small collections of natural history, geology, archaeology and ethnography. There is also a significant photographic and oral history archive held in the Bewdley Museum.

At any one time, 10% of the collection is on display, the rest are held in storage for either repair or because of the Museum's policy of periodically changing items on display. Although not open to the public, access is permitted to scholars and others for research purposes.

The Museum occasionally accepts, on loan, items from collections belonging to other museums which although not included in the Balance Sheet are covered by the Council for insurance purposes. The total insurance valuation, as at 31 March 2012, of items on loan from other museums is £26,000. It occasionally loans items from its collections to other museums. These remain on the Council's Balance Sheet. There are no items loaned out at this date.

There is an annual budget of £300 for preservation and restoration costs charged to the Comprehensive Income and Expenditure Statement.

Heritage assets are managed in accordance with the policies that are approved by the Council. A data base is maintained recording the nature (with historical commentary), provenance, condition and current location.

The museum recognises its responsibility in acquiring additions to collections, taking into account limitations on collecting imposed by such factors as staffing, storage, arrangements to care for the collections and the policies of other museums or organisations collecting in the same or related area or subject field. To support this, the Council will add to the collection by purchases or acquisitions e.g. by donations if the item is of exceptional historical interest and then only if it meets the objectives of the Museum and the Council in terms of its collection of heritage assets. The Museum does not currently have a budget for additions to its collections.

Further information is provided on the Council's web site www.wyreforest.gov.uk/museums.

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 45: HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE FOR LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM

For 2011/12 the Council is required to change its accounting policy for heritage assets and recognise them at valuation in the Balance Sheet. Previously, the Worcester Street clock was recognised in the Balance Sheet as a community asset within property, plant and equipment. All other heritage assets, including museum collections, were not previously required to be recognised in the Balance Sheet. The Council's new accounting policy for recognition and measurement of heritage assets are set out in Note 1.11.

In applying the new accounting policy, the Council has identified the Worcester Street clock, previously held as a community asset within property, plant and equipment at £62k as at 31 March 2011, now to be recognised as a heritage asset, as at 1 April 2010, at the same valuation. The Council is also required to recognise, as at 1 April 2010, an additional £1,095k in respect of other heritage assets that had not previously been required to be recognised in the Balance Sheet. This amount is also recognised in the Revaluation Reserve.

The 1st April 2010 and 31st March 2011 Balance Sheets and 2010/11 comparative figures have been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1st April 2010 the carrying amount of the heritage assets is presented at its net book valuation of £1,157k. The element that was previously recognised in property, plant and equipment has been reclassified and the revaluation reserve has increased by £1,095k.
- The fully restated 1 April 2010 Balance Sheet is provided on page 19. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet as at 1 April 2010

| | Opening Balance as at 1st April 2010 | Restatement | Restatement required to Opening Balances as at 1st April 2010 |
|--|--|--------------------|---|
| | £'000 | £'000 | £'000 |
| Property, Plant & Equipment: Community Assets | 699 | (62) | 637 |
| Heritage Assets | - | 1,157 | 1,157 |
| Long Term Assets | 48,773 | 1,095 | 49,868 |
| Net Assets | 13,016 | 1,095 | 14,111 |
| Unusable Reserves | (4,620) | 1,095 | (3,525) |
| Total Reserves | 13,016 | 1,095 | 14,111 |

WYRE FOREST DISTRICT COUNCIL

NOTES TO THE ACCOUNTS 2011/12

Note 45: HERITAGE ASSETS: CHANGE IN ACCOUNTING POLICY REQUIRED BY THE CODE OF PRACTICE FOR LOCAL AUTHORITY ACCOUNTING IN THE UNITED KINGDOM
(continued)

There is no restatement required to the 2010/11 Comprehensive Income and Expenditure Statement or Movement in Reserves Statement.

The resulting restated Balance Sheet for 31st March 2011 is provided on page 19. The adjustments that have been made to that Balance Sheet over the version published in the 2010/11 Statement of Accounts are as follows:

| | As Previously Stated 31st March 2011 £'000 | Restatement £'000 | As Restated 31st March 2011 £'000 |
|--|--|-----------------------------------|--|
| Property, Plant & Equipment: Community Assets | 764 | (71) | 693 |
| Heritage Assets | - | 1,166 | 1,166 |
| Long Term Assets | 50,138 | 1,095 | 51,233 |
| Net Assets | 23,442 | 1,095 | 24,537 |
| Unusable Reserves | 6,367 | 1,095 | 7,462 |
| Total Reserves | 23,442 | 1,095 | 24,537 |

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £1,166k on the Balance Sheet. The Revaluation Reserve has increased by £1,095k and property, plant and equipment has been restated by the amount of heritage assets previously recognised at depreciated historic cost in community assets (a sub-classification of property, plant and equipment) of £71k.

Note 46: EXCEPTIONAL ITEM FOR 2010/11

Following the UK Government's announcement on 22 June 2010, the inflation index to be used to derive the statutory pension increase has been changed from RPI to CPI. Due to differences between the indices, CPI is expected to be less than RPI over the long-term, which means that the defined benefit obligation (i.e. the amount the Council would have to pay to satisfy all pension entitlements that have been earned by employees to date) has reduced. This has been accounted for as a change to the constructive obligation to provide certain benefits to Scheme members and gives rise to a negative past service cost. This resulted in a credit of £5.557m to the Comprehensive Income and Expenditure Account in 2010/11.

This did not have an impact on the General Fund balance as the entry was reversed via the Movement in Reserves Statement.

There are no exceptional items to report in the 2011/12 accounts.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

THE COLLECTION FUND ACCOUNT 2011/12

| 2010/11 | | 2011/12 | |
|-----------------|---|-----------------------------|-----------------|
| £'000 | <u>Income</u> | £'000 | £'000 |
| (44,425) | Income from Council Tax | | (44,914) |
| | Transfers from General Fund: | | |
| (8,472) | Council Tax Benefits | (8,390) | |
| 1 | Transitional Relief | 1 | |
| <u>(52,896)</u> | | <u> </u> | (8,389) |
| (25,001) | Non-Domestic Rates | | (26,975) |
| <u>(77,897)</u> | Total Income | | <u>(80,278)</u> |
| | <u>Expenditure</u> | | |
| | Precepts and Demands | | |
| 36,396 | Worcestershire County Council | 36,726 | |
| 6,260 | West Mercia Police Authority | 6,317 | |
| 2,580 | Hereford & Worcester Combined Fire Authority | 2,603 | |
| 7,382 | Wyre Forest District Council (including parishes) | 7,447 | |
| <u>52,618</u> | | <u> </u> | 53,093 |
| 243 | Provision for Non-Payment of Council Tax | | 160 |
| | Non-Domestic Rates | | |
| 24,816 | Payment to National Pool | 26,621 | |
| 139 | Cost of Collection Allowance | 137 | |
| <u>24,955</u> | | <u> </u> | 26,758 |
| 46 | Provision for Non-Payment of Non-Domestic Rates | | 217 |
| <u>77,862</u> | Total Expenditure | | <u>80,228</u> |
| <u>(35)</u> | Surplus for the Year | | <u>(50)</u> |
| (108) | Surplus Balance B/fwd as at 1 st April 2011 | | (143) |
| (35) | Surplus for the Year | | (50) |
| <u>(143)</u> | Surplus Balance C/fwd as at 31st March 2012 | | <u>(193)</u> |

This statement represents the transactions of the Collection Fund, a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non-Domestic Rates on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

NOTES TO THE COLLECTION FUND ACCOUNT

Note 1: NATIONAL NON-DOMESTIC RATES (NNDR) (BUSINESS RATES)

NNDR is organised on a National basis. A five-yearly revaluation is carried out by the Government, the latest coming into effect from 2010/11. The Government specifies an amount (41.4p in 2010/11 and 43.3p in 2011/12) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. From 1st April 2005 the Government introduced a second multiplier for small businesses 40.7p in 2010/11 and 42.6p in 2011/12. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The Non-Domestic rateable value of the Council's area at 31st March 2012 was £73,486,049 (31st March 2011 - £73,167,810).

Note 2: COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council, Worcestershire County Council, West Mercia Police Authority and The Hereford and Worcester Fire and Rescue Authority for the forthcoming year and dividing this by the Council Tax base. This basic amount of Council Tax for a band D property, £1,489.04 for 2011/12 (£1,489.04 for 2010/11) is multiplied by the proportion specified for the particular band to give an individual amount due. Council Tax written off in the year amounted to £115,942.85 (£126,484.15 in 2010/11).

The Council taxbase, which is used in the calculation of the Council Tax, is based upon the number of dwellings in each valuation band on the listing produced by the Listing Officer. This is adjusted for exemptions, discounts, disabled banding changes and appeals. The taxbase estimate for 2011/12 was 35,461 calculated as follows:

| Valuation Band | Number of Dwellings Per Valuation List | Adjustment for Disabled Banding Appeals, Discounts & Exemptions | Full Charge Equivalent | Approximate Ratio to Band D Charge | Band D Equivalent |
|---|--|---|------------------------|------------------------------------|-------------------|
| Band A | 10,905 | (2,090.85) | 8,814.15 | 6/9 | 5,876.12 |
| Band B | 11,052 | (1,220.90) | 9,831.10 | 7/9 | 7,646.46 |
| Band C | 10,859 | (977.15) | 9,881.85 | 8/9 | 8,783.91 |
| Band D | 5,977 | (480.25) | 5,496.75 | 1 | 5,496.80 |
| Band E | 3,184 | (203.20) | 2,980.80 | 11/9 | 3,643.25 |
| Band F | 1,662 | (101.55) | 1,560.45 | 13/9 | 2,254.03 |
| Band G | 1,143 | (62.70) | 1,080.30 | 15/9 | 1,800.55 |
| Band H | 122 | (8.00) | 114.00 | 2 | 228.05 |
| Total | 44,904 | (5,144.60) | 39,759.40 | | 35,729.17 |
| Less Allowance for Non Collection District Tax Base | | | | | (268.17) |
| | | | | | 35,461.00 |

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

NOTES TO THE COLLECTION FUND ACCOUNT (CONTINUED)

Note 2: COUNCIL TAX (continued)

The income of £53,303,000 for 2011/12 is receivable from the following sources:

| Council Tax Income | £'000 |
|--|---------------|
| Billed to council tax payers | 44,914 |
| Transferred from general fund: | |
| Council tax benefits | 8,390 |
| Less: Transitional Relief adjusted from previous years | (1) |
| Total | 53,303 |

Note 3: CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The surplus of £193,000 on the Collection Fund at 31st March 2012 will be distributed in subsequent financial years to the Council, Worcestershire County Council, West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority in proportion to the value of the respective precepts and demands made by the four Authorities on the Collection Fund.

Note 4: PRECEPTING AUTHORITIES

The Authorities that made significant precepts and demands on the Collection Fund in 2011/12 are as follows:

| Precepting Authorities | £'000 |
|---|--------------|
| Worcestershire County Council | 36,476 |
| West Mercia Police Authority | 6,274 |
| Hereford and Worcester Fire and Rescue Authority | 2,585 |
| Wyre Forest District Council (including parishes) | 7,397 |

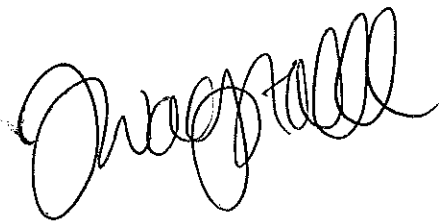
WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

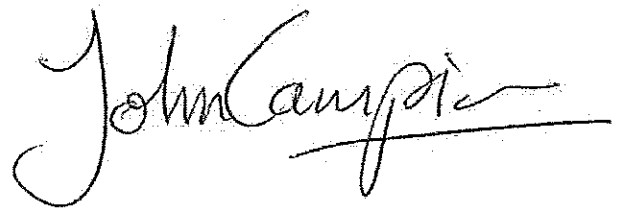
DIRECTOR OF RESOURCES AND LEADER'S CERTIFICATE

The Statement of Accounts on pages 2 to 97 is prepared and published in accordance with the Accounts and Audit (England) Regulations 2011.

The accounts have been prepared on a historic cost basis, in accordance with the Code of Practice on Local Authority Accounting and the Service Reporting Code of Practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and also with the guidance notes issued by CIPFA on the application of Accounting Standards. They present a true and fair position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2012.



**JOANNE WAGSTAFFE, CPFA
DIRECTOR OF RESOURCES**



**COUNCILLOR J P CAMPION
LEADER OF THE COUNCIL**

20th June 2012

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/2012

GLOSSARY OF FINANCIAL TERMS

ACCOUNTING POLICIES

The policies and concepts used in the preparation of the accounts.

ACCRUALS

Income and expenditure are shown in the accounts in the period they are earned or incurred, not as money is received or paid. All entries shown are therefore in respect of the 2011/12 financial year.

ACTUARY

An expert on pension scheme assets and liabilities.

ASSET

Something the Council owns – for example a building, some cash or money owed to it.

ASSET REGISTER

Each Local Authority is required to compile a register of all its capital assets (examples include premises, vehicles, equipment and computer systems). Each asset must be professionally valued, generally at replacement cost, every five years. Capital charges for the use of assets are calculated on the values contained in the Asset Register.

AUDIT OPINION

The auditor's opinion on whether the Council's accounts show a true and fair view of its financial affairs. If the auditors are satisfied with the accounts, they will issue an unqualified audit opinion.

BALANCE SHEET

A year-end statement prepared by all public and private sector organisations, which shows the net assets controlled by the organisation and how these have been funded. The Balance Sheet is known as the Statement of Financial Position under IFRS.

BUDGET

A statement detailing the Council's financial policy over a specified period of time.

CAPITAL ADJUSTMENT ACCOUNT

Capital Adjustment Account – this reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them

CAPITAL EXPENDITURE

Expenditure on acquisition, construction or improvement of assets (property, plant and equipment) which have a value to the authority for more than one year e.g. land and buildings.

CAPITAL GUIDELINES

The sum set by the Government as their view of appropriate capital spending levels on services.

CAPITAL PROGRAMME

The Authority's plan of capital expenditure on capital schemes/projects for current and future financial years, including details on the funding of the programme.

CAPITAL RECEIPTS

Income from the sale of capital assets, such as land or buildings, which may also be available to finance other items of capital (but not revenue) expenditure.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

GLOSSARY OF FINANCIAL TERMS (continued)

CENTRAL SUPPORT SERVICES

The provision of services by the central divisions of the Council in respect of finance, personnel, legal, policy, administration, information technology and property.

CODE OF PRACTICE ON LOCAL GOVERNMENT ACCOUNTING (THE CODE)

The replacement for the Statement of Recommended Practice (SORP), following the 1st April 2010 implementation of International Financial Reporting Standards (IFRS). The Code is the framework for publishing local authority statutory accounts based on accounting standards and interpretations issued by the IASB and IFRIC, modified to reflect specific statutory requirements.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

A statement of the Council's net revenue costs in the year and how this cost was financed by Government grant and taxpayers.

CONTINGENT LIABILITY

A possible or present obligation which is difficult to quantify, or which may not come to pass (A Liability which can not be reasonably estimated and may, or may not be incurred depending on the outcome of a future event).

CORPORATE AND DEMOCRATIC CORE (CDC)

The Corporate and Democratic Core consists of two elements, Democratic Representation and Management (DRM) and Corporate Management.

DRM includes all aspects of members' activities including corporate programme and service policy making, together with officer time in support of these functions. Examples of costs charged to DRM includes all members allowances and expenses.

Corporate Management concerns those activities and costs which allow services to be provided, whether by the authority or not, and the information which is required for public accountability. Costs properly charged to this heading include time spent in allocating corporate resources and producing the annual accounts, treasury management activities and external audit fees for the statutory audit.

COUNCIL TAX

A tax collected by the District Council which is payable at the same rate by each household in the same valuation band in the same area. There are eight Council Tax bands and how much each household pays depends upon the value of the homes. Council tax income is distributed to Precepting Authorities.

COUNCIL TAX DISCOUNTS AND EXEMPTIONS

Discounts are available to people who live alone and owners of homes that are not anyone's main home. Council Tax is not charged for certain properties, known as exempt properties, like those lived in only by students.

COUNCIL TAXBASE

The Council Tax base of an area is equal to the number of band D equivalent properties. To calculate this, the Government counts the number of properties in each band and works out an equivalent number of band D properties. For example, one band H property is equivalent to two band D properties; because it attracts twice as much tax.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

GLOSSARY OF FINANCIAL TERMS (continued)

COUNCIL TAX BENEFIT

Amounts deducted from the bills of council tax payers whose incomes fall below prescribed amounts which take into account the financial circumstances of the taxpayer. The majority of the cost of this scheme is met by Central Government which reimburses authorities for the reduction made in bills by means of a direct grant known as council tax benefit subsidy.

COUNTERPARTY REPORT

List of approved Financial Institutions the Council can invest surplus funds with. This is based on Credit Ratings criteria approved by Council within the Treasury Management Policy.

CREDITORS

Amounts owed by the District Council for work done, goods or services received but for which payment has not been made by the end of the accounting period.

CURRENT ASSET OR LIABILITY

An asset or liability the Council expects to hold for less than one year.

DEBTORS

Amounts due to the District Council but unpaid by the end of the accounting period.

DEPRECIATION

The measure of the cost or revalued amount of the benefits of an asset that have been consumed/used during the financial year. Consumption includes wear and tear, age and obsolescence.

DIRECT REVENUE FINANCING

Revenue resources used to finance Capital Expenditure.

EARMARKED RESERVES

Amounts set aside for purposes falling outside the definition of provisions.

FAIR VALUE

The amount for which an asset or liability could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FEES AND CHARGES

In addition to income from the Government, Local Authorities charge for numerous services including car parking.

FINANCE LEASE

An arrangement whereby the party leasing the asset has most or all of the use of an asset, and the lease payments are akin to repayments on a loan.

FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Examples include borrowings, loans receivable and investments.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

GLOSSARY OF FINANCIAL TERMS (continued)

FINANCIAL INSTRUMENTS ADJUSTMENTS ACCOUNT

A new account that records the timing differences between charging the amount of the impairment calculated in relation to Icelandic investments to the General Fund in accordance with the new Capital Regulation.

FINANCIAL REGULATIONS

The rules that the Council's financial affairs are operated within.

INVENTORY

Previously referred to as Stock – items purchased and paid for but not yet used.

FINANCIAL STATEMENTS

Another term for the Statement of Accounts.

GOVERNMENT GRANTS

Payments by Central Government towards the cost of Local Authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (revenue support grant).

GROSS AND NET TOTAL COST

The gross total cost of a service includes all expenditure relating to the service/activity including employee costs, transport, support services and capital charges. Net total cost is the gross total cost of a service less income other than specific grants.

HEREDITAMENT

A property appearing in a valuation list upon which business rates are levied. Applies to non-domestic property.

HOUSING ADVANCES

Loans by an Authority to individuals towards the cost of acquiring or improving their homes.

HOUSING ASSOCIATION

A non-profit making body concerned with the construction, improvement or management of houses.

HOUSING BENEFIT

This scheme provides financial assistance towards the domestic rent payments of tenants in registered social landlord or privately owned accommodation, whose incomes fall below prescribed amounts. Income Support claimants may claim Housing Benefit at the same time as they claim Income Support from Central Government. Income Support claimants may also claim direct to the District Council for Housing Benefit. All other claimants must make their claim to the District Council.

In the case of private tenants, a payment (rent allowance) is made to the tenant or to the landlord if requested by the claimant.

The District Council is reimbursed by the Government for 100% of the cost of benefits to private sector tenants. The Government also contributes towards the costs of administering the scheme. Some Authorities may choose to operate a 'local scheme' whereby allowances in excess of the standard payments are granted. This extra cost is borne by the District Council.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

GLOSSARY OF FINANCIAL TERMS (continued)

HOUSING INVESTMENT PROGRAMMES (HIPS)

These are submitted annually to the Office of the Deputy Prime Minister by the District Council which details its capital plans. Approved expenditure is allocated in one block to cover all the following items of capital expenditure:

Private sector improvement grants

Support to Registered Social Landlords for both new house building and renovation schemes.

IMPAIRMENT

A reduction in the value of a fixed asset below its carrying amount on the balance sheet arising from physical damage such as a major fire or a significant reduction in market value.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The new accounting standing that this Council has adopted from 2010/2011.

LIABILITY

Something the Council owes – for example an overdraft, a loan, or a bill it has not yet paid.

LIQUID RESOURCES

These are assets that are readily converted into cash without significant loss, e.g. short term investments.

LOCAL SERVICES SUPPORT GRANT

A non-ring fenced general grant, with no conditions imposed on its use, paid directly to the authority that benefits from the grant. This grant is included in the Income and Expenditure Account with other general income sources. Local Services Support Grant replaced Area Based Grant in 2011/12.

MOVEMENT IN RESERVES STATEMENT (MiRS)

A statement which analyses movements in the Council's usable and unusable reserves during the year.

NATIONAL NON-DOMESTIC RATES (BUSINESS RATES) (NNDR)

A tax collected locally by District Councils and paid to Central Government. It is then redistributed to County, Unitary, Borough and District Councils on the basis of the resident population.

NON-CURRENT ASSETS

A tangible asset which is intended to be used for several years, such as a vehicle or building, previously referred to as Fixed Assets.

NON DISTRIBUTABLE COSTS (NDC)

These are costs which cannot reasonably be charged to the cost of individual services and include, for example, contributions to meet pension fund deficits.

NON OPERATIONAL ASSETS

Council assets not directly used in the provision of services, such as investment properties.

OPERATIONAL ASSETS

Council owned fixed assets used to deliver services, such as buildings and equipment.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

GLOSSARY OF FINANCIAL TERMS (continued)

OPERATING LEASES

This is where the rewards and risks of ownership of the asset remain with the leasing company and the annual rental is charged directly to the revenue account.

OUT-TURN

Actual income and expenditure.

PRECEPT

This is the amount of council tax income County Councils, Police Authorities, District Councils, Parish Councils and some Fire Authorities need to provide their services. The amounts for all Local Authorities providing services in an area appear on one council tax bill which is issued by the District Council.

PROVISIONS

These are monies set aside to meet any liabilities or losses which are likely or will be incurred, but the amounts or the dates on which they will arise are uncertain e.g. provision for bad debts.

PRUDENTIAL CODE FOR CAPITAL FINANCE IN LOCAL AUTHORITIES

CIPFA developed a professional code of practice to support local authorities in taking capital investment decisions. The key objectives of the code are to ensure, within a clear framework, that local authorities' capital investment decisions are affordable, prudent and sustainable; that treasury management decisions are taken in accordance with good professional practice; and that local strategic planning, asset management planning and proper option appraisal are supported. The code was implemented with effect from 1st April 2004.

RATEABLE VALUE

A value placed on all non-domestic properties subject to business rates to which a uniform rate poundage is applied to arrive at rates payable. The value is based on a notional rent that property could be expected to yield after deducting the cost of repairs.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Capital expenditure for which no tangible fixed asset exists is now classified as Revenue Expenditure Funded from Capital Under Statute (previously termed Deferred Charges) and is charged to the Income and Expenditure Account.

RESERVES

These are monies set aside to meet the cost of specific future expenditure.

REVALUATION RESERVE

Revaluation Reserve – this records the unrealised net gains from revaluations made after 1st April 2007

REVENUE BALANCES

The accumulated surplus or deficit of income over expenditure.

REVENUE EXPENDITURE

This is expenditure incurred on the day to day provision of services and consists principally of pay costs, capital charges and general running expenses in respect of the financial year.

WYRE FOREST DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2011/12

GLOSSARY OF FINANCIAL TERMS (continued)

REVENUE SUPPORT GRANT

Grant paid by the Government to local authorities as a contribution towards the costs of their services. The grant is distributed so that if each Authority were to spend at the level of its Standard Spending Assessment (SSA) all charging Authorities could set the same council tax known as the Council Tax for Standard Spending.

SERVICE REPORTING CODE OF PRACTICE (SeRCOP)

This code of practice replaces the Best Value Accounting Code of Practice (BVACOP) with effect from 1st April 2011. It details standard definitions of services and total cost, for consistency of data for Government Returns, and comparisons with other Local Authorities.

SPECIFIC GRANTS

Government grants to Local Authorities in aid of particular projects or services e.g. Disabled Facilities Grants.

STANDING ORDERS

Rules and procedures determined by the Council to assist in the efficient performance of its activities.

TRUE AND FAIR

It is the aim of the accounts to show a true and fair view of the Council's financial position. In other words they should faithfully represent what has happened in practice.

UNREALISED GAINS AND LOSSES

Gains and losses may be realised or unrealised. Unrealised gains and losses are gains and losses that the Council has recognised in its accounts but which are potential as they have not been realised. An example of a gain that is recognised but not realised is where the value of assets has increased. The gain is realised when the asset is sold.

VIREMENT

The authorised transfer of an underspend in one budget head to another head.

WYRE FOREST DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2011/12
List of commonly Used Acronyms

| Acronym | Description/Definition |
|-----------------|--|
| AGS | Annual Governance Statement – this provides an overview of the Governance arrangements within the Council, along with any potential weaknesses. |
| CAA | Comprehensive Area Assessment – now formally abolished by government but was the performance framework for Local Government. |
| CDC | Corporate and Democratic Core – central account which identifies the corporate costs of the authority, including Members and the democratic process. |
| CFR | Capital Financing Requirement – measures the authority's underlying need to borrow, or finance by other long-term liabilities, its capital expenditure. |
| CI&E | Comprehensive Income and Expenditure Statement – This new statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practice rather than the amount to be funded from taxation. It replaces the former Income and Expenditure Account and Statement of Total Recognised Gains and Losses. |
| CIPFA | Chartered Institute of Public Finance and Accountancy – the institute that sets the accounting rules and guidance for Local Government. |
| DCLG | Department for Communities and Local Government – central government department which has the responsibility for Local Government. |
| DMADF | Debt Management Account Deposit Facility - offered by the Debt Management Office (Bank of England) to provide users with a flexible and secure investment facility |
| DRC | Depreciated Replacement cost – valuation method used within the Statement of Accounts relating to the Replacement Cost less any accrued depreciation. |
| DWP | Department for Works and Pensions – largest central government department which amongst its responsibilities are Benefits payments. |
| ERDF | European Regional Development Fund – part of the European Union's Structural Fund that allocates funds to regions to stimulate economic development. Worcestershire County Council leads the bid in this County. |
| HMRC | Her Majesty's Revenue and Customs – central government organisation responsible for the administration and collection of national taxes including VAT. |
| FTE | Full-time equivalent – relates to employee numbers. |
| IAS | International Accounting Standard – these provide detailed guidance on the application of IFRS. |
| IASB | International Accounting Standards Board – governing body of expertise on accounting standards. |
| IFRIC | International Financial Reporting Interpretations Committee |
| IFRS | International Financial Reporting Standards – new international framework to ensure common approach to the production of Statement of Accounts across the world. |
| LAA | Local Area Agreement – set out the properties for a local area agreed between central government and a local area (the local authority and Local Strategic partnership) and other key partners at the local level. |
| LAAP | Local Authority Accounting Panel – issues LAAP Bulletins to local authority practitioners. These Bulletins provide guidance on topical issues and accounting developments and when appropriate provide clarification on the detailed accounting requirements. |
| LASAAC | Local Authority (Scotland) Accounts Advisory Committee – operates in the same way as CIPFA within England, and often works in partnership with CIPFA on accounting guidance through a Joint Committee. |
| LGA | Local Government Association – the body that represents Local Government nationally, this body has a key lobbying role with central government. |
| LSSG | Local Services Support Grant – a general grant from central government allocated directly to Local Authorities as additional revenue funding to areas. It is allocated according to specific policy criteria rather than general formulae. |

WYRE FOREST DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2011/12
List of commonly Used Acronyms

| | |
|--------------------|---|
| MIRS | Movement in Resources Statement – this statement replaces the former Statement of Movement on the General Fund Balance and the note on the movement in reserves. It represents the changes in the Council’s financial resources. |
| MRP | Minimum Revenue Provision – this represents the minimum which authorities must repay on their debts each year. |
| NDR or NNDR | National Non Domestic Rates – sometimes called business rates – these are collected by Local Authorities and are the way that those who occupy non-domestic property contribute towards the cost of local services. |
| NAO | National Audit Office – The National Audit Office (NAO) scrutinises public spending on behalf of Parliament. The NAO does not yet audit local government spending; this is the responsibility of the Audit Commission. |
| OMV | Open Market Value – valuation method within the accounts which relates directly to the current valuation of the asset. |
| PBE | Post Balance Sheet Event – an event taking place after the Balance Sheet event that may either be noted or adjusted in the accounts depending on its relevance. |
| PFI | Private Finance Initiative – is a way of creating “public-private partnerships” (PPPs) by funding public infrastructure projects with private capital |
| POP | Purchase Order Processing – the new method by which goods and services are electronically ordered at the Council. |
| PPE | Property Plant and Equipment – new IFRS terminology for fixed assets. |
| PPP | Public-private Partnership – describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. |
| PWLB | Public works Loan Board – this is a central government body which makes loans to local government and other prescribed public bodies from the National Loans Fund. |
| RICS | Royal Institute of Chartered Surveyors – is an independent, representative professional body which regulates property professionals and surveyors in the United Kingdom and other sovereign nations. |
| S151 | Section 151 – this refers to Section 151 of the Local Government Act 1972 where it states that every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. |
| SeRCOP | Service Reporting Code of Practice – this Code issued by CIPFA identifies standard definitions of services and total cost for consistency of data for Government returns, and comparisons with other local authorities. |
| SOLACE | Society of Local Authority Chief Executives – organisation that represents Chief Executives within Local Government. |
| STC4 | Stourport Town Centre 4 – Bridge Street area of Stourport which is in the process of being enhanced. |
| TUPE | Transfer of Undertakings (Protection of Employment) Regulations – protects employees’ terms and conditions of employment when a business is transferred from one owner to another. |
| UITF | Urgent Issues Task Force -a committee of the UK Accounting Standards Board that considers major urgent and emerging accounting issues. Its publications are known as UITF Abstracts. |
| VFM | Value for Money – this represents a formal review by the auditors on whether the Council is delivering Value for Money to its residents. This opinion forms part of the overall audit certificate. |
| WETT | Worcester Enhanced Two Tier – a programme whereby all Worcestershire local authorities are working together to investigate shared services and joint working to become more efficient and effective. |