

STATEMENT OF ACCOUNTS

2009 / 2010



Stafford
BOROUGH COUNCIL

Explanatory Foreword

The purpose of this document is to show the overall financial position of Stafford Borough Council for the year ended 31 March 2010. 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 -11) ● Statement of Accounting Policies (Pages 13 - 18) ● Statement of Responsibilities for the Statement of Accounts (Page 19) ● Income and Expenditure Account (Page 21) ● Statement of Movement on the General Fund Balance (Page 21) ● Statement of Total Recognised Gains and Losses (Page 22) ● Balance Sheet (Page 23) ● The Cashflow Statement (Page 24) ● Notes to Statements (Pages 25 - 45) ● The Collection Fund (Pages 46 - 48) ● Glossary (Pages 50 - 56) ● The Annual Governance Statement (Pages 57-71)	<p>This sets out an overview of the Council's financial position as at 31 March 2010 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 2010, 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 2009/10 and its financial position as at 31 March 2010.

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

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 following pages provide a brief overview of the financial position of the Council for 2009/10 and its main achievements during the year.

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 Tax payers 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 2.9% during the year in line with the Council policy of limiting rises to the increase in the level of inflation. The Band D figure for the year was £148.50.

The Council set a net revenue budget for 2009/10 of £15.399 million. The actual spend was £149,000 less than budgeted. The following table sets out the net revenue spending and financing compared with the revised estimate for the year:

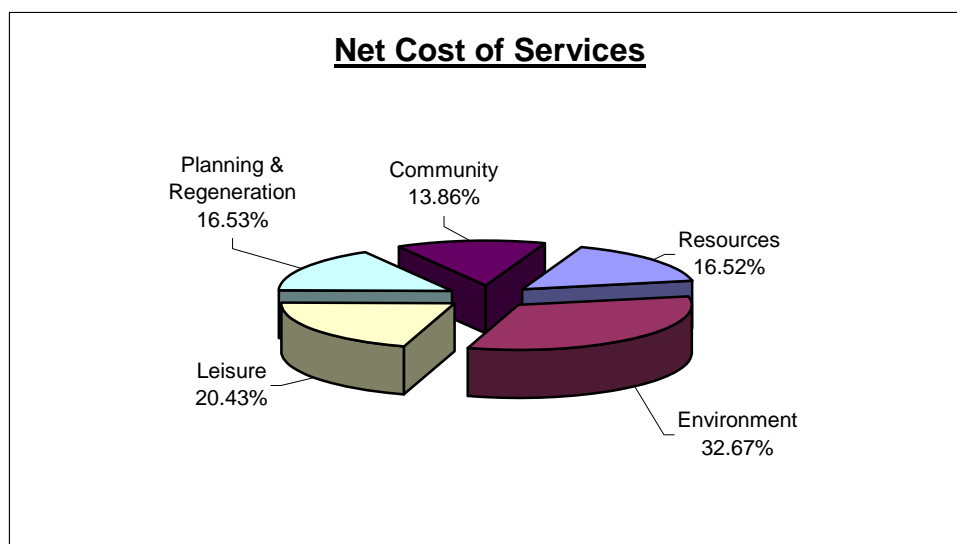
	Budget	Actual	Variance
	£000	£000	£000
Portfolio Budgets	16,129	15,652	(477)
Investment income	(750)	(577)	173
Interest payable	120	151	31
Technical items	(100)	24	124
Net Revenue Budget	15,399	15,250	(149)
Financed by:			
Formula Grant	(8,700)	(8,700)	0
Collection Fund deficit	102	102	0
Council Tax income	(6,801)	(6,801)	0
Transfer to Working Balance		149	149
Total financing	(15,399)	(15,250)	149

The table above shows the budget anticipated net expenditure of £15.399 million, to be principally funded from Central Government (£8.7 million) and from Council Taxpayers (£6.801 million), less the amount required for the Collection Fund deficit (£0.102 million).

The actual position shows that net expenditure was £149,000 lower than budgeted. This was mainly due to an improvement in major income streams in some areas such as Stafford Leisure Centre, as well as a reduction in spending on concessionary fares and Street scene. Tight controls on spending were also put in place owing to the general economic climate.

Investment income was £173,000 less than the budget as a result of unprecedented low interest rates. Technical items include recharges to the capital account for staff salaries and the Council's statutory annual provision from revenue to contribute towards the reduction in its overall borrowing requirement. The overall position resulted in the transfer of £149,000 to the general fund working balance.

The table overleaf provides a simplified version of the Income and Expenditure Account which appears later in this booklet. The Income and Expenditure Account includes accounting items required under the 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 further accounting entries to comply with the SORP.



Financial performance against Budget in 2009/10

Portfolio expenditure was £477,000 lower than the budget. The **principal variances** on each portfolio are ((+) is an unfavourable variance (-) is a favourable variance):

Environment

- Waste & Recycling – the success of the waste minimisation strategy has led to a lower net cost of recycling as tonnages of recyclable material are less than budgeted: £30,000(-)
- Borough Markets – reduced rent income for St John’s Market reflecting lower occupancy levels: £40,000(+)
- Streetscene – lower transport and supplies and services costs coupled with additional external fee income from additional work including the delivery of wheeled bins: £152,000(-)

Leisure

- Leisure Centres – Income at Stafford Leisure Centre was better than anticipated by £124,000(-) primarily owing to an increase in gym membership as well as increased income from swimming. Expenditure on employees at the Stafford Leisure Centre was therefore greater than budgeted to cope with the additional demand, but was offset by savings at Westbridge Park, which were planned in order to help reduce the overspend at the Stafford Leisure Centre: £113,000(-)
- Parks & open spaces – expenses initially classified as capital spending were reclassified as revenue spending as they did not meet the strict definition of capital spending: £112,000(+)
- Gatehouse theatre – posts kept vacant and tight control of spending: £30,000(-)
- Leisure Planning and Marketing – marketing spending less than budgeted: £11,000(-)
- Holiday activity scheme – activity was less than planned: £17,000(-)
- Beaconside All Weather Pitch – lower net cost than forecast: £12,000(-)
- Heritage sites – tight control of spending: £48,000(-)

Planning and Regeneration

- Development control – staffing vacancies plus lower spending on computing and advertising costs: £91,000(-)
- Parking – income on parking was less than the budget due to the economic climate: £87,000(+)
- Land Charges Local Searches – a reduction in fees payable to the County Council for searches: £38,000(-)
- Miscellaneous Highways Functions – maintenance costs were lower than anticipated: £26,000(-)
- Concessionary Fares Scheme – spending on bus passes and tokens was less than anticipated: £123,000(-)
- Economic Development – expenses initially classified as capital spending were reclassified as revenue spending as they did not meet the strict definition of capital spending: £25,000(+)

Resources

- Executive Management – reduced spend on professional fees: £30,000(-)
- Law and Administration – posts held vacant: £30,000(-)
- Human Resources – staffing vacancies plus lower spending on professional fees than planned: £64,000(-)
- Technology – expenses initially classified as capital spending were reclassified as revenue spending as they did not meet the strict definition of capital spending: £59,000(+)
- Revenues & Benefits – additional court fees due to enforcement action of £82,000(-) offset by additional costs of agency staff: £26,000(+)
- Housing Benefit payments – additional income from benefit overpayments: £52,000(-)
- Corporate and democratic core – an increase in the amount transferred to reserves to meet future restructuring costs: £46,000(+)

Other significant matters

By the end of the financial year 2009/2010, the main economic indicators suggested that property prices remain depressed, unemployment is still high, interest rates remain at an historic low and consumer spending and confidence are also low. The impact of the uncertain economic and financial climate has once again been felt in both the commercial and residential property markets. The Council had reflected the general economic uncertainties by impairing the land and building values at 31 March 2009 by 30%. The Council's valuers have valued the assets at 1 April 2009 and their values show the impact of the economic downturn on the Stafford property market is less than national indicators. Therefore, most of the impairment recorded in the Income and Expenditure Account for the year ending 31 March 2009 has been recovered in the year ending 31 March 2010 (£4,413,000) leading to only £326,000 of impairment of assets included in the accounts as at 31 March 2010 representing less than 1% of the asset values at 1 April 2009.

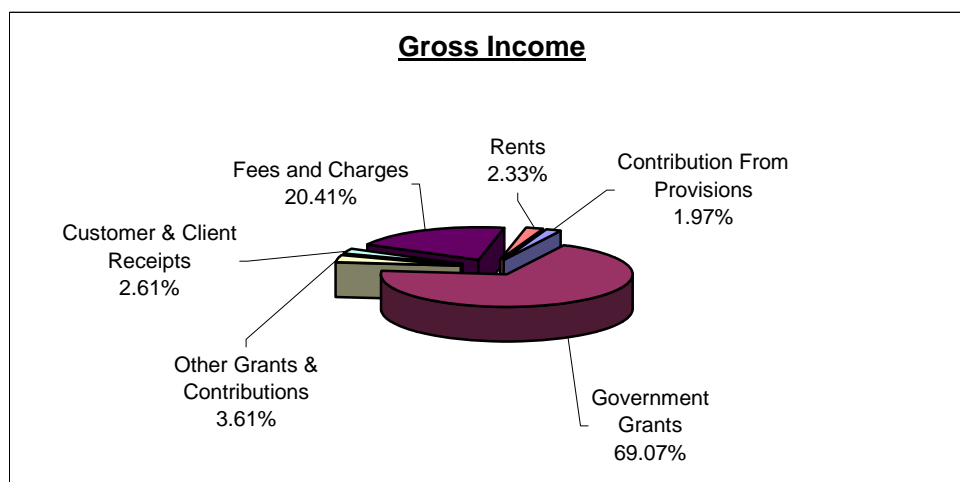
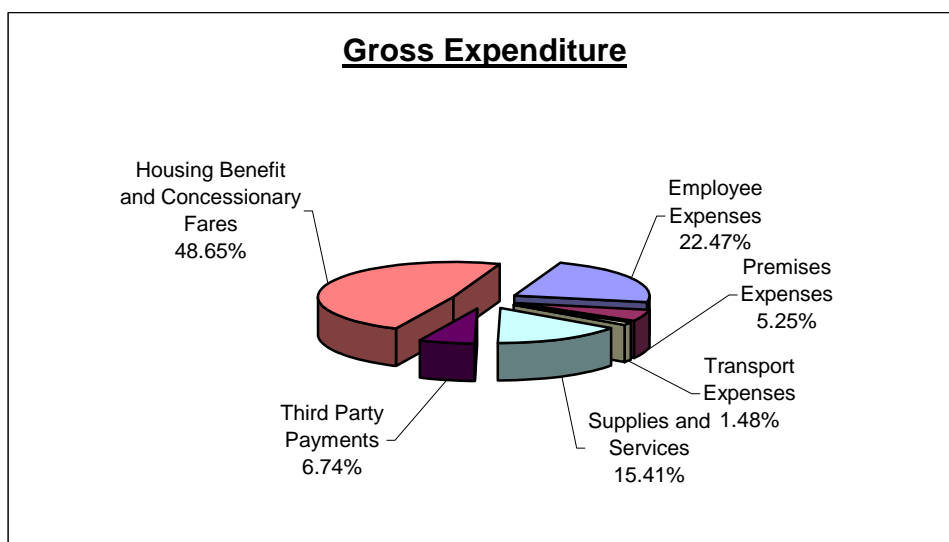
Where assets had reduced in value as at 31 March 2009, the reversal of impairment in 2009/10 has initially been credited back to the Income and Expenditure Account and the balance increased the Revaluation Reserve. In 2009/10 this amounted to an increase in the Revaluation Reserve of £2,682,000.

During 2009/10, Bridge Street Car Park was closed following a structural inspection. In the accounts the value of this car park has been reduced to £1, with a £142,000 impairment.

The Council's long term borrowing remained at £3 million (PWLB). 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 £386,000 (being longstanding mortgage loans with Royal Liver Assurance and Staffordshire County Council Pension Fund).

The economic situation has impacted on interest rates. The Bank base rate remained at an historic low of 0.5% all year. This adversely affects 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 for fixed terms at more advantageous interest rates although the target cash return for the year unsurprisingly was not met.



Future issues facing the Council

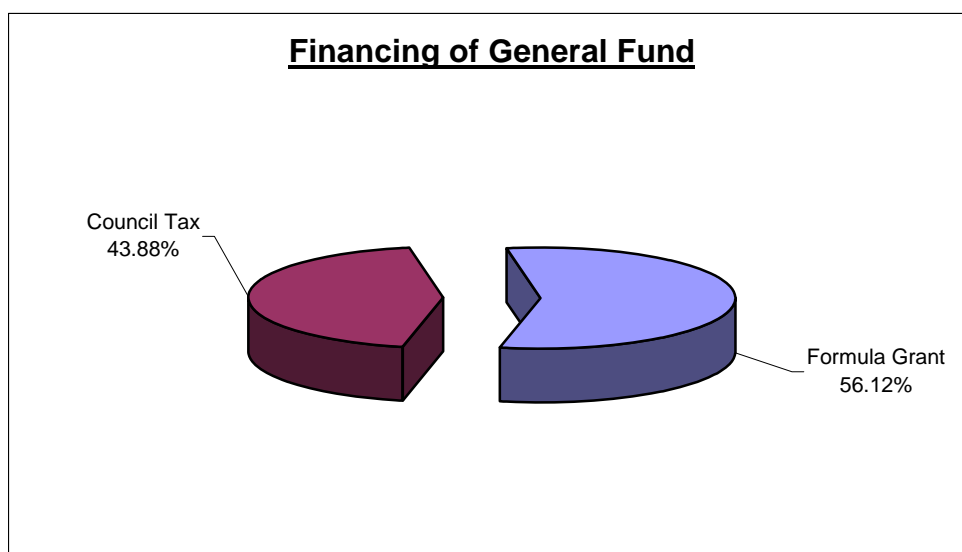
The Council plans its finances over a medium term 4 year rolling period for revenue and capital and it includes all known financial pressures that it faces over the medium term in its Financial Plan. Although finances are sound now the Council needs to plan for future spending pressures.

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:

- Central government funding – the Council was notified in December 2007 of the amount of Formula Grant it would be receiving for the next three financial years starting with the 2008/09 year. The annual increases were 1%, 0.5% and 0.6%. These increases were the minimum that a Council such as

Stafford could be awarded. The new government has signalled considerable cuts in public spending going forward and Councils are also now anticipating a freeze in Council Tax levels. This will inevitably lead to the Council being under pressure to deliver services within an extremely challenging financial settlement;

- Concessionary Fares – responsibility for the concessionary fares scheme is expected to transfer to County Councils in April 2012. There is a risk that the Council may lose formula grant in excess of scheme costs, depending on the method the government selects to redistribute funding for this scheme;
- Income levels – a number of main income streams are subject to demand, in particular leisure services, parking, bereavement services and planning, and in 2009/10 some 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 that receives particular budget monitoring attention;
- Single Status – a national pay agreement that 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 0.5% changes investment income by about £100,000. Interest rates are forecast to remain at the current low level throughout 2010 before gradually increasing in the first quarter of 2011;
- Inflationary pressures – the rate of inflation is of some concern although the Bank of England has forecast that it will fall back under the 2% target by the end of 2010.



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 and providing grants for private sector housing at a cost of more than £500,000. 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 be replacing its Revenues and Benefits Computer system and will continue to aim to further improve its waste recycling rates whilst investing in front line services in the current difficult economic climate. It will also 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 £64.709 million, with the Borough Council's element being £7.551 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 £64.435 million and after allowing for deductions a surplus for the year of £254,000 is recorded which after taking account of the previous year's deficit of £888,000 leaves a net deficit of £634,000.

Reserves

The Council holds the following reserves:

- General Fund balance – the balance at 1 April was £1.0 million and this was increased during 2009/10 to £1.149 million at 31 March 2010. 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 2009, the earmarked reserves, excluding the insurance reserve, stood at £8.994 million and increased to £9.135 million at 31 March 2010.

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 2010 showed the authority's share of the fund to be a deficit of £47.87 million, an increase in the deficit of £22.15 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.

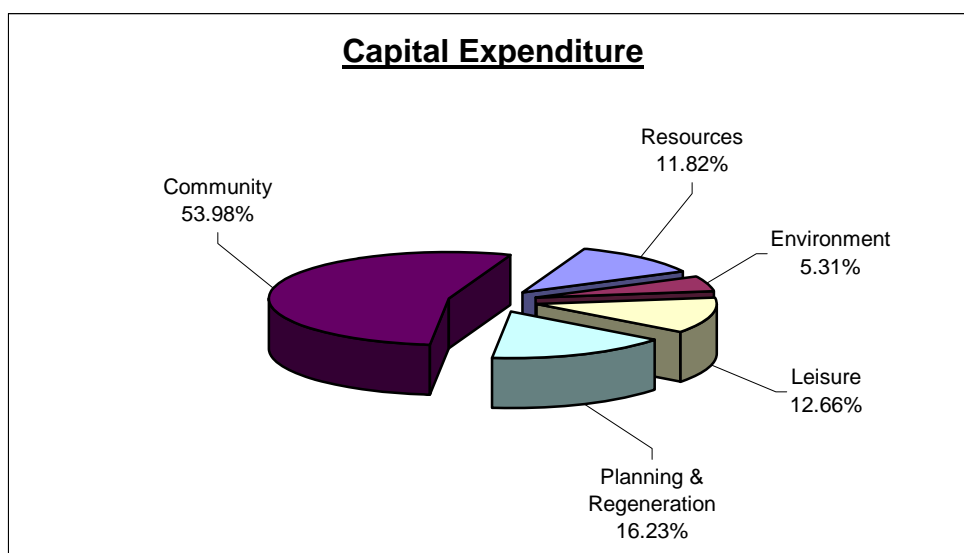
Capital Expenditure

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 £3.579 million on capital projects in 2009/10, which was £1.555 million less than the budget of £5.134 million. The main reasons for the underspend in 2009/10 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:

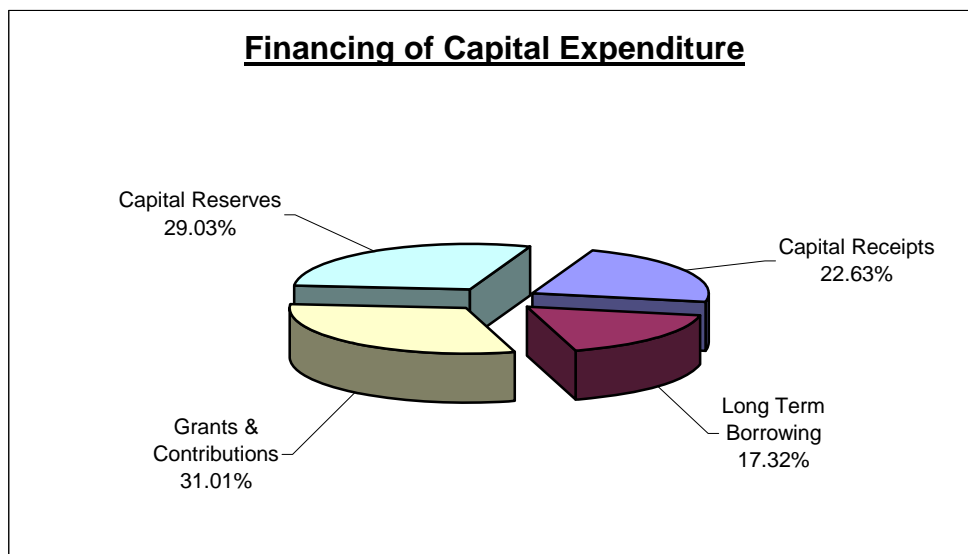
- £1,268,000 on the provision of grants for disabled adaptations in homes and other grants to improve private sector housing;
- £570,000 on the transfer of sewage works to Severn Trent;
- £380,000 on the Waterscape project;
- £315,000 on improvements to leisure facilities;
- £234,000 for upgrade of IT hardware and software;
- £123,000 on upgraded CCTV monitoring facilities and additional cameras;
- £127,000 on boiler replacement at the Gatehouse Theatre;
- £108,000 contribution towards the purchase of existing satisfactory dwellings;
- £95,000 for improvements to public buildings;
- £92,000 on wheeled bins replacement;
- £76,000 for the purchase of Streetscene equipment.



The capital programme of £3.579 million was financed in the following way:

- Capital receipts - £0.24 million;
- Grants and contributions - £1.11 million;
- Loan - £0.62 million;
- Capital reserves - £1.609 million.

Financing of Capital Expenditure



After financing the capital programme the Council has approximately £3.84 million of available capital resources to finance the future capital programme to 2012/13 and help deliver its priorities.

Changes in Accounting Code requirements

The Statement of Accounts follows the *Code of Practice for Local Authority Accounting in the United Kingdom 2009* (the SORP) and associated guidance. It meets the legal requirements imposed on local authorities. The SORP is amended annually for changes in statute and accounting practice.

The main change to the SORP for 2009/10 relates to accounting for local taxes as follows:-

- The Council as a billing authority acts as the major preceptors' agent for Council Tax collection. For the first time, the 2009 SORP includes detailed requirements for accounting for Council Tax, which include a requirement to include appropriate shares of Council Tax and debtors in the billing authorities' and major preceptors' Balance Sheets. Similarly, the Council as billing authority acts as the agent of the Government when collecting National Non-Domestic Rates (NNDR). The 2009 SORP includes detailed requirements for accounting for NNDR, which include a requirement that billing authorities shall not recognise NNDR debtors on their Balance Sheets but instead recognise a creditor or debtor for cash collected from NNDR debtors as agent of the government but not paid to the Government, or overpaid to the Government, at the Balance Sheet date.

In order to provide meaningful comparison with prior years, the Income and Expenditure Account, Balance Sheet and Cash Flow Statement for 2008/09 have been restated to allow for the above changes.

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 Government has also announced that, from the 2010/11 financial year, it 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 assist in the process.

Whole of Government Accounts (WGA)

The financial year 2009/10 is the first year that the Whole of Government Accounts return will be completed 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 submitted for 2009/10 will be the sixth prepared by 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, 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. No new long term borrowing was undertaken in 2009/10. Other long-term debt stands at £0.386 million (being longstanding mortgage loans with Royal Liver Assurance and Staffordshire County Council Pension Fund).

Investments

During most of 2009/10 investment decisions were driven by cash flow considerations and funds placed in business reserve accounts for easy access. However opportunities were also taken to place funds in higher interest bearing investments when cash flow requirements would allow. The average investment balance in 2009/10 was £22.9 million (£23.9 million in 2008/09). Interest receipts reduced to £0.577 million in 2009/10 from £1.225 million in 2008/09.

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year-end of 31 March 2010. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

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 (2009). The substantive changes introduced in the 2009 SORP that affect this authority relate to:-

- a) Accounting for local taxes - The Council as a billing authority acts as the major preceptors' agent for Council Tax collection. The 2009 SORP includes detailed requirements for the first time for accounting for Council Tax, which include a requirement to include appropriate shares of Council Tax and debtors in the billing authorities' and major preceptors' Balance Sheets. Similarly, the Council as billing authority acts as the agent of the Government when collecting National Non-Domestic Rates (NNDR). The 2009 SORP includes detailed requirements for accounting for NNDR, which include a requirement that billing authorities shall not recognise NNDR debtors on their Balance Sheets but instead recognise a creditor or debtor for cash collected from NNDR debtors as agent of the government but not paid to the Government, or overpaid to the Government, at the Balance Sheet date.
To enable meaningful comparison with prior years, the Income and Expenditure Account and Balance Sheet for 2008/09 have been restated to allow for these changes.
- b) Amendment has been made that requires the portion of long-term liabilities due to be settled within 12 months after the Balance Sheet date to be presented in current liabilities.
- c) A number of note disclosures have been removed as requirements of the 2009 SORP. Therefore, the Council has elected to no longer include notes on section 137 expenditure, expenditure on publicity, the building control account and income under the Local Authority Goods and Services Act.

3. Accruals of Income and Expenditure

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

- Fees, charges and rents from customers are accounted for as income at the date the Council provides the relevant goods or services, with the exception of market rents which are accounted for on a cash basis only.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest, receivable on investments or payable on borrowings, is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that the debt will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Where the exact amount due has not yet been confirmed e.g. grant entitlements from the Government, the accounts reflect the best estimate or latest available information.

4. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For example, court cases, which could result in compensation payments.

Provisions are charged to the appropriate revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made they are charged to the provision set up in the Balance Sheet. Where it becomes likely that a transfer of economic benefit may not be required, the provision is reversed and credited back to the relevant revenue account.

5. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from reserve is incurred, it is charged to the appropriate revenue account in that year to score against the Net Cost of Services in the Income & Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and they do not represent usable resources for the Council – these reserves are explained in the relevant policies elsewhere.

6. Government Grants and Contributions

Government grants, third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, when there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure are credited to the foot of the Income & Expenditure Account after Net Operating Expenditure.

7. Retirement Benefits

The Council's employees are members of the Local Government Pension Scheme administered by Staffordshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme is accounted for as a defined benefits scheme:

The liabilities of the Staffordshire County Council (SCC) pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method - ie an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc, and projections of projected earnings for current employees.

Liabilities are discounted to their value at current prices using 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 assets of the Staffordshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- quoted securities - current bid price
- unquoted securities - professional estimate
- unitised securities - current bid price
- property - market value

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.

8. VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

9. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core - costs relating to the Council's status as a multi-functional, democratic organisation.
- Non Distributed Costs - the cost of discretionary benefits awarded to employees retiring early.

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

10. 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 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.

11. Tangible Fixed Assets

Tangible fixed assets have a physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation, or enhancement of tangible fixed assets is capitalised on an accruals basis. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements - lower of net current replacement cost or net realisable value
- dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets – depreciated historical cost.

- community assets – historical cost.

Net current replacement cost is assessed as:

- non-specialised operational properties – existing use value
- specialised operational properties – existing use value if available, otherwise depreciated replacement
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued by an independent valuer on a desktop basis every year with a detailed valuation once every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year, for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account
- Otherwise, the loss is written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

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

Disposals: When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income & Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the income & Expenditure account as part of the gain or loss on disposal (ie netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as Capital Receipts. A proportion of receipts relating to housing disposals is payable to the Government. The balance of receipts is credited to the Useable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

Depreciation: is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of assets in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer (15 to 70 years)
- vehicles, plant and equipment - straight-line allocation over the life of the asset as advised by a suitably qualified officer (5 years)
- infrastructure – straight-line allocation over 25 years
- community assets - not depreciated

Where an asset has major components with different estimated useful lives, these are depreciated separately. There is nil depreciation in the year of acquisition and a full year's depreciation in the year of disposal. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and Contributions: Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The Balance Sheet is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

12. Charges to Revenue for Fixed Assets

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

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to either an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance, or loans fund principal charges). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

13. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance, so there is no impact on the level of council tax.

14. Leases

Finance Leases: The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as a rent becomes payable); and
- a finance charge (debited to Net Operating Expenditure in the Income & Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases: Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

15. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. This means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged in the Income and Expenditure Account is the amount payable for the year in the loan agreement.

16. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (eg dividends) is credited to the income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value on the following principles:

- Instruments with quoted market prices - the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred - these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Income and Expenditure Account.

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

17. Stocks and Work in Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

18. Interests in Companies and Other Entities

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.

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:

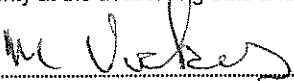
- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

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 gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.


..... Date 20/9/10

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 2010 was considered and approved by the Audit and Accounts Committee of the Council on 29 June 2010.


..... Date 20/9/10

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

INCOME AND EXPENDITURE ACCOUNT

Net Expenditure 2008/09 £'000 Restated	Gross Expenditure 2009/10 £'000	Income 2009/10 £'000	Net Expenditure 2009/10 £'000
2,904	Central Services to the Public	8,240	(641)
7,357	Cultural and Related Services	4,859	2,533
5,368	Environmental & Regulatory Services	3,240	4,429
2,437	Planning and Development Services	1,356	2,533
2,074	Housing Services	21,418	2,185
2,653	Highways and Transport Services	2,799	(290)
1,981	Corporate and Democratic Core	-	1,598
628	Non-Distributed Costs	-	66
25,402	Net Cost of Services	54,966	12,413
549	(Surplus)/Deficit of trading operations (Note 1)		(391)
202	Loss on Disposal of Fixed Assets		87
-	Loss on Derecognition of Fixed Assets		1,717
629	Precepts Paid to Parish Councils		750
837	Interest Payable		896
-	Amounts Payable into the Housing Capital Receipts Pool		-
(1,225)	Interest and Investment Income		(577)
727	Pensions Interest Cost less Expected Return on Assets		1,927
(442)	Other Income		(380)
26,679	Net Operating Expenditure		16,442
(7,135)	Income from the Collection Fund		(7,478)
(1,487)	Government Grants (Note 2)		(1,958)
(7,599)	Distribution from Non-Domestic Rates Pool		(7,069)
10,458	(Surplus)/Deficit for year		(63)

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

2008/09 £'000 Restated		2009/10 £'000
10,458	(Surplus) or Deficit for the year on the Income and Expenditure Account	(63)
(9,928)	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 8)	(86)
530	(Increase)/ Decrease in General Fund Balance for the year	(149)
(1,530)	General Fund Balance brought forward 1 April	(1,000)
(1,000)	General Fund Balance carried forward 31 March	(1,149)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

2008/09 £'000		2009/10 £'000
Restated 10,458	(Surplus) / Deficit on the Income and Expenditure Account for the year	(63)
3,859	(Surplus) / Deficit arising on the revaluation of fixed assets	(2,681)
11,739	Actuarial gains and losses on pension fund assets and liabilities	20,910
26,056	Total recognised gains and losses for the year	18,166

BALANCE SHEET

	Note	31 March 2010		31 March 2009	
		£'000	£'000	£'000	£'000
				Restated	
Fixed Assets					
Intangible Assets	15		153		158
Tangible Fixed Assets	11				
Operational Assets					
Other Land and Buildings		31,815		23,207	
Infrastructure Assets		1,837		3,725	
Community Assets		573		573	
Plant and Equipment		<u>2,355</u>	36,580	<u>2,783</u>	30,288
Non-Operational Assets					
Investment Properties		-		2,493	
Assets under construction		121		-	
Surplus Assets held for disposal		<u>351</u>	<u>472</u>	<u>492</u>	<u>2,985</u>
Total Fixed Assets			37,205		33,431
Long Term Investments	18		12		2,118
Long Term Debtors	21		163		176
Total Long Term Assets			37,380		35,725
Current Assets					
Stocks & work in progress		45		45	
Debtors & Payments in Advance	16	11,290		6,099	
Short Term Investments	18	12,286		16,752	
Cash		<u>1,218</u>		<u>2,039</u>	
		24,839		24,935	
Current Liabilities					
Creditors & Receipts in Advance	17	(5,148)		(7,035)	
Short term borrowing		<u>(2,860)</u>		<u>(3,000)</u>	
		(8,008)		(10,035)	
Net Current Assets			16,831		14,900
Total Assets Less					
Current Liabilities			54,211		50,625
Long Term Liabilities					
Deferred Liabilities		(9,079)		(9,709)	
Long Term Borrowing	19	(3,386)		(3,394)	
Government Grants Deferred A/c		(226)		(541)	
Government Grants Unapplied		(1,106)		(301)	
Developers Contributions		(1,703)		(1,940)	
Deferred Capital Receipts	21	(163)		(176)	
Pensions Liability	22	<u>(47,870)</u>		<u>(25,720)</u>	
			(63,533)		(41,781)
Total Assets Less Liabilities			(9,322)		8,844
Financed by	25				
Revaluation Reserve			2,824		252
Capital Adjustment Account			21,558		20,496
Collection Fund Adjustment Account			(153)		(182)
Capital Receipts Reserve			3,701		3,561
Pensions Reserve	22		(47,870)		(25,720)
Fund Balances and Reserves			10,618		10,437
			(9,322)		8,844

CASHFLOW STATEMENT

	31 March 2010		31 March 2009	
	£'000	£'000	£'000	£'000
			Restated	
REVENUE ACTIVITIES				
NET CASHFLOW (Note 28)		257		(3,050)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
Interest paid	154		23	
Finance Lease interest payment	744		786	
Cash Inflows				
Interest received	<u>(1,301)</u>	(403)	<u>(695)</u>	114
CAPITAL ACTIVITIES				
Cash Outflows				
Purchase of fixed assets	1,323		2,208	
Purchase of long-term investments	-		4,000	
Other capital cash payments	2,844		1,630	
Cash Inflows				
Sale of fixed assets	(496)		(1,942)	
Capital grants received (Note 32)	<u>(1,673)</u>	1,998	<u>(809)</u>	5,087
NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING (Note 29)		1,852		2,151
MANAGEMENT OF LIQUID RESOURCES (Note 30)				
Net (Decrease)/Increase in short-term deposits	(6,000)		5,670	
Net (Decrease)/Increase in other liquid resources	<u>4,324</u>	(1,676)	<u>2,960</u>	8,630
FINANCING				
Cash Outflows				
Repayment of amounts borrowed	8,425		123	
Capital element of finance lease payments	125		124	
Repayment of Long Term creditors	372			
Cash Inflows				
New loans raised	-		(3,000)	
New short term loans	<u>(8,277)</u>	645	<u>(3,000)</u>	(5,753)
NET (INCREASE)/DECREASE IN CASH		<u>821</u>		<u>5,028</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.

	2009/10	2008/09
	£'000	£'000
Turnover	456	474
Expenditure	(403)	(376)
Surplus/(Deficit) before Capital Charges	53	98
Capital Charges	338	(647)
Surplus / (Deficit)	391	(549)

The capital charges in 2008/09 were higher to reflect the impairment due to economic conditions. The impact has been reversed in 2009/10 as the fall in values were not as high as anticipated.

2. General Government Grants

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

	2009/10	2008/09
	£'000	£'000
Revenue Support Grant	1,632	1,058
Local Authority Business Growth Incentives	56	407
Housing Planning Delivery grant	247	-
Area Based Grant	23	22
	1,958	1,487

3. Members Allowances

Members Allowances paid during 2009/10 totalled £295,134.97 (2008/09 £294,103).

4. Senior Officer Remuneration

The Accounts and Audit Regulations require the disclosure of Senior Officer's Remuneration where their salary is above £50,000 per year and also a comparative for the previous year.

Senior Officers emoluments 2009/10 - salary is between £50,000 and £150,000 per year

Post Title	Salary £	Benefits in Kind £	Total excluding pension contrib- utions	Pensions Contrib- utions	Total including pension contrib- utions
			2009/10 £	£	2009/10 £
Chief Executive	104,991	8,044	113,035	15,224	128,259
Deputy Chief Executive	90,060	6,648	96,708	20,142	116,850
Head of Environment	68,782	5,361	74,143	9,973	84,116
Head of Finance	64,572	5,213	69,785	9,363	79,148
Head of Human Resources	55,915	5,206	61,121	8,688	69,809
Head of Law & Administration	64,572	5,339	69,911	10,112	80,023
Head of Leisure & Culture	64,572	5,478	70,050	9,363	79,413
Head of Planning & Regeneration	62,816	5,215	68,031	8,753	76,784
Head of Policy & Improvement	55,915	5,147	61,062	8,108	69,170
Head of Technology	52,642	4,448	57,090	7,633	64,723
	684,837	56,099	740,936	107,359	848,295

Senior Officers emoluments 2008/09 - salary is between £50,000 and £150,000 per year

Post Title	Salary £	Benefits in Kind £	Total excluding pension contrib- utions	Pensions Contrib- utions	Total including pension contrib- utions
			2008/09 £	£	2008/09 £
Chief Executive to 31/5/08	17,318	1,423	18,741	2,455	21,196
Director - External / Chief Executive w.e.f 1/6/08	99,523	7,692	107,215	13,137	120,352
Director - Internal / Deputy Chief Executive w.e.f 1/6/08	87,894	6,570	94,464	11,701	106,165
Head of Environment	64,874	4,511	69,385	8,563	77,948
Head of Finance	63,110	5,138	68,248	8,331	76,579
Head of Human Resources	52,888	5,096	57,984	7,250	65,234
Head of Law & Administration	64,874	5,178	70,052	9,354	79,406
Head of Leisure & Culture	64,874	5,261	70,135	8,563	78,698
Head of Planning & Engineering	62,034	4,930	66,964	8,292	75,256
Head of Policy & Improvement	52,888	5,096	57,984	7,094	65,078
Head of Regeneration	52,888	4,520	57,408	6,981	64,389
Head of Technology	52,888	4,452	57,340	6,981	64,321
	736,053	59,867	795,920	98,702	894,622

Remuneration Bandings

The disclosure below relates to employees whose salary is above £50,000 per year but who are not required to be disclosed separately as above:

	2009/10	2008/09
£50,000 - £54,999	1	1

5. 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 (Council Members/Heads of Service and members of their family and household) 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.

6. Audit Costs

The following fees were incurred relating to external audit and inspection

	2009/10 £	2008/09 £
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	115,000	115,872
Fees payable to the Audit Commission for the certification of grant claims and returns	31,900	33,239
Fees payable to the Audit Commission in respect of statutory inspection	8,312	13,812
	155,212	162,923

7. 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.

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

2008/09 £'000		2009/10 £'000
Restated	Amounts included in the Income and Expenditure Account but required by statute to be excluded	
(10,098)	Depreciation and impairment of fixed assets	1,899
(54)	Amortisation of intangible assets	(51)
416	Government grants deferred amortisation	334
(1,546)	Revenue expenditure funded from capital under statute	(1,487)
(202)	Net gain / (loss) on sale of fixed assets	(87)
-	Net gain / (loss) on derecognition of fixed assets	(1,717)
708	Gain on capital contributions	-
442	Other capital income	380
-	Amount by which Council Tax income adjustment included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	29
(2,495)	Net charges made for retirement benefits	(2,882)
(12,829)		(3,582)
	Amounts not included in the Income and Expenditure Account but required by statute to be included	
30	Statutory provision for repayment of debt	89
132	Finance Lease	125
(19)	Commutation	-
650	Capital expenditure charged to the General Fund Balance	1,609
1,428	Employers contributions payable to the Pension Fund and retirement benefits payable direct to pensioners	1,642
-	Transfer from Usable Capital Receipts equal to amount payable to Housing Capital Receipts pool	-
2,221		3,465
	Transfers to / from General Fund balance	
709	Net transfer to/from earmarked reserves	140
(31)	Contributions to/from Insurance reserve	(109)
2	Contributions to/from General reserves	-
680		31
(9,928)	Additional Amount required by statute and non-statutory proper practices	(86)

9. Minimum Revenue Provision

The Council is required by statute to set aside a Minimum Revenue Provision for the redemption of external debt. The options for calculating the provision are set out in DCLG guidance. In 2009/10, the amount set aside was £89,000 (2008/09 £30,000).

10. 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 2009/10 and the commitments outstanding at 31 March 2010 (all relating to equipment) are as follows:

	2009/10 £'000	2008/09 £'000
Charge for the year	30	30
Obligations outstanding 31 March		
Leases expiring in 2010/11	2	-
Leases expiring between 2010/11 and 2014/15	-	-
Leases expiring after 2014/15	-	-

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	11
Mr R Willett	1b Friars Road	6 years	6
Stafford College	Riverside Day Nursery	5 years	25
SDVS	131/141 North Walls	7 years	26
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 1/4/09 £'000
1a Friars Road	96
1b Friars Road	58
Riverside Day Nursery	195
131 / 141 North Walls	300
Tollgate Depot	250
Auden Way (Highfields)	55

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 2009/10 were £731,600 accounted for as £727,047 finance costs (debited to interest payable) and £4,553 relating to the write down of obligations.

Plant and Equipment

The authority has one finance lease. This is in respect of gym equipment and financial systems where the amount payable was £137,497 accounted for as £17,410 finance costs and £120,087 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 2009/10 were £234,000.

(ii) Balance Sheet

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

	2009/2010		2008/2009	
	Other Land and Buildings £'000	Plant & Equipment £'000	Other Land and Buildings £'000	Plant & Equipment £'000
Value at 1 April	3,721	128	5,619	247
Adjustments	-	-	-	3
Additions	-	-	-	-
Revaluations	-	-	200	-
Impairment	339	-	(2,022)	-
Depreciation	(56)	(71)	(76)	(122)
Disposals	-	-	-	-
Value at 31 March	4,004	57	3,721	128

Outstanding obligations to make payments under these finance leases (excluding finance costs) at 31 March 2010, accounted for as part of long-term liabilities, are as follows:

	2009/2010	
	Other Land and Buildings £'000	Plant & Equipment £'000
Obligations payable in 2010/11	5	128
Obligations payable between 2011/2012 and 2015/2016	31	-
Obligations payable after 2015/2016	9,048	-
Total liabilities at 31 March	<u><u>9,084</u></u>	<u><u>128</u></u>

In accordance with the accounting policies the obligations payable in 2010/11 are included within current liabilities.

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 £1.377 million at 31 March 2010 (£1.415 million at 31 March 2009).

11. 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 2009	23,957	4,278	573	4,907	33,715
Additions	403	17	-	480	900
Expenditure not adding value	(238)	-	-	-	(238)
Disposals	(60)	(1,149)	-	-	(1,209)
Reclassifications	2,677	-	-	-	2,677
Revaluations	5,946	-	-	-	5,946
At 31 March 2010	<u>32,685</u>	<u>3,146</u>	<u>573</u>	<u>5,387</u>	<u>41,791</u>
Depreciation and Impairment					
At 1 April 2009	(750)	(553)	-	(2,124)	(3,427)
Charge for 2009/10	(731)	(171)	-	(908)	(1,810)
Disposals	3	(585)	-	-	(582)
Reclassifications	(29)	-	-	-	(29)
Revaluations	637	-	-	-	637
At 31 March 2010	<u>(870)</u>	<u>(1,309)</u>	<u>-</u>	<u>(3,032)</u>	<u>(5,211)</u>
Balance Sheet amount at 31 March 2010	31,815	1,837	573	2,355	36,580
Balance Sheet amount at 1 April 2009	23,207	3,725	573	2,783	30,288
Nature of asset holding					
Owned	27,811	1,837	573	2,316	32,537
Finance Lease	4,004	-	-	39	4,043
	<u>31,815</u>	<u>1,837</u>	<u>573</u>	<u>2,355</u>	<u>36,580</u>

The disposals relating to infrastructure assets included in the table above have arisen due to an adjustment relating to expenditure that was jointly contributed to by the Borough and County Council. It has been identified that the asset is on two balance sheets and as this is not appropriate the asset has been de-recognised. In addition a number of infrastructure assets have been identified as no longer held and therefore de-recognised.

Non - Operational Assets	Invest- ment Properties £'000	Assets under cons- -truction £'000	Surplus for disposal Assets held £'000	Total £'000
Cost or valuation				
At 1 April 2009	2,522	-	492	3,014
Additions	-	121	-	121
Expenditure not adding value	-	-	-	-
Disposals	-	-	(30)	(30)
Reclassifications	(2,522)	-	(155)	(2,677)
Revaluations	-	-	44	44
At 31 March 2010	-	121	351	472
Depreciation and Impairment				
At 1 April 2009	(29)	-	-	(29)
Charge for 2009/10	-	-	-	-
Reclassifications	29	-	-	29
Revaluations	-	-	-	-
At 31 March 2010	-	-	-	-
Balance Sheet amount at 31 March 2010	-	121	351	472
Balance Sheet amount at 1 April 2009	2,493	-	492	2,985
Nature of asset holding				
Owned	-	121	351	472
Finance Lease	-	-	-	-
	-	121	351	472

The assets held under investment properties and surplus assets have been reviewed and it has been determined that they are actually held for operational purposes. The impact of this has been to change the valuation basis from Market Value to Existing Use Value which has reduced the value of the assets held, in addition there has also been an increase in depreciation charged to the Income and Expenditure account of approximately £32,000.

(ii) Capital Expenditure and Financing

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

	2009/10 £'000	2008/09 £'000
Capital Investment		
Intangible Assets	46	111
Operational assets	900	1,663
Non-operational assets	121	168
Revenue Expenditure funded from Capital under Statute	2,512	2,333
	3,579	4,275
Sources of finance		
Capital Receipts	(240)	(433)
Developers Contributions	(291)	(705)
Other Contributions	(107)	(46)
Government Grants	(712)	(787)
Sums set aside from revenue	(1,609)	(650)
	(2,959)	(2,621)
Explanation of movements in the year		
Expenditure met from borrowing (supported)	-	-
Expenditure met from borrowing (unsupported)	(620)	(1,654)
Increase / (decrease) in Capital Financing Requirement	(620)	(1,654)

(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	

12. Commitments under Capital Contracts

The Council had capital commitments totalling £617,000 at 31 March 2010 (2008/09 £284,000), of which £450,000 relates to the proposed redevelopment of the Victoria Park Play Area.

13. Analysis of Fixed Assets

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

	31 March 2010 (Nos)	1 April 2009 (Nos) Restated
Parks and Open Spaces (in Hectares)	219	219
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	3	2
Highfields Area Office	1	1
Garage blocks	8	10
Off-Street Car Parks (Pay and Display) Stafford	13	13
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	1
Cemeteries	3	3
Crematorium	1	1
Public Conveniences	9	9
Riverside Day Nursery	1	1
Garden Nursery	1	1
Depot	1	1
Pumping Stations	5	5

The opening assets have been restated to include the Garden Nursery, Depot and Pumping Stations which are being disclosed for the first time, also the Car Parks have been increased by 1 as we have split the Leisure Centre to identify the car park separately.

14. 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 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	-	1,837	573	2,355	121	4,886
Valued at current value in:						
2006/07	7,191	-	-	-	-	7,191
2007/08	12,752	-	-	-	-	12,752
2008/09	5,104	-	-	-	-	5,104
2009/10	6,768	-	-	-	351	7,119
Total	<u>31,815</u>	<u>1,837</u>	<u>573</u>	<u>2,355</u>	<u>472</u>	<u>37,052</u>

15. Intangible Assets

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

	Software 2009/10 £'000	Software 2008/09 £'000
Original Historical Cost	303	192
Amortisations to 1 April	(145)	(92)
Balance at 1 April	<u>158</u>	<u>100</u>
Expenditure in the year	46	111
Written off to revenue in year	(51)	(53)
Balance at 31 March	<u>153</u>	<u>158</u>

The software relates to the Financial Management, Payroll, Performance Monitoring, Election and Geographical Information systems. All software is amortised over 5 years.

16. Debtors

	31 March 2010 £'000	1 April 2009 £'000 Restated
Debtors and Payments in Advance		
Charge payers/Taxpayers	697	601
Precepting Authorities	2,479	3,105
Customs and Excise	584	292
Sundry Debtors	827	885
Housing Benefit	838	-
NNDR	4,867	-
Miscellaneous	1,655	1,792
Total Debtors and Payments in Advance	<u>11,947</u>	<u>6,675</u>
Less Provision for Bad and Doubtful Debts		
Charge payers/Taxpayers	(183)	(141)
Sundry Debtors	(474)	(435)
Total Provision for Bad and Doubtful Debts	<u>(657)</u>	<u>(576)</u>
	<u>11,290</u>	<u>6,099</u>

17. Creditors

	31 March 2010 £'000	1 April 2009 £'000 Restated
Creditors and Receipts in Advance		
General Fund	4,739	6,137
Collection Fund	84	89
Capital	325	809
Total Creditors and Receipts in Advance	<u><u>5,148</u></u>	<u><u>7,035</u></u>

18. 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 2010 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000
Financial liabilities at amortised cost	3,386	3,394	2,860	3,000
Financial liabilities at fair value through profit and loss	-	-	-	-
Total Borrowings	<u><u>3,386</u></u>	<u><u>3,394</u></u>	<u><u>2,860</u></u>	<u><u>3,000</u></u>
Loans and receivables	-	2,106	12,286	16,752
Available-for-sale financial assets	12	12	-	-
Total Investments	<u><u>12</u></u>	<u><u>2,118</u></u>	<u><u>12,286</u></u>	<u><u>16,752</u></u>

An analysis of financial liabilities is shown in note 19 (Long Term Borrowing). Details of loans and receivables are given in note 20 (Investments)

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	151	-	151
Losses on derecognition	-	-	-
Impairment losses	-	-	-
Interest payable and other charges	<u><u>151</u></u>	<u><u>-</u></u>	<u><u>151</u></u>
Interest income	-	(577)	(577)
Gain on derecognition	-	-	-
Interest and investment income	<u><u>-</u></u>	<u><u>(577)</u></u>	<u><u>(577)</u></u>
Net(gain)/loss for the year	<u><u>151</u></u>	<u><u>(577)</u></u>	<u><u>(426)</u></u>

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 2010, using bid prices where applicable.

The fair values calculated are as follows:

	31 March 2010		31 March 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000 Restated	Fair Value £'000 Restated
Loans and receivables				
Debtors	11,290	11,290	6,099	6,099
Long-term debtors	163	163	176	176
Callable Deposits	0	0	2,102	2,293
Cash Deposits	1,175	1,175	1,918	1,918
Fixed Term Deposits	12,286	12,340	16,752	17,011
	24,914	24,968	27,047	27,497
Available for Sale Assets				
Government stock	12	12	12	12
	12	12	12	12
Financial Liabilities at Amortised Cost				
Creditors	5,015	5,015	7,035	7,035
Borrowing	6,246	6,533	6,394	6,706
Long-term creditors (finance leases)	9,212	9,212	9,709	9,709
Developers contributions	2,871	2,871	2,241	2,241
	23,344	23,631	25,379	25,691

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, the 9/10 strategy being approved by Full council on 25th February 2009, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported biannually 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 10 £'000 (a)	Historical experience of default % (b)	Adjustment for market conditions 31 Mar 10 % (c)	Estimated maximum exposure to default £'000 (a*c)
Deposits with banks and financial institutions	12,298	-	-	-
Customers (Sundry Debtors)	1,207	3%	3%	36
	<u>13,505</u>			<u>36</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	615
One to five years	558
More than five years	34
	<u>1,207</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	133
Between one and five years	31
More than 5 years (Civic centre finance lease)	9,048
	<u>9,212</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:

	£'000
Less than one year	12,286
Between one and two years	-
Between two and three years	-
More than three years	<u>12</u>
	<u>12,298</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 2009/10 would have been:

	£'000
Increase in interest receivable on variable rate investments	(225)
Impact on Income and Expenditure Account	<u>(225)</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 2009/10 at an average overall rate of 2.56%.

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.

19. Long Term Borrowing

Type of Loan	Total Outstanding	
	31 March 2010 £'000	1 April 2009 £'000
PWLB - Maturity	3,000	3,000
Mortgages (Fixed Rate) 4.0% - 8.0%	386	394
	<u>3,386</u>	<u>3,394</u>
Maturing in 2 - 7 years	3,150	3,149
Maturing in 7 - 15 years	85	83
Maturing in more than 15 years	151	162
	<u>3,386</u>	<u>3,394</u>

20. Investments

On 31 March 2010, the Council had £12 million invested with Nationwide Building Society, Barclays Bank PLC and the Bank of Scotland.

The average rate of interest earned for 2009/2010 was 2.56% (2008/2009 5.46%).

21. 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 2010 £'000	1 April 2009 £'000
Sale of Council Houses	46	56
Housing Associations	117	120
	<u>163</u>	<u>176</u>

22. 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,

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:

	2009/10	2008/09
	£'000	£'000
Income and Expenditure Account		
Net Cost of Services		
Current service cost	889	1,140
Past service costs	-	627
Impact of settlements and curtailments	66	1
Net Operating Expenditure		
Interest cost	4,778	4,960
Expected return on assets in the scheme	(2,851)	(4,233)
Net Charge to the Income and Expenditure Account	<u>2,882</u>	<u>2,495</u>

Statement of Movement in the General Fund Balance

Reversal of net charges made for retirement benefits in accordance with FRS 17	(2,882)	(2,495)
Actual amount charged against the General Fund Balance for pensions in the year		
Employers' contributions payable to the scheme	1,418	1,212

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £20,910,000 (loss of £11,739,000 in 2008/09) 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 a loss of £29,102,000.

Assets and Liabilities in Relation to Retirement Benefits

Reconciliation of present value of the scheme liabilities:

	2009/10	2008/09
	£'000	£'000
1 April	70,186	72,389
Current service cost	889	1,140
Interest cost	4,778	4,960
Contribution by scheme participants	552	579
Losses / (gains) on curtailments	66	1
Actuarial (gains) and losses	36,692	(6,126)
Benefits paid	(3,421)	(3,384)
Past Service Costs	-	627
31 March	<u>109,742</u>	<u>70,186</u>

Reconciliation of fair value of the scheme assets:

	2009/10	2008/09
	£'000	£'000
1 April	44,466	59,475
Expected rate of return	2,851	4,233
Actuarial (gains) and losses	15,782	(17,865)
Employer contributions	1,642	1,428
Contributions by scheme participants	552	579
Benefits paid	(3,421)	(3,384)
31 March	<u>61,872</u>	<u>44,466</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 £18,633,000 (2008/09 loss of £13,433,000)

Scheme history

	2005/06 *	2006/07 As restated	2007/08	2008/09	2009/10
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(79,336)	(78,756)	(72,389)	(70,186)	(109,742)
Fair value of assets	58,412	60,587	59,475	44,466	61,872
Surplus/(deficit) in the scheme	<u>(20,924)</u>	<u>(18,169)</u>	<u>(12,914)</u>	<u>(25,720)</u>	<u>(47,870)</u>

* The council has elected not to restate fair value of scheme assets for 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 £48m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet, resulting in a negative 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 2011 is £1,318,000.

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.

	2009/10	2008/09
	£'000	£'000
Long-term expected rate of return on assets in the scheme		
Equity investments	7.8%	7.0%
Bonds	5.0%	5.4%
Property	5.8%	4.9%
Cash	4.8%	4.0%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	20.8	19.6
Women	24.1	22.5
Longevity at 65 for future pensioners		
Men	22.3	20.7
Women	25.7	23.6
Rate of inflation	3.8%	3.1%
Rate of increase in salaries	5.3%	4.6%
Rate of increase in pensions	3.8%	3.1%
Rate for discounting scheme liabilities	5.5%	6.9%
Take up of option to convert annual pension into retirement lump sum		50.0%
- pre April 2008 service	50.0%	
- post April 2008 service	75.0%	

History of experience gains and losses

The actuarial losses identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets and liabilities as at 31 March 2010

	2005/06	* 2006/07	2007/08	2008/09	2009/10
	%	As restated	As restated	%	%
	%	%	%	%	%
Differences between expected and actual return on assets	18.2	(0.7)	(7.2)	(39.6)	25.7
Experience gains and losses on liabilities	(0.5)	(0.1)	(3.6)	-	(0.1)

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the consumer prices index rather than the retail prices index will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS17 liabilities in the Fund by around 6-8%.

23. Net Assets Employed by General Fund

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

	31 March	31 March
	2010	2009
	£m	£m
General Fund	(11.0)	7.5
Trading Operations	1.6	1.3
Total	(9.4)	8.8

24. 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.

	2009/10 £'000	2008/09 £'000
Self Insurance Reserve		
Opening Balance 1 April	443	474
Contributions to Reserve	-	-
Contributions from Reserve	(109)	(31)
Closing Balance 31 March	<u>334</u>	<u>443</u>

25. Movements on Reserves

	Balance 1 April 2009 £'000	Gains/ (Loss) in year £'000	Transfer to/from in year £'000	Balance 31 March 2010 £'000	Purpose of Reserve	Further Detail of Movements
Revaluation Reserve	252	2,572	-	2,824	Store of gains on revaluation of fixed assets not yet realised through sales	
Capital Adjustment Account	20,496	1,062	-	21,558	Store of capital resources set aside to meet past expenditure	
Collection Fund Adjustment Account	(182)	29	-	(153)	Represents SBC share of collection fund deficit	
Usable Capital Receipts Reserve	3,561	140	-	3,701	Proceeds of fixed asset sales available to meet future capital investment	
Pensions Reserve	(25,720)	(22,150)	-	(47,870)	Balancing account to allow inclusion of Pensions liability in the Balance Sheet	Note 22 to the Core Financial Statements page 37
General Fund	1,000	-	149	1,149	Resources available to meet future running costs for non-housing services	Statement of Movement on the the General Fund Balance, page 21
Insurance Reserve	443	-	(109)	334		
Earmarked Reserve	8,994	-	141	9,135		
	<u>8,844</u>	<u>(18,347)</u>	<u>181</u>	<u>(9,322)</u>		

26. 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 09 £.p	Income (Interest) £.p	Balance at 31 March 10 £.p
William Hodges - Stafford	600.50	-	600.50
Stone	1,038.21	-	1,038.21
Sidney's	3,227.80	223.99	3,451.79
Izaak Walton	101.68	-	101.68
	4,968.19	223.99	5,192.18

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

27. 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 accounts are not available to publish as it is expected that the company will be dissolved in the near future.

28. 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.

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Deficit / (Surplus) for the Year		(63)		10,458
Non-Cash Transactions				
Add Depreciation and Impairment	1,899		(10,098)	
Amortisation of intangible assets	(51)		(54)	
Pensions	(2,882)		(2,495)	
Gain / loss on sale of fixed assets	(1,804)		(202)	
Other capital income	387		389	
Revenue expenditure funded from capital under statute	(1,487)		(1,546)	
Gain on capital contributions	-		708	
Council tax	29		-	
Government grants amortisation	334		416	
Employers contributions paid to pension fund	1,642		1,428	
		(1,933)		(11,454)
Items on an Accrual Basis				
Less (Reduction) / Increase in Stocks	-		(18)	
Less (Reduction) / Increase in Debtors	5,191		(4,647)	
Less Reduction / (Increase) in Creditors	1,887		2,352	
		7,078		(2,313)
Eliminate debtors / creditors included re NNDR				
Council Tax	626		62	
NNDR as agent	(4,950)		83	
		(4,324)		145
Other changes in balances		(98)		-
Servicing Financing				
Add Net Cost of Servicing		(403)		114
		257		(3,050)

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.

29. Movement in Net Debt

	As at 1 April 2009 £'000	Accrued Interest £'000	Reclassifi- cation £'000	Cashflow £'000	As at 31 March 2010 £'000
Analysis of net debt					
Cash at Bank	2,039	-	-	(821)	1,218
Short Term Investments	16,752	(466)	2,000	(6,000)	12,286
Precepting Authorities	3,105	-	-	(626)	2,479
NNDR	(83)	-	-	4,950	4,867
	<u>21,813</u>	<u>(466)</u>	<u>2,000</u>	<u>(2,497)</u>	<u>20,850</u>
Borrowing repayable within 12 months	(3,000)	-	-	140	(2,860)
Long Term Creditors	(9,709)	-	-	497	(9,212)
Long Term Borrowing	(3,394)	-	-	8	(3,386)
Long Term Loans	-	-	-	-	-
Total External Debt	<u>(16,103)</u>	<u>-</u>	<u>-</u>	<u>645</u>	<u>(15,458)</u>
Net Debt	<u>5,710</u>	<u>(466)</u>	<u>2,000</u>	<u>(1,852)</u>	<u>5,392</u>

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

	As at 1 April 2009 £'000	Accruals £'000	Reclassifi- cation £'000	Cashflow £'000	As at 31 March 2010 £'000
Management of Liquid Resources					
Short Term Investments	16,752	(466)	2,000	(6,000)	12,286
Other Liquid Resources					
Precepting Authorities - council tax	3,105	-	-	(626)	2,479
NNDR	(83)	-	-	4,950	4,867
	<u>3,022</u>	<u>-</u>	<u>-</u>	<u>4,324</u>	<u>7,346</u>
Financing					
Long Term Creditors	(9,709)			497	(9,212)
Long Term Borrowing	(3,394)			8	(3,386)

31. 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.

32. Analysis of Government Grants included in Cashflow Statement

	2009/10 £'000	2008/09 £'000
Grants towards Capital Activities		
Section 106	5	73
Specified Capital Grant	454	454
Regional Housing Pot	173	173
LAA Funding	-	2
Other contributions	1,041	107
	<u>1,673</u>	<u>809</u>
Grants towards Revenue Activities		
Housing Benefit Subsidy	25,934	22,264
Housing Benefit Allowances	23	53
LPSA	157	-
Business Rates Deferral Scheme	15	-
Ministry of Justice re Elections	131	4
Waste Performance	45	-
Children's Fund	20	20
DCMS - Free Swimming	116	-
Big Lottery	91	75
DCLG - Habitats Regulations Assessment	34	-
Dept of Transport - Concessionary Fares	351	343
Home & Communities Agency Growth Fund	192	100
DCLG - Homelessness	92	64
Community Safety	181	95
DCLG - Migration Impacts Fund	25	-
DCLG - Housing Planning Delivery Grant	-	81
DCLG - Beacon Grant	-	62
DCLG - Economic Downturn	-	30
SCC LAA Funding	-	38
	<u>27,407</u>	<u>23,229</u>

33. Discontinued Operations

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

34. Prior Period Adjustments

The following prior period adjustments have been made to restate the 2008/09 comparative figures, as a consequence of a change in accounting policy relating to the collection of NNDR and Council Tax and a change in accounting policy for the income received from the VAT Shelter arrangement which has required the 2008/09 comparatives to be restated:

Agency Accounting for National Non Domestic Rates (NNDR)

Under the SORP 2009, local authorities are required to account for NNDR on an agency basis. This means that all debtor (£1.169m) and creditor balances (£1.252m) have been removed from the balance sheet as at 31 March 2009 and replaced with a creditor for central government of £0.083m.

There has been no impact on the General Fund Balance as a consequence of this change.

Agency Accounting for Council Tax

The SORP 2009 also requires local billing authorities to account for the collection of council tax on an agency basis. This requires all the council tax transactions and balances to be allocated between the billing authority and the major preceptors. The net effect of this change is to reduce debtors and creditors by £0.672m and £0.676m respectively with a £0.004m increase on the Collection Fund Adjustment Account.

There has been a small increase in the council tax figure shown within the Income and Expenditure Account of £0.002m. This has been reversed out within the Statement of Movement on the General Fund Balance. This change has not therefore had any impact on the General Fund Balance.

Income From VAT Shelter

A VAT Shelter arrangement enables VAT to be recovered on the cost of improvement works undertaken on (former) Council Housing transferred to a Registered Social Landlord under a Large Scale Voluntary Transfer (LSVT) even where these works are undertaken after the date of transfer, providing the Council retains an obligation to carry out agreed works at its own expense.

Following the stock transfer of the council housing to Stafford and Rural Homes (SRH) in Feb 2006, an agreement was drawn up to mutually share the VAT savings that arise when SRH carry out improvement works on former Council Housing.

Previously the council treated these receipts as capital however following a review of this treatment, the Council has

elected to treat these as revenue receipts as the income received is not linked in this case to the disposal of the assets.

The impact of this change on the Balance Sheet for 31.3.09 has been to reduce the capital receipts reserve by £2.182m and increase earmarked reserves by £2.182m. The effect on the Income and Expenditure account is that net expenditure on Central services has reduced by £0.726m and other income has reduced by the same amount, therefore this change has not had any impact on the General Fund Balance.

35. 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 or any such claims.

(ii) 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.

(iii) Subsidence costs

A liability may also exist in the form of an indemnity given as part of the stock transfer agreement in respect of subsidence of homes on North Walls, Stafford. At present it is not possible to quantify this liability.

(iv) Land Charges

A liability may exist as a result of the Government's conclusion that charging a fee for a personal search of the Land Charges register is incompatible with the Environmental Information Regulations 2004 (EIRs) and the underlying 2003 EU Directive. It has deemed this is applicable from January 2005. At present it is not possible to quantify either the number or amount of any such claims.

(v) Purchase Notice

A purchase notice has been served on the Council stating where there is effectively no acceptable planning use that can be granted for a piece of land, the owner can require the Council to buy it off them. The authority disputes the validity of the claim and has made no provision in the accounts.

(vi) Bridge Street Car Park

The lessee of the shop unit has made a claim against the Council for non-repair and closure of the car park. The Council is looking to settle this by re-instatement of the car park.

36. Contingent Assets

During 2009/10, the Council became aware that it may benefit from reclaiming backdated VAT from HMRC for a variety of services including Environmental Services and Leisure Services. This is known as a Fleming claim. At present it is not possible to quantify the total value of the claim.

37. 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 21 June 2010. There were no amendments requiring a post balance sheet adjustment on that date.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

	2009/10		2008/09	
	£'000	£'000	£'000	£'000
Income				
Council Tax				
Taxpayers	58,468		57,066	
Benefits	<u>5,967</u>	64,435	<u>5,218</u>	62,284
Non Domestic Rates		41,025		42,033
Contribution towards previous year's Collection Fund Deficit		888		<u>738</u>
Total Income		<u>106,348</u>		<u>105,055</u>
Expenditure				
Precepts and Demands				
Staffordshire County Council	46,238		44,996	
Stafford Borough Council (including Parishes of £750k)	7,551		7,219	
Staffordshire Fire Authority	3,010		2,887	
Staffordshire Police Authority	<u>7,910</u>	64,709	<u>7,587</u>	62,689
Non-Domestic Rates				
Payments to National Pool	40,457		41,288	
Cost of Collection	<u>178</u>	40,635	<u>175</u>	41,463
Bad and doubtful debts				
Write offs - Council Tax	277		241	
- Non domestic rates	245		465	
Provisions - Council Tax	83		34	
- Non domestic rates	<u>145</u>		<u>105</u>	
		750		845
Total Expenditure		<u>106,094</u>		<u>104,997</u>
(Surplus)/Deficit for Year		<u>(254)</u>		<u>(58)</u>
Movement of Collection Fund Balances				
Balance brought Forward		1,568		1,626
Add (Surplus)/Deficit for the Year		(254)		(58)
Balance Carried Forward		<u>1,314</u>		<u>1,568</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 2009/10

Band	Number of Properties	Properties adjusted for Discounts etc	Band D Equivalent
A	11,717	11,261	6,421
B	12,710	12,162	8,541
C	12,472	12,168	9,982
D	8,506	8,354	7,860
E	5,555	5,452	6,334
F	3,108	3,038	4,192
G	1,508	1,484	2,362
H	107	74	132
	55,683	53,993	45,824
			Adjusted for Collection Rate (99.5%)
			45,595
			Add Contributions in Lieu
			203
			(2008/09 - 45,661)
			45,798

The actual tax base for the year was 45,349 which was lower than anticipated by 1% and therefore resulting in an overall deficit position for the year.

2. Council Tax Chargeable for a Band D Property

	2009/10 Precept £'000	2009/10 Council Tax £	2008/09 Council Tax £
Staffordshire County Council	46,238	1,009.61	985.44
Stafford Borough Council			
Parish Council (Average)	750	16.37	13.77
Stafford Borough	6,801	148.50	144.32
Staffordshire Police Authority	7,910	172.71	166.16
Stoke on Trent and Staffordshire Fire and Rescue Authority	3,010	65.73	63.24
Total	64,709	1,412.92	1,372.93

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

3. Non-Domestic Rates (NDR)

The Council is responsible for the collection of Non-Domestic Rates from businesses in its area, but pays the proceeds into a central NDR 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 2009/10 was 48.5p (2008/2009 46.2p).

The total non-domestic rateable value at 31 March 2010 was £101.331M (£101.125M at 31 March 2009).

4. The Fund Balance

The movement in the Fund Balance is summarised as follows:

2008/09 Fund Balance as at 31 March 2009 £'000		Previous Years Deficit Recovered £'000	Add Deficit in 2009/10 £'000	Surplus in Year (Net Position) £'000	2009/10 Fund Balance as at 31 March 2010 £'000
182	Stafford Borough Council	(102)	73	(29)	153
1,123	Staffordshire County Council	(638)	454	(184)	939
191	Staffordshire Police Authority	(107)	77	(30)	161
72	Stoke on Trent and Staffordshire Fire Authority	(41)	30	(11)	61
1,568		(888)	634	(254)	1,314

The net position on the Collection Fund shows a surplus of £0.254 million, which after taking account of the previous year's deficit of £0.888 million recovered during 2009/10, leaves a net deficit of £0.634 million. The deficit has arisen due to an increase in the amount of exemptions for empty properties. This deficit will be shared with the County Council, the Police and Fire Authorities.

5. Precepts and Demands on the Collection Fund

The following authorities have made a Precept / Demand on the Collection Fund:

2008/09 Precepts / Demands less Deficit Recovered £'000		Precept / Demand for Year £'000	2009/10 Less Share of Deficit Recovered £'000	Precept / Demand for Year £'000
7,134	Stafford Borough Council	7,551	(102)	7,449
44,466	Staffordshire County Council	46,238	(638)	45,600
7,497	Staffordshire Police Authority	7,910	(107)	7,803
2,854	Stoke on Trent and Staffordshire Fire Authority	3,010	(41)	2,969
61,951		64,709	(888)	63,821

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.

BVACOP

BVACOP (Best Value Accounting Code of Practice) provides guidance on local authority financial reporting to stakeholders below the Statement of Accounts level. It aims to ensure consistency in reporting across local authorities.

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.

Collection Fund Adjustment Account

Represents Stafford Borough Council share of deficit on the Collection Fund and absorbs timing differences in distribution of surplus / deficits between statutory requirements and full accruals accounting.

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 (NDR)

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 County, A2163Police 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.

STAFFORD BOROUGH COUNCIL - ANNUAL GOVERNANCE STATEMENT 2009/2010

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 <http://www.staffordbc.gov.uk/live/welcome.asp?id=5823> or can be obtained from the Head of Law and Administration. This statement explains how Stafford Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Audit & 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 2010 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 2010) 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 Stafford Borough Council's (SBC) 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 Customer Services Centre undertakes a Satisfaction Survey of 200 customers at random who have contacted the Centre during a four- week period. In addition as a result of enhanced reception areas in the Civic Centre customer satisfaction surveys are now being conducted with those who visit the offices for assistance and services. 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 & 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 Deputy Chief Executive who acts as the Council's Section 151 Officer has the overall statutory responsibility for the proper administration of the council's financial affairs, including making arrangements for appropriate systems of financial control. The council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) in that:
- he is a member of the Leadership Team, helping it to develop and implement strategy and to resource and deliver the council's strategic objectives sustainably and in the public interest;
 - he is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the council's financial strategy;
 - he leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

In delivering these responsibilities he directs a finance function that is resourced to be fit for purpose and includes staff that are professionally qualified and suitably experienced.

- (m) 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.
- (n) 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.

- (o) 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 & Accounts Committee on the effectiveness of risk management arrangements.
- (p) A performance management framework to monitor and report on identified performance measures in order to secure continuous improvement in services.
- (q) A Whistleblowing policy 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.
- (r) A Complaints Procedure is in place for investigating complaints from the public, and the Council investigates approximately 25 corporate complaints annually. The annual number of such complaints has fallen over the past four years from a former figure of approximately 80 to its current level.
- (s) Business Continuity arrangements are in place including the maintenance of a Major Incidence plan, Corporate Business Continuity Plan and Business Continuity Plans for all mission critical activities.
- (t) 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.
- (u) Training needs for senior officers (to support both service delivery and personal development) are identified by the annual Performance and Development reviews (PDR). At a strategic level the Council has entered into a partnership with Staffordshire County Council to deliver Institute of Leadership & Management courses and has fully participated in the capacity

building opportunities offered from within the Staffordshire Plus Improvement Partnership.

- (v) 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.
- (w) With regard to governance arrangements in respect of partnerships / group working, the Council has established a Partnership Scrutiny Committee. The Partnership Scrutiny Committee has used a Partnership Protocol and Matrix to identify 8 strategic partnerships. Risks in relation to the top 3 have already been identified with the remaining 5 to be considered at successive meetings of the Committee.

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 18 March 2010) 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. The 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 & 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 2009/10, the Internal Audit team achieved 100% of their planned work 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 & 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	21	30.0%	YES
Satisfactory	36	51.5%	YES
Marginal	8	11.5%	YES
Unsatisfactory	5	7.0%	YES
TOTAL	70	100.00%	

4.9.4 Areas for improvement to be included in the Annual Governance Statement were deemed to be:-

- Benefits
- Mobile Computing
- Software Licensing
- Performance Management across the council
- Outstanding issues in relation to the Annual Governance Statement action plan 2009 (i.e. completion of Partnerships Risk Register, implementation of Strategic Housing inspection action plan, Communication Strategy, role of Audit Committee in corporate governance arrangements).

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 & 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 2010 and the key points are set out below.

4.9.7 Re Internal Audit the SRMG reviewed evidence provided and endorsed the conclusion that the Internal Audit section have operated in accordance with its Code of Practise. However, there were 2 recommendations to take forward:-

- that the job descriptions/ person specifications for the internal audit staff be updated post Single Status when new contracts of employment have been issued
- that the joint working protocol be discussed with the Audit Commission's Audit Manager for contact details to be updated.

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 issues highlighted to take forward were:-

- the Committee to make a formal annual report
- to consider an independent member in the next review of the Constitution
- for the next Fraud Strategy update to include a position statement on actions to counter fraud
- for summaries of inspection reports to be included in the audit progress reports.

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 2009/10:-

- Strategic Housing Inspection
- Benefits Inspection
- Organisational Assessment.

4.10.2 Strategic Housing Inspection

The Audit Commission inspected the Council's Strategic housing service in March 2009 and determined that it was a poor service with uncertain prospects for improvement. Whilst the Council did not fully agree with all the Audit Commission findings, a comprehensive action plan was approved by Cabinet in August 2009 and endorsed by Community Scrutiny Committee in September 2009 with ongoing scrutiny of the action plan being undertaken by that Committee. The action plan can be found at <http://www.staffordbc.gov.uk/live/welcome.asp?id=6498> and by clicking on the agenda dated 22 September 2009.

4.10.3 Benefits Inspection

The Audit Commission inspected the Council's Benefits service in December 2009 and determined that it was a poor service with uncertain prospects for improvement. The Council accepted all the Audit Commission recommendations and an action plan was approved by Cabinet in May 2010 and endorsed by Resources Scrutiny Committee in that same month. The Scrutiny Committee will monitor the action plan on a regular basis and it can be found at http://www.staffordbc.gov.uk/live/dynamic/DemServMeeting.asp?id=0&meeting_id=88A60A95-ABEC-4460-A81B-D11E060CB75E and by clicking on the link stating "meeting agenda"

4.10.4 Organisational Assessment

The results of the Councils organisational assessment were published in December 2009.

The Audit Commission found that the Council was performing adequately (Level 2 under their scoring system) for both managing performance and use of resources.

An action plan was produced which focused upon 6 discrete areas that came out from the overall report. The organisational assessment and these action plans can be found at www.staffordbc.gov.uk/caa

As part of the action plan a paper has been produced which benchmarks all Stafford's major services against their peers. This paper has been summarised along with input from other support service benchmarking exercises to produce a matrix showing where services "sit" with regard to High or Low performance against low or high cost. At the current time we have 2 services that are categorized as high cost, low performance but 12 that are low cost, high performance. The overall objective of the Council is to move all services into that latter category.

4.11 **Other Third Party Assurances**

4.11.1 Revenues Review

As part of the preparation for the benefits inspection, a review of the overall revenues and benefits service was undertaken by Northgate Kendrick Ash. This report identified a significant number of areas for improvement some of which were subsequently addressed particularly in relation to the benefits inspection outcome. The 2 main areas to be addressed in Revenues related to the need to improve collection rates for Council Tax and National Non Domestic Rates and the requirement to increase the frequency of reviewing single persons Council Tax discount. The rate of collection has improved in 2009/10 over that experienced in 2008/09 and the single persons discount review has been undertaken and is now scheduled on a regular basis.

4.11.2 Food Standards Agency Inspection

The audit that took place in July 2009 examined Stafford Borough Council's Food Law Enforcement Service together with the arrangements for food premises database management, food premises inspections and internal monitoring with regard to food hygiene law enforcement.

Within the report there were a number of areas of good practice identified together with six main recommendations which can all be seen by following the link.

<http://www.staffordbc.gov.uk/live/welcome.asp?id=6500> and clicking on the meeting agenda for the 10 December 2009.

4.11.3 Surveillance Commissioners report

The report from the Office of Surveillance Commissioners was positive stating that the Council's Surveillance Policies and Procedures is a succinct and clear document giving good guidance to any Council officer considering applying for or granting an authorisation for Directed Surveillance. Three recommendations were made focusing on further training for Authorising Officers, improvements to the Central Record of Authorisations, and incorporation of further guidance on the concept of "proportionality" within the Surveillance Policy.

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 that was implemented in full by 2007/08.

4.12.2 Over the next twelve months the Code will be fully reviewed in consultation with the Audit and Accounts Committee and the new Communication Strategy will be incorporated within the review.

4.13 **The Role of Risk Management**

4.13.1 During 2009/10 the Audit & Accounts Committee 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 assessed the Council's risk management arrangements as "sound".
- (b) Internal Audit had judged risk management arrangements to be satisfactory.
- (c) The risk management strategy was implemented as scheduled during 2009/10, and the strategic risk management process was successful in managing the following potential risks/opportunities to an acceptable level.
 - Comprehensive Area Assessment
 - Civil Contingencies
 - Bridge Street Car Park
 - Facilities Audit & PPG17
 - Climate Change
 - Strategic Housing Function
 - Promoting the Borough's interests at a regional level
 - Maintaining Stafford as a safe place to live during the recession.

4.13.2 During 2009/2010 the corporate Strategic Risk Management Group (SRMG) were responsible for monitoring progress on the implementation of the Annual Governance Statement action plan for 2008/09. This progress is set out in the attached **ANNEX**. Any outstanding items will be incorporated within the Action Plan for 2009/10.

4.13.3 New areas for development identified during 2009/10 include the implementation of the action plans in respect of the inspections as set out in paragraphs 4.10 and 4.11 above.

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

- Review of the Code of Corporate Governance and incorporation of the Communications Strategy
- Chief Executive and Leader protocol to be developed
- Member training needs survey to be updated
- Review and update of the Council's Anti Fraud & Corruption Strategy
- Completion of partnerships risk register and regular monitoring / reporting on risks / actions.
- Testing of Business Continuity plans
- Use and development of the new Risk Management software.
- .

4.14 **Budget 2010/2011**

4.14.1 The Budget for 2010/2011 was compiled against the backdrop of a projected £700,000 deficit. The process for finalising the budget was led by the Cabinet and the Leadership Team and involved as many officers as was feasible. A balanced Budget was approved in February 2010 with the deficit being bridged without the need to resort to redundancies or the use of significant income increases. Efficiency savings formed the backbone of the approved Budget and these will continue to be achieved through careful management of the Budget through out the year and not just at Budget setting time. Council Tax was raised by 1.5% significantly below the overriding rate of inflation which has been the Council's policy for setting Council Tax in the past. The Council also approved a Capital programme in the sum of £10.5 million to be spent in the period up to 31 March 2013.

4.15 **The Role of Performance Management**

4.15.1 During 2009/2010 various initiatives were implemented to improve performance management within the Council

Performance Clinics were introduced bi annually for each service area to ensure robust service plans for all areas, action plans with SMART targets and to demonstrate the "golden thread"

Performance Plus was introduced to service areas with key officers responsible for inputting data thus increasing efficiency and reducing the risk of error.

The Corporate Plan was refreshed and reviewed to more clearly demonstrate the “Golden Thread”

We have reviewed the information that is produced for members, and the Audit Commission Organisation Assessment 2009 stated *“The Council has improved the way that it manages its performance. Councillors get good and clear reports on how well services are performing and on the Council's finances, ”*

Work commenced on a joint Performance Framework with the County Council and other district councils.

4.16 Statements of Assurance from Managers

4.16.1 During 2009/10 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. The only significant issue highlighted related to the performance of the Benefits service.

4.17 Statements of Assurance from Members

4.17.1 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.

4.17.2 The Survey showed very little difference to last year with high levels of awareness indicated by members in respect of the various questions raised.

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

4.18.1 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.

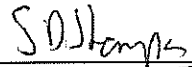
5 SIGNIFICANT GOVERNANCE ISSUES

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


ISSUE	ACTION	TARGET DATE
Business Continuity Management	Testing of BC Plans	August 2010
Partnerships	Completion of Partnerships Risk register and on-going monitoring and review of risks / actions plans. To include assurances from Partners as to their Business Continuity plans.	Dec 2010 March 2011
Risk Management Software	Populate strategic & operational risks Develop report side Provide training to relevant officers	July 2010 Feb 2011 June 2011
Revenues	Implementation of agreed Actions following May Cabinet and Resources Scrutiny meetings.	As set
Strategic Housing Inspection	Implementation of agreed Action Plan	As set
Food Standards Agency	Implementation of agreed Action Plan	As set
Benefits Inspection	Implementation of agreed Action Plan	As set
Organisational Assessment	Implementation of agreed Areas of Focus	As set
Surveillance Commissioners report	Implementation of the agreed recommendations	As set
Mobile Computing	Implementation of agreed Action Plan	As set
Health & Safety	In February 2010, the Leadership Team reviewed reporting arrangements and agreed to receive quarterly reports including accident statistics.	Quarterly
Software Licensing	Implementation of agreed Action Plan	As set
Corporate Governance	Role of Committee in the Council's corporate governance arrangements to be developed. Code of Corporate Governance to be reviewed in conjunction with Audit & Accounts Committee and new Communication Strategy incorporated within the review. Code of Corporate Governance to include a	Dec 2010 Dec 2010

	review date.	
Protocols	Chief Executive & Leader protocol to be in place for 2011	2011
Members	Members training needs survey to be updated.	May 2010
Internal Audit	Update Anti Fraud & Corruption Strategy Job descriptions/ person specifications for the internal audit staff be updated post Single Status when new contracts of employment have been issued The joint working protocol be discussed with the Audit Commission's Audit Manager for contact details to be updated	June 2010 Post Single Status April 2010

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) 21.9.10

(Signed) 
Leader of the Council

(Dated) 21.9.10

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

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Stafford Borough Council for the year ended 31 March 2010 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, 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 published by the Audit Commission in April 2008.

Respective responsibilities of the Deputy Chief Executive and the auditor

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

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

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

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

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword and the content 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009, and the supporting guidance, I am satisfied that, in all significant respects, Stafford Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2010.

Certificate

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

Grant Patterson
Officer of the Audit Commission
Opus House
Priestley Court,
Stafford Technology Park,
Beaconside,
Stafford
ST18 0LQ

24 September 2010

This is an electronic copy of the opinion without an electronic signature. The original was signed as dated above and a copy can be obtained from the Deputy Chief Executive.