

CANNOCK CHASE COUNCIL

COUNCIL

24 JUNE 2009

REPORT OF HEAD OF FINANCIAL MANAGEMENT

APPROVAL OF STATEMENT OF ACCOUNTS

1. Purpose of Report

- 1.1 To present the statement of accounts for the financial year 2008-09 for consideration and approval

2. Recommendations

- 2.1 That the Council approve the Statement of Accounts for the financial year 2008-09.
- 2.2 That the Council approve the Annual Governance Statement for the financial year 2008-09.

3. Key Issues/Implications

- 3.1 The Regulations relating to the approval of the Statement of Accounts were amended in 2002-03 with the Accounts and Audit Regulations 2003 (the Regulations) as amended by the Accounts and Audit (Amendment) Regulations 2006, replacing the 1996 Regulations
- 3.2 The accounts are now required to be approved by 30 June and published by 30 September. The accounts are also required to be approved by the Council with the person presiding (Chairman) at the Committee (Council) responsible for approving the accounts being required to sign and date the accounts. The accounts to be signed immediately following the resolution of the Council that approves the accounts.
- 3.3 In addition the Council are required to publish a Annual Governance Statement with their financial statements. The Statement is required to be signed by the Leader and the Chief Executive.
- 3.4 In the approval of accounts process it is a fundamental requirement of accountability that the accounts are subject to robust member scrutiny prior to approval. The Annual Governance Statement and the pre-audited accounts were submitted for consideration to the Audit & Governance Committee on the 18 June and 23 June 2009 respectively and their recommendations will be received today for consideration.
- 3.5 The Statement of Accounts consists of the following key areas: -

- Explanatory foreword.
  - Summary statement of income and expenditure for each fund for which the Council is required to keep a separate account.
  - Summary statement of capital expenditure.
  - Statement of accounting policies.
  - Statement of Responsibilities
  - Core Financial Statements
    - Income and Expenditure Account
    - Statement of Movement on the General Fund Balance
    - Statement of Total Recognised Gains and Loss
    - Balance Sheet.
    - Cash Flow statement.
  - Notes to the Core Financial Statements
  - Housing Revenue Account
  - Collection Fund
  - Annual Governance Statement
- 3.6 The Annual SORP (2008) this year contains only minor changes to the Accounts, and these although detailed in the main body of the report, are not considered to be a key issue for Members. A copy of the pre-audit statement of accounts is attached.
- 3.7 Key areas of interest to Members from the statements are included in the main body of the report with more detailed analysis being provided in the various outturn reports to Council and various Committees but can be summarised as follows.
- 3.8 General Fund outturn shows net expenditure of £14.301 million against an outturn budget of £14.424 million an under spend of £0.123 million. The actual outturn for financial planning purposes, reflecting the rollover of planned expenditure into 2009-10 of £0.241 million, reveals an over spend of £0.118 million. Revenue balances at 31 March 2009 (after rollovers) amounted to £1.427 million and is in line with the Medium Term Budget Forecast with the overspend being reflected in a lower than anticipated contribution to the Invest to Save Reserve of £0.975 million as compared to £1.1 million
- 3.9 HRA outturn shows an under spend of £0.582 million .The under spend reflects higher than anticipated rent income, and savings on employees and supplies and services. HRA working balances as at 31 March 2009 amounted to £1.796 million and is £0.582 million higher than the Medium Term Budget Forecast of £1.214 million.
- 3.10 The surplus on the Collection Fund for this Council will increase budget resources by approximately £0.025 million in 2010-11.
- 3.11 Capital expenditure in the year was some £1.637 million lower than the approved programme. The under spend primarily relates to slippage into 2009-10 in relation to four schemes. Available resources as at 31 March 2009 for the General Fund exceed the Medium Term

Budget Forecast by £0.120 million whereas HRA resources are some £0.080 million higher than anticipated

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Report Author Details:	
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Section 1

1. Background

1.1 The Regulations relating to the approval of the Statement of Accounts were amended in 2002-03 with the Accounts and Audit Regulations 2003 (the Regulations) replacing the 1996 Regulations. The main changes arising from the revision relate to the dates of approval and publication for the Statement of Accounts and the process for approving the accounts. Amendments to these regulations were reflected in the Accounts and Audit (Amendment) Regulations 2006.

1.2 The accounts are now required to be approved by 30 June and published by 30 September. The accounts are also required to be approved by the Council with the person presiding (Chairman) at the Committee (Council) responsible for approving the accounts being required to sign and date the accounts. The accounts to be signed immediately following the resolution of the Council that approves the accounts.

1.3 Committee at its meeting of the 18 June 2009 considered the Annual Governance Statement whereas the Statement of Accounts is submitted today for consideration.

1.4 The 2007-08 accounts reflected material changes in the reporting of the accounts with the 2007 Statement of Recommended Practice (2007 SORP) requiring the deletion of the capital financing account and the fixed asset replacement reserve and the creation of a capital adjustment account and a revaluation reserve respectively with other changes relating to the content of each.

1.5 2009-10 will see major changes arising from the implementation of International Financial Reporting Standards (IFRS) with only minor changes being introduced for 2008-09 as follows:

- Valuation of Fixed Assets

Fixed Assets were required to be revalued on disposal to avoid gains or losses however this requirement has now been deleted.

The SORP also states that the Depreciated Replacement Cost of an asset can only be only be used where market evidence of existing use value is not available.

- Deferred Charges

Expenditure of a Capital nature that was not asset based e.g. renovation grants etc has been replaced by a new classification; Revenue Expenditure Funded from Capital Under Statute and appears in the Income and Expenditure Account

- Adjustments to accounts

A series of Issue Dates have been determined reflecting the date it is reasonable to make adjustments to the accounts. Three issue dates now exist as follows:

- Certifying by Chief Finance Officer enabling approval by Members and the Accounts to be audited (This Report)
- Publication of Statement
- Audit Certificate if later than the publication date

- Cash Flow Statement

The cash flow statement can now be produced by two methods .The Direct method-based upon the cash book and Indirect –by reconciling back to the income and expenditure account. The latter has been used by the Council for a number of years and although the requirements have been reduced this Council believes the traditional information provided enables the accounts to be easier understood.

- 1.6 A copy of the pre-audit statement of accounts is attached and additional copies are available in each of the group rooms.

Section 2

2. Summary of the Financial Statement 2008-09

- 2.1 The Statement of accounts consists of the following key areas: -

- Explanatory foreword.
- Summary statement of income and expenditure for each fund for which the Council is required to keep a separate account.
- Summary statement of capital expenditure.
- Statement of accounting policies and Statement of Responsibilities
- Core Financial Statements
  - Income and Expenditure Account
  - Statement of Movement on the General Fund Balance
  - Statement of Total Recognised Gains and Loss
  - Balance sheet.
  - Cash flow statement.
- Notes to the Core Financial Statements
- Housing Revenue Account
- Collection Fund
- Annual Governance Statement

- 2.2 Key areas of interest to Members from the statements are summarised in the following paragraphs.

## 2.3 Income and Expenditure Account, Statement of Movement on the General Fund Balance and Statement of Total Recognised Gains and Losses

- 2.3.1 The above three accounts replace the traditional Consolidated Revenue Account.
- 2.3.2 The Income and Expenditure Account is, as the name suggests, a summary of revenue income and expenditure consumed in the year for General fund and HRA services. The account shows the Councils actual financial performance for the year.
- 2.3.3 The Statement of Movement on the General Fund Balance converts the Income and Expenditure Account into the Council Tax outturn report. The Budget or Council Tax setting framework is based upon statutory requirements and hence this account includes such statutory requirements and excludes from the Income and Expenditure Account non-statutory requirements. The account compares the Councils spending against the Council tax it raised in the year, after taking into account the utilisation or allocation to/from reserves.
- 2.3.4 The Statement of Total Recognised Gains and Losses is a direct link between the Income and Expenditure Account and Balance Sheet and provides an analysis of the movement on the Balance Sheet as represented by Net Worth or Assets less Liabilities and the Surplus or Deficit on the Income and Expenditure Account.
- 2.3.5 The combined revenue accounts show total expenditure on services of £65.9 million and total income of £52.0 million. After taking account of contributions to and from specific reserves and provisions, the total expenditure to be met from grants, local taxation, business rates and general fund balances is £14.301 million. This amount has been financed as follows: -

Sources of Finance	£ million
Revenue Support Grant	1.016
Council's share of NNDR Pool	6.157
Collection Fund	5.528
Transfer from Reserve	0.761
General Fund Revenue Balances	(0.302)
<b>Total</b>	<b>14.301</b>

- 2.3.6 The Projected Outturn as approved by Council in February 2009 forecast the transfer of £0.056 million to Revenue Balances The actual outturn shows a transfer of £0.302million with a resultant under spend of £0.246 million. The under spend primarily relates to the planned rollover of budgets to the 2008-09 financial year of £0.241 million with a net balanced budget resulting.
- 2.3.7 Use of Section 106 funds for Economic Development amounted to £0.154 million as compared to a budget forecast of £0.169 million. The under spend on expenditure will be subject to rollover to 2009-10.
- 2.3.8 General Fund balances at 31 March 2009 (after rollovers) amounted to £1.427 million and is in line with the Medium Term Budget Forecast

## 2.4 Balance Sheet

- 2.4.1 The Balance Sheet summarises the Council's assets and liabilities at 31 March 2009, and shows how these are financed. An analysis of these balances is provided in notes to the accounts, which form an integral part of the financial statement. Key details are as follows:
- 2.4.2 Capital expenditure in 2008-09 amounted to £10.998 million compared with an approved budget of £12.635 million, representing an under spend of £1.637 million. The under spend primarily related to four schemes as follows, and relates to a rephrasing of expenditure between 2008-09 and 2009-10 rather than an actual under spend.

<b>General Fund</b>	£,000
Chase Heritage Trail	0.232
Private Sector Decent Homes	0.264
Contribution to RSL's	0.400
<b>HRA</b>	
External Envelope Works	0.292

A detailed analysis of the outturn for the General Fund and Housing programmes are subject to separate reports to Cabinet and Council as appropriate.

- 2.4.3 The available Capital resources at the 31 March 2009, after taking into account slippage, amount to £3.215 million General Fund and £0.939 million for the Housing Programme. The provisional outturn indicates an increase in overall resources for the General Fund of £0.120 million and an increase in capital resources for the Housing programme of £0.080 million. Further details for the General Fund and HRA are contained in the respective outturn reports to Council.
- 2.4.4 The capital expenditure in 2008-09, and the methods of financing are detailed below:

Expenditure	£000	Financing	£000
Children and Young people	2.093	Capital Receipts	1.126
Healthier Comm, Housing	8.632	Section 106	213
Access to Skills & Econ.Dev.	0.218	Borrowing	1.693
Safer and Strong Comms	0.016	Specified Capital Grant	.308
Environment	0.039	MRA	3.183
		Revenue Contribution to Capital	3.420
		Capital Fund	.091
		Other Grants	.964

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 10.998
 

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 10.998
 

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- 2.4.5 Earmarked General Fund revenue reserves as at 31 March 2009 amount to £2.703 million and exceed the estimated balance as included in the approved Medium Term Plan of £1.855 by £0.815 million. The difference primarily relates to the rollover of expenditure into 2009-10 for Planned Maintenance of the Civic Centre ( Building Mtce. and Communications Reserve); Single Status/Equal Pay; Internal Leasing and the reflection of Planning delivery Grant as an Earmarked Reserve. Earmarked HRA revenue reserves as at 31 March 2009 amount to £1.013 million.
- 2.4.6 The net current liability of the Council (excluding Investments) amounts to £2.557 million and shows a reduction in the year of £1.348 million. The movement includes a reduction in Creditors of £0.707 million, an increase in Debtors of £0.396 million and a reduction in Short Term Borrowing of £0.264 million. Further details are reflected in the Cash Flow Statement.
- 2.4.7 The Capital Financing Requirement as at 31 March 2009 amounted to £27.367 million compared to a Prudential Indicator forecast of £26.289 million. Prudential borrowing of £3.0 million was undertaken during the year with External Debt as at 31 March amounting to £18.739 million, in line with the year end forecast, and is within both the Operational and Authorised limits set for the year.

## 2.5 Housing Revenue Accounts

- 2.5.1 The Housing Revenue Account (HRA) shows total expenditure of £13.350 million and income of £16.874 million. After taking into account the statutory exclusions and inclusions a surplus of £0.511 exists.
- 2.5.2 The projected outturn as approved by Council in February 2009 forecast a transfer from reserves of £0.072 million with a resultant under spend of £0.582 million
- 2.5.3 The balance of HRA revenue reserves at 31 March 2008 was £1.796 million.

## 2.6 Collection Fund.

- 2.6.1 The Collection Fund shows Gross Council Tax income of £42.399 million and total expenditure in the form of precepts of £42.512 million, resulting in a deficit for the year of £0.113 million.
- 2.6.2 The balance on the Collection Fund at 31 March 2009 was a surplus of £0.169 million. This differed from the small deficit of £0.017 million anticipated in January 2009 by £0.186 million. This amount will be adjusted in the 2010-11 Council Tax calculation with this Councils adjustment amounting to approximately £0.025 million.



**3. Conclusions and Reason(s) for the Recommendation(s)**

- 3.1 The Statement of Accounts for the Council, are in accordance with Regulations required to be approved for Audit by 30 June, following scrutiny by Audit and Governance Committee.

Section 4

**4. Contribution to Council Priorities (i.e. CHASE, PDP targets)**

- 4.1 The Statement of Accounts represents the agreed financial reporting of the outturn for revenue budgets and capital programmes for 2008-09. These approved budgets represent the agreed priorities of the council as determined by the Delivering Change process and hence have directly contributed to CHASE as part of a medium term financial strategy. The financial outturn report reflects the financial performance for the year with the direct contribution being reflected in service performance outturn.

Section 5

**5. Contribution to promoting Community Engagement**

- 5.1 Not Applicable

Section 6

**6. Financial Implications**

- 6.1 There are no direct financial implications as a result of this report.
- 6.2 The implications of the revenue and capital outturns on the respective medium term plans have been outlined above but will be the subject of more detailed reports to the relevant Committee.

Section 7

**7. Human Resources Implications**

- 7.1 There are no direct resource implications arising from the report.

Section 8

**8. Legal Implications**

- 8.1 The legal implications are set out throughout the report.

Section 9

**9. Section 17 (Crime Prevention)**

- 9.1 There are no identified implications in respect of Section 107 arising from this report.

Section 10

**10. Human Rights Act Implications**

- 10.1 There are no identified implications in respect of the Human Rights Act 1998 arising from this report.

Section 11

11. Data Protection Act Implications

- 11.1 There are no identified implications in respect of the Data Protection Act.

Section 12

12. Risk Management Implications

- 12.1 There are no direct risk management implications of this report.
- 12.2 Any risks arising from the Financial Statements will be covered as part of the more detailed outturn report for revenue and capital.

Section 13

13. Equality and Diversity Implications

13.1

Section 14

14. Other Options Considered

- 14.1 Not applicable

Section 15

15. Background Papers

- 15.1 Statement of Accounts 2008-09.

Cannock Chase Council  
Statement of Accounts  
2008-09

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# Explanatory Foreword

The foreword is intended to give a brief explanation of the overall financial aspects of the Council's activities and to draw attention to the main characteristics of the Council's financial position and changes in accounting policies.

## 1. Introduction to the Accounts

The Accounts set out in this document have been produced in accordance with various statutory provisions and codes of practice, which apply to local authorities and this year consolidate the major changes in the recommended calculation of revaluations, the Fixed Asset Restatement Account and the Capital Financing Account which have been replaced by the Capital Adjustment Account. Also the Deferred Discounts account was amalgamated with the Loans Outstanding in 2007-08. The 2008 SORP only introduced minor changes to the accounts however 2009-10 will see the implementation of IFRS.

The Statement of Accounts comprises:

### Core Financial Statements

- **Income and Expenditure Account**, which summarises the costs and income relating to the Council's day to day activities. It shows the net cost of all services delivered by the Council and how they have been financed from government grants and income from local taxpayers.
- **Statement of Movement on the General Fund Balance**, which is a reconciliation showing how the balance of resources generated / consumed in the year links in with statutory requirements for raising Council Tax.
- **Statement of Total Recognised Gains and Losses (STRGL)** sets out all the gains and losses experienced by the authority all of which are not included in the Income and Expenditure Account. Some of the notable ones are gains on revaluation of fixed assets and pension actuarial gains and losses.
- **Balance Sheet**, which sets out the financial position of the Council as at 31 March 2009. It records the value of assets owned by the Council and how these have been funded.
- **Cash Flow Statement** summarises the total movement of cash to and from the authority or, simply, where the money came from and where it was spent. This information is not easily obtained elsewhere in the accounts.

### Other

- **Housing Revenue Account Income and Expenditure Account**, reflects a statutory obligation to account separately for local authority housing provision. Income and expenditure on Council housing is 'ring fenced' within the HRA. The Account is self-financing, and contributions from the General Fund Account are not permitted.
- **Statement of Movement on the Housing Revenue Account Balance** reflects the surplus or deficit on the HRA Income and Expenditure Account adjusted by other items determined by statute to be taken into account in determining the movement on the HRA balance (for example capital expenditure funded by the Housing Revenue Account).
- **Collection Fund**, which reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which shows the transactions of the billing

## Explanatory Foreword cont'd

authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to preceptors and the General Fund.

These are supported by a Statement of Accounting Policies, which follows this foreword.

## 2. Council Spending

### Significance of the Statement of Movement on the General Fund Revenue Balance

The original net budget for the year 2008-09 was £14.341 million however; a number of variations including supplementary estimates, partly offset by reduced commitments and one off savings totalling £0.081 million were approved for the year. This resulted in a net budget of £14.422 million and budgeted transfer from reserves of £0.056 million. However, the actual net expenditure of £13.540 million resulted in a transfer from reserves of £0.3 million, and a net underspend of £0.882 million as compared with the budget. The under-spend primarily relates to a rollover of budgets to the 2009-10 financial year together with planned under spends to be utilised as part of the Councils medium term strategy.

General Fund Revenue Account	2008-09 Budget £000	2008-09 Actual £000
Net cost of Services	15,529	16,209
Plus appropriation adjs.		
<b>Service Revenue Expenditure</b>	<b>15,529</b>	<b>16,209</b>
Net Interest on Outstanding Debt	(166)	(97)
Investment Income	(453)	(464)
Transfer to capital reserves	(488)	(532)
<b>Net Budget</b>	<b>14,422</b>	<b>15,116</b>
Income from Grants	(8,314)	(8,314)
Demand on Collection Fund	(5,528)	(5,528)
Transfer (from) reserves balances	(1)	(1,576)
<b>Transfer to/(from) working balances</b>	<b>(579)</b>	<b>302</b>

### Housing Revenue Account

In respect of the HRA, a rent change was effective from October 2008, thus a comparison of the outturn cost for the year with the original budget is not valid. Total expenditure was £16.410 million compared to income of £16.921 million. This resulted in a surplus of £0.511 million, which increased HRA balances to £1.796 million.

### Capital

In 2008-09 the Council spent £10.998 million on capital projects compared with an approved budget of £12.635 million, representing an under spend of £1.637 million. An agreed budget of £14.451 million was approved in February 2008 and was revised to £12.635 million by Council during the year. As capital projects span more than one year the majority of this net under spend

## Explanatory Foreword cont'd

will be utilised within the programme for future years. A summary of each Portfolio's revised budget and actual expenditure follows:

Portfolio	Revised Budget	Final Outturn	Variance
	£m	£m	£m
Children and Young People	2.584	2.093	(0.491)
Healthier Communities, Housing & Older People	9.687	8.632	(1.055)
Access to Skills and Economic Development & Enterprise	0.244	0.218	(0.026)
Safer & Stronger Communities	0.030	0.016	(0.014)
Environment	0.090	0.039	(0.051)
Building an Excellent Council			
<b>Total</b>	<b>12.635</b>	<b>10.998</b>	<b>(1.637)</b>

### Pension Liability

In accordance with Financial Reporting Standard 17 Accounting for Retirement Benefits the Council is required to disclose its pension scheme surplus/deficit.

The deficit as at 31<sup>st</sup> March amounted to £33.864 million. This represents a snap shot as at 31 March 2009 of a fund that is managed long term and hence represents an accounting and reporting consideration rather than a cash consideration.

Further details re the liability and its accounting treatment are contained on pages 43-47.

### 3. Medium Term Position

Council at its meeting of the 25 February 2009 approved a three year budget as part of its Delivering Change framework. This policy process involved a reallocation of resources in line with the Council's aims and objectives together with achieving a balanced budget in each of the three years to 2011-12.

The budget for 2011-12 estimates net expenditure to be £15.040 million, an increase of £0.699 million as compared with the original budget for 2008-09 of £14.341 million. The increase reflects provision for inflation of £0.735 million, growth of £1.202 million and net savings of £1.238 million. The budget assumes £0.106 million decrease in balances to support the budget with a working balance reserve of £0.826 million as at 31<sup>st</sup> March 2012.

An updated Medium Term Position is presented to Cabinet in July of each year.

### 4. Further Information

Further information on the accounts is available from the Head of Financial Management, Civic Centre, Beecroft Road, Cannock WS11 1BG. (Telephone 01543 464334, e-mail enquiries@cannockchasedc.gov.uk). In addition, interested members of the public have a

statutory right to inspect the accounts before the audit is complete. The availability of the accounts for inspection has been advertised in the local press.



# Statement of Accounting Policies

## 1. General

The Statement of Accounts summarises the council's transactions for the 2008-09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2008 (the SORP).

The accounts also comply with the Best Value Accounting Code of Practice.

### [Explanation of prior period adjustments](#)

In the 2008-09 Statement of Accounts, the council has adopted two significant new accounting policies that impact on the comparative figures for 2007-08 in the Balance Sheet:

- Deferred Charges have been renamed with Revenue Expenditure Funded from Capital under Statute.
- There is a new General Grant called Area Based Grant.

The accounts also comply with the Best Value Accounting Code of Practice.

## Statement of Accounting Policies cont'd

### 2. Accruals of Income and Expenditure

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

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- 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 payable on borrowings and receivable on investments is accounted for in the year, to which it relates, on a basis that reflects the overall effect of the loan or investment.
- 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 debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

### 3. Provisions

Provisions are included in the accounts for potential liabilities, which will be incurred, but where there is uncertainty as to the amounts concerned or the dates on which the liabilities may arise and is in accordance with FRS 12. Changes in provisions are charged in the year to the appropriate revenue account.

Details of the provisions are contained within the notes to the Core Financial Statements.

## Statement of Accounting Policies cont'd

### 4. Reserves

Reserves relate to amounts set aside that are not provisions by definition.

Reserves are analysed between capital accounting arrangements and other reserves.

The capital accounting arrangements require the establishment of two reserve accounts in the consolidated balance sheet, namely:

- The Revaluation Reserve which represents principally the balance of the surpluses arising on the periodic revaluation of assets.
- The Capital Adjustment Account that represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions and prior year revaluations.

These two accounts do not represent resources that are available for use by the Council, but amounts created as a result of the introduction of the Capital Accounting regime.

In accordance with the Code of Practice, other reserves are analysed between those 'earmarked' for specific purposes and those reserves that are available to support the budget or for other purposes. Another reserve that is not available for use by the Council is the Pensions Reserve which is a specific accounting reserve that is required for FRS 17 – Retirement Benefits. Details of Capital accounting and other reserves are contained within Notes to the Core Financial Statements.

### 5. Government Grants and Contributions (Revenue)

Revenue grants are credited to revenue in the same period as the expenditure to which they relate. In all cases, where the actual amount of grant receivable is not certain at the end of the year, then an estimate has been used. Where the acquisition of fixed assets is financed either wholly or in part by a government grant or other contribution, the amount of grant is credited initially to the government grants deferred account. Amounts are released from the Government Grant deferred account to offset any provision for depreciation charged to the Revenue Account in respect of assets to which the grant relates. Grant to cover general expenditure (e.g. Revenue Support Grant) is credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

## Statement of Accounting Policies cont'd

### 6. Pensions

The Council is a participating authority in the Superannuation Fund administered by Staffordshire County Council and employees of the Council are eligible to join the scheme, subject to certain qualifying criteria. The pension costs, which are charged to the Council's accounts in respect of these employees, are in accordance with FRS 17 and are equal to the benefits earned in the year. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

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.

The Council has complied with FRS 17 as regards disclosure of pension information.

Further notes on Pensions are contained within the Notes to the Core Financial Statements.

### 7. 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 them.

### 8. 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. 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 accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

The total costs of vehicles and plant are charged to services based upon actual usage.

## Statement of Accounting Policies cont'd

### 9. Fixed Assets

Expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets that is charged direct to service revenue accounts. A de minimus value of £20,000 exists for land and buildings and for vehicles, plant and equipment.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the 2008 Code of Practice on Local Authority Accounting.

The Council's in-house RICS qualified valuation officer valued its assets on the following basis:

- The Council dwellings valuation, as included in the balance sheet, is based upon open market value as discounted to reflect the Council's estimate of Existing Use Value for Social Housing (EUV-SH). A local discount rate of 40% has been used for current valuations but is subject to annual review.
- Land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value;
- Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is open market value;
- Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation.

The surpluses arising on the initial valuation of fixed assets have been credited to the Revaluation Account. Subsequent revaluation of fixed assets is planned on a rolling five year programme, although material changes to asset valuation will be adjusted in the interim period, as they occur.

## Statement of Accounting Policies cont'd

### 9. Fixed Assets cont'd

**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 - written off against the Revaluation Reserve when the assets carrying amount reaches its depreciated historical cost.

Impairment may occur where there has been:

- a significant decline in a fixed asset's market value during the period
- evidence of obsolescence or physical damage to the fixed asset
- a significant adverse change in the statutory or other regulatory environment in which the authority operates
- a commitment by the authority to undertake a significant reorganisation

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable 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.

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

## Statement of Accounting Policies cont'd

### 9. Fixed Assets cont'd

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

Depreciation is calculated on the following basis:

- dwellings and other buildings - straight-line allocation over the life of the property as estimated by the valuer
- vehicles, plant and equipment - a percentage of the value of each class of assets in the balance sheet, as advised by a suitably qualified officer

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 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.

**Non- Enhancements (Capital Expenditure):** In accordance with the overall Fixed Asset Policy above any expenditure on fixed assets that are above the de minimus level is capitalised provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year.

The nature of the work undertaken is of an enhancement nature but in certain instances will not result in the asset being increased to the full value of the work undertaken and is classed by this authority as non-enhancement asset expenditure.

The value of the Assets has been reduced accordingly and is stated in the Balance Sheet at net value to the authority, with a compensating adjustment being made to the Capital Adjustment Account.

The policy of this Council is to contain such adjustments within the Balance Sheet with no impact upon the Income and Expenditure Account.

The treatment of this work is open for interpretation and following advice from the authority's External Auditors, a further adjustment has been made to the Income and Expenditure Account, whereby such expenditure is classed as Impairment.

The impact of the changes is to increase/ (reduce) the Net Income and Expenditure Account deficit (surplus) and to introduce a compensating adjustment in determining the overall General Fund Balance on the Revenue account.

The overall revenue balance is unaffected by the adjustment.

The accounts therefore presented complies with the Statement of Recommended Practice but are not in accordance with the Policies of the Council

## Statement of Accounting Policies cont'd

### 9. Fixed Assets cont'd

The treatment of such expenditure as Impairment, whereby the non enhancement is classified as a clear consumption of economic benefits immediately in that year of capital expenditure, is considered misleading to the stakeholders of this authority.

### 10. Charges to Revenue for Fixed Assets

General Fund service revenue accounts, central support services and statutory accounts are charged with a depreciation charge for all fixed assets used in the provision of services.

A depreciation charge is also made to the HRA. This is an amount derived from a calculation that is prescribed by Central Government.

External interest and the provision for depreciation are charged to the Income and Expenditure Account.

### 11. Revenue Expenditure Funded from Capital Under Statute.

These charges represent expenditure that has been capitalised but does not fall under the heading of fixed assets. The Council incurs a significant amount of expenditure within this definition in relation to the payment of renovation grants and disabled facilities grants to householders within the district. Although it makes an important contribution to the improvement of environmental and housing standards, this type of expenditure does not result in a fixed asset for the Council. During the year this amounted to £126,897.86.

The Council complies fully with the requirements of the Code of Practice and writes off the full amount of expenditure on this in the year in which it is incurred since there is no ongoing benefit to the Council as a result of such expenditure.



## Statement of Accounting Policies cont'd

### 12. Debt Redemption

In accordance with the requirements of the Local Government Act 2003, the Council is required to set aside a Minimum Revenue Provision (MRP) for the repayment of debt. This is equal to 4% of the General Fund Capital Financing Requirement adjusted for an opening year balance. There is no longer a requirement to set aside debt for HRA housing which previously amounted to 2% of notional debt outstanding.

If depreciation for the General Fund does not equal this amount, then a transfer either to or from the Capital Adjustment Account (CAA) is required for the difference. Amounts set aside as a transfer to reserves are disclosed separately on the face of the Statement of Movement on the General Fund Balance.

The actual redemption of debt is actioned in accordance with each year's Treasury Management Policy Statement. The basis of repayment is dependant upon the type of loan raised.

### 13. Leased Assets

The Council does not operate any finance leases and 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.

### 14. Interest Charges

The average rate of interest paid by the Council on its external debt is calculated annually. For 2008-09 the rate is 8.33%. This rate is charged to borrowing accounts on the basis of advances outstanding at 1 April 2008, adjusted for further advances or special repayments during the year, except for the HRA where special provisions apply.

The amount of interest chargeable to the HRA is calculated in accordance with a calculation prescribed by Central Government.

### 15. Investments

Investments are included in the Balance Sheet at cost as adjusted for losses in valuation (if applicable).

## Statement of Accounting Policies cont'd

### 16. Stocks and Work in Progress

Stocks are valued at replacement cost. Stocks are charged initially to a holding account and are allocated to services on the basis of usage, each item being charged out at the latest replacement cost. There is an additional charge for the recovery of the administration costs of managing the store, and the operational costs of the stores building and land. The addition is set at a level anticipated to recover all costs in the year, with any under or over recovery being adjusted in subsequent years.

Stocks and stores appropriate to trading services' consumable items are charged to the individual trading account. An adjustment for stock in hand at the year-end is made.

Work in progress is recorded in the balance sheet at the lower of actual or net realisable value.

### 17. Housing Resource Accounting

Housing resource accounting has been changed to incorporate in the Housing Revenue Account and the Core Financial Statements the actual depreciation charged on Housing Assets thus reflecting their true cost within the Housing Income and Expenditure Account.

### 18. Capital

Capital Transactions are not automatically accrued in the accounts. This does not fully comply with the Code of Practice which requires that capital transactions should be made on a full accruals basis. Due to the Council's practice of ensuring regular valuations, added to the reporting mechanisms which highlight material capital expenditure arising in the following financial year, it is considered that the lack of automatically accrued capital creditors is not material to the 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 Head of Financial Management;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve that statement of accounts.

## The Head of Financial Managements' Responsibilities:

The Head of Financial Management 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 Head of Financial Management 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 Head of Financial Management has also:

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

### HEAD OF FINANCIAL MANAGEMENT CERTIFICATE

I certify that the Statement of Accounts presents fairly the financial position of Cannock Chase District Council as at 31 March 2009 and its income and expenditure for the year ended 31 March 2009.

R. A. Kean.....  
Head of Financial Management

Date.....



## Income and Expenditure Account

2007-08			2007-08		
Net Exp	Net cost of services		Income	Net Exp	
£000		Notes	£000	£000	
126	Special Services		970	(732)	238
955	Central Services to the Public		8,247	(7,259)	988
4,631	Cultural and Related Services		7,036	(2,045)	4,991
4,186	Environmental services		5,863	(1,413)	4,450
1,280	Planning and Development Services		2,617	(1,204)	1,413
1,095	Highways Roads and Transport Services		2,261	(1,271)	990
1,001	Housing General Fund		21,541	(20,342)	1,199
1,400	Corporate and Democratic Core		2,287	(717)	1,570
810	Non Distributed Costs		1,411	(274)	1,137
(3,616)	HRA Net cost of services		13,674	(16,794)	(3,120)
<b>11,868</b>	<b>Net Cost of Services</b>		<b>65,907</b>	<b>(52,051)</b>	<b>13,856</b>
	<b>Corporate Income and Expenditure</b>				
(38)	Gain / Loss on disposal of fixed assets				(284)
417	Precepts paid to Parish Councils				473
6	Levy				6
1,177	Interest Payable				1,256
(9)	Extraneous income during the year				0
(129)	Trading Operations (Surplus)/Deficit	(2)			26
(741)	Interest Receivable				(470)
(425)	Section 106 applied to capital financing				(213)
(81)	Discount on Debt Redemption				(81)
(868)	Grants applied to Capital Financing				(1,162)
1,808	Pooling of Capital Receipts				352
5,205	Pensions Interest Cost	(22)			5,703
(4,993)	Expected Rate of Return	(22)			(4,410)
8,291	Impairments				9,056
<b>21,488</b>	<b>Net Operating Expenditure</b>				<b>24,108</b>
	<b>Sources of Finance</b>				
(5,682)	Precepts on the Collection Fund				(6,001)
(1,165)	Revenue Support Grant				(1,016)
(6,941)	Contribution from NDR pool				(7,298)
	Other Government Grant – ABG				(79)
	Other Government Grant – LPSA				(34)
(50)	Other Government Grant – LABGI				(1,292)
<b>7,650</b>	<b>Net Income and Expenditure Account (Surplus) / Deficit</b>				<b>8,388</b>



## Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows how the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.
- Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2007-08		2007-08
Net Exp		Net Exp
£000		£000
7,650	(Surplus) / Deficit for the year on the Income and Expenditure Account	8,388
(7,395)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(8,681)
255	Decrease in General Fund Balance for the Year	(303)
1,621	General Fund Balance brought forward	1,366
<b>1,366</b>	<b>General Fund Balance carried forward</b>	<b>1,669</b>

## Note of reconciling items for the Statement of Movement on the General Fund Balance

2007-08 Net Exp £000		2008-09 Net Exp £000
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>	
(9,071)	Depreciation and impairment of fixed assets	(9,952)
(134)	Write downs of revenue expenditure funded from capital by statute to be financed from capital resources	(126)
425	Section 106 receipts re capital expenditure	213
38	Net gain on sale of fixed assets	284
868	Grants applied to capital financing	1,162
(2,673)	Net charges made for retirement benefits in accordance with FRS 17	(3,599)
<u>(10,547)</u>		<u>(12,018)</u>
	<b>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year</b>	
169	Minimum revenue provision for capital financing	240
1,765	Capital expenditure charged in-year	1,305
(1,808)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(352)
2,192	Employers contributions payable to meet payments to the Pension Fund and retirement benefits payable direct to pensioners	1,903
<u>2,318</u>		<u>3,096</u>
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
340	Housing Revenue Account balance	511
494	Net transfer to or from earmarked reserves	(280)
<u>834</u>		<u>231</u>
<u>(7,395)</u>	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	<u>(8,691)</u>



## Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2007-08 Net Exp £000	(Surplus) / Deficit for the year on the Income and Expenditure Account	2008-09 Net Exp £000
7,650		8,388
(32,695)	Surplus arising on revaluation of fixed assets	(25,193)
(108)	Collection Fund Deficit / (surplus)	16
	Pooling Adjustment - Creditors	(120)
	Deferred Capital Grant Transfer	470
4	Trading Balances	26
(5,897)	Actuarial (gains) / losses on pension fund assets and liabilities	10,842
<b>(31,046)</b>	<b>Total Recognised Gains and Losses for the year</b>	<b>(5,571)</b>



# Balance Sheet

Balance Sheet as at 31 March 2009

31 March 2008 £000		Note	31 March 2009 £000	£000
	<b>Fixed Assets</b>			
	Operational Assets	(11b)		
244,949	- Council dwellings		257,337	
9,028	- HRA Land and Buildings		9,080	
31,403	- Other land and buildings		43,982	
888	- Vehicles, plant, furniture and equip.		944	
1,048	- Community assets		1,154	
	Non-operational assets			
3,325	- General Fund		3,897	
2,842	- Assets under construction			
3,851	- HRA		1,503	
<u>297,334</u>	<b>Total Fixed Assets</b>		<u>317,897</u>	
65	Long-term debtors		47	
<u>297,399</u>	<b>Total Long-term Assets</b>			<u>47</u> <u>317,944</u>
	<b>Current Assets</b>			
159	Stocks and work in progress	(30)	134	
8,528	Debtors	(31)	8,924	
	Collection Fund			
6,008	Investments		5,466	
<u>14,695</u>			<u>14,524</u>	
<u>312,094</u>	<b>Total Assets</b>			<u>332,468</u>
	<b>Current Liabilities</b>			
629	Short-term borrowing		365	
245	Collection Fund		147	
6,656	Creditors	(32)	5,949	
179	Cash overdrawn	(33)	150	
3,671	Section 106 Contributions		3,796	
855	Grants and Contributions Unapplied		898	
357	Sundry Depositors		310	
<u>12,592</u>				<u>11,615</u>
<u>299,502</u>	<b>Total Assets less Current Liabilities</b>			<u>320,853</u>
15,982	Long-term borrowing	(16)	18,617	
188	Provisions	(17)	191	
288	Government Grant Deferred	(24)	750	
21,185	Pensions Liability	(22)	33,864	
<u>37,643</u>			<u>53,422</u>	
<u><u>261,859</u></u>	<b>Total Assets less Liabilities</b>			<u><u>267,431</u></u>

Balance Sheet cont'd

Balance Sheet as at 31 March 2009

31 March 2008 £000		Note	31 March 2009	
			£000	£000
32,695	Revaluation Reserve	(18d)	57,887	
238,220	Capital Adjustment Account	(11d)	231,908	
1,582	Usable capital receipts reserve	(18e)	2,603	
38	Attributable Collection Fund		22	
118	Deferred Liabilities	(23)	118	
69	Deferred Capital Receipts re Mortgages		51	
7,668	Earmarked reserves	(18b & 18f)	5,268	
(21,185)	Pensions Reserve	(22d)	(33,864)	
1,369	General fund balance	(18f)	1,642	
1,285	Housing revenue account balance	(18f)	1,796	
<u>261,859</u>	<b>Total Net Worth</b>			<u>267,431</u>

## Cash Flow Statement

2007-08		2008-09
£000	Revenue Activities	£000
	<b>Cash Outflows</b>	
17,323	Employees	17,801
16,355	Other Operating Costs	15,023
6,699	Housing Benefit paid out	8,508
2,874	Housing Subsidy	3,234
27,579	Net NNDR paid to National Pool	27,245
2,300	NNDR / Council Tax Payments	2,208
34,383	Precepts Paid	36,884
<u>107,513</u>	<b>Total Revenue Activities Expenditure</b>	<u>110,903</u>
	<b>Cash Inflows</b>	
(6,531)	Rents (after rebates)	(6,360)
(34,804)	Council Tax receipts	(36,372)
(28,808)	NNDR Receipts	(30,260)
(6,941)	NNDR Pool Contribution	(6,157)
(1,165)	Revenue Support Grant	(1,016)
(23,681)	DSS grants for benefit	(25,676)
(1,174)	Other government grants	(2,541)
(388)	Other Grants	(482)
(9,160)	Cash received for goods & services	(6,604)
<u>(112,652)</u>	<b>Total Revenue Activities Income</b>	<u>(115,468)</u>
<u>(5,139)</u>	<b>Net Cash Flow from Revenue Activities</b>	<u>(4,565)</u>
	<b>Returns on Investments and Servicing of Finance</b>	
	<b>Cash outflows:</b>	
1,190	Interest paid	1,251
12	Interest Paid – Other authorities	1
<u>1,202</u>		<u>1,252</u>
	<b>Cash inflows:</b>	
(691)	Interest received	(482)
	<b>Capital Activities</b>	
	<b>Cash outflows:</b>	
11,399	Purchase of fixed assets	11,013
2,209	Payments to DCLG	473
133	Revenue expenditure funded from capital under statute	127
	<b>Cash inflows:</b>	
(3,519)	Sale of fixed assets	(2,573)
(294)	Section 106	(491)
0	Housing by Type	(13)
<u>(1,645)</u>	Capital grants received	<u>(1,418)</u>
3,655	<b>Net cash (inflow)/outflow before financing</b>	<u>3,323</u>

## Cash Flow Statement cont'd

2007-08 £000		2008-09 £000
	Value Added Tax	
	Cash outflows:	
3,686	Input Tax	3,457
	Cash inflows:	
(543)	Output Tax	(364)
(2,907)	Reimbursements	(3,426)
236	Net Value Added Tax	(333)
	Management of Liquid Resources	
(2,161)	Liquid Resources	(530)
	Provisions	
	Cash outflows:	
98	Insurance Provision	0
	Cash inflows:	
(25)	Insurance Provision	0
	Financing	
	Cash outflows:	
502	Repayment of amounts borrowed	548
14	Payment to other authorities	0
	Cash inflows:	
0	Mortgages	(17)
(2,500)	Amounts borrowed	(3,000)
(181)	<b>Net (increase)/decrease in cash</b>	<b>(9)</b>

## Notes to the Core Financial Statements

### 1. Undischarged obligations arising from long-term contracts

In 2008-09 the authority is committed to making payments as detailed below:

	Approximate Annual Commitment	Expiry Date
	£000	
Grounds Maintenance	1,610	31 <sup>st</sup> March 2010
R.U. Recycling	528	31 <sup>st</sup> March 2010

### 2. Trading Operations

#### (Surplus)/Deficit of Trading Operations

The trading operations are analysed between General fund and HRA with a further analysis between internal trading accounts (previously designated DSO accounts) and trading accounts defined by the Best Value Accounting Code of Practice.

2007-08 £000		2008-09 £000
	<b>General Fund</b>	
(129)	Surplus for Trading Operations	26
<u>(129)</u>		<u>26</u>
	<b>Housing (HRA)</b>	
	<b>Internal Trading</b>	
(72)	Building Works	(55)
<u>(72)</u>		<u>(55)</u>
<u>(201)</u>	<b>Total Trading Surplus</b>	<u>(29)</u>

### 3. Discretionary Expenditure

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure in 2008-09 under this power was £171,907 mainly on donations to voluntary bodies working in the local area (£145,668 in 2007-08).

## Notes to the Core Financial Statements cont'd

### 4. Expenditure on Publicity

Expenditure on publicity (as defined under Section 5 of the Local Government Act 1986) amounted to £407,033 and comprised:

2007-08 £000		2008-09 £000
101	Staff Recruitment	74
26	Other Advertising	63
290	Promotion of Council Services and Facilities	270
<u>417</u>		<u>407</u>

### 5. The Building Control Account

With effect from 1 April 1999, the Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. The statement below shows the total cost of operating the building control section divided between the chargeable and non-chargeable activities.

2007-08		2008-09		2008-09	
Total £000		Chargeable £000	Non- Chargeable	Chargeable £000	Total £000
	<b>Expenditure</b>				
306	Employee Expenses	188		129	317
18	Premises	10		9	19
11	Transport	7		5	12
41	Supplies and Services	20		6	26
71	Central and support service charges	22		38	60
<u>447</u>	<b>Total Expenditure</b>	<u>247</u>		<u>187</u>	<u>434</u>
	<b>Income</b>				
283	Building Regulations Charges	208		8	216
<u>283</u>	<b>Total Income</b>	<u>208</u>		<u>8</u>	<u>216</u>
164	<b>Net Expenditure</b>	39		179	218
	Transfer to Specified Reserve	0			
<u>164</u>	<b>(Surplus)/ Deficit for Year</b>	<u>39</u>		<u>179</u>	<u>218</u>

### 6. Business Improvement District Schemes

The Council collects Business Improvement District Money on an Agency basis for the areas of Progress Drive & Fairway Bridgtown, Hawks Green Business Park, Norton Canes Business Park and Brereton Business Park. The money is paid over to Image Business Partnerships for them to spend on business improvements to the areas. Image Business Partnerships is the accountable body for the Business Improvement District.



## Notes to the Core Financial Statements cont'd

### 7. Local Authorities (Goods and Services) Act 1970

There were no significant transactions in 2008-09 with organisations covered by the Act.

### 8. Members' Allowances

In accordance with the Local Authority (Members' Allowances) (Amendment) Regulations 1995 the authority publishes each year details of the total amount of basic allowance and special responsibility allowance paid to members of Cannock Chase Council. The total amount paid for the year ending 31 March 2009 was £388,319 (£367,077 in 2007-08).

### 9. Officers' Emoluments

The Accounts and Audit Regulations (2003) require the disclosure in a note to the accounts, of the number of employees whose remuneration exceeds £50,000 in bands of £10,000. This information is presented below:

2007-08 No. of Officers	Remuneration Band	2008-09 No. of Officers (Annualised Salary)	2008-09 No. of Officers (Actual Salary)
8	£50,000 - £59,999		3
3	£60,000 - £69,999		4
-	£70,000 - £79,999		
-	£80,000 - £89,999		2
1	£90,000 - £99,999		1
-	£100,000 - £109,999		
1	£110,000 - £119,999		1

### 10. Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

- **Central Government**

Has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits).

- **Staffordshire County Council, Police Authority and Stoke and Staffordshire Fire Authority**

These authorities issue precepts on the Council and these are shown in the Collection Fund. The County Council is the administering authority for the Pension Fund and details of the employer's contributions paid by this Council are shown as a note to the Core Financial Statements.

## Notes to the Core Financial Statements cont'd

- **Precepting Bodies**  
Details of transactions with precepting bodies are detailed in the notes to the Collection Fund.
- **Members and Chief Officers**  
Council members make disclosures of their pecuniary and non-pecuniary interests in the members register, and also have to make declarations on individual committee agenda items. During the financial year 2008-09 there were no material transactions between the Council and its members and Chief Officers, other than the payment of salaries and members allowances. Details of these are disclosed in Notes 7 and 8.

### 11. Audit Costs

The budgeted audit fee for 2008-09 is £110,000.00 excluding VAT. The way in which this audit fee and inspection fees can be linked to work in the Audit Code of Practice is summarised below:

2007-08 £000		2008-09 £000
32	Performance Management	27
-	- Financial Aspects of Corporate Governance	-
57	Accounts	83
<u>89</u>		<u>110</u>
12	Inspection Fees	6
14	Grants	0
<u>115</u>		<u>116</u>

### 12. Summary of Capital Expenditure and Fixed Asset Disposals

#### a) Introduction

Fixed assets are tangible assets that provide benefit to the Council for a period of more than one year. Fixed assets are re-valued on a five-year rolling programme and are adjusted annually to reflect capital expenditure on the acquisition, creation or enhancement of fixed assets.

An analysis of movements on fixed assets together with capital expenditure and financing in the year is contained in notes with further details on the accounting treatment being contained in the Statement of Accounting Principles Notes.

## Notes to the Core Financial Statements cont'd

### 12. Summary of Capital Expenditure and Fixed Asset Disposals cont'd

#### b) Analysis of Fixed Assets

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Investment Properties £000	Total £000
Certified valuation at 31 March 2008	248,009	42,600	1,925	1,104	7,176	300,814
Accumulated depreciation and impairment	3,060	2,169	1,037	56	-	6,322
<b>Net book value of assets at 31 March 2008</b>	<b>244,949</b>	<b>40,431</b>	<b>888</b>	<b>1,048</b>	<b>7,176</b>	<b>294,492</b>
<b>Movement in 2008-09</b>						
Disposals	(1,442)				(848)	(2,290)
Revaluations	15,226	13,517		125	573	29,441
Impairment by demolition						-
Other Impairment	(6,032)	(2,146)		(757)	(1,500)	(10,435)
Depreciation in year	(3,288)	(886)	12	(19)	(1)	(4,182)
Enhancement	7,924	2,146	44	757	-	10,871
<b>Net book value of assets at 31 March 2009</b>	<b>257,337</b>	<b>53,062</b>	<b>944</b>	<b>1,154</b>	<b>5,400</b>	<b>317,897</b>

## Notes to the Core Financial Statements cont'd

### c) Capital Expenditure and Financing

The capital expenditure in 2008-09, and the methods of financing are detailed below:

Expenditure	£000	Financing	£000
Children and Young People	2,093	Capital Receipts	1,126
Healthier Communities, Housing & Older People	8,632	Section 106	213
Access to Skills, Economic Development	218	Revenue Contribution to Capital	3,420
Safer & Stronger Communities	16	Specified Capital Grant	308
Environment	39	MRA	3,183
		Other Grants	964
		Borrowing	1,693
		Capital Fund	91
	<u>10,998</u>		<u>10,998</u>

### c) Capital Expenditure and Financing cont'd.

The expenditure created assets or deferred charges as follows:

	£000
Fixed Assets	10,871
Deferred Charges	127
	<u>10,998</u>

### d) Capital Adjustment Account

2007-08		2008-09
£000		£000
243,835	Balance at 1 April	238,220
667	Capital Receipts Applied	1,126
1,073	Reserved Capital Grants	1,283
425	Section 106	213
385	Capital Loans	91
4,270	Revenue Contributions	3,420
(48)	Major Repairs Reserve	3,183
(788)	Depreciation	(4,133)
169	Minimum Revenue Provision	240
8	Government Grants Deferred	(462)
(340)	Less: Revenue Expenditure funded from capital under statute	127
14	Loan Debt Repayment	
155	Deferred Purchase Repayment	165
	Transfer re SORP	
(1,253)	Demolition of Assets	
	Impairment	(92)
(3,314)	Disposals	(2,289)
(7,038)	Non Enhancing Dwelling Expenditure	(9,184)
238,220	Balance at 31 March	231,908

## Notes to the Core Financial Statements cont'd

### 13. Commitments under Capital Contracts

As part of the capital programme, the Council has commenced a number of projects in 2008-09 and earlier years, which were not completed by 31 March 2009. The potential capital commitment arising from those schemes is estimated to be £0.885 million.

### 14. Operating Lease Rentals

The Local Government and Housing Act 1989 reduced the attraction of finance leases for the council, and as at 31 March 1997 all finance leases had expired. The Council entered into no new finance lease agreements during the year. The Council holds vehicles, plant and equipment, under operating lease agreements. The assets are not owned by the Council and are not included in the Fixed Assets shown on the Balance Sheet.

The annual lease rentals charged to revenue were £11,365.50. Outstanding rental obligations repayable in 2009-10 amount to £11,365.50 and between 2010-14 £18,676.79. At 31 March 2009 a total of £30,042.26 was committed of which £11,365.50 is repayable within 1 year and £18,676.76 within years 2-5. The Council uses leased vehicles, plant and equipment under operating leases. The details are as follows:

2007-08 £000		2008-09 £000
14	Vehicles and Plant	
27	Equipment	11
<u>41</u>	<u>Total payments made during the year</u>	<u>11</u>
<u>48</u>	<u>Total undischarged obligations as at 31 March</u>	<u>30</u>

## Notes to the Core Financial Statements cont'd

### 15. Information on Assets Held

31 March 2008		31 March 2009
5,543	<b>Council Dwellings</b>	5,510
	<b>Operations Buildings</b>	
5	Council Offices	5
1	Multi-purpose building	1
1	Theatres	1
2	Leisure centres	2
1	Entertainment centres	1
1	Depots & workshops	1
1	Sports stadium	1
1	Public conveniences	1
1	Mortuary	1
	<b>Infrastructure</b>	
25	Surface car/lorry parks	25
1	Multi-storey car parks	1
3	Bus Stations	3
19	Investment Properties	19
2	Market halls*	2
1	Other Market areas	1
9	Other offices (let)	9
	<b>Community Assets</b>	
3	Cemeteries	3
1	Shopping Centres	1
16	Industrial Units	16
197Ha	Parks & recreation areas	197Ha
1	Golf course	1
8	Allotment sites	8
131Ha	Derelict land reclaimed	131Ha
1	Museum	1

The Council also has a number of miscellaneous properties and sites purchased for future development.

\*The Market Hall at Rugeley is leased as a shell, but the cost for fitting out as a Market Hall is met by the Council.

## Notes to the Core Financial Statements cont'd

### 16. Valuation information

The fixed assets valuation was completed by Mr G. Winslow B.Sc., M.R.I.C.S. who is employed by the authority. For operational properties, valuations have been arrived at by reference to one of the following bases of valuation:-

- (i) Open Market Value for Existing Use (OMVEU) where there is sufficient market evidence of market transactions for that use;
- (ii) Depreciated Replacement Cost (DRC) where the asset is of a specialised nature or where there is no evidence of market value of suitable comparable properties;
- (iii) Non-operational properties have been valued on an open market basis;
- (iv) The valuation of the housing stock has been undertaken on the basis of Existing Use Value – Social Housing.

All re-valuations undertaken as part of the five year rolling programme have been made as at 1<sup>st</sup> April 2008, and a Revaluation Report and Asset Valuations by Type Report from the Property Management System have been supplied.

### Depreciation Statements

The depreciation methods used have not varied from the previous year.

### 17. Long Term Borrowing

Balance at 1 April 2008 £000	Source of Loan	Range of Interest Rates Payable %	Balance at 31 March 2009 £000
15,934	Public works Loans Board (including discount)	1.89 - 10.375	18,571
48	Money Market	5.5 - 5.75	46
-	Deferred Purchase	5.07 - 5.77	-
15,982			18,617
	<b>Analysis of Loans by Maturity</b>		
3,614	1 to 2 years		3,249
474	2 to 5 years		3,474
2,616	5 to 10 years		2,616
9,278	over 10 years		9,278
15,982			18,617

## Notes to the Core Financial Statements cont'd

### 18. Provisions - General

	Balance at 1 April 2008 £000	Increased Provision £000	Charges to Provision £000	Transfer to Reserve £000	Balance at 31 March 2009 £000
Risk Management	188	100	(97)	-	191
<b>Total</b>	<u>188</u>	<u>100</u>	<u>(97)</u>	<u>-</u>	<u>191</u>

The risk management provision is to provide for payments of excesses on existing council insurance claims as at 31 March 2009 where such excesses have been negotiated when agreeing premiums.



## Notes to the Core Financial Statements cont'd

### 19. Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

#### a) Details of Movements on Reserves

Reserve	Balance at 1 April 2008 £000	Net Movement in Year £000	Balance at 31 March 2009 £000	Purpose of Reserve	Further Details of Movement
Revaluation Reserve	32,695	25,192	57,887	Store of gains on revaluations of fixed assets	Note 18d
Capital Adjustment Account	238,220	(6,312)	231,908	Store of capital resources set aside to meet past expenditure	Note 11d
Usable Capital Receipts	1,582	1,021	2,603	Proceeds of fixed asset sales available to meet future capital investment	Note 18e
Pensions Reserve	(21,185)	(12,679)	(33,864)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 22d
Housing Revenue Account	1,285	511	1,796	Resources available to meet future running costs for council houses	Note 18f
Major Repairs Reserve	2	(2)	-	Resources available to meet capital investment in council housing	
General Fund	1,369	273	1,642	Resources available to meet future running costs for non-housing service	Note 18f
Other Reserves	7,891	(2,432)	5,459		
<b>Total</b>	<b>261,859</b>	<b>5,572</b>	<b>267,431</b>		

## Notes to the Core Financial Statements cont'd

### 19. Reserves cont'd

#### b) Earmarked Reserves Analysis

	Balance at 1 April 2008 £000	Transfer From Revenue £000	Transfer To Revenue £000	Transfer To Balances £000	Transfer to Capital Financing £000	Balance at 31 March 2009 £000
<b>Revenue</b>						
General	2,721	563	0	616	-	2,668
Housing	794	194	-	(25)	-	1,013
Trading	232	-	53	145	-	34
<b>Total Revenue Reserves</b>	<b>3,747</b>	<b>757</b>	<b>53</b>	<b>736</b>	<b>-</b>	<b>3,715</b>
<b>Capital</b>						
HRA Contribution to Capital	3,214	1,140	-	-	3,419	935
GF Contribution to Capital Capital Account	-	-	-	-	-	-
	708	-	-	-	90	618
<b>Total Capital Reserves</b>	<b>3,922</b>	<b>1,140</b>	<b>-</b>	<b>-</b>	<b>3,509</b>	<b>1,553</b>
<b>Total Reserves</b>	<b>7,669</b>	<b>1,897</b>	<b>53</b>	<b>736</b>	<b>3,509</b>	<b>5,268</b>

#### c) Discount on Premature Debt Rescheduling – Reserve Analysis

The Council in 2002-03 repaid £7.8 million earlier than scheduled to obtain a discount. The discount of £990,000 was transferred to an earmarked reserve and is amortised to revenue in accordance with standard accounting practice.

The proportion of the discount relating to HRA debt is amortised over a ten-year period with the General Fund discount being fully amortised over three years, 2004-05 being the last year. The discount is included as part of loan debt in accordance with Accounting Regulations.

Balance as at 1 April 2008		Balance as at 31 March 2009
405	Balance B/fwd	324
-	Discount Received	-
(81)	Discharged to revenue	(81)
<u>324</u>	<b>Total C/fwd</b>	<u>243</u>

## Notes to the Core Financial Statements cont'd

### 19. Reserves cont'd

#### d) Revaluation Reserve

2007-08 £000		2008-09 £000
-	Balance at 1 April	32,695
32,695	Revaluations in the Year	25,192
<u>32,695</u>	Balance at 31 March	<u>57,887</u>

#### e) Usable Capital Receipts

The balance on the usable capital receipts reserve can be used to finance capital expenditure whether or not an authority is debt free. The balance on this account is therefore available to the Council. Details of the transactions for 2008-09 are given below:

	Housing Fund £000	General Fund £000	Total £000
Balance at 1 April 2008	21	1,561	1,582
Receipts in the Year*	2,278	221	2,499
Amounts Pooled	(352)	-	(352)
Usable Capital Receipts	<u>1,947</u>	<u>1,782</u>	<u>3,729</u>
Transfer to General Fund	(1,162)	1,162	-
Capital Receipts Applied	(780)	(346)	(1,126)
Balance at 31 March 2009	<u><u>5</u></u>	<u><u>2,598</u></u>	<u><u>2,603</u></u>

\* Receipts net of permitted deductions prior to set aside.

#### f) Revenue Reserves

	General Fund £000	Trading Reserves £000	HRA Reserves £000	Collection Fund £000	Earmarked Reserves £000	Revenue Reserves Total £000
Balance as at 1 April 2008	(1,369)	(79)	(1,285)	(282)	(7,668)	(10,683)
Net (Surplus)/ deficit for the year	(299)	105	(511)	113	2,400	1,808
Balance as at 31 March 2009	<u>(1,668)</u>	<u>26</u>	<u>(1,796)</u>	<u>(169)</u>	<u>(5,268)</u>	<u>(8,875)</u>

## Notes to the Core Financial Statements cont'd

### 20. Contingent Liabilities

#### Municipal Mutual Insurance

Under the Municipal Mutual Insurance Limited Scheme of Arrangement Cannock Chase District Council has a potential claw-back of £207k should there be a deficit in the winding up of the company. It remains the view of the Board at the 31<sup>st</sup> March 2009 that a solvent run off of the Company's business can be anticipated.

### 21. Authorisation of Accounts for Issue

The Statement of Recommended Practice requires the authority to stipulate a date after which events will not have been recognised in the statement of accounts. The date quoted is that beyond which there can be no reasonable expectation that events could have been taken into account for the authority. The date for this authority is 24/06/09.

### 22. Trust Funds

31 March 2008 Outturn £		2008-09 Income £	2008-09 Expenditure £	31 March 2009 Outturn £
(13,662)	Benton's Trust	(68)	-	(13,730)
<u>(13,662)</u>		<u>(68)</u>	<u>-</u>	<u>(13,730)</u>

The Council as at 31<sup>st</sup> March 2009 administers two Trust Funds on behalf of third parties which do not form part of the Council's Consolidated Balance Sheet.

The funds are:

- **Benton's Trust**  
To provide a drinking trough for animals, and improvements to the public conveniences in, or near, the Market Place, Cannock. (Balance available)
- **Cannock Park Trust**  
Cannock Chase District Council are trustees for the Cannock Park Trust. Expenditure by the Council on Cannock Park land exceeds income so no formal trust fund accounts are prepared. Accounts would need to be prepared if this situation should change.

## Notes to the Core Financial Statements cont'd

### 23. Retirement Benefits

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 needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme for employees, administered by Staffordshire County Council. This is a funding scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets.

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 of the Income and Expenditure Account after Net Operating Expenditure. The following transactions have been made during the year:

	2007-08 Actual £000	2008-09 Actual £000
<b>Net cost of Services:</b>		
• Current Service Cost	2,069	1,484
• Past Service Cost	-	646
• Curtailment and Settlements	392	162
	<u>2,461</u>	<u>2,292</u>
<b>Net Operating Expenditure:</b>		
• interest cost	5,205	5,703
• expected return on assets in the scheme	(4,993)	(4,410)
<b>Total</b>	<u>2,673</u>	<u>3,585</u>

Further information can be found in Staffordshire County Council's Superannuation Fund's Annual Report, which is available upon request from the County Treasurer's Department, Eastgate Street, Stafford (Telephone 01785 276441).

## Notes to the Core Financial Statements cont'd

### a) Net Asset/ (Liability)

The underlying assets and liabilities for retirement benefits attributable to the authority at 31<sup>st</sup> March are as follows:

	31 March 2008 £000	31 March 2009 £000
Fair Value of Employer Assets (A)	61,566	46,712
Present Value of Scheme Liabilities	78,169	76,061
Present Value of Unfunded Liabilities	4,582	4,515
Total Value of Liabilities (B)	82,751	80,576
Net asset / (liability) (A)-(B)	(21,185)	(33,864)

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total liability of £33.864 million has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy; the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

### b) Estimates Percentage Increases

The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in the future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Hymans Robertson, an independent firm of actuaries on a valuation as at 31<sup>st</sup> March, 2009. The main assumptions used in their calculations are:

	2007-08 %	2008-09 %
Rate of inflation	3.6	3.1
Rate of increase in salaries	5.1	4.6
Expected return on Assets	7.2	6.5
Rate for discounting scheme liabilities	6.9	6.9

## Notes to the Core Financial Statements cont'd

### c) Total Assets held by the Fund

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	Long-Term Return %	Fund Value as at 31 <sup>st</sup> March 2008 £'000	Fund Value as at 31 <sup>st</sup> March 2009 £'000
Equities	7.0	46,377	33,633
Bonds	5.4	8,455	8,408
Property	4.9	4,924	3,737
Cash	4.0	1,536	934
<b>Total</b>		<b>61,292</b>	<b>46,712</b>

### d) Reconciliation of defined benefit obligation

	Year to 31 <sup>st</sup> March 2008 £000	Year to 31 <sup>st</sup> March 2009 £000
Opening Defined Benefit Obligation	96,595	82,914
Current Service Cost	2,069	1,484
Interest Cost	5,205	5,703
Contributions by members	647	722
Actuarial Losses / (Gains)	(18,473)	(7,504)
Past Service Costs / (Gains)	-	646
Losses / (Gains) on Curtailments	392	162
Estimated Unfunded Benefits Paid	(295)	(300)
Estimated Benefits Paid	(3,226)	(3,251)
<b>Closing Defined Benefit Obligation</b>	<b>82,914</b>	<b>80,576</b>

### e) Reconciliation of fair value of employer assets

	Year to 31 <sup>st</sup> March 2008 £000	Year to 31 <sup>st</sup> March 2009 £000
Opening Fair Value of Employer Assets	69,760	61,292
Expected Return on Assets	4,993	4,410
Contributions by members	647	722
Contributions by the Employer	1,657	1,885
Contributions in respect of Unfunded Benefits	295	300
Actuarial Gains / (Losses)	(12,539)	(18,346)
Estimated Unfunded Benefits Paid	(295)	(300)
Estimated Benefits Paid	(3,226)	(3,251)
<b>Closing Fair Value of Employer Assets</b>	<b>61,292</b>	<b>46,712</b>

## Notes to the Core Financial Statements cont'd

### f) Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL)

	Year to 31 <sup>st</sup> March 2008	Year to 31 <sup>st</sup> March 2009
	£000	£000
Actuarial Gains / (Losses)	5,897	(10,842)
Increase/ (Decrease) in Irrecoverable Surplus from Membership	-	-
Actuarial Gains / (Losses) recognised in STRGL	5,897	(10,842)
Cumulative Actuarial Gains and Losses	435	(10,407)

### g) Amounts for the current and previous accounting periods

	Year to 31 <sup>st</sup> March 2008	Year to 31 <sup>st</sup> March 2009
	£000	£000
Fair Value of Employer Assets	61,292	46,712
Present Value of Defined Benefit Obligation	(82,914)	(80,576)
Surplus / (Deficit)	(21,622)	(33,864)
Experience Gains / (Losses) on Assets	(12,539)	(18,346)
Experience Gains / (Losses) on Liabilities	3,593	63

## 24. Deferred Liabilities

This relates to transferred assets loan debt that was part of the Local Government Reorganisation involving the transfer of assets between Aldridge/Brownhills UDC and Cannock Chase District Council. The debt is administered by Walsall MBC with loans outstanding as at 31 March 2009 of £117,783.30.

## 25. Government Grant Deferred

1 April 2008 £000		31 March 2009 £000
296	Balance B/fwd	288
(8)	Discharged to revenue	(8)
	Additional Grant in Year	470
288	Total C/fwd	750

## 26. Investments – related businesses and companies

A minority interest is held in 'Instaffs', a company that promotes inward investment in Staffordshire. The Council holds 1 "C" class share out of a total of 32 issued by the company.

Instaffs (UK) is a countrywide organisation responsible for the promotion of inward investment and processing of inward investment enquiries for Staffordshire.



## Notes to the Core Financial Statements cont'd

The company secretary is A Wallace, County Buildings, Martin Street, Stafford, Staffordshire ST16 2LH from whom the Company's accounts are available.

### 27. Reconciliation of (Surplus)/Deficit on the Income and Expenditure Account to the movement in cash

	2008-09	
	£000	£000
Deficit on the Income and Expenditure Account	(297)	
Attributable Collection Fund Deficit	113	
HRA Deficit	(510)	
		(694)
Add:		
Minimum Revenue Provision	(240)	
Direct Revenue Financing	(1,140)	
Deferred Purchase Scheme	(165)	
Government Grant Deferred	8	
Capitalised Expenditure	545	
Principal repayments	92	
		(900)
Increase in reserves		
Major repairs reserve	(3,296)	
Collection Fund Deficit	0	
Earmarked	195	
		(3,101)
Increase in provisions		
Bad and Doubtful Debts	957	
Insurances	(100)	
		857
Movements in Debtors & Creditors		
Increase in Creditors	700	
Increase in Debtors	(396)	
Less:		
Bad and Doubtful Debts	957	
Capital	(1,823)	
VAT	332	
		(230)
Provisions	97	
Increase in Section 106 & Sundry Depositors	201	
Increase in Stock & WIP	(25)	
		273
External Financing payments	(1,252)	
External Interest Received	482	
		(770)

**Net Cash Income from Revenue Activities**(4,565)

## Notes to the Core Financial Statements cont'd

## 28. The movement in cash reconciled to the movement in net debt

	31 March 2009 £000
Increase in cash	9
Cash to repay long term borrowings	(529)
Cash to repay short term borrowings	548
Net Borrowing	<u>(3,000)</u>
<b>Change in Debt:</b>	<u>(2,972)</u>
Net debt at 1 April 2008	<u>(10,459)</u>
<b>Net debt at 31 March 2009</b>	<u><b>(13,431)</b></u>

## 29. Movements in Financing and Management of Liquid Resources

	1 April 2008 £000	Cash flows £000	31 March 2009 £000
Cash Overdrawn	(179)	8	(171)
Debt Due:			
Within 1 year	(629)	548	(81)
After 1 year	(15,982)	(2,919)	(18,901)
Liquid Resources (temporary investments)	<u>6,008</u>	<u>(528)</u>	<u>5,480</u>
	<u><b>(10,782)</b></u>	<u><b>(2,891)</b></u>	<u><b>(13,673)</b></u>
<b>Less:</b>			
Debt Redemption Reserve	<u>323</u>	<u>(81)</u>	<u>242</u>
<b>Total</b>	<u><u><b>(10,459)</b></u></u>	<u><u><b>(2,972)</b></u></u>	<u><u><b>(13,431)</b></u></u>

## Notes to the Core Financial Statements cont'd

### 30. Analysis of Government Grants

	2008-09 £000
Revenue Support Grant	1,016
Council Tax Benefits	6,157
National Non Domestic Pool Other	7,298
Rent Allowances	7,571
Housing Benefits	10,033
Homelessness Grant	48
Housing Defects Grant	57
Concessionary Fares	330
LABGI	1,292
LPSA	
Supporting People	387
Housing Benefits Admin	768
Planning Delivery Grant	163
Local Housing Allowance	0
Safer Communities	139
Other	133
	<b>35,392</b>

### 31. Stocks and Work in Progress

	Balance as at 1 April 2008 £000	Balance as at 31 March 2009 £000
<b>Stocks:</b>		
Main Store	97	95
DSO Catering and Bars	17	11
Miscellaneous	12	17
	126	123
<b>Works in Progress:</b>		
Building Works	33	11
	33	11
	159	134

## Notes to the Core Financial Statements cont'd

### 32. Debtors

Balance at 1 April 2008 £000		Balance at 31 March 2009 £000
2,491	Government Departments	3,122
1,688	Housing Tenants	1,684
5,529	Local Taxpayers	5,740
783	VAT Repayable	356
23	Employee Car Loans/Leases	12
2,027	Other Sundry Debtors	2,980
<u>12,541</u>		<u>13,894</u>
	<b>Less Provision for Bad Debts:</b>	
(1,345)	General	(2,136)
(746)	Benefits Overpayments	(758)
(1,922)	Collection Fund	(2,076)
<u>8,528</u>	<b>Total</b>	<u>8,924</u>

### 33. Creditors

Balance at 1 April 2008 £000		Balance at 31 March 2009 £000
188	Government Departments	68
305	Inland Revenue	
133	Housing Tenants	134
1,358	Local Taxpayers	1,319
4,672	Other Sundry Creditors	4,428
<u>6,656</u>	<b>Total</b>	<u>5,949</u>

Included in creditors is the sum of £12,317.63 being BID income not paid over at the end of the year to Image Business Partnerships who are the accountable body for the Business Improvement District.

### 34. Cash Overdrawn

The Council Bank account showed a credit balance of £330,319.71 as at 31 March 2009. However, there are unrepresented cheques as at 31 March of £472,061.75 and income banked after the date of £7,225.53. The Council actively manages cash flow balances in accordance with the Treasury Management Strategy.

## Notes to the Core Financial Statements cont'd

### 35. Financial Instruments

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions:

Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the principal outstanding or the amount billed;

The fair value of trade and other receivables is taken to be the invoiced or billed amount. Financial liabilities are referred to in note 16 of the balance sheet and are shown in the table below:

	Nominal / Principal £,000	Fair Value £,000
<u>Financial Assets</u>		
Cash	3,465	3,465
Fixed Term Deposits	2,000	2,001
<b>Total Financial Assets</b>	<b>5,465</b>	<b>5,466</b>
<u>Financial Liabilities</u>		
Market Debt	48	58
PWLB Loan – Maturity	18,103	23,557
PWLB Loan – Annuity	831	973
<b>Total Financial Assets</b>	<b>18,982</b>	<b>24,588</b>

We have used Sector's valuations for our financial sets and liabilities. Sector's valuations use the Net Present Value approach which provides an estimate of the value of payments 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 the same instrument from a comparable lender. This will be the rate applicable in the market on the date of valuation, for an instrument with the same duration i.e. equal to the outstanding period from valuation date to maturity. The structure and terms of the comparable instrument should be the same, although for complex structures it is sometimes difficult to obtain the rate for an instrument with identical features in an active market.

Valuation of PWLB debt - they have continued to use the new borrowing rate as the discount factor for all PWLB borrowing rate as the discount factor for all PWLB borrowing, but we are aware that the PWLB will be using the premature repayment rates in their figures, giving differing valuations. SORP Guidance Notes contains a new section on accounting requirements for PWLB loans which confirms that it is acceptable for either, or both valuations to be used.

## Notes to the Core Financial Statements cont'd

### Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and STRGL in relation to financial instruments are detailed in interest income and amount to £463,819.

### Investments and Financial Instruments

The investments disclosed in the balance sheet are all short term in nature

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

The management of risks for financial instruments are detailed in the Treasury Management Strategy report which is submitted to Council each year and this is available on the Council's website.

## 36. Local Area Agreement

In 2008, partners across Staffordshire approved the Local Area Agreement for the period 2008-2011. The LAA is designed to deliver improved outcomes which meet the needs of local areas through public, private and voluntary sector agencies working in partnership. The Accountable body is Staffordshire County Council. This authority received LAA grant of £113,432.37 for 2008-09. The list of partners involved in the LAA is set out below. A revised LAA has been negotiated for the period 2008-2011.

The LAA Partners are:

Staffordshire Police  
Staffordshire Fire and Rescue Service  
Staffordshire Connexions  
Learning and Skills Council  
Job Centre Plus  
West Midlands Business Brokerage Service  
Advantage West Midlands  
InStaffs  
Southern Staffordshire Partnership  
Staffordshire Drug Alcohol Action Team  
Community Safety Partnerships  
Neighbourhood Management Partnerships  
Youth Justice Board  
Staffordshire Rural Community Council  
Environment Agency  
Staffordshire County Council  
Cannock Chase District Council  
East Staffordshire Borough Council  
Lichfield District Council  
Newcastle-under Lyme Borough Council  
South Staffordshire District Council  
Stafford Borough Council  
Staffordshire Moorlands District Council

## Notes to the Core Financial Statements cont'd

Tamworth Borough Council  
South Staffordshire Primary Care Trust  
North Staffordshire Primary Care Trust  
Staffordshire University  
Staffordshire & Stoke on Trent Consortium of Infrastructure Organisations





## Housing Revenue Account Income and Expenditure Account

2007-08 £000		Notes	2008-09 £000	£000
<b>Income</b>				
16,249	Dwellings rents (gross)	(3)	16,380	
414	Non-dwelling rents (gross)		413	
81	Income on Debt Redemption		81	
<u>16,744</u>			<u>16,874</u>	
<b>Expenditure</b>				
3,506	Repairs and maintenance	(5)	3,779	
2,005	Supervision and Management – General		2,182	
529	Supervision and Management – Specific		375	
271	Rents, rates, taxes and other charges		295	
3,025	Negative Housing Revenue Account Subsidy	(4)	3,317	
74	Increased provision for bad or doubtful debts		71	
13	Principal and Interest – OLA's		12	
3,231	Depreciation and impairment of fixed assets	(6a)	3,288	
30	Debt Management Costs		31	
<u>12,684</u>			<u>13,350</u>	
<u>(4,060)</u>	<b>Sub-total: Net Cost of Services</b>			<u>(3,524)</u>
355	HRA share of Corporate and Democratic Core			346
<u>(3,705)</u>				<u>(3,178)</u>
(74)	(Gain) or Loss on sale of HRA fixed assets			(92)
1,475	Interest payable and similar charges			1,353
(8)	HRA Investment Income			(6)
<u>(2,312)</u>	<b>HRA Income and Expenditure (Surplus) / Deficit</b>			<u>(1,923)</u>

## Statement of Movement on the Housing Revenue Account Balance

2007-08 £000		Notes	2008-09 £000	£000
(2,312)	<b>HRA Income and Expenditure (Surplus) / Deficit</b>			(1,923)
74	Gain or (Loss) on sale of HRA fixed assets		92	
350	Transfer to Reserves		218	
(50)	Transfer to / from Major Repairs Reserve		(51)	
11	Contribution re FRS 17		13	
1,587	Capital Expenditure funded by the HRA		1,140	
<u>(340)</u>	<b>Total: (Surplus) or Deficit for the year</b>			<u>(511)</u>
945	Balance Brought Forward			1,285
1,285	Balance Carried Forward			1,796

## Notes to the Housing Financial Statements

### 1. HRA Account

In accordance with the Local Government and Housing Act 1989, the Council is required to account separately for local authority housing provision. Income and expenditure on Council housing is 'ring fenced' within the Housing Revenue Account (HRA). The HRA is self-financing, and contributions from the General Fund Account are not permitted.

The HRA must reflect the statutory requirements of the Act, which prescribes the format of the account, and the method of calculation of items of income and expenditure. These are contained in 'determinations' issued by the Secretary of State each year.

### 2. Housing Stock

#### a) Council Dwellings Analysis

As at 31 March 2009, the Authority was responsible for 5,510 Council dwellings analysed as follows:

Dwelling Type	Stock as at 1 April 2008	Increase/ (Decrease)	Stock as at 31 March 2009
<b>Flats</b>			
1 Bedroom	940	(1)	939
2 Bedroom	298	(1)	297
3 Bedroom	6	-	6
Total Flats	<u>1,244</u>	<u>(2)</u>	<u>1,242</u>
<b>Houses &amp; Bungalows</b>			
1 Bedroom	1,350	(13)	1,337
2 Bedroom	1,146	-	1,146
3 Bedroom	1,745	(18)	1,727
4+ Bedroom	58	-	58
Total Houses & Bungalows	<u>4,299</u>	<u>(31)</u>	<u>4,268</u>
<b>Total HRA Dwellings</b>	<u>5,543</u>	<u>(33)</u>	<u>5,510</u>

## Housing Revenue Account – Notes cont'd

### 2. Housing Stock cont'd.

#### b) Valuation of Housing Assets

	Council Houses £000	Other Land & Buildings £000	Total £000
Gross Book Value as at 31 <sup>st</sup> March 2008	248,009	13,376	261,385
Additions & Transfers			
Disposals	(1,441)	(848)	(2,289)
Impairment re Demolished Assets		(1,500)	(1,500)
Revaluations	12,166	81	12,247
Net Enhancements	1,891		1,891
<b>As at 31<sup>st</sup> March 2009</b>	<b>260,625</b>	<b>11,109</b>	<b>271,734</b>
Cumulative Depreciation b/f	3,060	497	3,557
Depreciation w/b	(3,060)	(147)	(3,207)
Depreciation for Year	3,288	175	3,463
<b>Net Book Value as at 31 March 2009</b>	<b>257,337</b>	<b>10,584</b>	<b>267,921</b>
<b>Net Book Value as at 31<sup>st</sup> March 2008</b>	<b>244,949</b>	<b>12,879</b>	<b>257,828</b>

The vacant possession value of dwellings within the Housing Revenue Account as at 1st April 2008 was £435,355,220. The vacant possession value and balance sheet value of dwellings within the Housing Revenue Account show the economic cost to Government of providing council housing at less than open market rents.

### 3. Rent Arrears

The total arrears at 31 March 2009 in respect of dwelling rental income were £1,697,814. The provision for bad and doubtful debts was reviewed in the year. This resulted in an increase in the provision of £70,766.

2007-08		2008-09
£000		£000
488	Tenants Arrears – Current	466
1,210	Tenants Arrears – Former	1,232
(1,269)	Bad Debt Provision b/fwd	(1,303)
1,303	Bad Debt Provision c/fwd	1,313
40	Write Offs	60
74		70
2.99%	Current Tenants Arrears as % of gross rents	2.80%

## Housing Revenue Account – Notes cont'd

### 4. Housing Revenue Account Subsidy Calculation

2007-08		2008-09
£000		£000
2,575	Management Allowance	2,638
4,933	Maintenance Allowance	5,072
3,184	Major Repairs Allowance	3,237
1,735	Capital Financing Charges	1,530
(15,404)	Rents	(15,816)
(10)	Interest on Receipts	(7)
-	Anti-Social Behaviour Allowance	
<u>(2,987)</u>	<b>Subsidy Claimed</b>	<u>(3,346)</u>
98	Defects repurchased	12
(136)	Prior Year Adjustment	17
<u>(3,025)</u>	<b>Total Subsidy</b>	<u>(3,317)</u>

### 5. Repairs and Maintenance

The repairs and maintenance charge to the HRA can be analysed as follows:

2007-08		2008-09
£000		£000
3,578	Contribution to Housing Repairs Account	3,834
(72)	Building Works Surplus	(55)
<u>3,506</u>		<u>3,779</u>

The Council operates a Building Works trading operation which was previously designated a Direct Service Organisation. Building Works made a surplus of £54,542 in 2008-09, and in accordance with government guidelines has been credited to Repairs and Maintenance expenditure as contained in the Housing Revenue Income and Expenditure account.

## Housing Revenue Account – Notes cont'd

### 6. Depreciation and Impairment Charges

#### a) Depreciation

	2007-08	2008-09
	£000	£000
Dwellings	3,181	3,237
Other Operational Assets	50	51
	3,231	3,288

#### b) Impairment Charges

Impairment charges are made in relation to the treatment of stock held for demolition or disposal at reduced value. In accordance with Central Government Policy the Housing properties were valued on a “Beacon Property” basis. This is where sample properties of differing size and from different locations are valued and these values are then applied to the remaining housing stock. Built into beacon valuation is an element for impairment in recognition that at any one time the total of the housing stock cannot be maintained to the highest state of repair.

### 7. Capital

#### a) Summary of Capital Expenditure

	2007-08	2008-09
	£000	£000
Expenditure		
On Housing Properties	8,435	7,974
Financing		
Borrowing	420	420
Usable Capital Receipts	640	780
Revenue Contributions to Capital	4,223	3,420
Section 106	-	
Major Repairs Reserve	3,136	3,183
Grants	16	171
	8,435	7,974

## Housing Revenue Account – Notes cont'd

### 7. Capital cont'd

#### b) Major Repairs Reserve

As part of the introduction of resource accounting to the Housing Revenue Account the Government introduced a new funding mechanism called the Major Repairs Allowance. Local authorities have the flexibility to spend the resource outside the financial year in which they are allocated, enabling more efficient planning of works.

	2007-08	2008-09
	£000	£000
Transfer from Major Repairs Reserve	3,184	3,237
	<u>3,184</u>	<u>3,237</u>
Capital Expenditure on houses within the HRA:		
Void Properties	-	(166)
Replacement of Partial Central Heating	-	(147)
Demolition of Garages	-	(6)
PRC Redevelopment	-	(176)
Replacement of Housing Service Vehicles	-	(44)
Disabled Facilities Grants – Council Dwellings		(346)
Reinstatement of PRC Dwellings	(321)	(15)
Replacement of Kitchens and Bathrooms	(2,815)	(2,284)
External Envelope Works	-	
	<u>(3,136)</u>	<u>(3,184)</u>
Transfer re Depreciation on non Dwellings	(50)	(51)
	<u>(2)</u>	<u>2</u>
Surplus/ (Deficit) for the year	(2)	2
Balance at beginning of year	-	(2)
Balance at end of year	<u>(2)</u>	<u>-</u>

## Housing Revenue Account – Notes cont'd

### c) Summary of Capital Receipts

	2007-08	2008-09
	£000	£000
Balance b/fwd	-	21
<b>Value of Receipts</b>		
Land	63	768
Houses	2,394	447
Mortgage Repayments	19	18
Repayment Discount – Grant	84	50
Bungalows	784	995
	<b>3,344</b>	<b>2,299</b>
Less:		
Pooling to DCLG	1,808	352
Usable Receipts Applied to Capital Expenditure	640	780
Transfer to General Fund	875	1,162
	<b>21</b>	<b>5</b>

## Collection Fund Account

### Income & Expenditure Account for the Year Ending 31 March 2009

2007-08		
£000		
<b>Income</b>		
34,633	Income from Council Tax	35,841
	Transfers from General Fund	
5,929	- Council Tax Benefits	6,558
27,483	Income Collectable from business rate payers	28,964
<b>68,045</b>	<b>Total Income</b>	<b>71,363</b>
<b>Expenditure</b>		
39,857	Precepts and demands	42,412
	Business Rate (NNDR)	
27,109	- Payment to national pool	28,364
137	- Costs of collection	139
89	- Interest	79
148	- Contribution to bad debt provision	382
<b>27,483</b>		<b>28,964</b>
	Bad and doubtful debts/appeals	
(101)	- Provisions	(100)
<b>(101)</b>		<b>(100)</b>
<b>67,239</b>	<b>Total Expenditure</b>	<b>71,476</b>
<b>(806)</b>	<b>Net (Surplus)/Deficit for the year</b>	<b>113</b>
524	Balance brought forward 1 April 2008	(282)
(806)	Add (Surplus)/Deficit for the year	113
<b>(282)</b>	<b>Balance carried forward 31 March 2009</b>	<b>(169)</b>



## Collection Fund Account Notes

### 1. General

Maintaining a separate Collection Fund is a statutory requirement. The transactions are however consolidated in the Council's Balance Sheet and Cash Flow Statement.

### 2. Council Tax Base

The Council's tax base is the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted into an equivalent number of Band D properties. A collection rate of 98.5% has been assumed in the calculation of the tax base.

The Council tax base for 2008-09 of 29,971.73 Band D equivalents was built up as follows:

Estimated figures used for setting tax for 2008-09	No. of dwellings in 2008-09 (adj. for discounts)	Ratio	No. of Band D equivalent properties
Band A Disabled	45.50	0.5556	25.28
Band A	11,839.87	0.6667	7,893.24
Band B	11,641.77	0.7777778	9,054.71
Band C	6,796.59	0.88889	6,041.42
Band D	4,306.60	1.0000	4,306.60
Band E	1,573.88	1.222222	1,923.63
Band F	537.13	1.444444	775.85
Band G	237.25	1.6667	395.42
Band H	6.00	2.0000	12.00
<b>Total</b>	<b>45,977.90</b>		<b>30,428.16</b>
Other Adjustments			(456.43)
<b>Total Band D equivalents</b>			<b>29,971.73</b>

### 3. National Non-Domestic Rates

National Non-Domestic Rates are collected on behalf of the government to be paid into a National Pool. The collection fund receives amounts paid by the Rate Payers in the area, and pays this amount over to the national pool net of allowable costs of collection. The total Non-Domestic Rateable value in the Cannock Chase area, as at 31 March 2009, was £69,780,830 (£70,783,900 as at 31 March 2008). The National Rate set by government was 46.2p in the pound (44.4p in 2007-08).

## Collection Fund – Notes cont'd

### 4. Precepts

The following authorities have made a significant precept or demand on the Collection Fund.

2007-08		2008-09
£000		£000
27,725	Staffordshire County Council	29,536
4,686	Staffordshire Police Authority	4,980
1,764	Stoke on Trent and Staffordshire Fire and Rescue Authority	1,895
5,682	Cannock Chase District Council (including Parish Precepts)	6,001
<u>39,857</u>	<b>Total</b>	<u>42,412</u>

### 5. Write offs

During the year there were actual write offs of Council Tax of £21,010.93 and National Non Domestic Rates of £307,315.54.

# ANNUAL GOVERNANCE STATEMENT FOR 2008-09

## 1. Scope of responsibility

- 1.1 Cannock Chase District Council (the 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, the 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 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.cannockchasedc.gov.uk](http://www.cannockchasedc.gov.uk) or can be obtained from the Head of Governance & Organisational Development. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 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 authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.
- 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 only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2009 and up to the date of approval of the Statement of Accounts.

## 3. The Governance Framework

- 3.1 The key elements of the systems and processes that comprise the Council's governance arrangements are:

## Annual Governance Statement cont'd

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
  - ◆ The Council's vision and the intended outcomes for citizens and service users are outlined in the Corporate Plan.
  - ◆ The Council publishes a Forward Plan which contains details of key decisions to be made by the Cabinet;

- reviewing the authority's vision and its implications for the authority's governance arrangements:

The Council's vision and its objectives are reviewed annually. The Council's objectives are approved following consultation and incorporated into the Corporate Plan and the Community Strategy. The objectives are cascaded through the authority via Corporate Plan, Delivering Change, service business plans and employees' personal development reviews. Forward-looking targets and performance indicators are established and monitored closely on a regular basis by Service Managers, Heads of Services, the Directors Management Team and the Partnerships and Performance Scrutiny Sub-Committee. The Council's budget is aligned to the Council's aims and objectives. The Council has a comprehensive budget strategy, medium term financial plan and robust budget monitoring process, which provides sound financial management and regular reporting of financial management information for both revenue and capital budgets.

- measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources
  - ◆ A range of Policy Development Committees regularly review specific policy areas. Policy Development Committees explore community issues, researching best practice to help ensure service improvements.
  - ◆ The Council has a performance management framework that is driven by the Corporate Plan, which focuses on corporate priorities. Performance management is cascaded through service business plans and individual employee personal development reviews. Directors Management Team and the Partnerships and Performance Scrutiny-Sub Committee receive performance reports on a regular basis. They monitor and scrutinise the performance of services and the achievement of targets. Portfolio Leaders, Directors, Heads of Service and Service Managers are held to account for the performance of their service areas.
  - ◆ The Council has a number of mechanisms in place to ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its services are delivered:
    - Continuous improvement is driven via the Corporate Plan, the Corporate Improvement Plan and the Council's performance management system.

## Annual Governance Statement cont'd

This provides monitoring reports at a service and corporate level to Directors, Cabinet and the Partnerships and Performance Scrutiny Sub-Committee;

- The Partnerships and Performance Scrutiny Sub-Committee identifies areas of concern, from the performance monitoring reports, with a view to making improvements;
  - The Council's Delivering Change process requires services to identify and deliver year-on-year efficiency savings.
  - The Council has a methodology for ensuring value for money in service delivery and a VFM Strategy (subject to Cabinet endorsement).
- defining and documenting the roles and responsibilities of the executive, nonexecutive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

The Council's Constitution defines the roles and responsibilities of the executive, non-executive, scrutiny and officer functions. The Chief Executive and the Monitoring Officer meet periodically with the Group Leaders to discuss roles and responsibilities. The Council also has in place a protocol to define the role of Monitoring Officer.

The Constitution sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. It includes the Scheme of Delegations which outlines those decisions that can be made by officers without the need for Members' approval.

- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

The Council has adopted the National Code of Conduct for Members and has put in place a Code of Conduct for Employees. A Member/Officer protocol is also in place. Members are given a copy of the Code of Conduct as part of their induction pack and training is offered annually on the Code and whenever changes are made to the it. Employees are given a copy of the Code of Conduct as part of the induction process and are reminded of their responsibilities periodically through the Corporate Governance Bulletin.

- reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

The Scheme of Delegations, Financial Regulations and Contract Procedure Rules are reviewed at least annually. The Constitution gives guidance on how decisions are taken and this is supported by the Scheme of Delegations. The Council has a risk management policy, strategy and methodology.

## Annual Governance Statement cont'd

- undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*

The Council has in place an Audit & Governance Committee, which is responsible for providing independent assurance of the adequacy of the risk management framework and the associated control environment. The Committee meets the key requirements of the CIPFA guidance on Audit Committees.

- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
  - The Council has designated the Director of Governance\* as the Monitoring Officer. It is the function of the Monitoring Officer to ensure compliance with existing laws, regulations and established policies and procedures and is aware of and acts upon proposed changes to legislation. The Monitoring Officer will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the process or decision being implemented until the report has been considered. A solicitor attends all of the Council's main committee meetings. Legal and financial implications are included in all committee reports.
  - The Council has designated the Head of Financial Management, as the Responsible Financial Officer, in accordance with s151 of the Local Government Act 1972. The Head of Financial Management ensures that the financial management of the Council is conducted in accordance with the Financial Regulations set out in the Constitution and that expenditure is lawful. The Head of Financial Management attends the meetings of the Directors Management Team.
  - The Head of Financial Management, with the assistance of the Internal Audit section, ensures the legality of financial transactions and compliance with Financial Regulations;
  - Internal Audit review systems and their controls to provide assurance and recommendations for improvement. This work includes ensuring compliance with policies, procedures, laws and regulations;
  - Services are provided by trained and experienced people. All posts have a detailed job description and person specification. Rigorous recruitment processes are in place followed up by induction training and on going training and development in line with Investors in People. A competency framework is in place and this outlines the knowledge and skills expected of the Council's managers.
- whistle-blowing and for receiving and investigating complaints from the public

The Council has in place a whistle-blowing policy and procedures for receiving and investigating complaints received.

## Annual Governance Statement cont'd

- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training

The Council is accredited through Investors in People and as such has a comprehensive framework in place to ensure that its employees are adequately trained. The development needs of managers are identified annually through the Personal Development Review process and an assessment against the competencies framework. Training and development activities are also provided for Members.

- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council has in place a variety of mechanisms in place to communicate with the community and other stakeholders. These include the Citizens Panel, Community Forums, specific groups, the Housing Hometalk magazine and the Council newspaper Chase Matters. Meetings are open to the public except where personal or confidential matters are being disclosed. As part of the budget preparation exercise, a sample of residents was consulted.

- incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

Appropriate governance arrangements are put in place for each partnership eg the LAA, LSP. A more formalised Governance Framework for Partnerships is to be developed to give greater consistency.

### 4. Review of effectiveness

4.1 The 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 executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Chief Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The process that has been applied in maintaining and reviewing the effectiveness of the governance framework is ongoing throughout the year and includes:

- the authority

The Director of Governance\* and Monitoring Officer, on behalf of the Council, undertakes reviews of the Council's governance arrangements on an ongoing basis. Work to support this includes a self-assessment review against the Code of Corporate Governance, meetings of the Statutory Officers, review of the Constitution, Financial Regulations and the Scheme of Delegations and the work of the Governance Directorate in reviewing policies, processes and practices throughout the year.

## Annual Governance Statement cont'd

- the executive

The executive is advised on changes as a result of legislation. There is a diarised commitment to reviewing the Council's vision and objectives twice a year. There is a formal Shadow Cabinet in place, which receives equal information to the Cabinet and provides an opportunity to challenge decisions and how they are made.

- the audit and governance committee/overview and scrutiny committee

The Audit & Governance Committee receives quarterly reports on:

- the work of internal audit in reviewing the systems and processes to ensure that they are adequate; and
- updates on the management of the Council's strategic risks. A strategic risk registers is in place, which identifies and evaluates the risks faced by the Council in delivering its objectives. Work is ongoing to review and address these risks and update the risk register accordingly.

The Committee is also responsible for overseeing the Council's governance arrangements.

The Scrutiny Committee reviews decisions made by Cabinet and areas of concern. The subjects for the areas of concern are informed from corporate community consultation, direct feedback to members from the citizens of the Community, performance management and the results of review and inspection (both external and internal). The Scrutiny Committee can "call-in" a decision that has been made by the Cabinet when they consider the decision is not in accordance with the Council's Constitution. The Partnership and Performance Scrutiny Sub-Committee considers regular performance management and financial information reports from senior management.

The Policy Development Committees undertake reviews of issues that are important to the local community, researching best practice and recommending changes for improvements.

- the standards committee

The Standards Committee produces an annual report, which highlights any recurring themes/issues arising from its work during the year.

- internal audit

Internal Audit reviews the internal control system following an audit plan based on an assessment of the potential risks for the various systems and procedures. Internal Audit reports on the results of each audit to the service manager, Head of Service, the Director and where appropriate and the Head of Financial Management (as the s151 Officer). The audit reports include recommendations for improvements that are included in an



## Annual Governance Statement cont'd

action plan and require management agreement or rejection. Follow-up reviews are undertaken to check that recommendations are acted upon.

The work undertaken on the annual audit plan for 2008-09 has been used to provide an independent view on the adequacy of the governance framework.

Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom. Internal Audit is subject to regular reviews by the Council's External Auditors who place reliance on the section's work. A review of the effectiveness of the system of internal audit has been undertaken. This review has been undertaken via a self-assessment and a review by the Chief Executive and the Head of Financial Management. The review concluded that the system of internal audit is operating effectively and assurance can be taken from the work of Internal Audit

- other explicit review/assurance mechanisms.

The review process is ongoing throughout the year and includes:-

- Performance (including finance) is managed by Service Managers and Heads of Service.
- The provision of performance management reports to the Performance and Partnerships Scrutiny Sub-Committee and the Directors Management Team.
- Individual Cabinet members receive feedback from the senior officers within their portfolios on the delivery of services and the achievement of objectives and targets. Issues of strategic and corporate importance are referred to the Cabinet and Council where appropriate.
- The Head of Financial Management produces a corporate financial report, which is reported to DMT quarterly, Cabinet Briefing, Cabinet and Shadow Cabinet as appropriate.
- The Council has over the past few years received positive Annual Audit letters from the External Auditor, which includes unqualified accounts.

\* The Director of Governance left the Council on 30<sup>th</sup> January 2009. Since this time the Legal & Democratic Services Manager has acted as the Monitoring Officer. Other duties of the former Director of Governance have been covered by the Head of Financial Management, the Head of Governance & VFM and the Legal & Democratic Services Manager.

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Audit & Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

## Annual Governance Statement cont'd

### Significant governance issues

Outlined below are the significant governance issues that have been identified, together with the actions planned to address them:

No	Issue	Action
1	The Council's ability to operate in full or in part in the event of an unforeseen disaster/emergency is not fully documented and plans have not been tested.	<p>A full Project Plan is in place to deliver comprehensive business continuity plans for services and corporately. Much work has been done on this, with phases 1 and 2 complete and work in progress on phase 3. Operational service continuity plans should be in place by July 2009 and a corporate business continuity plan by September 2009</p> <p>Responsible Officer – Head of Governance &amp; Organisational Development</p> <p>Date – September 2009</p>
2	The Council's asset management strategy and asset management plan has not been updated recently and lacks the information needed to make informed decisions on resources	<p>A project plan is being prepared to deliver an Asset Management Strategy and Plan.</p> <p>Responsible Officer – Head of Planning &amp; Regeneration</p> <p>Date – May 2009 (Project Plan)</p> <p>December 2009 (Asset Management Plan)</p>
3	Customers' perception and satisfaction with Council services is not aligned with the level/quality of services provided.	<p>A project team has been set up to look at customers' satisfaction and perception of the Council. An action plan has been developed and is being delivered. This includes development of a Customer Strategy</p> <p>Responsible Officer – Director of Service Improvement</p> <p>Date – Ongoing 2009-10</p>

## Annual Governance Statement cont'd

4	<p>Inadequate policies and procedures for the protection of vulnerable people (ie children and adults) in receipt of Council services</p>	<p>Overarching Policy for the Protection of Vulnerable People has been drafted and will be approved shortly.</p> <p>Processes to be reviewed and developed following the approval of the strategy.</p> <p>Responsible Officer – HR Manager</p> <p>Date – August 2009</p>
5	<p>Value for Money (VFM) is recognised as adequate but needs to improve to meet the Council's aspirations and the national agenda.</p>	<p>Review of the procurement strategy, procurement practices, guidelines, etc and the development of contract management guidelines</p> <p>Development of a VFM service review programme</p> <p>Responsible Officer – Head of Governance &amp; Organisational Development</p> <p>Date – August 2009 for VFM and March 2010 for Procurement</p>
6	<p>The governance arrangements for non-statutory partnerships are not always clearly structured and documented.</p>	<p>Governance framework and guidance to be developed for partnership working.</p> <p>Responsible Officer – Head of Governance &amp; Organisational Development</p> <p>Date – September 2009</p>
7	<p>Performance management and financial management are not sufficiently aligned and embedded to ensure accountability</p>	<p>The performance management framework has been revised.</p> <p>Performance management reporting and financial reporting to be aligned.</p> <p>Responsible Officer – Performance Manager and Head of Financial Management</p> <p>Date – August 2009</p>

## Annual Governance Statement cont'd

8	The Council's values and ethics are not sufficiently understood throughout the Council	<p>The values and ethics framework are to be reviewed in consultation with employees and members. A culture change programme is to be undertaken to promote and embed the values and ethics across the Council and with our partners</p> <p>Responsible Officer – Head of Governance &amp; Organisational Development Head of Legal &amp; Democratic Services</p> <p>Date – March 2010</p>
9	The Council's approach to Equality & Diversity is not yet fully developed and embedded across the Council.	<p>The Equality &amp; Diversity framework is to be developed further to meet the requirements of the new Equalities framework for Local Government and a comprehensive awareness programme is to be rolled out across the Council.</p> <p>Responsible Officer – Head of Policy, Performance &amp; Partnerships</p> <p>Date – Ongoing 2009-10</p>
10	At present there is not a co-ordinated approach to Community Engagement activities	<p>Develop a Community Engagement Strategy to co-ordinate existing activities and develop new approaches</p> <p>Responsible Officer – Head of Policy, Performance &amp; Partnerships Head of Legal &amp; Democratic Services</p> <p>Date – October 2009</p>

## Annual Governance Statement cont'd

11	Member Development is patchy and take up by Members is low	<p>Review the issues raised in the recent peer review report concerning Member Development and work with Members to devise a framework to support them in their development</p> <p>Responsible Officer – Head of Governance &amp; Organisational Development Head of Legal &amp; Democratic Services</p> <p>Date – March 2010</p>
12	Need to focus on priorities and ensure that there is capacity to deliver them	<p>Priority Delivery Plans (PDPs) are now in place which identify priorities for the next 3 years.</p> <p>Performance Management Framework will drive the monitoring of the delivery of the PDPs – this needs to be embedded</p> <p>Responsible Officer – Head of Policy, Performance &amp; Partnerships</p> <p>Date – ongoing over 2009-10</p>
13	Consistent approach needed to ensure security of IT Systems and data	<p>IT Security Strategy is being reviewed to ensure compliance with Government connection requirements. Training is to be provided. Also plan to raise awareness of information governance</p> <p>Responsible Officer – ICT Manager</p> <p>Date – December 2009</p>

Annual Governance Statement cont'd

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. We will monitor their implementation and operation throughout the year and as part of our next annual review.

**Signed:**

.....

Leader of the Council

Date

.....

Chief Executive

Date

on behalf of Cannock Chase District Council

Chairman's Certification

CHAIRMAN CERTIFICATION

I confirm that these accounts were approved by the Council at the meeting held on 24<sup>th</sup> June 2009

Signed on behalf of Cannock Chase District Council:

Chairman of the Council: .....

Date: .....













## Glossary of Terms

### Accruals

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and Creditors).

### Balances

The total level of funds an authority has accumulated over the years, available to support revenue expenditure within the year.

### Capital Expenditure

Expenditure on the acquisition of a fixed asset, or expenditure that adds to, and not merely maintains, the value of an existing fixed asset.

### Capital Adjustment Account

An account maintained to hold the transactions relating to the financing of capital expenditure.

### Capital Receipt

Money received from the disposal of land and other assets, and from the repayment of grants and loans made by the Council.

### Collection Fund

A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipts of non-domestic rates collected on behalf of Central Government.

### Community Assets

Assets that 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.

### Creditors

An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

### Debtors

Sums of money owed to the Council but not received at the end of the year.

### Deferred Charges

Capital expenditure which may properly be incurred, but which does not result in an asset owned by the Council. Examples of deferred charges are expenditure on items such as improvement grants.

## Glossary of Terms

### Depreciation

The measure of the wearing out, consumption of, or other reduction in, the useful, economic life of a fixed asset.

### Earmarked Reserve

A sum set aside for a specific purpose.

### Emoluments

Payments received in cash and benefits for employment.

### Fees and Charges

Income arising from the provision of services. e.g. the use of leisure facilities.

### Finance Lease

A lease which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

### Fixed Assets

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land buildings and vehicles.

### Revaluation Reserve

The account which reflects the amount by which the value of the Council's assets have been revised following revaluation or disposal.

### FRS

Financial Reporting Standard.

### General Fund

The total services of the Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by Council Tax, Government Grants and NNDR.

### Government Grants

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

### Housing Revenue Account (HRA)

A separate account that details the expenditure and income arising from the provision of council housing.

### HRA Subsidy

Grant paid by Central Government to support the provision of rented housing.

## Glossary of Terms

### Infrastructure Assets

These are non-transferable assets, expenditure on which is recoverable only by continued use of the asset created. Examples of such assets are bus stations and car parks.

### Investments

A long-term investment is an investment that it is intended to hold for use on a continuing basis in the activities of the Council. Investments should be so classified only where an intention to hold the investment for the long term can be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

### Investment Properties

Interest in land and/or buildings:

- in respect of which construction work and development have been completed and
- is held for its investment potential, any rental income being negotiated at arms length

### Liabilities

Amounts, due to individuals or organisations, which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

### Materiality

An item is material if its omission, non-disclosure or misstatement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

### Minimum Revenue Provision (MRP)

An amount set by law, which the Council must charge to its revenue accounts, for debt redemption or for the discharge of other credit liabilities.

### National Non-Domestic Rates (NNDR)

Rates levied on business properties. The Council collects these rates and pays them into a national pool, which is then re-distributed on the basis of population.

### Net Book Value

The values that fixed assets are included in the balance sheet, i.e. the historical cost or current value less the cumulative amounts provided for depreciation.

### Operating Leases

Leases other than a finance lease.

### Post Balance Sheet Events

Those 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 officer.

## Glossary of Terms

### Precept

The amount levied by the various joint authorities (Staffordshire County Council, Police, Stoke and Staffordshire Fire Authority and the Parishes), which is collected by the Council on their behalf.

### Provisions

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost involved can be made.

### Prudence

This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in light of the information available.

### Related Party

There is a detailed definition of related parties in note 9 to the Core Financial Statements.

### Revenue Expenditure

Expenditure on the day-to-day running costs of services e.g. employees, premises, supplies and services.

### Revenue Support Grant

The main grant from Central Government towards the cost of providing services.

### SORP

Statement of Recommended Practice.



This financial statement can be provided in Braille, on audio cassette tape/disk, **large print** and in the following languages on request to Cannock Chase Council on 01543 462621

Bengali, Gujarati, Chinese, Urdu,  
Punjabi and Polish

আপনি অনুরোধ জানালে এই কাগজপত্রগুলোর বাংলা অনুবাদের ব্যবস্থা করা যেতে পারে।  
如有要求的話我們可將此文件翻譯成中文  
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