



STATEMENT OF ACCOUNTS

2008 / 2009



Stafford
BOROUGH COUNCIL





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Explanatory Foreword

Introduction

The purpose of this document is to show the overall financial position of Stafford Borough Council for the year ended 31 March 2009. The Statement of Accounts is prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the UK, which requires that it presents fairly the financial position of the Council.

This document contains several statements, and these are shown in the summary below.

<ul style="list-style-type: none">● An Explanatory Foreword (Pages 3 -19) ● Statement of Accounting Policies (Pages 20 - 26) ● Statement of Responsibilities for the Statement of Accounts (Page 27) ● Income and Expenditure Account (Page 28) ● Statement of Movement on the General Fund Balance (Page 28) ● Statement of Total Recognised Gains and Losses (Page 29) ● Balance Sheet (Page 30) ● The Cashflow Statement (Page 31) ● Notes to Statements (Pages 32 - 55) ● The Collection Fund (Pages 56 - 58) ● Glossary (Pages 59 - 65) ● The Annual Governance Statement (Pages 66 - 81)	<p>This sets out an overview of the Council's financial position as at 31 March 2009 and provides a summary of where the Council spends its money and how it is financed.</p> <p>Sets out the basis on which figures have been compiled in the various accounts.</p> <p>Identifies the Council's responsibilities and the person appointed to ensure the proper administration of the Council's financial affairs.</p> <p>Shows net expenditure on all services provided by the Council and how they were paid for.</p> <p>Provides the reconciliation between the Income and Expenditure Account and the General Fund Balance.</p> <p>Brings Gains and Losses together with the outturn on the Income and Expenditure Account to show the movement in the Council's net worth for the year.</p> <p>Shows the Council's financial position as at 31 March 2009, its assets, liabilities, balances and reserves.</p> <p>This shows in summary form the total movement of cash into and out of the Council, or simply, where the money came from and how it was spent.</p> <p>Explanatory notes along with required disclosures.</p> <p>Shows the level of business rates and council tax due in the year and how these funds have been distributed.</p> <p>Explains the technical terms contained within the Statement of Accounts.</p> <p>This provides details of and certification on the review of the effectiveness of the Council's system of internal control.</p>
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Format of Financial Statements

The financial statements have been prepared in accordance with legal regulations and professional accounting practice. The Chartered Institute of Public Finance and Accountancy (known as CIPFA) sets this out. It is the official organisation responsible for providing professional guidance to councils to help them meet the legal requirements.

Various notes that aim to provide some background and explanation of the figures accompany the main financial statements.

By its nature, the document contains a lot of technical information in accordance with the legal regulations.

However, the explanatory foreword is intended to provide a more simplistic summary of the Council's financial performance during 2008/09 and its financial position as at 31 March 2009.

It also highlights the financial challenges facing the Council in the future and provides in pictorial form the net cost of service.

The Main Accounts

In accordance with accounting practice, the Council's main income and expenditure is separated between its **revenue** and **capital** accounts.

- **Revenue Account** - which records the day-to-day running expenses of the Council such as salaries and wages of employees, cost of running buildings and vehicles, materials, equipment and office expenses, etc.

- **Capital Account** - covers spending on major investment projects. This includes significant improvements to the Council's land and buildings.

Revenue Accounts

The Council reported its main revenue income and expenditure in the **Income and Expenditure Account**.

Main Revenue Funding

The General Fund is funded through the local council tax and by Government Grant.

Main Capital Funding

The main sources of funding are from the proceeds of selling Council assets (**capital receipts**) and grants and contributions from other organisations in partnership with the Council.

General Reserve Accounts

General reserves are mainly kept to act as a contingency to cover any unexpected event. In addition, they can be built up over time to be used for spending in the future.

EXPLANATORY FOREWORD

The Statement of Accounts has been prepared to “present fairly” the Council’s financial position. Our accounting policies are outlined in this document and have been consistently applied.

The following pages provide a brief overview of the financial position of the Council for 2008/09 and its main achievements during the year. The financial activities of the Council are split between Revenue and Capital. The **revenue account** reflect the day-to-day running costs of the Authority whilst the **capital account** relate to expenditure on the long-term assets of the Council.

Revenue spending

The General Fund records all the day-to-day spending on Council services. The net cost of services contained within the General Fund are met primarily from central government funds and from income derived from the Council Taxpayers within the Borough.

The Government provides our main source of income in the form of general and specific grants. It also determines the amount of business rates we receive. Council Tax increased by 3.9% during the year in line with Council policy of limiting rises to the increase in the level of inflation. The Band D figure for the year was £144.32.

The Council set an original net revenue portfolio budget for 2008/09 of £16.398 million. Budgets for the year were revised as part of the budget process for 2009/10 and the revised budget was increased to £17.796 million (this figure includes interest payable of £837,000 – the net figure on the table below is £16.959 million). The increase of £1.398 million was made up the following main changes:

- Reductions in fees and charges budgets of £1 million - for parking, leisure, land charges, bereavement and building control;
- Cost of cardboard separation - £191k;
- Increased number of properties for collection of waste - £71k and;
- Increase to the concessionary fares budget for increased demand - £200k.

The actual spend for the **portfolios** was £553,000 less than the revised budget. The following table sets out the net revenue spending and financing compared with the revised estimate for the year:

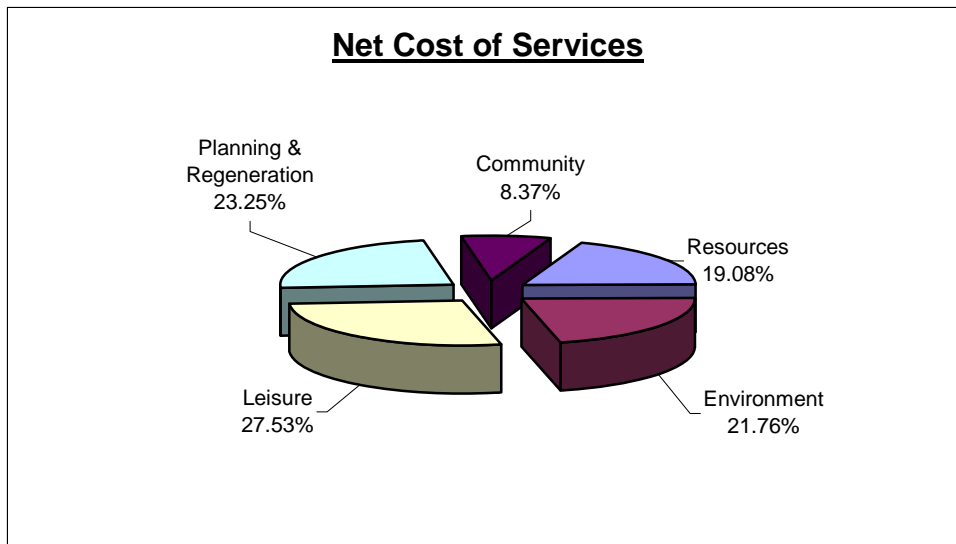
	Revised Budget	Actual	Variance
	£000	£000	£000
Portfolio Budgets	16,959	16,406	(553)
Investment income	(1,200)	(1,225)	(25)
Interest payable	837	837	0
Technical items	(53)	43	96
General grants to Earmarked Reserve	0	429	429
Net Revenue Budget	16,543	16,490	(53)
Financed by:			
Use of General Fund Balances	(530)	(530)	0
Use of Earmarked Reserves (LABGI)	(851)	(369)	482
Formula Grant	(8,657)	(8,657)	0
General grants	0	(429)	(429)
Collection Fund deficit	85	85	0
Council Tax income	(6,590)	(6,590)	0
Total financing	(16,543)	(16,490)	53

The table above shows that the revised budget anticipated net expenditure of £16.543 million to be principally funded from Central Government (£8.657 million) and from Council Taxpayers (£6.59 million), less the amount required for the Collection Fund deficit (£0.085 million), with the balance of £1.381 million to be met from the Council's General Fund balance and the unallocated LABGI reserve.

The actual position shows that net expenditure on the portfolio budgets was £553,000 lower than the revised budget. This was due to a further worsening on the major income streams that was offset by reductions in spending. Posts were kept vacant and spending plans either stopped or delayed in order to reduce costs in 2008/09.

Investment income was £25,000 higher than the revised budget as a result of an investment strategy that placed a number of investments on fixed interest rates in the summer of 2008. Technical items includes recharges to the capital account for staff salaries and the cost of finance leases on IT systems. The overall position resulted the use of the General Fund balance at £530,000 in line with the Council's a strategy of keeping a minimum General Fund balance of £1 million. The Council's unallocated LABGI reserve funded the difference of £369,000.

The above table provides a simplified version of the Income and Expenditure (I & E) account which appears later in the statement. The Income and Expenditure account includes accounting items required under the new Statement of Recommended Practice (SORP) but which do not affect the actual movement in the General Fund balance as shown in the above table and therefore presents the same financial information but includes all accounting entries to comply with the SORP.



Financial performance against Budget in 2008/09

Portfolio expenditure was £553,000 lower than the revised budget. The **principal variances** on each portfolio are ((+) is an unfavourable variance (-) is a favourable variance) :

Community

- Community safety – expenditure has been controlled as a response to the adverse budgetary position of the Council in the year: £48,000(-)

Environment

- Environmental Health was underspent on employee costs due to a number of vacancies throughout the year and to reductions in expenditure as a response to the adverse budgetary position of the Council in the year: £69,000(-)
- Waste & Recycling – reduction of 2,000 tons in recycling credit income due to lower tonnages and the Waste Minimisation programme: £52,000(+)
- Bereavement services – reduction in income from burials partly offset by additional income on the crematorium: £54,000(+)
- Streetscene – additional external income from additional work and delivery of bins: £57,000(-)

Leisure

- Leisure, Planning & Marketing – savings on employees expenses due to posts kept vacant: £20,000(-)
- Leisure Centres – expenditure on employees and energy at the Stafford leisure centre was greater than budget but was offset by savings at Alleynes and Westbridge Park which were planned in order to help reduce the overspend at the Stafford leisure centre. Income at Stafford leisure centre was better than anticipated by £65,000 however due to the closure of the Alleynes pool income overall on the leisure centres was less than budget by £34,000: £91,000(+)

- Parks & open spaces – reduction in spend on the action plan as part of planned reduction in expenditure: £67,000(-)
- Gatehouse theatre – posts kept vacant: £28,000(-)
- Arts development – revised arts programme reducing expenditure: £34,000(-)
- Tourism – vacant post during the year and tight control of spending: £29,000(-)

Planning and Regeneration

- Building Control – although building control income was less than the Revised Budget by £13,000, vacancies and tight control of spending on the service helped to turn the position on the service to an overall saving compared to the budget: £55,000(-)
- Development control – income on development control was less than the budget by £104,000 due to the economic climate: £90,000(+)
- Parking – income on parking was less than the budget due to the economic climate: £62,000(+)
- Land and properties – additional income from Riverside day nursery and from letting office accommodation for on street parking enforcement: £31,000(-)
- Economic Development – tight control of spending due to the budgetary position of the Council: £38,000(-)

Resources

- Executive Management – reduced spend on professional fees: £34,000(-)
- Human Resources – the shared service agreement with Lichfield DC for a managed payroll service and a human resources system has developed to the point where income is being generated, in particular in 2008/09: £58,000(-)
- Technology – tight control of spending and planned delays in spend due to the budgetary position of the Council: £70,000(-)
- Revenues & Benefits – additional court fees due to enforcement action of £120,000 offset by additional costs of the single persons discount review and agency staff: £132,000(-)
- Housing Benefit payments – additional income from benefit overpayments offset by increased bad debt provision for benefit overpayments – see below: £248,000(-)
- Corporate and democratic core – following the annual review of the provision for bad debts and provision for housing benefit overpayments there has been an increase in the amount required for the provisions: £143,000(+)
- Emergency planning – revised arrangements for the storage of sandbags has reduced costs: £19,000(-)

Other significant matters

The economy saw a significant downturn in 2008 and this is set to continue through 2009. Property prices have generally fallen significantly, the mortgage market has dried up, unemployment has risen and consumer spending and confidence has fallen sharply. The impact of the uncertain economic and financial climate has been felt in both the commercial and residential property

markets. The Council's valuers have valued the assets at 1st April 2008 and their values show the impact of the economic downturn of the property market with the levelling off or reduction to some land values. This has resulted in impairment of assets included in the accounts at £12 million in 2008/09 representing approximately 30% of the asset values at 1st April 2008.

Where assets had in previous years increased in value, the impairment in 2008/09 has initially reduced the Revaluation Reserve, with the balance being charged to the Income and Expenditure Account. In 2008/09 this amounted to a reduction of the Revaluation Reserve of £4,582,000.

As well as the reduction in asset values recorded in the Balance Sheet, the impact of impairment of £10,098,000 in the year led to a loss being recorded in the Income and Expenditure Account. However, the loss will not impact on Council Tax levels as impairment charges are reversed in the Statement of Movement on the General Fund Balance.

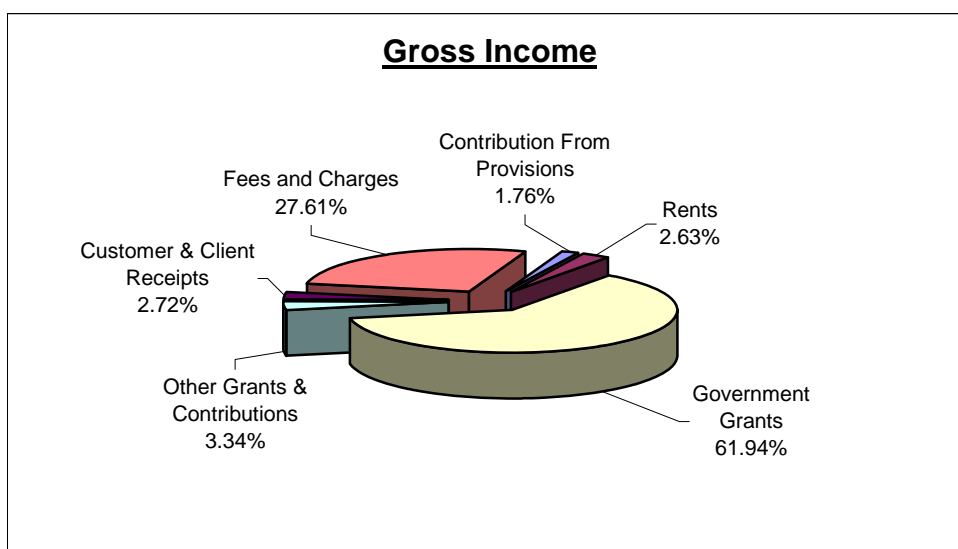
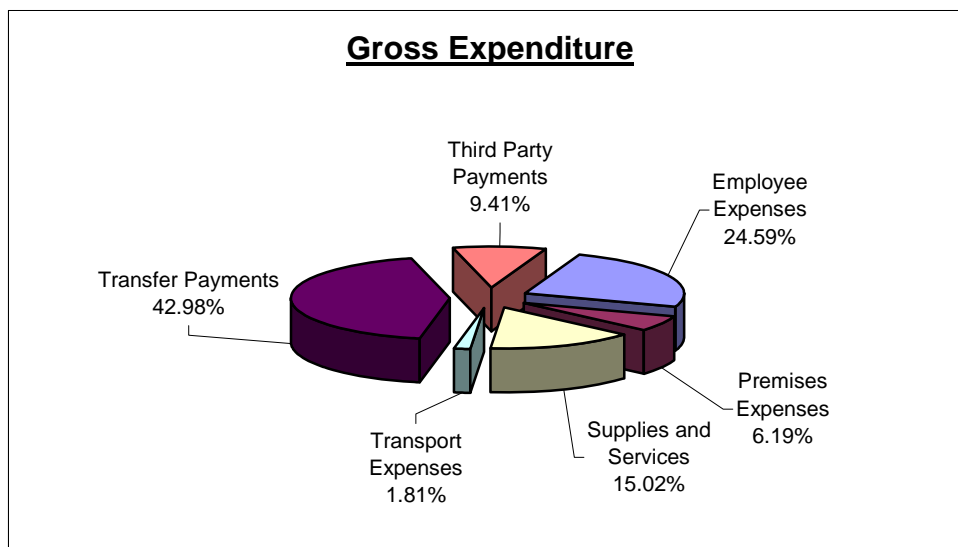
The Council borrowed £3 million from the PWLB on 22 October 2008 in accordance with the borrowing strategy for 2008/2009, which identified an underlying need to borrow to finance capital spending. This loan is for a period of 3 years at a rate of 4.11% and will therefore mature in October 2011. Other long-term debt stands at £394,000 (being longstanding mortgage loans with Royal Liver Assurance and Staffordshire County Council Pension Fund). The Council also borrowed in the short term for the first time in some years to maximise its treasury position as the rates of interest were particularly favourable on short term loans offered by other local authorities. A sum of £1 million was borrowed on 21 October 2008 from Wirral Council at a rate of 4.5%. This loan was repaid on 28 October 2008. The Council also borrowed £3 million from the London Borough of Greenwich on 18 March 2009 at a rate of 0.5%. This loan was repaid on 3 April 2009.

The economic situation towards the end of 2008 has impacted on interest rates. The Bank base rate was 5% in September 2008 but had dropped to ½ % by the beginning of March 2009. This sharp drop in interest rates will affect the amount of interest that can be earned on the Council's cash investments. As a result of the investment strategy a number of investments were made prior to September for fixed terms at more advantageous interest rates that resulted in the budget for the year being met.

The Council received a further payment of £406,879 from the LABGI scheme (Local Authority Business Growth Incentives) in 2008/09. This scheme gave local authorities a share in the growth in business rateable value in the Borough. The scheme is designed to encourage and reward business growth in their area. This payment is the final one from the previous LABGI scheme.

As part of the stock transfer agreement the Council receives a share of former Council housing stock sold by Stafford and Rural Homes under the Right to Buy agreement. For 2008/09 the Council's share under the agreement was £437,882, a marked decline from previous years and reflects the difficulties in the property market following the sharp decline in economic conditions in 2008. These receipts have been invested to generate investment income that will be used to support the General Fund.

A further income stream which was agreed as part of the housing stock transfer in 2006 was the VAT shelter sharing agreement with Stafford & Rural Homes. Receipts from this agreement were £726,025 in 2008/09.



Future issues facing the Council

The Council plans its finances over a medium term 4 year rolling period for revenue and capital and it includes all known financial pressures that it faces over the medium term in its Financial Plan. Although finances are sound now the Council needs to plan for future spending pressures.

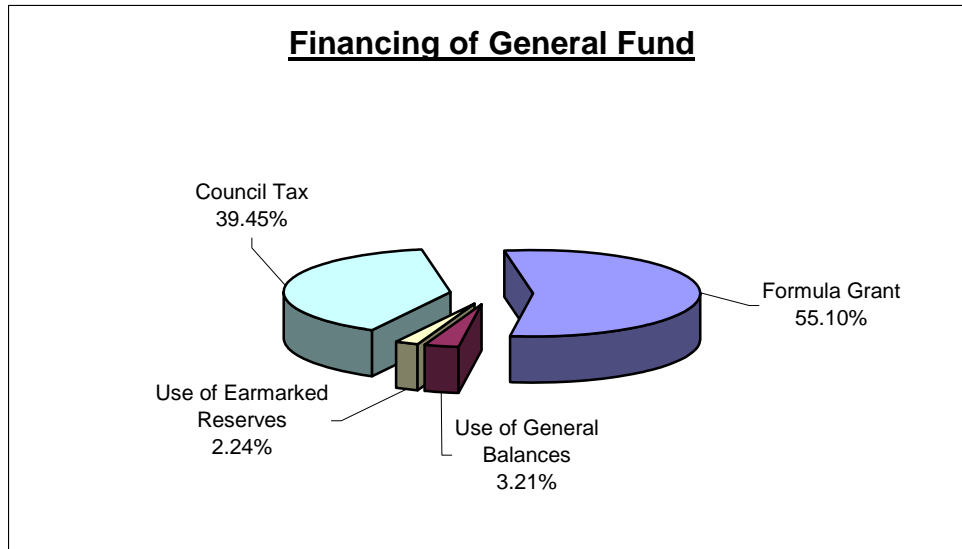
As part of its financial planning the Council identifies its key financial risks to ensure they are taken into account when considering the budget. Some of the key issues facing the Council in the future are;

- Spending pressures:
 - Concessionary Fares - in April 2008 a new scheme for concessionary fares was introduced which is a national scheme

providing for free travel anywhere in England. The costs of the new scheme cannot be ascertained with certainty as it is demand led. The government has provided funding for the scheme however if demand proves to be greater than government forecasts the additional cost of the scheme will fall on the Council. In 2008/09 an additional £200,000 was included in the revised budget to meet demand. Demand may stay at this level, increase or decrease however it cannot be estimated with certainty.

- Inflationary pressures – although inflation has fallen in 2008 it will probably pick up in the medium term as the economy recovers from the current recession.
- Income levels – a number of main income streams are subject to demand, in particular leisure services, parking, bereavement services and planning, and in 2008/09 have shown a marked deterioration due to the wider economic situation. The Council has limited means to address issues of demand however income is an area which receives particular budget monitoring attention.
- Single Status – a national pay agreement which will create a new pay structure and terms and conditions for employees and is likely to lead to increased costs. The Council has planned for additional costs and has Earmarked Reserves to meet them.
- Pensions – a national issue facing both the public and private sectors with significant shortfalls for many organisations. There will be stepped increases for Stafford's pension contributions over the medium term.
- Interest rates – the amount of investment income the Council receives from its cash investments is dependent on the level of interest rates. Any overall decrease in rates will reduce income. An increase or decrease in interest rates of ½% changes investment income by about £100,000. Interest rates are forecast to remain at the current low level throughout 2009/10 before gradually increasing mid 2010.
- Central government funding – the Council was notified in December 2007 of the amount of Formula Grant it will be receiving for the next three financial years starting with the 2008/09 year. The annual increases are 1%, 0.5% and 0.6%. These increases are the minimum that a Council such as Stafford can be awarded. At the same time Councils are expected to keep Council Tax increases “substantially below 5%”. The effect of the recession on public sector expenditure in the future is unknown but there could be significant reductions in central government funding. This Council is therefore under pressure to deliver services within a challenging financial settlement.

Financing of General Fund



Planned future developments

Over the next three years the Council will be investing in adaptations to disabled housing at a cost of £2.4 million, providing grants for private sector housing at a cost of £682,000, and continuing work on the Waterscape project at a cost of £636,000. It will also ensure that the Council's cremators comply with mercury emission requirements that need to be in place by the end of 2012 at a cost of £1 million. The Council will aim to further improve its waste recycling rates and continue to invest in front line services in the current difficult economic climate. It will seek improvements in efficiency by working with neighbouring Councils to share resources to deliver services that the community need.

Collection Fund

The overall amount of Council Tax required by the precepting authorities and to be collected through the Council's Collection Fund was £62.689 million, with the Borough Council's element being £7.219 million.

The detailed Collection Fund accounts show the overall position for the year in relation not only to Council Tax but also to the collection of National Non Domestic Rates on behalf of Central Government.

The actual Council Tax income for the year was £62.284 million and after allowing for deductions a surplus for the year of £0.058 million is recorded which after taking account of the previous years deficit of £738,000 leaves a net deficit of £680,000.

Reserves

The Council holds the following reserves:

- General Fund balance – the balance at 1 April was £1.53 million and this was reduced during 2008/09 to £1 million at 31 March

2009. The Council's policy is to retain a minimum General Fund balance of £1 million to cover contingencies and emergencies.

- Earmarked Reserves – In addition to the General Fund balance the Council maintains earmarked reserves that are held for specific purposes. They are provided to meet future and known commitments and, in some cases, to spread expenditure over a number of years. At 1 April 2008, the earmarked reserves, excluding the insurance reserve, stood at £6.205 million and increased to £6.812 million at 31 March 2009.

Pensions

Councils are required to account for pension costs to show any deficit, or surplus, on the Pension Fund in the balance sheet. The fund is administered by Staffordshire County Council and the actuarial valuation at 31 March 2009 showed the authority's share of the fund to be a deficit of £25.72 million, an increase in the deficit of £12.8 million over the figure for the previous year reflecting the fall in the value of the stock market. However the financial position of the authority remains healthy as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

Capital Expenditure

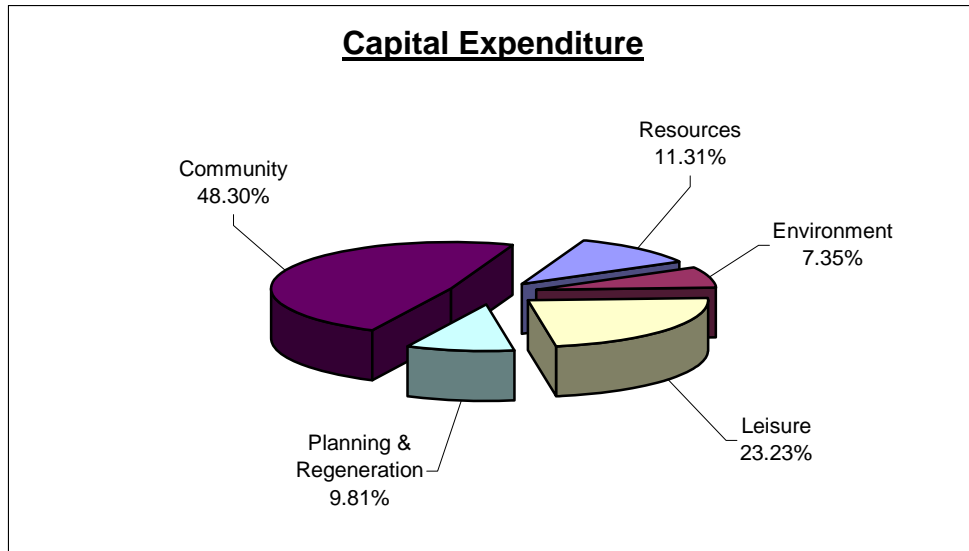
The Council approves the Capital Programme for the financial year as part of the budget process and the amount that can be spent is limited by the amount of capital resources available to the Council.

Many of the schemes within the Capital Programme take some time to develop and implement, the detailed programme can experience many changes. Considerable variation can therefore arise over the 18 month period from the time the Capital Programme for the financial year is initially considered, right through to the end of March of the relevant year.

The Council spent £4.28 million on capital projects in 2008/09 which was £1.89 million less than the budget of £6.17 million. The main reasons for the underspend in 2008/09 is due to scheme slippage where the scheme will proceed later than planned and the expenditure will fall in a future financial year. The major items of capital expenditure in the year were:

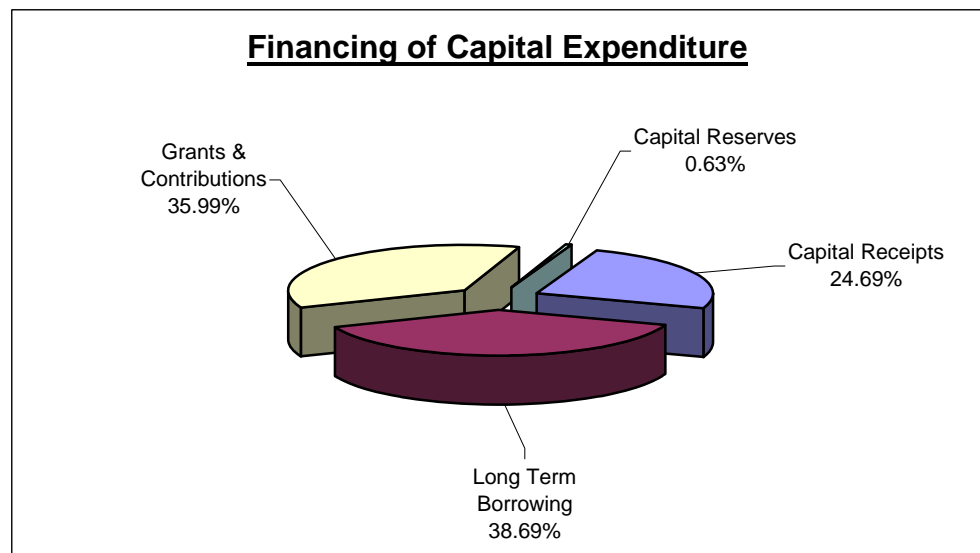
- £801,000 on the provision of grants for disabled adaptations in homes. These grant are part funded by the government at 60% of expenditure;
- £623,000 on the transfer of pumping stations to Severn Trent;
- £316,000 on grants to improve private sector housing. These grants are funded by the government.
- £300,000 on the Eagle housing project;
- £291,000 on the Waterscape project;

- £289,000 for the provision of fitness equipment at the Stafford leisure centre;
- £153,000 on the purchase of the Riverside day nursery;
- £116,000 for disabled adaptations to council buildings;
- £106,000 for the purchase of Streetscene equipment.



The capital programme of £4.28 million was financed in the following way:

- Capital receipts - £1.06 million;
- Grants and contributions - £0.83million;
- Loan - £1.66 million;
- Capital reserves - £0.73 million.



After financing the capital programme the Council has approximately £8.221 million of available capital resources to finance the future capital programme to 2011/12 and help deliver its priorities. In accordance with the Council's strategy for the transfer of the housing

stock Right to Buy receipts post stock transfer are earmarked to support the general fund through investment income.

Changes in Accounting Code requirements

The Statement of Accounts follows the *Code of Practice for Local Authority Accounting in the United Kingdom 2008* (the Code) and associated guidance. It meets the legal requirements imposed on local authorities. The Code is amended annually for changes in statute and accounting practice.

There are some changes to the Code for 2008/09 however they are less than have been introduced in more recent years. The main changes for the accounts are as follows:-

- The renaming of “deferred charges” since the concept has become redundant now that deferred charges, in accordance with GAAP, can never be carried on the Balance Sheet. The term has been replaced by “Revenue Expenditure Funded from Capital under Statute”, which reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources;
- The introduction of “Area Based Grant” which is a new government grant that came into force on 1st April 2008;
- The prohibition of the revaluation of fixed assets on disposal;
- The Council has adopted the amendment to Financial Reporting Standard 17 - Retirement Benefits. As a result quoted securities held as assets in the defined pension scheme are now valued at bid price rather than mid-market value.

The main financial statements are divided into ‘core’ statements and ‘supplementary’ statements. The core statements are the:

- Income and Expenditure Account;
- Statement of Movement on the General Fund Balance;
- Statement of Total Recognised Gains and Losses;
- Balance Sheet; and
- Cash Flow Statement.

The supplementary statements now only comprise the Collection Fund following the closure of the Housing Revenue Account on 31 March 2007.

The government have also announced that, from the 2010/11 financial year, they will expect public sector accounts to be prepared using International Financial Reporting Standards (IFRS) adapted as necessary for the public sector. The impact of IFRS on public sector organisations will vary. Much of UK GAAP and IFRS are similar. However, the treatment of leases and private finance initiative (PFI)

schemes could introduce material changes for some organisations. As ever, there are expected to be an increased number of disclosures required by IFRS. Work has already commenced on preparing for IFRS with an action plan, monthly progress meetings and a partner has been identified to commence work on reviewing and re-classifying the Council's leases.

Whole of Government Accounts (WGA)

The financial year 2008/089 is the final year of the "dry run" period. From 2009/10 the WGA will be published on an IFRS basis. WGA are commercial-style accounts covering the whole of the public sector as if it were a single entity by eliminating all significant transactions between public sector entities. The intention is that WGA will assist in ensuring that best practice accounting methods are used to construct accounts covering the public sector as a whole, and that fiscal reporting is as transparent as possible. The WGA return made for 2008/09 will be the fifth made for Stafford Borough Council.

Treasury Management

Long Term Debt

The Council borrowed £3 million from the PWLB on 22 October 2008 in accordance with the borrowing strategy for 2008/2009, which identified an underlying need to borrow to finance capital spending. This loan is for a period of 3 years at a rate of 4.11% and will therefore mature in October 2011. Other long-term debt stands at £0.394 million (being longstanding mortgage loans with Royal Liver Assurance and Staffordshire County Council Pension Fund).

Short Term Debt

The Council also borrowed in the short term for the first time in some years to maximise its treasury position as the rates of interest were particularly favourable on short term loans offered by other local authorities. A sum of £1 million was borrowed on 21 October 2008 from Wirral Council at a rate of 4.5%. This loan was repaid on 28 October 2008. The Council also borrowed £3 million from the London Borough of Greenwich on 18 March 2009 at a rate of 0.5%. This loan was repaid on 3 April 2009.

Short Term Investments

During most of 2008/09 investment decisions were driven by cash flow considerations and funds placed in business reserve accounts for access. However opportunities were also taken to place funds in higher interest bearing investments when cash flow requirements could be managed. The average investment balance in 2008/09 was £23.9 million compared to £20.9 million in 2007/08. Interest receipts reduced to £1.225 million in 2008/09 from £1.336 million in 2007/08.

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the Council's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: A Statement of Recommended Practice (SORP) which is produced by CIPFA/LASAAC, and is based upon approved Accounting Standards so that the accounts "present fairly" the financial position and transactions of the Council.

The following accounting policies are consistent with accounting concepts and Standards unless specifically indicated otherwise.

2. Changes in Accounting Policies

The Accounting Policies have been updated to bring them into line with the "Code of Practice on Local Authority Accounting in the UK (2008)". The substantive changes introduced in the 2008 SORP that affect this authority relate to:-

- a) The renaming of "deferred charges" since the concept has become redundant now that deferred charges in accordance with Generally Accepted Accounting Principles (GAAP) can never be carried on the Balance Sheet. The term has been replaced by "Revenue Expenditure Funded from Capital Under Statute", which reflects the current approach to accounting for expenditure that is not capital expenditure in accordance with GAAP but which statute allows to be funded from capital resources.
- b) The introduction of "Area Based Grant" which is a new government grant that came into force on 1 April 2008.
- c) Previously, the Council has revalued assets at the point of their disposal. This practice has now been prohibited in the SORP. Assets are to be revalued at the point of being considered surplus to requirements.
- d) The Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

3. Accruals of Income and Expenditure

The accounts have been prepared on an accruals basis utilising debtors and creditors, whereby income and expenditure are matched to the services provided within the accounting period.

- (a) **Supplies and Services**

The costs of supplies and services are accounted for in the period during which they were consumed or received. Accrual is made for all material sums unpaid at the year-end for goods or services received, or works completed.
- (b) **Interest**

Interest payable on external borrowings and investment income are both accrued and accounted for in the accounts of the period to which it relates.
- (c) **Customer and Client Receipts**

Customer and client receipts in the form of sales, fees and charges, rents etc are accrued and accounted for in the period to which they relate, with the exception of market rents which are accounted for on a cash basis only. There is no material effect of accounting for the rents in this way and the administrative costs would outweigh any benefit gained.

(d) Employee Costs

The full cost of employees is charged to the accounts in the period within which the employees worked. Accruals are made for any amounts earned but unpaid at the year end. Where retrospective adjustments or special payments are required, for example through pay awards or redundancy payments, the accounts are charged (or credited) with the additional amount as soon as it can reasonably be estimated, in line with the requirements for recognising a provision.

4. Provision for Bad and Doubtful Debts

Bad debts are written-off to individual service accounts as they arise during the year, and provisions for potential bad debts are reassessed at the end of each financial year.

5. Tangible Fixed Assets

All expenditure on the acquisition, creation or enhancement of Fixed Assets is capitalised on an accruals basis, provided that the asset yields benefit to the Council and the services it provides are for a period of more than one year. Expenditure that secures but does not extend the previously assessed standards of performance (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Valuation

Assets are valued at historical cost modified by revaluation for certain categories of assets.

Valuations are made in accordance with recommended CIPFA and RICS (Royal Institute of Chartered Surveyors) guidance and are supplied by External Valuers.

For operational land and buildings and non-operational assets, the basis of valuation adopted is either: (a) open market value, (b) existing use value or (c) depreciated replacement cost, whichever is deemed to be most appropriate.

The useful life of the assets has been appraised for each individual asset and its physical and economic life assuming a programme of reasonable maintenance.

Infrastructure and community assets are included in the Balance Sheet at historic cost - net of depreciation (where appropriate).

Revaluation

Gains and Losses resulting from revaluations are accounted for as follows. The Statement of Total Recognised Gains and Losses (and therefore Revaluation Reserve) is:

- credited with revaluation gains, except to the extent that they reverse previous revaluation losses (after allowing for depreciation) on the same asset that were charged to the Income and Expenditure Account.
- debited with revaluation losses not associated with an impairment related to a clear consumption of economic benefit.
- debited with any revaluation gains that reverse impairment losses to the credit of the Capital Adjustment Account in the Statement of Movement in the General Fund Balance.

The Income and Expenditure Account is:

- credited with any revaluation gains that reverse revaluation losses for impairment (after allowing for depreciation) on the same asset that were charged to services.
- debited with revaluation losses associated with an impairment related to a clear consumption of economic benefit.
- debited with revaluation losses where the revaluation takes the current value of the asset below its depreciated historical cost.

Material Changes

Where there have been any material changes to assets since the date of valuation, these are reflected in the accounts. Therefore, where assets are disposed of during the year, or new assets created, these are taken into account in the year. Income relating to this disposal of Fixed Assets is credited to the Usable Capital Receipts Reserve, with the proportion reserved for the repayment of external debt accounted for, if applicable, in the Capital Adjustment Account.

Depreciation

Fixed assets are depreciated over their useful economic lives in accordance with standard accounting practice and the requirements of FRS 15. Infrastructure, operational buildings and vehicles, plant and equipment are depreciated using the straight-line method.

The methods of depreciation and the broad analysis of useful lives are as follows:

Asset Type	Depreciation method	Useful lives
Council Dwellings	Straight line	15 years
Intangibles	Straight line	3 to 5 years
Other Land & Buildings	Straight line	15 to 70 years
Infrastructure	Straight line	25 years
Plant and Equipment	Straight line	5 years
Community Assets	Not depreciated	N/A
Non operational assets	Not depreciated	N/A
Freehold Land	Not depreciated	N/A

There is nil depreciation in the year of acquisition and a full year's depreciation in the year of disposal.

Impairment

Where an asset suffers an impairment representing the clear consumption of economic benefits e.g. physical damage or deterioration of service then an impairment loss is charged to the service that uses the asset.

The Income and Expenditure Account is:

- debited with revaluation losses associated with an impairment related to a clear consumption of economic benefit.

6. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised at cost when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

Intangible fixed assets in the accounts relate to the purchase of IT systems. They are amortised over a period of 3 or 5 years.

7. Receipts from Sale of Tangible and Intangible Fixed Assets

When an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Capital Adjustment Account. Any gain/loss on sale of assets is debited/credited to the Income and Expenditure Account. Any revaluation previously recognised is credited to the Capital Adjustment Account.

8. Revenue Expenditure Funded from Capital Under Statute

Where capital spending does not create a tangible Fixed Asset, for example renovation grant expenditure, the expenditure is classified as Revenue Expenditure Funded from Capital Under Statute in the accounts. The expenditure is written off to the relevant service revenue account in the year.

9. Government Grants

Revenue grants are matched with the expenditure to which they relate, and are accounted for on an accruals basis, where applicable. Accruals are calculated in a prudent manner on the basis that reasonable certainty exists as to the actual receipt of income.

10. Redemption of Debt

An amount equal to 4% of notional debt outstanding (as measured by the Authority's Capital Financing Requirement) is charged to the Income and Expenditure Account.

11. Long Term Investments

Interest and dividends are credited to the Income and Expenditure Account when received.

12. Leasing

Leases are accounted for in accordance with Statement of Standard Accounting Practice (SSAP) 21 - Accounting for Leases and Hire Purchase Contracts.

Rentals payable under operating leases are charged to revenue on a straight-line basis over the term of the lease. The costs of assets procured under these leases are not shown in the Council's Balance Sheet as ownership does not pass to the Council. Outstanding obligations for future rentals are not shown in the Accounts, but are disclosed in the notes to the accounts.

For finance leases, rental payments are apportioned between the finance charge and the reduction of the outstanding obligation, with the finance charge being allocated and charged to revenue over the term of the lease.

The cost of the asset purchased is capitalised and shown under fixed assets on the balance sheet with a corresponding entry for the payments owing to the lessor shown under creditors.

13. Overheads and Support Services

The cost of overheads and support services are charged to those that benefit from the supply or service in accordance with the total cost principles of the CIPFA Best Value Accounting Code of Practice 2008. 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 democratic organisation

* Non Distributed Costs - Costs of discretionary benefits awarded to employees retiring early

These two costs are accounted for as separate headings in the Income and Expenditure Account.

14. Stocks and Work-in-Progress

Stocks held at the year end have been valued at their replacement cost.

15. Value Added Tax

VAT is excluded from the Income and Expenditure Account, as the Council is able to reclaim its input tax on expenditure net of the output tax it collects with its income.

16. Provisions

Provisions are required for any liabilities of uncertain timing or amounts that have been incurred.

Provisions are required to be recognised when:

- (a) the Authority has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision is recognised.

17. Reserves

Amounts set aside in the Accounts, which are not covered by the definition of provisions, are included as reserves. Any movement on Revenue reserves is distinguished from service expenditure within the Income and Expenditure Account. Revenue reserves include earmarked reserves set aside for specific purposes, and balances set aside for contingencies and cashflow purposes.

Capital reserves are not available for revenue purposes, and specific statutory rules direct how they can be used. The Revaluation Reserve, Capital Adjustment Account and Useable Capital Receipts Reserve fall within this category.

18. Pensions Costs

The Council participates in the Staffordshire County Council Local Government Pension Scheme. The scheme provides members with defined benefits related to pay and service.

The amount charged to the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses for employees' pensions is in accordance with FRS17 Retirement Benefits, subject to the interpretations set out in the SORP.

Retirement benefits are therefore accounted for when the commitment arises, even if the actual giving and receiving of the retirement benefit will be in the future.

Balance Sheet Liability

The net liability of the Staffordshire County Council (SCC) Pension Scheme attributable to the Council is included in the Balance Sheet. It represents the difference between the estimated value of the scheme's liabilities and its assets at the year end. These valuations are commissioned annually from the SCC pension fund actuary, Hymans Robertson, in the FRS17 report specifically for this purpose.

Valuation

Liabilities are measured on an actuarial basis using the projected unit method i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projected earnings for current employees. They are discounted to their value at current prices using an appropriate discount rate determined by the actuary. The assets of the Pension Fund attributable to the Council are included at their fair value.

The Council has adopted the amendment to FRS17, Retirement Benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value.

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 Income and Expenditure Account to the revenue accounts of services for which the employees worked
- past service cost - the increase in liabilities arising from current year decision whose effect relates to years of service earned in earlier years - debited to the Net Cost of Services in the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account
- 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 Net Operating Expenditure in the Income and Expenditure Account
- gains/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 to the Net Cost of Services in the Income and Expenditure Account 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 Statement of Total Recognised Gains and Losses
- contribution paid to the Staffordshire County Council pension fund - cash paid as employer's contributions to the pension fund

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 in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance 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 any amounts payable to the fund but unpaid at the year-end.

Discretionary Benefits

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

19. Group Accounts

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

The Council however is a partner and shareholder (holding one £1 share - 4%) of Instaffs (UK) Ltd. As the investment is £1 it is not included within the accounts.

20. Repurchase of Borrowing

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains and losses are recognised on the balance sheet and written down to revenue on a straight-line basis over the term of the replacement loans.

21. Area Based Grants

Area Based Grant which is a new category of government grant with effect from 1 April 2008, is accounted for as a government grant which is not attributable to a specific service.

22. Financial Instruments

Financial Instruments are defined as: any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Typical financial instruments are:- (Liabilities) trade payables, borrowings, financial guarantees; (Assets) bank deposits, trade receivables, investments; Derivatives. Financial Instruments are recognised on the Balance Sheet when the holder becomes party to the contractual provisions of the instruments and are to be measured, initially, at fair value, less transactions costs that are directly attributable to the acquisition or issue of the instrument. They are classified as either financial liabilities or financial assets. Within these classifications they are further classified as:

- amortised cost; fair value through profit or loss (financial liabilities)
- loans and receivables; available for sale; fair value through profit or loss; held to maturity (financial assets)

The Council has financial instruments which fall into the following classes:

- Financial Liabilities - amortised cost (borrowings; creditors)
- Financial Assets - loans and receivables (investments; long term debtors; debtors); available for sale (investments)

Following initial measurement at fair value, the carrying amount for balance sheet purposes is determined as follows:

- Amortised Cost Financial Liabilities are measured at amortised cost using the effective interest rate method, except where the instrument is a short duration payable with no stated interest rate or it is obvious that the nominal interest rate equals the calculated effective interest rate.
- Loans and Receivables are measured at amortised cost using the effective interest rate method, except where the instrument is a short duration receivable or payable with no stated interest rate or it is obvious that the nominal interest rate equals the calculated effective interest rate.
- Available for Sale Financial Assets are measured at fair value.

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 Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

CERTIFICATION OF ACCOUNTS STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Authority's Responsibilities

The Authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.
In this Authority, that officer is the Deputy Chief Executive with S151 responsibilities;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Deputy Chief Executive with S151 Responsibilities

The Deputy Chief Executive is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("The Code of Practice").

In preparing this Statement of Accounts, the Deputy Chief Executive has:

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

The Deputy Chief Executive has also:

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

Certification by Deputy Chief Executive

I certify that this Statement of Accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

..... Date

M Vickers BA (Econ) CPFA - Deputy Chief Executive

Certification by the Chairman of the Accounts and Audit Committee

I certify that the Statement of Accounts relating to the year ended 31 March 2009 was considered and approved by the Audit and Accounts Committee of the Council on 30 June 2009.

..... Date

Councillor W R Simpson - Chairman of the Audit and Accounts Committee

INCOME AND EXPENDITURE ACCOUNT

Net Expenditure 2007/08 £'000		Gross Expenditure 2008/09 £'000	Income 2008/09 £'000	Net Expenditure 2008/09 £'000
1,541	Central Services to the Public	10,888	7,258	3,630
5,415	Cultural and Related Services	11,688	4,331	7,357
5,799	Environmental & Regulatory Services	8,417	3,049	5,368
2,402	Planning and Development Services	3,681	1,244	2,437
1,177	Housing Services	19,786	17,712	2,074
2,133	Highways and Transport Services	5,585	2,932	2,653
1,809	Corporate and Democratic Core	1,981	-	1,981
34	Non-Distributed Costs	628	-	628
20,310	Net Cost of Services	62,654	36,526	26,128
25	Deficit of trading operations			549
(1,812)	(Gain) / Loss on Disposal of Fixed Assets			202
609	Precepts Paid to Parish Councils			629
781	Interest Payable			837
30	Amounts Payable into the Housing Capital Receipts Pool			-
(1,336)	Interest and Investment Income			(1,225)
(88)	Pensions Interest Cost less Expected Return on Assets			727
(4,530)	Other Income			(1,168)
13,989	Net Operating Expenditure			26,679
(6,929)	Income from the Collection Fund			(7,133)
(2,440)	Government Grants			(1,487)
(7,284)	Distribution from Non-Domestic Rates Pool			(7,599)
(2,664)	(Surplus)/Deficit for year			10,460

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2007/08 £'000		2008/09 £'000
(2,664)	(Surplus) or Deficit for the year on the Income and Expenditure Account	10,460
3,287	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year. (Note 12)	(9,930)
623	Decrease in General Fund Balance for the year	530
(2,153)	General Fund Balance brought forward 1 April	(1,530)
(1,530)	General Fund Balance carried forward 31 March	(1,000)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2007/08 £'000		2008/09 £'000
(2,664)	(Surplus) / Deficit on the Income and Expenditure Account for the year	10,460
(6,703)	(Surplus) / Deficit arising on the revaluation of fixed assets	3,859
(5,316)	Actuarial gains and losses on pension fund assets and liabilities	11,739
122	Share of Collection Fund deficit	(7)
<u>(14,561)</u>	Total recognised gains and losses for the year	<u>26,051</u>

BALANCE SHEET

	Note	31 March 2009		31 March 2008	
		£'000	£'000	£'000	£'000
Fixed Assets					
Intangible Assets	20		158		100
Tangible Fixed Assets	16				
Operational Assets					
Other Land and Buildings		23,207		33,800	
Infrastructure Assets		3,725		3,492	
Community Assets		573		573	
Plant and Equipment		2,783	30,288	3,091	40,956
Non-Operational Assets					
Investment Properties		2,493		3,584	
Surplus Assets held for disposal		492	2,985	1,060	4,644
Total Fixed Assets			33,431		45,700
Long Term Investments	23		2,118		2,120
Long Term Debtors	26		176		188
Total Long Term Assets			35,725		48,008
Current Assets					
Stocks & work in progress		45		63	
Debtors & Payments in Advance	21	7,943		10,772	
Short Term Investments	23	16,752		5,635	
Cash		2,039		7,067	
		26,779		23,537	
Current Liabilities					
Creditors & Receipts in Advance	22	(8,874)		(9,406)	
Short term borrowing		(3,000)		-	
		(11,874)		(9,406)	
Net Current Assets			14,905		14,131
Total Assets Less					
Current Liabilities			50,630		62,139
Long Term Liabilities					
Long Term Creditors		(9,709)		(9,947)	
Long Term Borrowing	24	(3,394)		(403)	
Government Grants Deferred A/c		(541)		(1,110)	
Developers Contributions		(2,241)		(2,567)	
Deferred Capital Receipts	26	(176)		(188)	
Pensions Liability	27	(25,720)		(12,914)	
Provision	39	-		(110)	
			(41,781)		(27,239)
Total Assets Less Liabilities			8,849		34,900
Financed by					
Revaluation Reserve	30		252		4,232
Capital Adjustment Account			20,496		29,923
Capital Receipts Reserve			5,743		5,630
Pensions Reserve	27		(25,720)		(12,914)
Fund Balances and Reserves					
General Fund and Other Reserves		8,255		8,213	
Authority's share of Collection					
Fund Deficit		(177)		(184)	
			8,078		8,029
			8,849		34,900

CASHFLOW STATEMENT

	31 March 2009		31 March 2008	
	£'000	£'000	£'000	£'000
REVENUE ACTIVITIES				
NET CASHFLOW (Note 33)		786		873
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
Interest paid	23		23	
Finance Lease interest payment	786		762	
Cash Inflows				
Interest received	<u>(695)</u>	114	<u>(1,365)</u>	(580)
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of fixed assets	2,111		2,463	
Purchase of long-term investments	4,000		2,000	
Other capital cash payments	1,630		873	
Cash Inflows				
Sale of fixed assets	(1,942)		(2,273)	
Capital grants received (Note 37)	(809)		(1,193)	
Other capital cash receipts	<u>(779)</u>	<u>4,211</u>	<u>(2,610)</u>	<u>(740)</u>
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING (Note 34)		5,111		(447)
MANAGEMENT OF LIQUID RESOURCES (Note 35)				
Net (Decrease)/Increase in short-term deposits		5,670		(6,315)
FINANCING				
Cash Outflows				
Repayment of amounts borrowed	9		7	
Capital element of finance lease payments	124		116	
Repayment of Long Term creditors	114			
Cash Inflows				
New loans raised	(3,000)		(486)	
New short term loans	<u>(3,000)</u>	<u>(5,753)</u>	<u> </u>	<u>(363)</u>
NET (INCREASE)/DECREASE IN CASH		<u>5,028</u>		<u>(7,125)</u>

NOTES TO STATEMENTS

1. Trading Operations

The Council manages St Johns Market, generating rental income from the letting of stalls. The trading objective is to break even before Capital Charges.

	2008/09 £'000	2007/08 £'000
Turnover	474	472
Expenditure	(376)	(401)
Surplus/(Deficit) before Capital Charges	<u>98</u>	<u>71</u>
Capital Charges	(647)	(96)
Deficit	<u>(549)</u>	<u>(25)</u>

The increase in capital charges reflects the impairment in 2008/09 due to economic conditions.

2. Statutory Disclosures

Section 137 Expenditure

Section 137 of the Local Government Act 1972 permits a Local Authority to incur expenditure which, in its opinion, is in the interest of all or part of its area or all or some of its inhabitants, which would not otherwise be properly authorised. Expenditure falling into this category is as follows:

	2008/09 £'000	2007/08 £'000
Grants to Outside Organisations	232	258

3. Publicity

Section 5 of the Local Government Act 1986 requires expenditure on certain publicity to be disclosed. The Council's spending for 2008/09 is as follows:

	2008/09 £'000	2007/08 £'000
Recruitment Advertising	37	84
Promotional Expenses	185	237
	<u>222</u>	<u>321</u>

4. Building Control Trading Account

The Local Authority Building Control Service requires the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by Building Control cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement shows the total cost of operating Building Control divided between the chargeable and non-chargeable activities.

Building Control Trading Account 2008/09

	Non- Charge- able 2008/09 £'000	Charge- able 2008/09 £'000	Total 2008/09 £'000
Expenditure			
Employee Expenses	67	235	302
Transport	7	24	31
Supplies and Services	10	33	43
Central Departmental and Support Services	140	100	240
Capital Charges	-	-	-
Total Expenditure	<u>224</u>	<u>392</u>	<u>616</u>
Income			
Fees	-	(360)	(360)
Miscellaneous	(9)	-	(9)
Total Income	<u>(9)</u>	<u>(360)</u>	<u>(369)</u>
(Surplus)/Deficit for the Year	<u>215</u>	<u>32</u>	<u>247</u>
Comparatives for 2007/08			
Expenditure	234	419	653
Income	(8)	(405)	(413)
Net (Surplus)/Deficit for year	<u>226</u>	<u>14</u>	<u>240</u>

Authorities are required to breakeven over a 3 year period on their Building Control Accounts. As at 31 March 2009, the Council has a cumulative deficit of £46k. Remedial action includes preparing a business case for a shared service with Cannock Chase District Council.

5. Local Authority (Goods and Services) Act 1970

Section 1 of the Local Authority (Goods and Services) Act authorises local authorities to supply goods and services to other public bodies.

The council has entered into an agreement with Stafford and Rural Homes to provide payroll services on their behalf. The amount received from Stafford and Rural Homes in 2008/09 was £24,828 (2007/08 £18,642).

The council has also entered into an agreement with Lichfield District Council to provide a shared Human Resources system and a managed payroll service on their behalf. The amount received from Lichfield District Council in 2008/09 was £134,092 (2007/08 £nil).

6. General Government Grants

The amount included in the income and expenditure account can be analysed into the following components:

	2008/09 £'000	2007/08 £'000
Revenue Support Grant	1,058	1,222
Local Authority Business Growth Incentives	407	1,218
Area Based Grant	22	-
	<u>1,487</u>	<u>2,440</u>

7. Members Allowances

Members Allowances paid during 2008/09 totalled £294,103 (2007/08 £271,159).

8. Officers' Emoluments

The Accounts and Audit Regulations require the disclosure of Officers' Emoluments where annual remuneration was £50,000 or more excluding employers pension contributions. The relevant numbers of employees within the appropriate bands are as follows:

Remuneration Band	2008/09	2007/08
	Number of Employees	
£50,000 - £59,999	4	4
£60,000 - £69,999	4	5
£70,000 - £79,999	-	-
£80,000 - £89,999	-	2
£90,000 - £99,999	1	-
£100,000+	1	1

9. Related Party Transactions

This disclosure is designed to ensure that attention is drawn to the possibility that the financial position and results may have been affected by the existence of what are termed related parties (Members/Heads of Service etc) and by material transactions with them.

These relationships have been reviewed by the Council's Monitoring Officer and there are no material transactions to be disclosed.

10. Audit Costs

The following fees were incurred relating to external audit and inspection

	2008/09	2007/08
	£	£
Services carried out by appointed auditor	115,872	114,410
Certification of Grant Claims and Returns	33,239	35,000
Statutory Inspection	13,812	12,230
	<u>162,923</u>	<u>161,640</u>

11. Statement of Movement on The General Fund Balance

The statement of movement on the General Fund Balance provides the reconciliation between the Income and Expenditure Account and the General Fund Balance. The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance for the year.

12. Analysis of Additional Amounts Required by Statute and Non-Statutory Proper Practices

2007/08 £'000		2008/09 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded	
(2,901)	Depreciation and impairment of fixed assets	(10,098)
(38)	Amortisation of intangible assets	(54)
377	Government grants deferred amortisation	416
(461)	Revenue expenditure funded from capital under statute	(1,546)
1,812	Net gain / (loss) on sale of fixed assets	(202)
-	Gain on capital contributions	708
4,530	Other capital income	1,168
(1,643)	Net charges made for retirement benefits	(2,495)
<u>1,676</u>		<u>(12,103)</u>
	Amounts not included in the Income and Expenditure Account but required by statute to be included	
37	Statutory provision for repayment of debt	30
116	Finance Lease	132
(37)	Commutation	(19)
52	Capital expenditure charged to the General Fund Balance	27
1,312	Employers contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	1,428
(30)	Transfer from Usable Capital Receipts equal to amount payable to Housing Capital Receipts pool	-
<u>1,450</u>		<u>1,598</u>
	Transfers to / from General Fund balance	
-	Voluntary provision for repayment of debt	-
222	Net transfer to/from earmarked reserves	606
(61)	Contributions to/from Insurance reserve	(31)
-	Contributions to/from General reserves	-
<u>161</u>		<u>575</u>
<u><u>3,287</u></u>	Additional Amount required by statute and non-statutory proper practices	<u><u>(9,930)</u></u>

13. Euro

It is clear that the introduction of the Euro will have considerable implications for the Council, however measures are already in place to ensure that any relevant new systems are Euro compliant.

No direct identifiable costs were incurred in 2008/09 and it is not yet possible to identify the costs likely to be incurred in the future.

14. Minimum Revenue Provision

The Council is required by statute to set aside a Minimum Revenue Provision for the redemption of external debt. The method of calculating the provision is defined by Statute. In 2008/09, the amount set aside was £30,000. (2007/2008 £37,000).

15. Leasing

(i) Income and Expenditure Account

Operating Leases

The Council continues to finance purchases through operating leases. The costs charged to the Income and Expenditure Account in 2008/09 and the commitments outstanding at 31 March 2009 (all relating to equipment) are as follows:

	2008/09 £'000	2007/08 £'000
Charge for the year	30	30
Obligations outstanding 31 March		
Leases expiring in 2009/10	-	30
Leases expiring between 2009/10 and 2013/14	-	-
Leases expiring after 2013/14	-	-

Authority as Lessor

The authority has granted a number of leases which are accounted for as operating leases, these are as follows:

Lessees	Asset Leased	Lease Period	Rent Payable £'000
Mr P Singh	1a Friars Road	9 years	10
Mr R Willett	1b Friars Road	6 years	6
Stafford College	Riverside Day Nursery	5 years	11
SDVS	131/141 North Walls	7 years	27
Biffa	Tollgate Depot	6 years	-
South Staffs & Shropshire Healthcare NHS Foundation Trust	Auden Way (Highfields)	5 years	-

With regard to the authority's activity as a lessor, the gross value of assets held are as follows:

Asset	Gross Value Assets 1/4/08 £'000
1a Friars Road	107
1b Friars Road	65
Riverside Day Nursery	153
131 / 141 North Walls	336
Tollgate Depot	291
Auden Way (Highfields)	60

Finance Leases

Land and Buildings

The lease of the Civic Centre is fully reflected in the accounts in line with SSAP 21. The rentals payable in 2008/09 were £731,600 accounted for as £727,384 finance costs (debited to interest payable) and £4,216 relating to the write down of obligations.

Plant and Equipment

The authority has two finance leases. The first is in respect of furniture where the rentals payable were £8,874 accounted for as £796 finance costs and £8,078 write down of obligations. The other lease is in respect of gym equipment and financial systems where the rentals payable were £137,497 accounted for as £25,270 finance costs and £112,227 write down of obligations.

Authority as Lessor

The authority has granted a number of long term leases to commercial operations at the Civic Centre accounted for as finance leases. The aggregate rentals receivable in 2008/09 were £0.203 million.

(ii) Balance Sheet

The following values of assets are held under finance leases by the Authority, accounted for as part of Tangible Fixed Assets

	2008/2009		2007/2008	
	Other Land and Buildings £'000	Vehicles Plant & Equipment £'000	Other Land and Buildings £'000	Vehicles Plant & Equipment £'000
Value at 1 April	5,619	247	5,249	517
Adjustments	-	3	500	(129)
Additions	-	-	-	-
Revaluations	200	-	191	-
Impairment	(2,022)	-	(241)	-
Depreciation	(76)	(122)	(80)	(141)
Disposals	-	-	-	-
Value at 31 March	<u>3,721</u>	<u>128</u>	<u>5,619</u>	<u>247</u>

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2009, accounted for as part of long-term liabilities, are as follows:

	2008/2009	
	Other Land and Buildings £'000	Vehicles Plant & Equipment £'000
Obligations payable in 2009/10	5	120
Obligations payable between 2010/2011 and 2014/2015	29	129
Obligations payable after 2014/2015	9,054	-
Total liabilities at 31 March	9,088	249

Authority as Lessor

With regard to the authority's activity as a lessor, the value of the Civic Centre in relation to these leases was £1.415 million at 31 March 2009 (£1.922 million at 31 March 2008).

16. Tangible Fixed Assets

(i) Movements in Year

The following tables summarise the movements in tangible fixed assets during the year.

Operational Assets	Other Land & Buildings £'000	Infra- structure Assets £'000	Com- munity Assets £'000	Plant and Equipment £'000	Total £'000
Cost or valuation					
At 1 April 2008	34,323	3,889	573	4,691	43,476
Additions	705	389	(6)	574	1,662
Expenditure not adding value	(608)	-	6	-	(602)
Disposals	(213)	-	-	-	(213)
Revaluations	(10,250)	-	-	-	(10,250)
At 31 March 2009	<u>23,957</u>	<u>4,278</u>	<u>573</u>	<u>5,265</u>	<u>34,073</u>
Depreciation and Impairment					
At 1 April 2008	(523)	(397)	-	(1,600)	(2,520)
Charge for 2008/09	(761)	(156)	-	(882)	(1,799)
Disposals	11	-	-	-	11
Revaluations	523	-	-	-	523
At 31 March 2009	<u>(750)</u>	<u>(553)</u>	<u>-</u>	<u>(2,482)</u>	<u>(3,785)</u>
Balance Sheet amount at 31 March 2009	23,207	3,725	573	2,783	30,288
Balance Sheet amount at 1 April 2008	33,800	3,492	573	3,091	40,956
Nature of asset holding					
Owned	19,944	3,725	573	2,783	27,025
Finance Lease	3,263	-	-	-	3,263
	<u>23,207</u>	<u>3,725</u>	<u>573</u>	<u>2,783</u>	<u>30,288</u>

Non - Operational Assets	Invest- ment Properties for disposal £'000	Surplus assets held £'000	Total £'000
Cost or valuation			
At 1 April 2008	3,612	1,060	4,672
Additions	168	-	168
Expenditure not adding value	(15)	-	(15)
Revaluations	(1,243)	(568)	(1,811)
At 31 March 2009	<u>2,522</u>	<u>492</u>	<u>3,014</u>
Depreciation and Impairment			
At 1 April 2008	(28)	-	(28)
Charge for 2008/09	(29)	-	(29)
Revaluations	28	-	28
At 31 March 2009	<u>(29)</u>	<u>-</u>	<u>(29)</u>
Balance Sheet amount at 31 March 2009	2,493	492	2,985
Balance Sheet amount at 1 April 2008	3,584	1,060	4,644
Nature of asset holding			
Owned	492	492	984
Finance Lease	2,001	-	2,001
	<u>2,493</u>	<u>492</u>	<u>2,985</u>

(ii) Capital Expenditure and Financing

The capital expenditure and methods of financing, are detailed below:

	2008/09 £'000	2007/08 £'000
Capital Investment		
Intangible Assets	111	-
Operational assets	1,663	11,651
Non-operational assets	168	16
Revenue Expenditure funded from Capital under Statute	2,333	1,074
	<u>4,275</u>	<u>12,741</u>
Sources of finance		
Capital Receipts	(1,056)	(2,820)
Asset swap	-	(9,000)
Developers Contributions	(705)	(50)
Other Contributions	(46)	(48)
Government Grants	(787)	(666)
Sums set aside from revenue	(27)	(52)
	<u>(2,621)</u>	<u>(12,636)</u>
Explanation of movements in the year		
Expenditure met from borrowing (supported)	-	-
Expenditure met from borrowing (unsupported)	(1,654)	(105)
Increase / (decrease) in Capital Financing Requirement	<u>(1,654)</u>	<u>(105)</u>

(iii) Depreciation

The methods of depreciation and the broad analysis of useful lives are as follows:

Asset Type	Depreciation method	Useful lives
-------------------	----------------------------	---------------------

Intangibles	Straight line	3 to 5 years
Other Land & Buildings	Straight line	15 to 70 years
Infrastructure	Straight line	25 years
Community Assets	Not depreciated	
Plant and Equipment	Straight line	5 years
Non operational assets	Not depreciated	
Freehold Land	Not depreciated	

17. Commitments under Capital Contracts

The Council had a capital commitment at 31 March 2009 in respect of the Waterscape project, the value outstanding is approximately £284,000.

18. Analysis of Fixed Assets

The table below summarises the main fixed assets as owned by the Council:

	31 March 2009 (Nos)	1 April 2008 (Nos)
Glover Street Caravan Site (Individual Sites)	12	12
The Saltings Mobile Home Site (Individual Sites)	40	40
Civic Centre, Stafford (Leased)	1	1
Stone Area Office	1	1
Council Owned Shops	2	2
Highfields Area Office	1	1
Garage blocks	10	11
Off-Street Car Parks (Pay and Display) Stafford	12	11
Leisure Centres		
Stafford Leisure Centre	1	1
Westbridge Park Centre, Stone	1	1
Arts and Entertainments Centre - Gatehouse Theatre	1	1
Community Centre - Frank Jordan Centre	1	1
Heritage Centre/Museums	4	4
Markets	1	2
Cemeteries	3	3
Crematorium	1	1
Public Conveniences	9	9
Riverside Day Nursery	1	-
Parks and Open Spaces (in Hectares)	219	214

19. Valuation

The following statement shows the progress of the council's rolling programme for the revaluation of fixed assets. Land and Buildings are subject to detailed valuation every 5 years and to a desktop valuation in the intervening years. The assets shown as last valued in 2003/04 are earmarked for disposal in 09/10.

The valuations are carried out by the external valuer Lambert Smith Hampton (Director A N Cook BA FRICS IRRV). The basis for valuation is set out in the statement of accounting policies.

	Other Land & Buildings £'000	Infra- structure Assets £'000	Com- munity Assets £'000	Plant and Equipment £'000	Non- Operational Assets £'000	Total £'000
Valued at historical cost	-	3,725	573	2,783	-	7,081
Valued at current value in:						
2003/04	35	-	-	-	-	35
2004/05	4,634	-	-	-	-	4,634
2005/06	-	-	-	-	-	-
2006/07	4,181	-	-	-	-	4,181
2007/08	10,434	-	-	-	-	10,434
2008/09	3,923	-	-	-	2,985	6,908
Total	<u>23,207</u>	<u>3,725</u>	<u>573</u>	<u>2,783</u>	<u>2,985</u>	<u>33,273</u>

20. Intangible Assets

The following table summarises the intangible assets held by the authority: -

	Software 2008/09 £'000	Software 2007/08 £'000
Original Historical Cost	192	192
Amortisations to 1 April	(92)	(54)
Balance at 1 April	<u>100</u>	<u>138</u>
Expenditure in the year	111	-
Written off to revenue in year	(53)	(38)
Balance at 31 March	<u>158</u>	<u>100</u>

The software relates to the Revenues and Benefits, Financial Management, Payroll, Performance Monitoring and Election computer systems. The Revenues and Benefits software is being amortised over 3 years and the other software over 5 years.

21. Debtors

	31 March 2009 £'000	1 April 2008 £'000
Debtors and Payments in Advance		
Charge payers/Taxpayers	3,664	3,645
Non Domestic Ratepayers	1,644	1,404
Customs and Excise	291	260
Sundry Debtors	885	810
Collection Fund	1,391	1,442
Miscellaneous	1,813	4,672
Total Debtors and Payments in Advance	9,688	12,233
Less Provision for Bad and Doubtful Debts		
Charge payers/Taxpayers	(813)	(814)
Non Domestic Ratepayers	(497)	(392)
Sundry Debtors	(435)	(255)
Total Provision for Bad and Doubtful Debts	(1,745)	(1,461)
	7,943	10,772

22. Creditors

	31 March 2009 £'000	1 April 2008 £'000
Creditors and Receipts in Advance		
General Fund	6,052	6,627
Collection Fund	2,013	1,981
Capital	809	798
Total Creditors and Receipts in Advance	8,874	9,406

23. Financial Instruments

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

	Long term		Short Term	
	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000
Financial liabilities at amortised cost	3,394	403	3,000	-
Financial liabilities at fair value through profit and loss	-	-	-	-
Total Borrowings	3,394	403	3,000	-
Loans and receivables	2,106	2,108	16,752	5,635
Available-for-sale financial assets	12	12	-	-
Total Investments	2,118	2,118	16,752	5,635

The items of income, expense, gains and losses recognised in the Income and Expenditure Account and the Statement of Total recognised Gains and Losses are made up as follows:

FINANCIAL INSTRUMENTS GAINS/LOSSES

	Financial Liabilities £'000	Financial Assets £'000	Total £'000
Interest expense	85	-	85
Losses on derecognition	-	-	-
Impairment losses	-	-	-
Interest payable and other charges	85	-	85
Interest income	-	(1,225)	(1,225)
Gain on derecognition	-	-	-
Interest and investment income	-	(1,225)	(1,225)
Net(gain)/loss for the year	85	(1,225)	(1,140)

FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST

Financial liabilities and financial assets represented by loans and investments are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following methodology and assumptions:

The fair value of an instrument is determined by calculating the Net Present Value of future cashflows, which provides an estimate of the value of payments/receipts in the future in today's terms.

The discount rate used in the NPV calculation should be equal to the current rate in relation to an instrument from a comparable lender. This is the rate applicable in the market on the date of valuation. Accrued interest has been included in the fair value calculation to provide a comparison with the carrying value on the Balance Sheet.

The rates used in the valuation were obtained by Sector from the market on 31 March 2009, using bid prices where applicable.

The fair values calculated are as follows:

	31 March 2009		31 March 2008	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables				
Debtors	7,943	7,943	10,772	10,772
Long-term debtors	176	176	188	188
Callable Deposits	2,102	2,293	-	-
Cash Deposits	1,918	1,918	6,500	6,500
Fixed Term Deposits	16,756	17,011	7,500	7,749
	28,895	29,341	24,960	25,209
Available for Sale Assets				
Government stock	12	12	12	12
	12	12	12	12
Financial Liabilities at Amortised Cost				
Creditors	8,874	8,874	9,406	9,406
Borrowing	6,394	6,706	403	460
Long-term creditors (finance leases)	9,709	9,709	9,947	9,947
Developers contributions	2,241	2,241	2,567	2,567
	27,218	27,530	22,323	22,380

Nature and extent of risks arising from Financial Instruments and how those risks are managed

Key Risks

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

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

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

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

These items are reported with the annual Treasury Management Strategy, approved by Full council on 26th February 2008, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 Mar 09	Historical experience of default	Adjustment for market conditions 31 Mar 09	Estimated maximum exposure to default
	£'000	%	%	£'000
	(a)	(b)	(c)	(a*c)
Deposits with banks and financial institutions	18,870	-	-	-
Customers (Sundry Debtors)	1,157	3%	3%	35
	<u>20,027</u>			<u>35</u>

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The overdue amounts from customers can be analysed by age as follows:

	£'000
Less than one year	636
One to five years	389
More than five years	132
	<u>1,157</u>

During the reporting period the council held no collateral as security.

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 cash flow management procedures required by the Code of Practice.

In the event of an unexpected cash requirement the Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The maturity analysis of financial liabilities (finance lease obligations) is as follows:

	£'000
Less than one year	125
Between one and five years	158
More than 5 years (Civic centre finance lease)	9,054
	<u>9,337</u>

Refinancing and Maturity Risk

The Council maintains an 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.

The approved prudential indicator limiting investments placed for greater than one year in duration are the key parameters used to address this risk. The approved Treasury Management 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, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial assets is as follows:

	<u>£'000</u>
Less than one year	16,752
Between one and two years	2,106
Between two and three years	-
More than three years	12
	<u>18,870</u>

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 Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher with all other variables held constant the financial effect in 2008/09 would have been:

	<u>£'000</u>
Increase in interest receivable on variable rate investments	(224)
Impact on Income and Expenditure Account	<u>(224)</u>

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 a comparison with the interest earned in 2008/09 at an average overall rate of 5.46%.

Price risk - The Council does not invest in equity shares and, therefore is not exposed to losses arising from movements in the prices of shares.

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

24. Long Term Borrowing

Type of Loan	Total Outstanding	
	31 March 2009 £'000	1 April 2008 £'000
PWLB - Maturity	3,000	-
Mortgages (Fixed Rate) 4.0% - 8.0%	394	403
	<u>3,394</u>	<u>403</u>
Maturing in 2 - 7 years	3,149	134
Maturing in 7 - 15 years	83	73
Maturing in more than 15 years	162	196
	<u>3,394</u>	<u>403</u>

25. Investments

On 31 March 2009, the Council has £18 million invested with The National Bank of Abu Dhabi, Bank of Scotland, Clydesdale Bank, Depfa Bank Europe, Barclays Bank and the Nationwide Building Society. The average rate of interest earned for 2008/2009 was 5.46% (2007/2008 5.96%).

26. Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets where the proceeds will be received in instalments over periods of time. They arise principally from mortgages on sales of Council Houses, but also include private mortgages and advances to Housing Associations.

	31 March 2009 £'000	1 April 2008 £'000
Sale of Council Houses	56	65
Housing Associations	120	123
	<u>176</u>	<u>188</u>

27. Pensions Costs

Participation in Pensions Schemes

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

The Authority participates in one pension scheme - the Local Government Pension Scheme, administered by Staffordshire County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay into a fund, calculated at a level intended to balance the pension liabilities with investment assets,

Change of Accounting policy

Under the 2008 SORP the council has adopted the amendment to FRS17, Retirement benefits. As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of the change is that the value of the scheme assets at 31 March 2009 has been restated from £44.645m to £44.466, a decrease of £0.179m, resulting in an increase of the pension deficit of £0.179m (31 March 2008 : increase £0.264m). Current and prior year surplus have been unaffected by this change.

Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account and Statement

of Movement in the General Fund Balance during the year:

	2008/09	2007/08
	£'000	£'000
Income and Expenditure Account		
Net Cost of Services		
Current service cost	(1,140)	(1,697)
Past service costs	(627)	(34)
Impact of settlements and curtailments	(1)	-
Net Operating Expenditure		
Interest cost	(4,960)	(4,227)
Expected return on assets in the scheme	4,233	4,315
Net Charge to the Income and Expenditure Account	<u>(2,495)</u>	<u>(1,643)</u>

Statement of Movement in the General Fund Balance

Reversal of net charges made for retirement benefits in accordance with FRS 17	(2,495)	(1,643)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	1,212	1,105

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £11,739,000 (gain of £5,316,000 in 2007/08) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial gains and losses recognised in the Statement of Total Recognised Gains and Losses since 2004/05 is £8,192,000

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2008/09	2007/08
	£'000	£'000
1 April	(72,389)	(78,756)
Current service cost	(1,140)	(1,697)
Interest cost	(4,960)	(4,227)
Contribution by scheme participants	(579)	(563)
Losses / (gains) on curtailments	(1)	-
Actuarial (gains) and losses	6,126	9,606
Benefits paid	3,384	3,282
Past Service Costs	(627)	(34)
31 March	<u>(70,186)</u>	<u>(72,389)</u>

Reconciliation of fair value of the scheme assets:

	2008/09 £'000	2007/08 £'000
1 April	59,475	60,587
Expected rate of return	4,233	4,315
Actuarial (gains) and losses	(17,865)	(4,020)
Employer contributions	1,428	1,312
Contributions by scheme participants	579	563
Benefits paid	(3,384)	(3,282)
31 March	<u>44,466</u>	<u>59,475</u>

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective market.

The actual return on scheme assets in the year was a loss of £13,433,000 (2007/08 £3,380,000)

Scheme history

	2004/05 *	2005/06 *	2006/07 As restated	2007/08	2008/09
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(74,405)	(79,336)	(78,756)	(72,389)	(70,186)
Fair value of assets	53,613	58,412	60,587	59,475	44,466
Surplus/(deficit) in the scheme	<u>(20,792)</u>	<u>(20,924)</u>	<u>(18,169)</u>	<u>(12,914)</u>	<u>(25,720)</u>

* The council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (revised).

The liabilities show the underlying commitment that the authority has in the long run to pay retirement benefits. The total liability of £26m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a net balance of £9m.

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

The total contributions expected to be made to the Local Government Pension scheme by the Council in the year to 31 March 2010 is £1,352,000.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels etc. The liabilities of the scheme have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council fund being based on the latest full valuation of the scheme as at 31 March 2007.

	2008/09 £'000	2007/08 £'000
Long-term expected rate of return on assets in the scheme		
Equity investments	7.0%	7.7%
Bonds	5.4%	5.7%
Property	4.9%	5.7%
Cash	4.0%	4.8%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	19.6	19.6
Women	22.5	22.5
Longevity at 65 for future pensioners		
Men	20.7	20.7
Women	23.6	23.6
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.9%	6.9%
Take up of option to convert annual pension into retirement lump sum	50.0%	25.0%
History of experience gains and losses		

The actuarial losses identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets and liabilities as at 31 March 2009

	2004/05 *	2005/06 *	2006/07 As restated	2007/08 As restated	2008/09
	%	%	%	%	%
Differences between expected and actual return on assets	5.9	18.2	(0.7)	(7.2)	(39.6)
Experience gains and losses on liabilities	3.3	(0.5)	(0.1)	(3.6)	-

28. Net Assets Employed by General Fund

The net assets employed by the authority are as follows: -

	31 March 2009 £m	31 March 2008 £m
General Fund	7.5	32.9
Trading Operations	1.3	2.0
Total	<u>8.8</u>	<u>34.9</u>

29. Insurance Reserve

The Council manages its insurance cover via a combination of external insurance and self funding arrangements.

The Council's self insurance reserve meets insurance liabilities in respect of its obligations as an employer, liability to the public and for Council property, limited to the first £5,000 (£10,000 for Employer's Liability) of every claim up to £100,000.

External insurance cover is provided by Zurich Municipal for all other insurable risks.

The level of the fund is reviewed once every 3 years by external advisors.

	2008/09 £'000	2007/08 £'000
Self Insurance Reserve		
Opening Balance 1 April	474	535
Contributions to Reserve	-	75
Contributions from Reserve	(31)	(136)
Closing Balance 31 March	<u>443</u>	<u>474</u>

30. Movements on Reserves

	Balance 1 April 2008 £'000	Net Movement in year £'000	Balance 31 March 2009 £'000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	4,232	(3,980)	252	Store of gains on revaluation of fixed assets not yet realised through sales	
Capital Adjustment Account	29,923	(9,427)	20,496	Store of capital resources set aside to meet past expenditure	
Usable Capital Receipts Reserve	5,630	113	5,743	Proceeds of fixed asset sales available to meet future capital investment	
Pensions Reserve	(12,914)	(12,806)	(25,720)	Balancing account to allow inclusion of Pensions liability in the Balance Sheet	Note 27 to the Core Financial Statements page 47
General Fund	1,530	(530)	1,000	Resources available to meet future running costs for non-housing services	Statement of Movement on the the General Fund Balance, page 28
Other Reserves	6,499	579	7,078		
	<u>34,900</u>	<u>(26,051)</u>	<u>8,849</u>		

31. Trust Funds

The following trust funds are administered by the Council but do not form any part of the Balance Sheet

	Balance at 1 April 08 £.p	Income (Interest) £.p	Balance at 31 March 09 £.p
William Hodges - Stafford	600.50	-	600.50
Stone	1,038.21	-	1,038.21
Sidney's	2,922.98	304.82	3,227.80
Izaak Walton	101.68	-	101.68
	4,663.37	304.82	4,968.19

A number of other such funds are separately accounted for outside of these accounts, for example, the Mayor's Charity Accounts.

32. Investment in Related Companies

The Council is a partner and shareholder (holding one £1 "C" Share – 4%) of Instaffs (UK) Limited, which was established in 1996 to provide a focus for inward investment activities in Staffordshire. W D Davis, a member of Stafford Borough Council, is a director of the Company. The latest available profit and loss account and balance sheet for the year ended 31 March 2008 and 31 March 2007 are summarised below:

Profit and Loss Account for the Year Ended 31 March 2008

	2007/08 £	Restated 2006/07 £
Turnover – continuing operations	381,610	370,483
Gross profit	381,610	370,483
Administrative expenses	(629,513)	(797,439)
Other operating income	361,010	306,899
Operating profit/(loss)	113,107	(120,057)
Interest receivable and similar income	11,039	9,686
Profit/(Loss) on ordinary activities before taxation	124,146	(110,371)
Tax on profit on ordinary activities	(2,208)	(1,840)
Profit/(Loss) for the Financial Year	121,938	(112,211)
Retained profit brought forward	176,131	150,958
Prior year adjustment	(115,025)	22,359
Retained profit carried forward	183,044	61,106

Balance Sheet as at 31 March

	2008		Restated 2007	
	£	£	£	£
Fixed Assets				
Tangible assets		7,599		6,530
Current Assets				
Debtors	109,795		534,859	
Cash at bank and in hand	330,387		222,783	
	<u>440,182</u>		<u>757,642</u>	
Creditors (Amounts falling due within one year)	264,704		703,033	
Net Current Assets		175,478		54,609
Total Assets less Current Liabilities		<u>183,077</u>		<u>61,139</u>
Capital and Reserves				
Called up share capital		25		25
Capital redemption reserve		8		8
Profit and loss account		183,044		61,106
Equity Shareholders' Funds		<u><u>183,077</u></u>		<u><u>61,139</u></u>

Copies of the accounts are available from Companies House.

33. Reconciliation of Income and Expenditure Account to Revenue Activities Cash (Inflow/Outflow)

The cashflow statement has been prepared using the indirect method as permitted by FRS1 Cashflow Statements. The indirect method means that the net cash flow from revenue activities is derived by means of a reconciliation from the surplus or deficit on the Income and Expenditure Account for the year.

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Deficit / (Surplus) for the Year		10,460		(2,664)
Non-Cash Transactions				
Add Depreciation and impairment	(10,152)		(3,105)	
Pensions	(2,495)		(1,643)	
Gain/loss on sale of fixed assets	(202)		1,812	
Gain on capital contributions	708		-	
Other capital income	1,168		4,530	
Deferred Charges	(1,546)		(461)	
Government Grants amortisation	416		377	
		(12,103)		1,510
Items on an Accrual Basis				
Less Reduction / (Increase) in Stocks	18		(12)	
Less Reduction / (Increase) in Debtors	2,829		346	
Less (Reduction) / Increase in Creditors	(532)		1,189	
Plus Increase in Developers Contributions Unapplied			-	
		2,315		1,523
Servicing Financing				
Add Net Cost of Servicing		114		504
		<u><u>786</u></u>		<u><u>873</u></u>

The above table provides the reconciliation between the deficit/ (surplus) on the Income and Expenditure Account, with the net cash position relating to revenue activities as shown on the Statement.

34. Movement in Net Debt

	As at 1 April 2008 £'000	Accrued Interest £'000	Reclassifi- cation £'000	Cashflow £'000	As at 31 March 2009 £'000
Analysis of net debt					
Cash at Bank	7,067	-	-	(5,028)	2,039
Short Term Investments	5,635	617	4,830	5,670	16,752
	<u>12,702</u>	<u>617</u>	<u>4,830</u>	<u>642</u>	<u>18,791</u>
Borrowing repayable within 12 months	-	-	-	(3,000)	(3,000)
Long Term Creditors	(9,947)	-	-	238	(9,709)
Long Term Borrowing	(403)	-	-	9	(394)
Long Term Loans	-	-	-	(3,000)	(3,000)
Total External Debt	<u>(10,350)</u>	<u>-</u>	<u>-</u>	<u>(5,753)</u>	<u>(16,103)</u>
Net Debt	<u>2,352</u>	<u>617</u>	<u>4,830</u>	<u>(5,111)</u>	<u>2,688</u>

The reclassification relates to the transfer of an investment from Long to Short Term which has no cash impact.

35. Reconciliation of Financing and Management of Liquid Resources to Balance Sheet

	As at 1 April 2008 £'000	Accrued Interest £'000	Reclassifi- cation £'000	Cashflow £'000	As at 31 March 2009 £'000
Management of Liquid Resources					
Short Term Investments	5,635	617	4,830	5,670	16,752
Financing					
Long Term Creditors	(9,947)			238	(9,709)
Long Term Borrowing	(403)			(2,991)	(3,394)

The reclassification relates to the transfer of an investment from Long to Short Term which has no cash impact.

36. Management of Liquid Resources

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

37. Analysis of Government Grants included in Cashflow Statement

	2008/09 £'000	2007/08 £'000
Grants towards Capital Activities		
Section 106	73	404
Specified Capital Grant	454	373
Regional Housing Pot	173	298
LAA Funding	2	51
Other contributions	107	67
	<u>809</u>	<u>1,193</u>

38. Discontinued Operations

There are no significant operations which were discontinued during the year.

39. Provisions

At 31 March 2008, the Council included a provision in its accounts of £110,000, being the unused portion of receipts set aside to fund costs of the transfer of the housing stock to Stafford and Rural Homes in February 2006. Following a review of the outstanding legal commitments relating to the stock transfer, the provision has been reclassified within Creditors and Receipts in Advance.

40. Contingent Liabilities

(i) Equal Pay Claims

A liability may exist to pay compensation to some Council employees in respect of equal pay claims, following the completion of the job evaluation process currently in progress. At present it is not possible to quantify either the number or amount of any such claims.

(ii) Redundancy Costs

During 2008/09, the Council made plans to reduce staff numbers following a review of the Council's base budget to identify reductions in expenditure in order to achieve a balanced budget for 2009/10. At present it is not possible to quantify the associated redundancy costs.

(iii) Compensation Costs

A liability may also exist to pay compensation to an ex-Council employee who succeeded in a claim for unfair dismissal and disability discrimination. Liability for this compensation is shared with Stafford and Rural Homes and it is not possible to quantify the amount of the Council's share.

41. Events after the Balance Sheet Date (FRS 21)

These accounts were authorised for issue by Malcolm Vickers BA (Econ) CPFA - Deputy Chief Executive (Section 151 Officer) on 22 June 2009. There were no amendments requiring a post balance sheet adjustment on that date.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

	2008/09		2007/08	
	£'000	£'000	£'000	£'000
Income				
Council Tax				
Taxpayers	57,066		54,441	
Benefits	<u>5,218</u>	62,284	<u>4,898</u>	59,339
Non Domestic Rates		42,033		37,917
Contribution towards previous year's Collection Fund Deficit		738		-
Total Income		<u>105,055</u>		<u>97,256</u>
Expenditure				
Precepts and Demands				
Staffordshire County Council	44,996		43,111	
Stafford Borough Council (including Parishes of £629k)	7,219		6,929	
Staffordshire Fire Authority	2,887		2,742	
Staffordshire Police Authority	<u>7,587</u>	62,689	<u>7,287</u>	60,069
Non-Domestic Rates				
Payments to National Pool	41,288		37,453	
Cost of Collection	<u>175</u>	41,463	<u>173</u>	37,626
Bad and doubtful debts				
Write offs - Council Tax	241		119	
- Non domestic rates	465		171	
Provisions - Council Tax	34		211	
- Non domestic rates	<u>105</u>		<u>120</u>	
		845		621
Total Expenditure		<u>104,997</u>		<u>98,316</u>
(Surplus)/Deficit for Year		<u>(58)</u>		<u>1,060</u>
Movement of Collection Fund Balances				
Balance brought Forward		1,626		566
Add (Surplus)/Deficit for the Year		(58)		1,060
Balance Carried Forward		<u>1,568</u>		<u>1,626</u>

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. Council Tax Base and Council Tax Levels

Council Tax income is derived from charges made to taxpayers according to the value of residential properties. Charges are levied in accordance with the valuation band assigned to a property.

The calculation of the Council Tax chargeable in any year is obtained by dividing the total of the precepts and the demands made on the fund by the Council's Tax Base, which represents the total equivalent number of Band D properties as adjusted for discounts and an estimated collection rate. The following shows how the tax base for the year was calculated and the amount of tax chargeable for the year.

Council Tax Base 2008/09

Band	Number of Properties	Properties adjusted for Discounts etc	Band D Equivalent
A	11,689	9,577	6,381
B	12,557	10,805	8,404
C	12,380	11,175	9,933
D	8,423	8,047	8,047
E	5,506	5,141	6,283
F	3,067	2,886	4,168
G	1,491	1,402	2,338
H	107	66	132
	<u>55,220</u>	<u>49,099</u>	<u>45,686</u>
			Adjusted for Collection Rate (99.5%)
			45,458
			Add Contributions in Lieu
			203
			(2007/08 - 45,498)
			<u>45,661</u>

The actual tax base for the year was 45,162 which was lower than anticipated by 1.1% and therefore resulting in an overall deficit position for the year.

2. Council Tax Chargeable for a Band D Property

	2008/09 Precept £'000	2008/09 Council Tax £	2007/08 Council Tax £
Staffordshire County Council	44,996	985.44	947.54
Stafford Borough Council			
Parish Council (Average)	629	13.77	13.39
Stafford Borough	6,590	144.32	138.90
Staffordshire Police Authority	7,587	166.16	160.15
Stoke on Trent and Staffordshire Fire and Rescue Service Authority	2,887	63.24	60.27
Total	<u>62,689</u>	<u>1,372.93</u>	<u>1,320.25</u>

Individual amounts chargeable are derived from the above according to property banding and individual Parish Demands.

3. Non-Domestic Rates (NNDR)

The Council is responsible for the collection of Non-Domestic Rates from businesses in its area, but pays the proceeds into a central NNDR pool managed by Central Government. Government then re-distributes these proceeds to authorities based upon a standard amount per head of population.

The rates payable, subject to relief's and reductions, are calculated on the basis of Rateable Value

of individual properties multiplied by a specified rate. The specified rate for 2008/09 was 46.2p (2007/2008 44.4p).

The total non-domestic rateable value at 31 March 2009 was £101.125M (£101.158M at 31 March 2008).

4. The Fund Balance

The movement in the Fund Balance is summarised as follows:

	Council Tax £'000
Opening Balance 1 April 08	(1,626)
Council Tax to Fund 2008/2009 Precepts	62,284
Adjustment of Previous Years	738
Precepts and Provision for Bad Debts	(62,964)
Closing Balance 31 March 09	<u>(1,568)</u>

The closing balance on the Collection Fund is included in the Council's Balance Sheet as follows:-

	2008/09 £'000	2007/08 £'000
Stafford Borough Council's Share of Collection Fund Deficit	177	184
Debtors - to be met by the other precetors (see note 21)	<u>1,391</u>	<u>1,442</u>
	<u>1,391</u>	<u>1,442</u>

GLOSSARY OF FINANCIAL TERMS

For the purpose of the Statement of Accounts and the interpretation of CIPFA's Statement of Recommended Practice, where appropriate, the following definitions have been adopted.

Accounting Concepts

The fundamental accounting principles that are applied to ensure that the Statement of Accounts 'present fairly' the financial performance and position of the local authority.

Accounting Policies

Accounting policies and estimation techniques are the principles, bases, conventions, rules and practices applied by the authority that specify how the effects of transactions and other events are to be reflected in its financial statements. An accounting policy, for example, will specify the estimation basis for accruals where there is uncertainty over the amount.

Accruals

The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Area Based Grant

Area Based Grant replaces Local Area Agreement Grant with effect from 1 April 2008. ABG is a non-ring-fenced grant and no conditions on use are imposed.

Balance Sheet

This shows a summary of the overall financial position of the Council at the end of the financial year.

Capital Adjustment Account

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

Capital Charges

Charges to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure on the acquisition of fixed assets or expenditure, which adds to and does not merely maintain existing assets.

Capital Receipts Reserve

Income received from the sale of capital assets a specified proportion of which may be used to finance new capital expenditure. The balance is set aside in the form of a provision to meet credit liabilities.

CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is one of the leading accountancy bodies in the United Kingdom and specialises in public services.

Collection Fund

A fund accounting for Council Tax and Non-Domestic Rates received by the Council and the payments which are made from the fund including precepts to other authorities, the Council's own demand and payments to the NNDR pool.

Community Assets

Assets which the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings

Consistency

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Corporate and Democratic Core

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would have been incurred by a series of independent, single purpose, nominated bodies managing the same services.

Current Service Cost

The increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period.

Curtailement

For a defined benefit pension scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

- (a) termination of employees' services earlier than expected
- (b) termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

Creditors

Amounts owed by the Council for goods and services, where payments have not been made at the end of the financial year.

Debtors

Amounts owed to the Council for goods and services, where the income has not been received at the end of the financial year.

Deferred Credits

These consist of deferred capital receipts, which are amounts derived from the sales of assets which will be received in instalments over agreed periods of time.

Defined Benefit Pension Scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

Depreciation

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period. Consumption includes wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, effluxion of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Discontinued Operations

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

(a) the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;

(b) the activities related to the operation have ceased permanently;

(c) the termination of the operation has a material effect on the nature and focus of the local authority's operations and represents a material reduction in its provision of local services resulting either from its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the local authority's continuing operations;

(d) the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes. Operations not satisfying these conditions are classified as continuing.

Emoluments

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

Expected Rate of Return on Pension Assets

For a funded defined benefit pension scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fees and Charges

Income arising from the provision of services.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee from the lessor. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

Financial Instruments

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. The term includes trade receivables and payables, borrowings, financial guarantees, bank deposits, investments, swaps, forwards and options, debt instruments with embedded swaps or embedded options.

Financial Reporting Standards (FRSs)

Statements prepared by the Accounting Standards Committee. Many of the Financial Reporting Standards (FRSs) and the earlier Statements of Standard Accounting Practice (SSAPs) apply to local authorities and any departure from these must be disclosed in the published accounts.

Financial Year

Period of time to which a Statement of Accounts relates. The financial year of the Council runs from 1st April to 31st March.

Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

GAAP

GAAP (Generally Accepted Accounting Principles), is the standard framework of guidelines for financial accounting. It includes standards, conventions and rules accountants follow in recording and summarising transactions, and in the preparation of financial statements.

Income and Expenditure Account

The Income and Expenditure account combines the income and expenditure relating to all the Council's functions including the General Fund and the Collection Fund. It is structured on the basis of the private sector and thereby excludes calculations done due to statutory and non statutory practices e.g. gains and losses on the sale of fixed assets and statutory provision for the repayment of debt.

Intangible Assets

Intangible assets are those assets whereby access to the future economic benefits that it represents is controlled by the reporting entity, either through custody or legal protection. Examples include development expenditure and goodwill.

Government Grants

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfer of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

International Financial Reporting Standards (IFRS)

The government have announced that from the 2010/11 financial year they will expect public sector accounts to be prepared using International Financial Reporting Standards, adapted as necessary for the public sector.

Impairment

A reduction in the value of a fixed asset below its carrying amount on the balance sheet.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure are highways and footpaths.

Interest Cost

For a defined benefit pension scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Investments

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments which do not meet the above criteria should be qualified as current assets.

Leasing

Method of financing the provision of various capital assets, usually in the form of an operating lease, which do not provide for the title to the asset to pass to the authority.

Liquid Resources

Current investments that are readily disposable by the authority without disrupting its business and are readily convertible to cash.

Minimum Revenue Provision (MRP)

The minimum amount which must be charged to an authority's revenue accounts each year and set aside as a provision to meet the Council's credit liabilities.

National Non-Domestic Rate (NNDR)

Amounts payable to local authorities from non-domestic properties. The rate poundage is set nationally and amounts collected by local authorities are pooled and then redistributed by the Government to local authorities based on the local resident population.

Net Book Value

Amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

Cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

Net Debt

The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

Net Realisable Value

Open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

Non Distributed Costs

These are overheads that are not apportioned to services to accord with CIPFA's Best Value Accounting Code of Practice.

Non-Operational Assets

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

Operating Leases

A lease other than a finance lease.

Operational Assets

Fixed assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

Past Service Cost

For a defined benefit pension scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Post Balance Sheet Events

Events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept

Demands made upon the collection fund by other authorities (Staffordshire Police and Fire Authorities) for the services that they provide.

Prior Year Adjustments

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

Provisions

Amounts set aside to meet liabilities or losses which are likely to be incurred but where the amount remains uncertain.

Prudence

The concept that revenue is not anticipated but is recognised only when realised in the form either of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

Public Works Loan Board (PWLB)

Central Government Agency which lends money to local authorities usually at interest rates which are more favourable than those found elsewhere.

Related Party

Two or more parties are related where one party has control or is able to influence the financial or operational policies of another.

Reserves

Sums set aside to meet future expenditure for specific purposes.

Revaluation Reserve

This is used to record the net gain (if any) from revaluations made after 1 April 2007.

Revenue Expenditure

Expenditure on the day-to-day running of the Council, including employee costs, running expenses and capital financing costs.

Revenue Expenditure Funded from Capital Under Statute (Formerly Deferred Charges)

Expenditure that is not capital in accordance with generally accepted accounting principles but which statute allows to be funded from capital resources.

Revenue Support Grant (RSG)

Grant paid to local authorities by Central Government to help finance its general expenditure. It is determined under the SSA system.

Scheme Liabilities

The liabilities of a defined benefit pension scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflect the benefits that the employer is committed to provide for service up to the valuation date.

Settlement

An irrevocable action that relieves the employer (or the defined benefit pension scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- (a) a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- (b) the purchase of an irrevocable annuity contract sufficient to cover vested benefits; and
- (c) the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

SORP

This is the Statement of Recommended Practice. This document is produced by CIPFA (Chartered Institute of Public Finance and Accountancy)/LASAAC (the Local Authority (Scotland) Accounts Advisory Committee). It is the Code of Practice on Local Authority Accounting in the United Kingdom.. It is based upon approved Accounting Standards so that the accounts 'present fairly' the financial position and transactions of the Council.

Stocks

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Useful Life

Period over which the local authority will derive benefits from the use of a fixed asset.

Annual Governance Statement

STAFFORD BOROUGH COUNCIL - ANNUAL GOVERNANCE STATEMENT 2008/2009

1 SCOPE OF RESPONSIBILITY

- 1.1 Stafford Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Stafford Borough 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.
- 1.3 Stafford Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.staffordbc.gov.uk. This statement explains how Stafford Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Audit and Accounts Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 2.2 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 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 Stafford Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

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

3 THE GOVERNANCE FRAMEWORK

3.1 The key elements of the systems and processes that comprise the authority's governance arrangements include the following.

- (a) The clear statement of corporate vision and priorities identified by taking into consideration national priorities, statutory duties, the needs of the community (data from the Local Futures group and the Staffordshire Observatory) and the views of its stakeholders via the Local Strategic Partnership (LSP), and the outcome of consultation (in particular the last tri-annual satisfaction surveys).
- (b) The communication of the vision and priorities via circulation of the 6 year Corporate Plan (refreshed in 2009) to our partners, MP's, County Councillors, LSP and the general public via press, media and the Council's website.
- (c) A Business Management and Reporting Framework by which to focus on and monitor achievement of Council priorities and service improvement, including Corporate Governance issues. This includes future arrangements for reviewing the Corporate Plan annually in November as part of the budget process to establish a golden thread between resources and achievement of vision /priorities. This allows service planning to be undertaken at officer level and also adjustment of performance targets in line with various projects for submission to scrutiny committees from 1 April each year.
- (d) Arrangements for measuring the quality of service for users (ensuring that they are delivered in accordance with SBC's objectives and for ensuring they represent the best use of resources) include the Place Survey which gives an indication bi-annually of satisfaction not only of Borough Council services but also of those provided by our partners. In addition the Borough Council has a People's Panel which received a questionnaire every six months in respect of services and appropriate feedback is given once the Resources Scrutiny Committee has analysed the outcome and determined appropriate action.. Once a month the CRM Centre undertakes a Satisfaction Survey of 50 customers at random who have contacted the Centre during a four week period. Other satisfaction surveys are carried out at service level.
- (e) The effective operation of, and compliance with, policies and decision making processes including a Cabinet of 5 portfolios with corresponding Scrutiny Committees, and delegated decision powers. The roles and responsibilities of the Executive, Scrutiny and other Committees of the Council are clearly defined in the Constitution. The roles of statutory officers are also defined and the scheme of

delegation to officers set out in that document which is available to all members and officers and the public as a paper or electronic document. There is a Protocol for Officer / Member relations as part of the Constitution to assist in defining the separate roles and aid appropriate communication.

- (f) Codes of Conduct for Members and Officers have been approved and adopted by the Council and are available to all members and officers as part of the Constitution. The document "Our Values" is available on the intranet and as a paper document. Training and awareness sessions are provided for members and officers, and officers are reminded of their duty to declare interests and hospitality.
- (g) Arrangements specified within the Council's Constitution require a regular annual update of standing orders, financial regulations, the scheme of delegation and associated procedure notes where applicable. This is carried out in conjunction with members through a Task and Finish Review and is reported to a full meeting of Council in April each year.
- (h) A corporate Leadership Team to provide for the operation of statutory officer roles (Head of paid service, Section 151 Officer, Monitoring Officer), to support the Cabinet and Scrutiny Committees, and to manage operational services.
- (i) The adoption of (and commitment to) a set of six business values plus Investors in People processes linking corporate objectives to service business plans and individual performance and development objectives.
- (j) The adoption of a Code of Corporate Governance monitored via the annual reporting framework.
- (k) The operation of an Audit and Accounts Committee with terms of reference specified to meet the requirements of an audit committee (as specified by the Chartered Institute of Public Finance and Accountancy) and the annual review of the effectiveness of that committee.
- (l) The Council has appointed a Monitoring Officer who is a member of the Leadership Team. Reports to the Council, Executive and Committees with legal implications are referred to the Council's Legal Services Unit, which employs qualified and experienced staff. There is a system for bringing new legislation to the notice of officers. The Council's Audit Committee (with terms of reference that ensure independence from the Executive) oversees the work of and receives reports from Internal and External Auditors. Compliance with Audit recommendations is monitored.

- (m) A system of financial management and reporting delivered through the medium term Financial Strategy, annual Financial Plan and comprehensive accounting and budgetary control systems. All reports that involve expenditure fully evaluate the financial implications of the proposal with any associated risks. All reports are consulted on with appropriate financial and legal officers and are accompanied by a comprehensive checklist signed off by the reports author. No expenditure is authorised unless it is from an approved budget or is subject to separate virement arrangements in accordance with the Council's Constitution.
- (n) Implementation of the Council's Risk Management Strategy including:-
- annual identification, prioritisation and control of strategic and operational business risks / opportunities
 - maintenance of corporate risk registers
 - monitoring of risk management action plans by the Leadership Team (LT) and Cabinet Members
 - operation of a Strategic Risk Management Group
 - facilitation of risk management workshops for the LT
 - annual report to the Audit and Accounts Committee on the effectiveness of risk management arrangements.
- (o) A performance management framework to monitor and report on identified performance measures in order to secure continuous improvement in services.
- (p) A Whistleblowing policy is in place to (i) encourage anyone to feel confident about raising serious concerns about practices (ii) to provide avenues by which to raise those concerns and to receive feedback on any action taken. This can be accessed via the Council's website.
- (q) A Complaints Procedure is in place for investigating complaints from the public, and the Council investigates approximately 25 corporate complaints annually. A corporate complaint is where a service has had the opportunity to resolve an issue and the complainant is not satisfied with the outcome. The annual number of such complaints has fallen over the past three years from a former figure of approximately 80 to its current level. The next planned improvement is to deal with corporate complaints via the Customer Contact Centre using EDRM software which should assist in achieving good performance against NI 14.
- (r) Business Continuity arrangements are in place including the maintenance of a Crisis Management Plan and Business Continuity Plans for all mission critical activities.
- (s) Member training requirements are based on the following information sources (i) a formal Induction programme developed in 2007 for all Members of the Council, (ii) a skills audit undertaken of all new and existing members and (iii) consideration of Corporate Priorities.

Discussions are on going with the West Midlands Provincial Council regarding future member development opportunities and the potential to seek Member Development Charter status.

- (t) Training needs for senior officers (to support both service delivery and personal development) are identified by the annual Performance and Development reviews (PDR). The use of Personal Development Plans are currently being piloted in Leisure, Regeneration and Environmental Health. PDR training is included as part of the Communications for managers course, and at a strategic level the Council has entered into a partnership with Staffordshire County Council to deliver Institute of Leadership and Management courses and has fully participated in the capacity building opportunities offered from within the Staffordshire Plus Improvement Partnership.
- (u) With regard to communication with all sections of the community and stakeholders, the Council has set up a Citizens Panel with over 1,000 residents of the Borough whose brief is to give views on the delivery of services, quality of life and issues such as crime and health. They undertake about 2 surveys a year and can take part in discussion groups and one-off surveys on important issues. In addition, the Council has produced a number of articles in the local media dealing with major issues; waste, decriminalised parking enforcement, regional spatial strategy and other major development issues which have been received positively by the public. The Council continues to receive excellent press coverage across all local publications with a negative rate of no more than 14% in any one month.

The Corporate Forum undertook a workshop session which identified an action plan for developing internal and external communications. The Leadership Team have endorsed a number of the recommendations including the publication of a monthly core brief.

- (v) With regard to governance arrangements in respect of partnerships / group working, the Council has established a Partnership Scrutiny Committee and a partnership protocol; which has been refreshed during the past 12 months to accommodate the requirements of the Audit Commission in relation to identifying strategic partnerships via audit, assessing the risks of joint partnership working and demonstrating community leadership in terms of “buy-in” to the Sustainable Community Strategy by Stafford Borough Partnership. In addition a Compact has been agreed by the Council and the SDVS, and other public agencies will be invited to become part of the Stafford

Borough Compact. In addition the Children’s Trust Board reporting to the Local Delivery Board has been refreshed. The Partnership Scrutiny Committee has also recently agreed a partnership Protocol and Matrix for identifying risk in strategic partnerships.

4 GOVERNANCE FRAMEWORK – REVIEW OF EFFECTIVENESS

- 4.1 Stafford Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the council who have responsibility for the development and maintenance of the governance environment, by input from Members, the Internal Audit Manager's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The Strategic Risk Management group are responsible for reviewing the various sources of assurance and (from this) drafting the Annual Governance Statement.
- 4.2 The Council's Constitution (which was recently reviewed and adopted formally 28 April 2009) clearly sets out the responsibilities of members and senior managers, particularly the three statutory posts of the Head of Paid Service, Monitoring Officer and Section 151 Officer. Members monitor the effectiveness of the governance framework via the consideration of regular performance management and financial information reports from senior management. Individual Cabinet members receive regular feedback from senior officers within their portfolios on the progress of objectives and the management of risks linked to these objectives. Issues of strategic and corporate importance are referred to Cabinet.
- 4.3 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework, includes the following:
- 4.4 **The role of the authority** in approving and updating the Constitution and Codes of Conduct, approving the statement of the Council's Values and holding the Executive to account.
- 4.5 **The role of the executive** in agreeing the Strategic Risks to be included in the Strategic Risk Register and approving and monitoring the Action Plans to address the risks identified.
- 4.6 **The role of the audit committee** in monitoring the effectiveness of risk management and business continuity arrangements, reviewing corporate governance issues, and reviewing the effectiveness of the system of internal control.
- 4.7 **The role of scrutiny committees** in holding the Executive to account in a public forum for its effectiveness and performance against agreed policies and plans. Resources Scrutiny Committee reviews the Constitution annually and makes recommendations to the Authority.
- 4.8 **The role of the standards committee** in promoting good ethical standards, monitoring standards against the approved Code of Conduct and handling complaints of breaches of the Code of Conduct.

4.9 The Role of Internal Audit

- 4.9.1 Arrangements for the provision of internal audit are set out in the Financial Procedure Rules (contained within the Constitution) that require the Section 151 Officer to “maintain a continuous internal audit of the Council’s accounting, financial and other operations”.
- 4.9.2 Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom under the direct control of the Audit, Risk and Business Continuity Manager who acts independently. Internal Audit plan their work based on an assessment of risk, the requirements of the External Auditor, comments from senior management and outputs from the comprehensive Performance Management and Risk Management processes.
- 4.9.3 During 2008/09, the Internal Audit team achieved 100% of their (revised) planned work (against a target of 97%) and this has been used (with the relevant output from unplanned work) to form their opinion on the systems of internal control. In their annual report to the Accounts and Audit Committee, the Internal Audit section independently assessed the Council’s internal control environment as being satisfactory overall based on the following summary of the audit results over the year.

INTERNAL CONTROL CLASSIFICATION	NO OF SYSTEMS ASSESSED PER CLASSIFICATION		AUDIT RECOMMENDATIONS AGREED / BEING IMPLEMENTED
Good	29	29.90%	YES
Satisfactory	53	54.64%	YES
Marginal	10	10.31%	YES
Unsatisfactory	5	5.15%	YES
TOTAL	97	100.00%	

- 4.9.4 Areas for improvement to be included in the Annual Governance Statement were deemed to be:-
- Business Continuity Management
 - Partnership arrangements (specifically the development of a risk register and management of those risks)
 - Contracts (compliance with / understanding of contract procedure rules)
 - Health and Safety
 - Housing Benefits (overpayments, value for money / performance and issues relating to the use of the PERICLES system)
 - Outstanding issues in relation to the Annual Governance Statement action plan 2008 (i.e. training for the Audit and Accounts Committee etc.).
- 4.9.5 Where deficiencies in internal control were identified, assurance was provided that these had been or would be resolved in an appropriate manner. Such

cases will continue to be monitored as part of the routine operation of the internal audit function.

- 4.9.6 It is a requirement of the Audit and Accounts regulations, that the system of Internal Audit should be subject to independent annual review and for the outcome of this to be reported in the Annual Governance Statement. The Strategic Risk Management Group (SRMG) chaired by the Deputy Chief Executive defined the system of Internal Audit to be (a) the Internal Audit section (b) the Audit Committee. Both of these areas were reviewed against best practise in 2009 and the key points are set out below.
- 4.9.7 Re Internal Audit the Financial Services Manager carried out a review of Internal Audit against its Code of Practice for 2008/09 and provided a file of evidence to support this for detailed review by the Strategic Risk Management Group. Having reviewed the detailed evidence provided by the Financial Services Manager, the SRMG endorsed the conclusion the Internal Audit section have operated in accordance with its Code of Practise. However, the Audit Strategy and Audit Manual both require updating.
- 4.9.8 Re the Audit Committee, CIPFA's self-assessment checklist for audit committees was used to assist the Committee in identifying areas for improvement. The key issues highlighted by the assessment (March 2009) were:-
- ensuring that officers are taking action on external audit recommendations;
 - further training for members of the committee
 - private meetings with the internal auditor (the principle of this is agreed but has not been undertaken as yet)
 - provision of a training session for the Committee on Corporate Governance with a view to enhancing its role in the Council's corporate governance arrangements utilising examples of best practise as provided by the Audit Commission.

4.10 The Role of External Audit

- 4.10.1 The Council is subject to annual audit and inspection by the Audit Commission and the following key reports were received during 2008/09:-
- Strategic Housing Inspection
 - Regeneration Inspection
 - Use of Resources
 - Staffs. Community Safety Inspection re LAA
 - Data Quality
 - Audit Commission Management Letter

4.10.2 Strategic Housing Inspection

The Borough Council has received the initial report of the Inspectors in relation to the recent Housing Inspection. Further evidence is being submitted to the Audit Commission and this Inspection remains live.

4.10.3 Regeneration Inspection

The inspection of Economic Regeneration in 2008 assessed the Council as providing a good, two star service that has promising prospects for improvement. Following up the recommendations, the Council is undertaking a review of its Prosperity Strategy and decided it does not need a separate economic development strategy.

However, a recent review of policies has highlighted the need for a specific Night-time Economy Strategy to complement the Prosperity Strategy, and this is currently in preparation.

4.10.4 Use of Resources

The Audit Commission undertook the work in assessing the Council's Use of Resources for 2007/08 over the autumn of 2008. They found that the Council was performing consistently above the minimum requirements. In fact the Council had improved its score from a level 2 in 2006/07 to an overall level 3 in 2007/08. Within that overall score improvements had been achieved in 5 of the elements of the assessment with the other 6 elements remaining unchanged. There is however a significantly changed process for 2008/09 onwards and the areas for improvement identified by the Audit Commission will be adopted by the Council as an aid to continuous improvement.

4.10.5 Staffs. Community Safety Inspection

Although not formally scored, a review of the Borough Council was included as an appendix to the 2008 County-wide inspection report of community safety. A report and action plan was taken to the Community Safety Partnership Board and also to the Community Scrutiny Committee.

4.10.6 Data Quality Report

The Borough Council has scored a Level 3 in respect of Data Quality. The aim of the Authority is to maintain this standard as it translates into the Key Lines of Enquiry for Use of Resources under the new CAA regime.

4.10.7 Audit Commission Management Letter

The Annual Audit and Inspection letter for 2007/08 is to be considered formally by the Audit and Accounts Committee on 30th June 2009. The main messages contained within the report are as follows.

The Council is making steady progress with improving its priority services particularly waste and recycling, prosperity, safer, stronger and greener communities and the borough is making good progress in reducing levels of crime. However performance of the Council in terms of national indicators needs to improve in a number of areas to ensure that it meets the standards set by other Councils nationally.

The Council faces significant budgetary pressures in 2008/09 onwards as a result of the economic situation. A robust balanced budget has been set for 2009/2010 and the Council has in place an adequate approach to medium term financial planning and budgetary control.

The accounts for 2007/08 were signed off with an unqualified opinion. A number of issues relating to working papers and minor errors were highlighted but were not significant issues.

The Audit Commission concluded that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

All actions recommended by the Audit Commission will be actioned by the Council.

4.11 Other Third Party Assurances

4.11.1 Revenues and Benefits service

Due to concerns over Revenues and Benefits performance a review of the Council's Revenues and Benefits service was commissioned during 2008/09; undertaken by Northgate Kendric Ash. A draft report has been received and is currently being discussed with a view to the production of an action plan.

4.11.2 Partnership Arrangements

A review of the Council's partnership arrangements and protocol is being undertaken by Zurich Municipal's Management Services. This should result in a register / audit of strategic partnerships including those which contribute towards the Six year Corporate Plan, the Sustainable Community Strategy and LAA targets. The register will include a judgement of risk in relation to non-performance of partnerships.

4.12 The Code of Corporate Governance

4.12.1 In July 2002 the Council adopted a Code of Corporate Governance and a comprehensive action plan to comply with that Code. All aspects of Corporate Governance have now been introduced with the last action point being addressed during the 2007/08.

4.12.2 The Corporate Governance Action plan will continue to be monitored in line with the annual reporting framework. Over the next 12 months the Council aims to fully roll out the Performance Management System.

4.13 The Role of Risk Management

4.13.1 Implementation of the Council's Risk Management strategy was continued during 2008/09, including the following key stages.

- (a) Workshops were undertaken with the Leadership Team (LT) to identify, analyse and prioritise the strategic risks/ opportunities which could impact upon the achievement of the Council's key priorities. Management action plans were drawn up to control these key risks/opportunities.
- (b) Strategic risks / opportunities and action plans were incorporated into the Council's Risk Register and progress was reported to and monitored by the by the Cabinet and individual Cabinet Members. During 2008/09 the council's risk management process was successful in managing key risks, including:-
 - Achievement of Efficiency Savings
 - Use of Resources
 - General Fund Management
 - Partnerships
 - Waste Minimisation
 - Enhancement of Customer Care
 - Optimising Procurement
 - Strategic Housing Function
 - Procurement Controls – large contracts
 - Health and Wellbeing.
- (c) Work was also ongoing to identify, analyse and profile operational risks as part of the annual business planning process and to report progress on the Operational risk register to the Leadership Team.

4.13.2 During 2008/09 the Audit and Accounts Committee (who are responsible for monitoring the effectiveness of the Council's Risk Management arrangements) received regular progress reports regarding risk management arrangements and approved the updated Risk Management strategy. In the annual report on risk management the key issues highlighted were:-

- (a) The Audit Commission (Use of Resources) scored the Council's risk management arrangements as a 3 i.e. consistently above minimum requirements – performing well.
- (b) Internal Audit had judged risk management arrangements to be satisfactory although a key area to address is the requirement to maintain / manage risks in relation to partnerships.

- (c) The risk management strategy was implemented as scheduled during 2008/09, and the strategic risk management process was successful in managing 10 potential risks/ opportunities to an acceptable level.

4.13.3 During 2008/2009 the corporate Strategic Risk Management Group (SRMG) were responsible monitoring progress on the implementation of the Annual Governance Statement action plan for 2007/08. This progress is set out in the attached **ANNEX**. Any outstanding items will be incorporated within the Action Plan for 2008/09.

4.13.4 New areas for development identified during 2008/09. include the implementation of Audit Commission action plans in respect of:-

- Strategic Housing Inspection
- Regeneration Inspection
- Use of Resources
- Staffs. Community Safety Inspection re LAA
- Data Quality
- Audit Commission Management Letter

4.13.5 Other areas for improvement were identified by the SRMG as:-

- Review of Partnerships arrangements and the compilation, maintenance and reporting on Partnership risks
- Business Continuity Management – Business Impact analysis and risk assessment, update of BC plans, programme of staff training and testing of plans
- Budget 2009/2010
- Integration between Six year Corporate Plan, Service Planning and Performance Management to demonstrate “golden thread” approach
- Communication Strategy to be incorporated into revised Code of Corporate Governance
- Chief Executive and Leader protocol to be in place for 2011 linked to the statutory change in the role of the Leader which comes into force in 2010/11.
- Partnership Protocol to be reviewed and updated and address recommendations made by ZM in review of arrangements.
- Deliver training scheduled for Audit and Accounts Committee (Risk Management, Corporate Governance, Business Continuity and Statement of Accounts).
- Update Whistleblowing Policy
- Re Health and Safety (review of overall Council Policies, review of reporting arrangements, review of H and S reporting)
- Implementation of recommendations regarding the Revenues and Benefits service

4.14 Budget 2009/2010

4.14.1 A balanced budget has been set for 2009/2010 which required efficiency savings / reduced costs of approximately £2 million to be identified. This has resulted in a number of redundancies which have been identified. The budget does not rely on increased sources of income and reflects the best assessment at the time of the impact that the economic downturn is having on the Council. The budget did not rely on the use of balances to support it and resulted in a Council Tax increase of 2.9%.

4.15 Working Toward Comprehensive Area Assessment

4.15.1 In response to the new Comprehensive Area Assessment regime the authority has undertaken the following to:-

- Refreshed the LSP / Local Delivery Board, Governance arrangements and reconstituted the Children's Trust Board
- Formulating a Sustainable Community Strategy which takes account of the 35 targets in the refreshed LAA
- Undertaken an audit of strategic partners which will result in a Partnership Protocol being formulated and key partners being risk assessed in respect of performance against LAA targets
- Established a Partnership Scrutiny Committee that will monitor this Authority delivery against the Sustainable Community Strategy and also the contribution of its partners towards that Strategy
- In respect of the Direction of Travel Statement a review of our performance management is underway taking into consideration the new National Performance Framework

4.16 The Role of Performance Management

4.16.1 During 2008/2009 various initiatives were implemented to improve performance management within the Council

- Enhanced the InPhase IT Performance system to ensure that performance against the various policies and strategies only require the input of data once
- Introduced Performance Clinics to deal with success, benchmarking and under performance
- Further developed In Pursuit of Success.

4.17 Statements of Assurance from Managers

4.17.1 During 2008/09 specific statements of assurance were utilised for the Chief Executive, Deputy Chief executive and Heads of Service in order to incorporate their views as to the effectiveness of the governance framework including internal controls in their areas of responsibility. No significant issues were highlighted.

4.18 Statements of Assurance from Members

- 4.18.1 During the year Members were surveyed in respect of their awareness of corporate governance issues in accordance with CIPFA guidelines. The results were positive in respect of the overall aims and objectives of the Authority, the role of Members, standards of conduct and behaviour, being an effective councillor and listening to our community and partners.
- 4.18.2 The Survey, however, did indicate that Members were unsure in respect of (a) scrutiny powers holding the Executive to account, and (b) support in the development of their abilities to be an effective councillor.

4.19 Results From the Review of the Effectiveness of the Governance Framework

- 4.19.1 We have been advised on the implications of the result of the review of the effectiveness of the governance framework by Cabinet, audit committee, scrutiny function, senior managers, Internal Audit, risk management process and external review, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5 SIGNIFICANT GOVERNANCE ISSUES

- 5.1 All significant governance issues are included in the action plan below.

ISSUE	ACTION	TARGET DATE
Business Continuity Management	Business Impact Analysis and Risk Assessment Business Continuity Management Strategy update Programme of testing for BC plans Programme of BCM training	December 2009
Partnerships Arrangements	Implementation of agreed recommendations (ZM) Review of Protocol Population of Partnerships Risk Register Monitoring and reporting on Partnerships Risks	December 2009
Contracts	Implementation of agreed Internal Audit recommendations	As set
Health and Safety	Review of reporting arrangements	December 2009
Revenues and Benefits	Implementation of any agreed Action Plan	As set
Strategic Housing Inspection	Implementation of any agreed Action Plan	As set
Regeneration Inspection	Implementation of agreed Action Plan	As set

2009/2010 Budget	Review of the progress of the implementation of actions planned to deal with the budget gap	September 2009
Staffs. Community Safety Inspection	Implementation of agreed Action Plan	As set
Data Quality	Implementation of agreed Action Plan	As set
Audit Commission Management Letter	Implementation of agreed Action Plan	As set
Use of Resources	Implementation of agreed Action Plan	As set
Whistle-blowing Policy	Review and Update Policy	Sept 2009
Performance Management	Integration between Six year Corporate Plan, Service Planning and Performance Management to demonstrate "golden thread" approach	November/ December 2009
Corporate Governance	Presentation to Corporate Forum. Communication Strategy to be incorporated into revised Code of Corporate Governance	July 2009 September 2009
Communication	Communication Strategy to be incorporated into revised Code of Corporate Governance	September 2009
Protocols	Chief Executive and Leader protocol to be in place for 2011	2011
Members Assurances	Guidance for members to be produced in respect of scrutiny powers holding the Executive to account. Questionnaire to be sent to Members to identify their training needs.	October 2009 September 2009
Audit Committee	Delivery of scheduled training for Audit and Accounts Committee (Risk Management, Business Continuity, Corporate Governance) and Statement of Accounts. Committee to ensure that officers are taking action on external audit recommendations. Role of Committee in the Council's corporate governance arrangements to be developed.	May 2009 June 2009 On going On going
Internal Audit	Update Audit Strategy Update Audit Manual	Sept 2009

5.2 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 next annual review.

(Signed) _____
Chief Executive

(Dated) _____

(Signed) _____
Leader of the Council

(Dated) _____

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

Opinion on the financial statements

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

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

Respective responsibilities of the Deputy Chief Executive and auditor

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

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

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

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

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword and the Finances section of the Annual Report. I consider the implications for my report if I become aware of any

apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

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

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I was unable to obtain sufficient appropriate evidence that Stafford Borough Council had a sound understanding of its costs and performance across all of its activities.

Having regard to relevant criteria specified by the Audit Commission for principal local authorities, published by the Audit Commission in May 2008 and updated in February 2009, and the supporting guidance, I am satisfied that, in all significant respects, Stafford Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009 except that it did not put in place adequate arrangements for a sound understanding of its costs and performance and achieve efficiencies in its activities.

Certificate

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



Grant Patterson
District Auditor
Audit Commission
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30th September 2009