



Draft Statement Of Accounts

**WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTS 2007/8**

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WORCESTER CITY COUNCIL STATEMENT OF RESPONSIBILITIES

The City Council's responsibilities

The City Council is required:

- to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Financial Services.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Head of Financial Service's responsibilities

The Head of Financial Services is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"). The Head of Financial Services is required to present the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2008.

As the responsible officer, I certify that in preparing this Statement of Accounts for the year ended 31st March 2008, I have:

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

I have also:

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

These accounts fairly present the financial position of Worcester City Council at 31st March 2008 and its income and expenditure for the year then ended.

G. Lucas
Head of Financial Services
23rd June 2008

Approval by the Council

I certify that this Statement of Accounts including the Income and Expenditure Account and the Balance Sheet were approved by Council at its meeting held on 24th June 2008.

Councillor Simon Geraghty
Leader of the Council
24th June 2008

WORCESTER CITY COUNCIL

EXPLANATORY FOREWORD

1. Introduction

This Statement of Accounts presents the financial position of the Council for the year ended 31 March 2008. The Accounts are produced in the format stipulated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in accordance with best accounting practice. This foreword provides a brief explanation of the financial aspects of the Council's activities and a guide to the significant matters reported in the accounts.

2. The Accounting Statements

The accounting statements included in the accounts are listed below along with an explanation of their purpose:

Income and Expenditure Account. This account summarises the resources that have been generated and consumed in providing services and managing the Council during 2007/08. It includes all expenditure and income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year.

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

The General Fund balance shows whether the Council has over or under spent against the council tax that it raised in the year, taking into account the planned use of or additions to reserves.

Statement of Total Recognised Gains and Losses. This statement brings together all of the gains and losses of the Council during the financial year. The statement also separates the movements between revenue and capital reserves.

Balance Sheet. This shows the Council's financial position on 31 March 2008. It shows the balances and reserves at the Council's disposal at that date, and summarises the fixed and current net assets employed in carrying out the Council's functions.

Cash Flow Statement. This summarises the cash received and payments made by the Council for revenue and capital purposes in 2007/08.

Collection Fund. The Collection Fund summarises the income received from council taxpayers and business ratepayers. It also shows how the income was distributed to this council, the county council, parish and town councils, and the police and fire authorities.

3. South Worcestershire Revenues and Benefits Shared Services Organisation

The South Worcestershire Revenues and Benefits Shared Services Organisation (SWR&BSSO) was formed on the 2nd July 2007 and is hosted by Wychavon District Council. The Council has member representation on the Joint Committee of this organisation. In 2007/8 there was a part year payment of some £557k (43% of the total costs of the Revenues and Benefits Service) to the host authority to cover the costs they incurred in providing the service for Worcester City Council in its first year of operation as a shared service.

**WORCESTER CITY COUNCIL
EXPLANATORY FOREWORD**

4. Revenue Income and Expenditure

The estimated net revenue expenditure of the Council for 2007-08 was originally £15.881m Actual net expenditure for the year was £16.090m an overspend of £209k which reduces to £203k after the application of capital charges and funding. The net impact on the General Fund balance is a budgeted net contribution of £374k and an unbudgeted contribution of £203k which reduces the General Fund balance to £402k. The Council will take steps in 2008/9 to restore the General Fund balance to its targeted level of at least £600k.

The overspend of £204k in 2007/08 is as a result of a variety of over and underspends during the year. Some of the key variances are highlighted in the table below:

	over/(under) spends £000's
Concessionary Travel	182
Reduced car park income	166
Corporate efficiency savings	223
Homelessness	67
Floods damage	68
Licence Income	(115)
Cemetery & Crematorium income	(66)

A number of the overspends shown above were highlighted in the Council's Medium Term Financial Plan and were addressed as part of the 2008/9 budget setting process, although in doing so the Council has had to implement a budget action plan savings programme to ensure a balanced budget overall over the next 5 year planning period.

The gross cost of service provision for 2007/08 amounts to £56.789m. This expenditure has been analysed by type as shown below:

Expenditure Type	2007/08	2006/07
	£000	£000
Employee expenses	15,288	15,109
Premises related expenses	3,654	3,705
Transport related expenses	2,142	2,012
Supplies and services	8,880	8,078
Third party payments	204	249
Transfer payments	23,745	22,517
Capital charges	2,876	3,860
Gross Cost of Services	56,789	55,530

- Employee expenses comprise all payments to and on behalf of the City Council's employees including salaries, employer's national insurance and pension contributions, training, professional subscriptions, recruitment, and health and safety costs. The net increase in employee expenses is after taking into account the reduction in employee costs as a result of the formation of the South Worcestershire Revenues and Benefits Shared Service Organisation (SWR&BSSO). The cost of Supplies and Services has increased as a result of the fee paid to the SWR&BSSO.

- Premises and transport related expenses and supplies and services costs include the cost of maintaining buildings, operating vehicles and the purchase of goods and services.

WORCESTER CITY COUNCIL EXPLANATORY FOREWORD

4. Revenue Income and Expenditure (cont'd)

- Transfer payments include payments in respect of Council Tax and Housing Benefit.
- Capital charges comprise net servicing of finance costs and depreciation and they represent the real cost of using assets to provide the Council's services.

The Council received gross income of £40.329m and this is analysed by type as follows:

Income Type	2007/08	2006/07
	£000	£000
Government Grants	26,974	25,058
Rent Income	1,175	1,280
Sales, Fees & Charges	7,652	7,728
Other Income	4,528	6,391
Total Income	40,329	40,457

- Government grant income includes £24.655m towards the cost of Council Tax Benefits, Housing Benefits and their administration.
- Rent income comprises mainly rents in respect of industrial and commercial properties.
- Sales, fees and charges income is generated by Council services e.g. leisure facilities, building control fees, car parking, planning fees, land charges fees and licensing fees.
- Other income includes miscellaneous items such as recharges, reserves & provisions, prior year subsidy income and partnership income.

The remaining net expenditure of £16.46m provides the Council's services as outlined in the 'Net cost of Services' in the Income and Expenditure Account. This expenditure is funded by a mixture of sources including trading undertakings, net interest receivable, government grants, Council Tax and Non-domestic rates redistributions.

5. Pension Fund

The Council's share of the assets and liabilities of the Pension Fund is a net liability and has been calculated in accordance with Financial Reporting Standard 17. The net liability has increased by £10.2m to £26.9m, a further explanation can be found in note 1 to the Core Financial Statements.

It is important to understand that the net pensions liability is a position taken at just one point in time. Market prices can move up as well as down in the short term and it is therefore not possible to quantify what long term effect the movement in market prices will have on the Pension Fund.

6. Borrowing

The Council borrows (within specified limits) to cover shortfalls in current cash funds (before Council Tax revenues are received, for example) or to fund capital expenditure. Note 26 (Long Term Borrowing) in the Notes to the Core Financial Statements provides details of the Council's outstanding loans and when they mature.

WORCESTER CITY COUNCIL EXPLANATORY FOREWORD

7. Capital Expenditure and Source of Funding

Capital expenditure for 2007/08 was £4.2m (£6.1m 2006/07). This compares with an original estimate of £7.1m for the year. The difference largely relates to timing differences on budget profile versus actual expenditure, a process which is being reviewed in order to make improvements in 2008/9. The majority of the difference on budget for 2007/8 will be carried forward into 2008/9 to enable the approved schemes to be completed.

A summary of the capital expenditure in 2007/08 is shown below. Of the £4.2m spend, £3.4m added to the value of fixed assets, and the balance was written off in year to the Income and Expenditure Account as a deferred charge. The sources of funding for the Council's capital expenditure in 2007/8 are also shown below.

<u>Capital Expenditure</u>	£000	<u>Source of Funding</u>	£000
Housing Grants	547	Approved borrowing	2,102
Other Schemes	1,721	Usable capital receipts	814
ICT Projects	504	Grants and other contributions	1,035
Depot Facilities	223	Section 106 funds	288
Property Projects	302	Total	<u>4,239</u>
Flood Defences	152		
Wheelie Bins	510		
Vehicles & Equipment	280		
Total	<u>4,239</u>		

8. Restatements to 2006/7 Accounts

The 2006/7 accounts contained two fundamental errors which under FRS3 has resulted in a restatement of the 2006/7 accounts. The errors related to an overstatement of balances on both deferred grants and other contributions, and an understatement on fixed assets. The details are shown in Note 45. The impact of the restatements is to increase the Council's net assets by £9.3m to £45.3m and to increase capital reserves by the same amount. These restatements have no impact on the Council's overall bottom line, the general fund, nor to Council Tax payers.

9. Significant Changes in Accounting Policies

In accordance with the SORP the Council has adopted for 2007/08 a new accounting policy. The Capital Financing Account and the Fixed Asset Restatement Account have been replaced by the Revaluation Reserve and the Capital Adjustment Account. The Revaluation Reserve records unrealised net gains from revaluations made after 1 April 2007. The Capital Adjustment Account reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

10. Further Information

Further information about the accounts is available from the Head of Financial Services, Customer Services Centre, Orchard House, Farrier Street, Worcester, WR1 3BB. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

WORCESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

Scope of responsibility

Worcester City 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.

Worcester City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Worcester City 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.

Worcester City Council has approved and adopted a Code of Corporate Governance, which was consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government at the time of its adoption. The Internal Audit Plan for 2008/09 includes a review of the present Code in response to the latest updated CIPFA/SOLACE Framework, for implementation in 2008/2009.

A copy of the Code is contained in the Council's Constitution on our website at www.worcester.gov.uk or can be obtained from Democratic Services who are based at Orchard House, Farrier Street, Worcester. This statement explains how Worcester City 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.

The purpose of the governance framework

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

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

The governance framework has been in place at Worcester City Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

The governance framework

The Council's governance framework is reflected in the Council's Constitution which can be found on our website at www.worcester.gov.uk.

WORCESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

The governance framework (cont'd)

The Council Constitution clearly identifies the terms of reference, role and responsibilities of full council, the cabinet, overview and scrutiny, audit and standards committees, all of which have fully understood governance responsibilities.

Together with our partners Worcester City Council's ambition is expressed in the Community Strategy for Worcester's vision of 'A First Rank Cathedral and University City'. To achieve this Council has set out its strategic priorities in the Corporate Plan. This is reviewed annually and cascaded through the corporate planning process into service plans, which are in turn reflected in the staff appraisal and development process.

The Council's performance management framework sets out how its objectives and priorities are to be achieved. Monitoring of performance against agreed plans takes place on a quarterly basis using the Performance Board, Key Priority Groups (Cabinet Portfolio), Corporate Management Team, Cabinet, and Performance Management and Budget Scrutiny Committee. The Constitution contains the necessary approvals and rules for governance, including delegations to Committees and Officers. During 2007/08 The Chief Executive as the Head of Paid Service, the Head of Governance and Corporate Support (as the Monitoring Officer), and the Head of Financial Services (as the Chief Financial Officer), each carried statutory responsibilities relating to governance.

Executive decision-making is carried out through the Cabinet, the Planning Committee, Licensing Committee, and senior management. The Overview and Scrutiny Committees have responsibility to review and scrutinise the activities of the Council, provide advice on the development of policies, and monitoring performance (see above). During 2007/08 the Audit Committee received and reviewed reports on the work of Internal and External audit.

Worcester City Council has a formal risk management strategy. As part of this, risk management is a key element of service planning and through this process the Council is seeking to further embed a risk management culture within service management. A review of the councils approach to risk management was carried out during the year, as well as ensuring the risk register itself was reviewed and updated.

Individual managers are responsible for the financial management of their services and activities delegated to them. Budget monitoring is carried out monthly and reported to officers, Corporate Management Team, and Key Priority Groups (Cabinet Portfolio) with quarterly reports to the Cabinet and Performance Management and Budget Scrutiny Committee. In addition, there are a range of performance indicators against which performance is monitored and the results are published regularly.

The key elements of the systems and processes that comprise the Worcester City Council's governance arrangements include:

- identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users
- reviewing the authority's vision and its implications for the authority's governance arrangements
- 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

WORCESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

The key elements (cont'd)

- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for communication
- developing and communicating codes of conduct, defining the standards of behaviour for members and staff
- work in progress on 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
- undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities
- ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful
- whistle-blowing and receiving and investigating complaints from the public
- identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training
- establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation
- work in progress on 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 (Governing Partnerships: Bridging the Accountability Gap, Audit Commission, 2005) and reflecting these in the authority's overall governance arrangements.

Review of effectiveness

Worcester City 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 Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Audit Committee

The Audit Committee played a key monitoring role by reviewing and monitoring internal control issues throughout the year. This included reviewing the work of internal audit and the outcomes of their work, ensuring recommendations are put into place by management and requesting follow up audits to areas of concern. In addition, the committee considered reports by the external auditor such as the Annual Audit and Inspection letter, as well as Council's action plans in response to the recommendations made.

External Audit and Specific Governance Issues

The Audit Commission reported its latest assessment of the Council's "Use of Resources" and included the key findings in the "Annual Audit and Inspection Letter" (AAIL) in March 2008 - the findings of which were reported to the Audit Committee on 21st April 2008. Action plans to address the recommendations of the External Auditor were approved by Councillors.

Internal Audit

The Internal Audit Plan for 2007/2008 was risk based (assessing impact of failure, potential for failure and quality of internal control) and was approved by the Audit Committee.

WORCESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

Review of effectiveness (cont'd)

Internal Audit (cont'd)

The Internal Audit Plan included core systems (payroll, creditors, debtors, treasury management, main ledger, revenues, benefits, IT, governance) and a number of operational systems (commercial waste, cemeteries & crematoria, planning, community services, property asset management, risk register, fees & charges).

The Chief Internal Auditor has concluded that the internal control arrangements during 2007/8 effectively managed the principal risks identified in the audit plan and outstanding issues were being addressed as part of a process of continuous improvement. This conclusion is based on assurances provided by management in 2007/8 in response to audit reports particularly on the major issues raised in year which were; the embedding of the risk register within the organisation; improvements to the budgetary control process; improvements in the recruitment procedures; and embedding of the Constitution.

The Internal Audit section operates using the Institute of Internal Auditors Standards and the CIPFA Code of Practice 2006

Statutory Duties of Monitoring Officer and Chief Financial Officer

The statutory duties of the Monitoring Officer and the Chief Financial Officer require them to draw to members' attention any improper practices or financial imprudence. No issues were reported.

The Standards Committee

The Standards Committee's role is to promote and maintain high standards of conduct by Members and to monitor the operation of the Members Code of Conduct. The Council adopted the revised Code of Conduct on 1 July 2007 and appropriate training was carried out. There were no complaints made to the Standards Board for England in respect of Worcester City Council Members during 2007/08.

Business Risk Group

The Business Risk Group of senior managers has played a key role in addressing the council's need for a robust business continuity plan and to ensure that this fits in with the Civil Emergency Plan and the Council's Risk Management Strategy.

Data Security

The Corporate Management Team of the Council reviewed its approach to data security during the year which resulted in a thorough review of the Information Security Policy and a review of information technology assets, classification and security including data encryption and data file management. Further work on data security and data integrity is planned to be carried out in 2008/9.

Annual Service Assurance Assessment

Throughout 2007/08, we ensured that the council adopted a robust approach to corporate governance, which has been advised through the work of the standards committee, audit committee and overview and scrutiny – as well as the statutory roles of the Chief Financial Officer and Monitoring officer. An Annual Service Assurance Assessment exercise has been completed, findings summarised in a report to CMT and actions arising will be taken forward by the Council's newly formed 'Governance Working Group' in 2008/9. The approach taken to compiling this Assurance Assessment is summarised on the diagram shown at the end of the Annual Governance Statement.

WORCESTER CITY COUNCIL ANNUAL GOVERNANCE STATEMENT

Significant governance issues

Strategic Planning and Risk

The City Council faces significant financial challenges over the next few years, as set out in the Council's Medium Term Financial Plan, and Budget report to the Cabinet and Full Council meetings in February 2008. The Council's plans to make budget reductions through efficiency savings and shared services amounting to £1.4m in 2008/09 and a further £1.6m over the following four years. The Council's reserves are being used to a significant extent during this period to help phase in major changes, and we are exposed to external cost pressures further increasing our costs that are not matched by increases in income. As part of our strategy to address this, the Council plans to address the proposals for closer collaborative working with Malvern Hills District Council and the County Council.

Key actions being taken

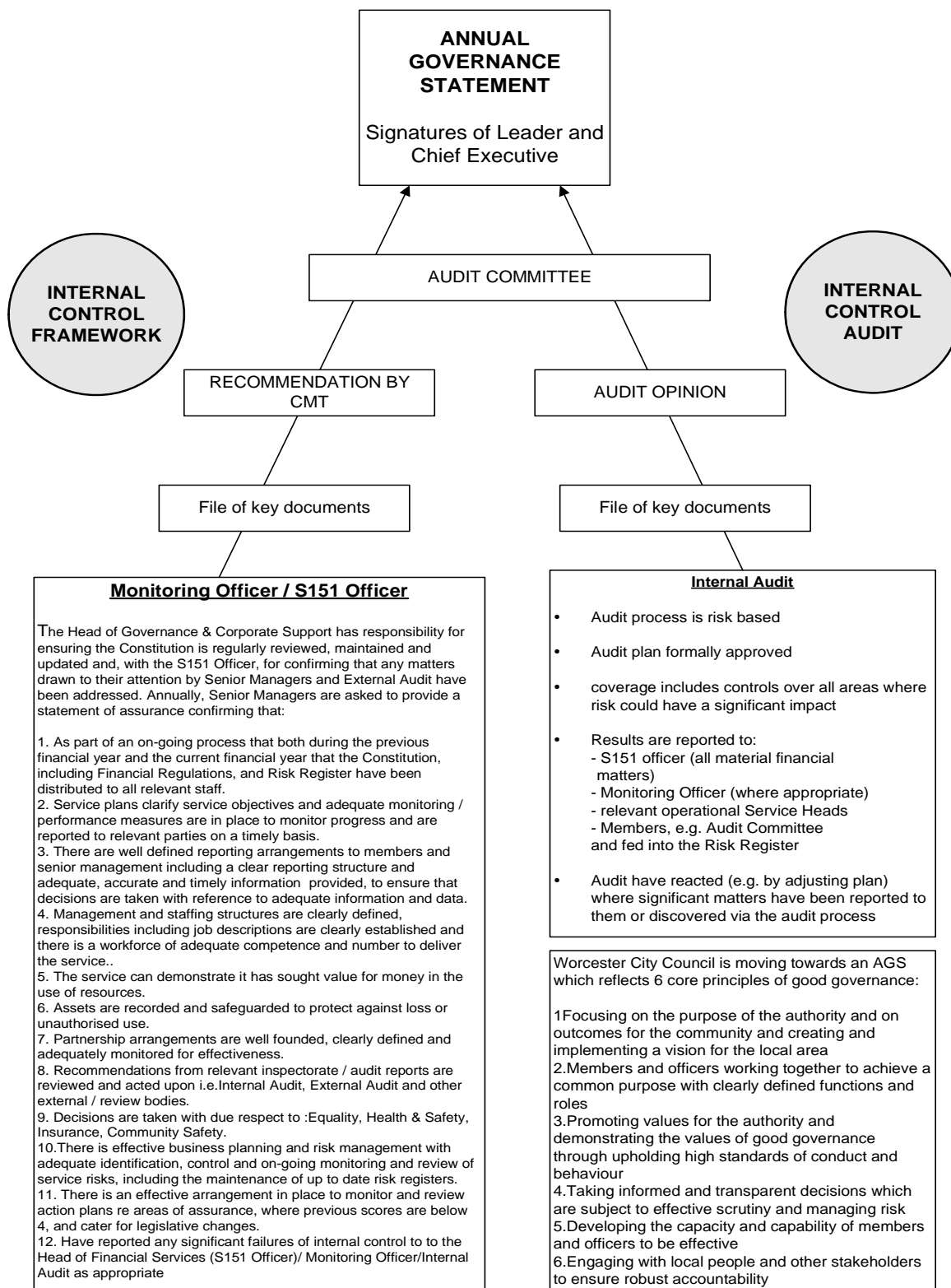
- Plans to address weaknesses and recommendations arising from audit reports and to ensure continuous improvement of the system are in place.
- The Internal Audit Plan for 2008/09 includes a review of corporate governance in the light of the new national guidance (from CIPFA/SOLACE). This work is due to be completed in June 2008, following which we plan to establish a Governance / Internal Controls Working Group to oversee the review / development and implementation of revised arrangements for monitoring and control of our Corporate Governance framework. This will also serve to address the shortcomings identified above, and in particular provide a stronger and more focussed approach to the operational rules and delegations covering financial, procurement and contract matters.
- Review of governance arrangements in place for all partnerships.
- Review of the content and presentation of financial and performance information.
- Continue to embed risk management throughout the Council's Services and continuously review and update the Council's strategic risk register.
- Continue to review and improve data security, data integrity and data quality.
- Review of the effectiveness of the Audit Committee in line with the core functions identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.
- Work in progress on reviewing the complaints system and procedures, and
- An action plan to address the outcomes from the council's annual assurance assessment conducted for this statement.

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

.....
David Wareing,
Chief Executive

.....
Cllr Simon Geraghty,
Leader of the Council

The Council's approach to compiling the Annual Governance Statement



**WORCESTER CITY COUNCIL
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS**

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**WORCESTER CITY COUNCIL
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS**

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WORCESTER CITY COUNCIL

STATEMENT OF ACCOUNTING POLICIES

1. General

Worcester City Council's Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2007- A Statement of Recommended Practice (the SORP) and the Best Value Accounting Code of Practice 2007 (BVACOP) both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of fixed assets.

2. Significant Changes in Accounting Policies

In accordance with the SORP the Council has adopted for 2007/08 a new accounting policy. The Capital Financing Account and the Fixed Asset Restatement Account have been replaced by the Revaluation Reserve and the Capital Adjustment Account. The Revaluation Reserve records unrealised net gains from revaluations made after 1 April 2007. The Capital Adjustment Account reflects the timing difference between the cost of fixed assets consumed and the capital financing set aside to pay for them.

3. Accruals of Income and Expenditure

Activity is accounted for in the year that it occurs rather than when cash payments are made or received. This means that revenue income is recorded when the debt has been established rather than when the money received. Expenditure is recorded when it is owed rather than when payment is made. As an exception to the accruals basis, electricity and similar quarterly payments are charged at the date of the most recent meter reading at the year end. This policy is applied consistently so does not have a material effect on the year's accounts.

4. Tangible Fixed Assets

Expenditure on the acquisition, creation or enhancement of fixed assets to the value of £5,000 or more is capitalised on an accruals basis in the accounts where it benefits the authority for more than one year. This excludes expenditure on routine repairs and maintenance which is charged direct to revenue accounts.

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 SORP and are included in the Balance Sheet net of depreciation where applicable as follows:

- Land and buildings, operational properties and other operational assets in existing use - the lower of net current replacement cost and net realisable value in existing use.
- Vehicles, plant and equipment and infrastructure assets - depreciated historical cost.
- Community assets - depreciated historical cost.
- Non-operational assets (including investment properties and assets that are surplus to requirements) - the lower of net current replacement cost and net realisable value.
- Assets in the process of construction - historical cost until the asset is completed and a valuation quantified.

The revaluations of fixed assets are planned at five-yearly intervals. Material changes to asset valuations are adjusted as they occur. Increases in valuations are matched by entries in the Revaluation Reserve to recognise unrealised gains.

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

4. Tangible Fixed Assets (cont'd)

Impairment

The value at which assets are included in the balance sheet is reviewed at the end of each reporting period and adjusted where material. Impairment is accounted for as follows:

- where attributable to a “clear consumption of economic benefits” it is recognised in the relevant service revenue account.
- otherwise it is written off against any revaluation gains attributable to the asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

A transfer is made from the Revaluation Reserve to the Capital Adjustment Account to the extent that any impairment loss on an asset charged to the Income and Expenditure Account is matched by a previously accumulated revaluation gain.

Disposals

When an asset is disposed of or decommissioned, the net value of the asset and any receipts on disposal are transferred to the Income and Expenditure Account as part of the gain or loss on disposal. Any revaluation gain for this asset held in the Revaluation Reserve is transferred to the Capital Adjustment Account.

Receipts are appropriated to the Usable Capital Receipts Reserve from the Statement in the Movement on the General Fund Balance and are only used for new capital investment or are set aside to reduce the Council’s underlying need to borrow.

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.

5. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the City Council (e.g. software licences) is capitalised when it will benefit the Council for more than one year. The capitalisation threshold is £5,000. The fixed asset is amortised to the relevant service revenue account over either the estimated life of the asset or the period of the legal agreement that governs the use of the asset by the Council.

6. Depreciation

Depreciation is provided on all assets with a finite useful life on a straight line basis. The charge is based on assumptions of useful life and valuation of the assets. Newly acquired assets are not depreciated in the year of acquisition but are fully depreciated in the year of disposal. Assets in the course of construction are not depreciated until they are used. The life expectancy of the following asset classes is:

Buildings - 10 to 60 years

Vehicles - 5 to 7 years

Plant - 5 to 30 years

Equipment - 4 to 15 years

Intangibles - 5 years (this had previously been shown as 3 years, which was a typing error as our practice is to depreciate over 5 years)

Community Assets, Investment Properties and Assets under Construction are not depreciated as the assets do not provide a material benefit to the Council.

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

7. Government Grants

Government grants and other contributions towards revenue expenditure are recognised on an accruals basis when the conditions of entitlement to the grant/contribution are satisfied and there is reasonable assurance that the monies will be received.

Grants/contributions relating to capital expenditure are credited to the Capital Contributions Unapplied account in the first instance. Once the asset to which they relate is in use by the Council the grant/contribution is transferred to the Capital Contributions Deferred account and is written off to service revenue accounts to offset the associated annual depreciation charge.

8. Charges to Revenue for Fixed Assets

Service revenue accounts are charged with depreciation/amortisation on assets used to record the real cost of holding fixed assets during the year. Where capital expenditure is funded by Government Grants or other contributions the depreciation charge is offset by writing down the grant.

Impairment losses are charged to revenue. Impairment losses are losses attributable to the clear consumptions of economic benefits and other losses where there are no accumulated gains in the Revaluation Reserve to which they can be matched.

The Council is not required to raise council tax to cover depreciation/amortisation or impairment losses. Depreciation/amortisation and impairment losses are taken out of revenue by a revenue provision in the Statement of Movement on the General Fund Balance.

9. Deferred Charges

Deferred charges represent expenditure which has been properly capitalised but does not result in a tangible asset. Deferred charges incurred during the year are written off as expenditure to the relevant service revenue account. Where the Council has determined to meet the cost of these charges from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on council tax.

10. Operating Leases

Rentals payable under operating leases are charged to the relevant service revenue account on an accruals basis.

11. Reserves

In addition to its general revenue balances the Council has set aside specific 'earmarked reserves' for future identified expenditure and to protect against unexpected events. Expenditure is not charged directly against reserves. When expenditure is incurred it is charged against the relevant service revenue account. The reserve is then appropriated back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

Certain reserves are held to manage the accounting process for tangible fixed assets and retirement benefits. These do not represent useable revenue resources for the Council.

WORCESTER CITY COUNCIL STATEMENT OF ACCOUNTING POLICIES

12. Stocks

Stocks are valued at the latest price paid, with an allowance made for slow moving and obsolete items. This is a departure from the requirements of the Code of SSAP9, which requires stocks to be shown at actual cost or net realisable value, if lower. The effect of the different treatment is immaterial.

13. Costs of Support Services

In compliance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2007 (BVACOP) the cost of overheads and support services are charged to the services that benefit from the supply or service with the exception of certain costs that remain as part of the Corporate and Democratic Core and Non Distributed Costs.

14. Pensions

The Council participates in a defined benefits scheme administered by Worcestershire County Council. The cost of pensions included within the accounting statement follows the requirements of FRS 17- Retirement Benefits.

As required by legislation, an appropriation to the Pension Reserve has been made which reverses out the FRS 17 based pension costs in the Income and Expenditure Account and replaces them with the actual pension related payments made in the year. This ensures that the amount to be funded from Council Tax for the year is equal to the employer's pension contributions payable and payments made directly to pensioners.

The Annual Report of Worcestershire County Council's Pension Fund is available from the County Council.

15. Bad debt provisions

Provision is made for bad and doubtful debts in the Balance Sheet. A charge is made to the service that is receiving the income. When debts are written off they are matched by the release of the provision.

16. Financial Liabilities

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

17. Financial Assets

Loans and receivables are measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure account for interest receivable are based on the carrying value of the asset multiplied by the effective rate of interest for the instrument.

WORCESTER CITY COUNCIL
STATEMENT OF ACCOUNTING POLICIES

18. VAT

VAT is included within the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure or capital expenditure as appropriate.

19. Associated and subsidiary companies, group accounts

In considering the requirement to prepare Group Accounts, the City Council has adopted FRS2 and the CIPFA Accounting Code of Practice. The City Council is of the opinion that it does not have any material interests in companies and other entities and need not prepare group accounts.

20. Events after the balance sheet date

The accounts have taken into consideration any material event after the balance sheet date i.e. those that:

- provide evidence of conditions that existed at the balance sheet date for which the City Council adjusts the amounts recognised in its financial statements or recognise items that were not previously recognised (adjusting events).
- care indicative of conditions that arose after the balance sheet date for which the City Council would not adjust the amounts recognised in its financial statements (non-adjusting events).

21. Other Accounting Matters

The Hopmarket Charity is administered by the Council as sole trustee. Summary accounts for this charity are included at the end of the Annual Report and Accounts.

WORCESTER CITY COUNCIL
INCOME AND EXPENDITURE ACCOUNT
For the year ended 31st March 2008

Note	2007/08 Gross Expenditure £000s	2007/08 Gross Income £000s	2007/08 Net Expenditure £000s	Restated 2006/07 Net Expenditure £000s	
	Expenditure on services				
	Central services to the public	9,823	(7,851)	1,972	2,270
6	Cultural, environmental and planning	18,067	(8,259)	9,808	8,993
	Highways/roads and transport	3,985	(3,866)	119	79
	Housing services	21,995	(20,289)	1,706	1,698
8	Corporate and democratic core	2,801	(549)	2,252	1,892
	Non distributed costs	118	485	603	141
1	NET COST of SERVICES	56,789	(40,329)	16,460	15,073
	Gain on the disposal of fixed assets		(919)		(1,068)
	Parish council precepts		92		80
4	Surpluses on trading undertakings not included in the net cost of services		(147)		(139)
	Interest payable and similar charges		331		333
	Contribution of housing capital receipts to Government Pool		5		95
	Interest and investment income		(738)		(717)
1	Pensions interest cost and expected return on pensions assets		111		309
	NET OPERATING EXPENDITURE		15,195		13,966
	Sources of Finance				
	Demand on the Collection Fund		(4,756)		(4,586)
	General government grants		(1,201)		(1,321)
	Non-domestic rates redistribution		(6,834)		(6,473)
	DEFICIT FOR THE YEAR		2,404		1,586

The 2006/07 accounts have been restated, see Note 45.

WORCESTER CITY COUNCIL

Statement of Movement on the General Fund Balance

For the year ended 31st March 2008

	2007/08	Restated
	£000s	2006/07
		£000s
Deficit for the year on the Income and Expenditure Account	2,404	1,586
Net additional amount required by statute and non-statutory proper practices to be credited to the General Fund Balance for the year	(1,827)	(1,693)
(Increase)/decrease in the General Fund Balance	<u>577</u>	<u>(107)</u>
General Fund Balance brought forward	(979)	(872)
General Fund Balance carried forward	<u>(402)</u>	<u>(979)</u>
Amount of General Fund Balance generally available for new expenditure	<u>(402)</u>	<u>(979)</u>

The 2006/07 accounts have been restated, see Note 45.

WORCESTER CITY COUNCIL

Statement of Movement on the General Fund Balance - Detailed Reconciliation
For the year ended 31st March 2008

	2007/08 £000s	Restated 2006/07 £000s
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:		
Depreciation	(1,993)	(1,674)
Impairment of fixed assets	(590)	-
Write downs of deferred charges to be financed from capital reserves	(497)	(1,420)
Deferred government grants amortisation	228	224
Net gain on sale of fixed assets	919	1,068
Net charges for retirement benefits in accordance with FRS17	(2,206)	(2,181)
	<u>(4,139)</u>	<u>(3,983)</u>
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the year:		
Minimum revenue provision for capital financing	228	191
Usable capital receipts transferred to meet payments to the Housing Capital Receipts Pool	(5)	(95)
Employer's contribution payable to the Worcestershire County Council Pension Fund	1,821	1,784
	<u>2,044</u>	<u>1,880</u>
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:		
Net transfer to / from Earmarked Reserves	<u>268</u>	410
	268	410
Net additional amount required to be credited to the General Fund balance for the year.	<u>(1,827)</u>	<u>(1,693)</u>

The 2006/07 accounts have been restated, see Note 45.

WORCESTER CITY COUNCIL
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31st March 2008

Note	2007/08 £000s	Restated 2006/07 £000s
Deficit for the year on the Income and Expenditure Account	2,404	1,586
14/18 Surplus arising on revaluation of fixed assets	(2,972)	(10,553)
1 Actuarial loss / (gain) on pension fund assets	9,820	(3,604)
(Gain)/deficit on the Collection Fund	(17)	59
Balancing item	9	36
Total recognised losses / (gains) for the year	9,244	(12,476)

The 2006/07 accounts have been restated, see Note 45.

**WORCESTER CITY COUNCIL
BALANCE SHEET
at 31st March 2008**

Note	2007/08 £000s	Restated 2006/07 £000s
14-18	Fixed Assets	
	Intangible assets	742
	Tangible assets - operational	59,114
	Tangible assets - non-operational	9,114
		<u>68,970</u>
	Other assets	
20	Transferred debt	-
21	Long term debtors	37
		<u>69,007</u>
	Total long term assets	65,371
	Current assets	
22	Stock	112
23	Debtors	8,404
24/25	Investments	4,961
	Cash	12
		<u>13,489</u>
	Current liabilities	
25	Creditors	8,036
24	Short term borrowing	37
26	Bank overdraft	630
		<u>8,703</u>
	Current assets less current liabilities	4,786
	TOTAL ASSETS less CURRENT LIABILITIES	72,481
	Long term liabilities	
27	Capital contributions deferred	1,681
28	Capital contributions unapplied	1,461
29	Long term borrowing	7,713
1	Pensions liability	26,870
		<u>37,725</u>
	TOTAL ASSETS less TOTAL LIABILITIES	<u>45,312</u>
	Financed by:	
18/30	Revaluation reserve	2,972
31	Capital adjustment account	55,275
1	Pensions reserve	(26,870)
32	Usable capital receipts	100
33	Deferred capital receipts	18
34	Earmarked reserves	4,334
	General Fund balance	402
	Collection Fund balance	(163)
		<u>36,068</u>
		45,312

The 2006/07 accounts have been restated, see Note 45.

WORCESTER CITY COUNCIL
CASH FLOW STATEMENT
For the year ended 31st March 2008

Note	2007/08 £000s	2006/07 £000s
	Revenue activities	
	Cash outflows	
	Cash paid to and on behalf of employees	15,109
	Other operating cash payments	14,400
	Housing Benefit paid out	17,744
	National non-domestic rate payments to national pool	34,049
	Precepts paid	35,609
	Payment to the capital receipts pool	22
	Other cash payments	-
	Housing Subsidy repaid	1,274
	122,706	118,207
	Cash inflows	
	Council Tax receipts	35,579
	National non-domestic rate payments from national pool	6,473
	Non-domestic rate receipts	34,348
	Revenue support grant	1,250
	DSS grants for benefits	22,149
	Other government grants	606
	Cash received for goods and services	17,302
	Other cash receipts	-
	121,133	117,707
38	Net cash outflow on revenue activities	500
39	Return on investments and servicing of finance	(286)
40	Capital activities	(549)
41	Management of liquid resources	376
42	Long term financing	(11)
	Net (inflow)/outflow of cash	30

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

1. Pension Costs

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

The Council participates in the Worcestershire County Council Pension Fund, which is a defined benefit scheme. This means that retirement benefits are determined independently of the investments of the fund and the Council has an obligation to make contributions where assets are insufficient to meet employee benefits. The Council and employees pay contributions into the fund which are calculated at a level intended to balance pensions liabilities and investment assets.

Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account during 2007/8:

Income and Expenditure Account	2007/08	2006/07
	£000's	£000's
Net cost of Service		
Current service cost	1,610	1,830
Past service and curtailment costs	485	42
Net operating expenditure		
Return on assets	(3,768)	(3,221)
Interest on pension liabilities	3,879	3,530
Appropriations		
Movement on pensions reserve	(385)	(397)
Net charge to the Income and Expenditure Account	1,821	1,784
<u>Amount charged against Council Tax</u>		
Employer's contribution payable to the scheme	1,821	1,784

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31st March are as follows:

	31st March	31st March
	2008	2007
	£000's	£000's
Market value of assets	47,317	55,442
Estimated liabilities	(74,187)	(72,107)
Net liability	(26,870)	(16,665)

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

1. Pension Costs (cont'd)

The net liability of £26.87 is a measure of the extent to which the pension fund's existing assets do not meet estimated future liabilities. The deficit in the scheme is not payable immediately and it will be made good by future pension contributions made over the remaining working lives of employees, as estimated by the schemes actuaries.

The Worcester City Council Pension fund is managed over a significant period and an estimated deficit position on the pension fund at this stage has no direct impact upon the level of the Council's General Fund reserves.

Basis for Estimating Assets and Liabilities

The pension fund liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions including the future number of pensioners and salary levels etc. The pension fund liabilities have been assessed by Mercer Human Resource Consulting Limited an independent firm of actuaries.

The main assumptions used in their calculations are:

	2007/08	2006/07
	%	%
Rate of inflation	3.6	3.1
Rate of increase in salaries	5.1	4.6
Rate of increase in pensions	3.6	3.1
Discount rate on liabilities	6.1	5.4

	Expected	Proportion	Expected	Proportion
	Rate of Return	of assets	Rate of Return	of assets
	2007/8	2007/8	2007/8	2007/8
	%	%	%	%
Equities	7.5	88.6	7.5	90.3
Bonds - Government	4.6	4.7	4.7	5.0
Bonds - Other	6.1	3.8	5.4	3.6
Property	-	-	6.5	-
Cash / Liquidity	5.3	2.9	5.3	1.1

Movement in Liability

	2007/08	2006/07
	£000's	£000's
Net pensions liability at 1st April	(16,665)	(19,872)
Current service costs	(1,610)	(1,830)
Employer's contributions	1,821	1,784
Past service / curtailment cost	(485)	(42)
Net interest / return on assets	(111)	(309)
Actuarial gain / (loss)	(9,820)	3,604
Net pensions liability at 31st March	<u>(26,870)</u>	<u>(16,665)</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

1. Pension Costs (cont'd)

Actuarial Gains and Losses	2007/08	2006/07
	£000's	£000's
Net pensions liability at 1st April	(16,665)	(19,872)
Current service costs	(1,610)	(1,830)
Employer's contributions	1,821	1,784
Past service / curtailment cost	(485)	(42)
Net interest / return on assets	(111)	(309)
Actuarial (loss) / gain	(9,820)	3,604
Net pensions liability at 31st March	<u>(26,870)</u>	<u>(16,665)</u>

The actuarial losses and gains can be analysed into the following categories, measured by amount and as a percentage of assets or liabilities on 31st March:

	31st March	31st March	31st March	31st March
	2008	2008	2007	2007
	£000	%	£000	%
Differences between the expected and actual return on assets	(6,797)	14.4	122	0.2
Difference between actuarial assumption and experience	1,099	1.5	0	0.0
Changes in demographic and financial assumptions	(4,122)	5.6	3,482	4.8
Net (loss) / gain	<u>(9,820)</u>		<u>3,604</u>	

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

2. Comparison with Revenue Budget

The following table details the Council's final net revenue expenditure analysed by its key priority groups. This differs from the totals shown as 'Net Cost of Services' in the Income and Expenditure Account by the exclusion of costs relating to capital and the addition of trading undertakings.

	Net Budget 2007/08 £000's	Net Expenditure 2007/08 £000's	Net Expenditure 2006/07 £000's
Chief Executive/Central	1,832	2,514	3,355
Cleaner and Greener City	6,152	5,425	5,448
Urban Renaissance	2,334	2,305	1,184
Governance and Corporate Support	(1,019)	(916)	(792)
Safer and Stronger Communities	3,553	3,482	3,237
Performance, Innovation and Efficiency	13	(92)	(15)
Financial Services	3,016	3,373	2,091
Net Expenditure	15,881	16,091	14,508
Add back Trading undertakings	-	147	139
Add back net FRS17/capital costs	-	222	426
Net cost of Services	15,881	16,460	15,073
Less net capital charges	(2,770)	(3,091)	(2,800)
Less budgeted use of reserves	(374)	(374)	-
General Fund budget requirement	12,737	12,995	12,273
Funded by:			
Council Tax - Collection Fund	(4,756)	(4,756)	(4,586)
Non-domestic Rates Redistribution	(6,834)	(6,834)	(6,473)
Central government grants	(1,147)	(1,201)	(1,321)
Unbudgeted contribution from/(to) General Fund	0	204	(107)

The Council's financial performance in 2007/8 was £0.2m worse than budget. This £0.2m overspend has reduced the General Fund balance below the targeted level of at least £0.6m. Steps will be taken in 2008/9 to restore the General Fund balance back to its targeted level. Further details are provided in the Explanatory Foreword.

3. External Audit and Inspection

Grant Thornton are the Council's appointed Auditors for 2007/08. In 2006/07 this role was fulfilled by the Audit Commission. The Audit Commission retain the Statutory Inspection role and in addition in 2007/08, they also certified grant claims. The Council incurred the following fees in relation to external audit and inspection:

	2007/08 £000's	2006/07 £000's
Accrued external audit fees - Grant Thornton	120	-
Accrued external audit fees - Audit Commission	4	118
Statutory inspection fees	6	12
Certification of grant claims fees	27	26
	157	156

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

2007/08 2006/07
£000's £000's

4. Trading Undertakings

The Council owns various markets in Worcester which provide a surplus which is taken to the General Fund.

Rents and charges income	(150)	(141)
Expenditure	3	2
Surplus taken to the General Fund	(147)	(139)

5. Expenditure on Publicity

The Council's expenditure on publicity is set out below as per the requirements of section 5(1) of the Local Government Act 1986.

Recruitment advertising	43	40
Other advertising	41	41
Other publicity	75	72
Total	159	153

6. Building Regulations Charging Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. Certain activities performed by the building control function cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total income and expenditure of all activities undertaken by the building control function.

	Non-Chargeable		Chargeable	
	2007/08	2006/07	2007/08	2006/07
	£000's	£000's	£000's	£000's
Income	-	(2)	(254)	(235)
Expenditure	100	75	236	123
Deficit / (Surplus)	100	73	(18)	(112)

7. Section 137 Expenditure

Section 137 of the Local Authority Act 1972 empowers Local Authorities to incur expenditure which is in the interests of their area or its inhabitants. In 2007/08 the Council incurred £138,335 (2006/07: £133,260) on grants to voluntary bodies serving the community.

8. Land Charges

From 2007 the amended Local Land Charges Act requires that, taking one financial year with another, local authority fee income in respect of local land charge search fees should not exceed the cost of providing the service.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

	2007/08 £000's	2006/07 £000's
8. Land Charges (cont'd)		
The statement below shows the total income and expenditure of the Council's Land Charges service:		
Income on search fees	114	-
Expenditure on search fees	89	-
Surplus taken to earmarked reserve	<u>25</u>	<u>-</u>

9. Local Authority (Goods and Services) Act 1970

Under this Act the Council supplies goods and services to other public bodies. The details of the income received which covered costs is shown below:

Internal Audit	To other District Councils	150	110
Property Services	To other District Councils	17	71
Procurement Services	To other District Councils	65	50
Customer Services	Worcestershire County Council	236	217
		<u>468</u>	<u>448</u>

10. Local Area Agreements (LAA)

The Council is a member of the local Strategic Partnership. Worcestershire County Council is the accountable body for the LAA in Worcestershire and receives grant monies of £5.69m. This Council received LAA grant monies of £385,000 in 2007/08 (£353,000: 2006/07).

11. Members Allowances

The amount paid to members for basic allowances, special responsibility allowances and attendance allowances in 2007/08 was £191,476 (2006/07: £180,715).

12. Employees' Remuneration

The number of employees whose remuneration (excluding pension costs) was more than £50,000 was:

Remuneration band	Number of employees	
	2007/08	2006/07
£50,000 - £59,999	1	2
£60,000 - £69,999	6	3
£70,000 - £79,999	-	-
£80,000 - £89,999	-	1
£90,000 - £99,999	1	-
	<u>8</u>	<u>6</u>

13. Related Party Transactions

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.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

13. Related Party Transactions (cont'd)

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. It provides the majority of its funding in the form of grants and it prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits).

Members of the Council have direct control over the Council's financial and operating policies. The Council maintains a register of interests for Councillors which is regularly updated and available for public inspection.

The Council has member representation on Worcestershire County Council, St Peter's and Warndon Parish Councils, West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority. The Council collects and distributes precepts on behalf of these bodies.

The South Worcestershire Revenues and Benefits Shared Services Organisation (SWR&BSSO) was formed on the 2nd July 2007 and is hosted by Wychavon District Council. The Council has member representation on the Joint Committee of this organisation. The total expenditure for the period to 31st March 2008 on the Revenues and Benefits Service for Worcester City Council was £1,300,329 with £557,057 of this paid to the the host authority for the costs they incurred in providing the service for Worcester City Council in 2007/8.

The Council also has member representatives on various outside bodies, such as the Horizon Worcester Ltd., NEXUS Housing Association, Worcester Community Housing, St Richard's Hospice, Worcester Racecourse, Worcester Racial Equality Council Ltd., Worcestershire Telecare Services, and The Hopmarket Charity. The Council's Chief Executive is a representative member of Worcestershire Partnership Board, Safer Communities Board and South Worcestershire Community Safety Partnership.

Material transactions with related parties are as follows:

	2007/08	2006/07
	£000's	£000's
Grants from Central Government		
DCLG Revenue Support Grant	1,147	1,250
Housing Subsidy	338	1,124
DWP Housing Benefit Grant	24,633	22,149
DCLG Homelessness Grant	115	115
DCLG Planning Delivery Grant	283	294
DCLG Regional Housing Grant	287	385
DCLG Humanitarian Relief Grant/Belwin	76	-
LABGI	252	84
Other		
Worcestershire County Council (excluding precepts)	(584)	(341)
Worcestershire County Council - Pension Service	(2,287)	(2,268)
Worcester Community Housing	658	2,094
Wychaven District Council (SWR&BSSO)	(557)	-
AWM Flood Relief Grant	140	-
LAA Grants	385	353

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

14. Movement on Fixed Assets

	Land and Buildings £000	Vehicles, Plant & Equipment £000	Community Assets £000	Subtotal £000
Cost or valuation at 1 April 2007	52,698	6,856	183	59,737
Cumulative depreciation	(1,382)	(1,303)	-	(2,685)
Net book value 1 April 2007	51,316	5,553	183	57,052

Movement in 2007/8

Additions	755	1,279	31	2,065
Disposals	-	(108)	-	(108)
Transfers	1,103	26	164	1,293
Revaluation gains	1,199	-	-	1,199
Revaluation losses	(552)	(3)	-	(555)
Depreciation charge for year	(876)	(956)	0	(1,832)
	1,629	238	195	2,062
Net book value 31 March 2008	52,945	5,791	378	59,114

Analysis at 31st March 2008

Book value	54,771	7,893	378	63,042
Cumulative depreciation	(1,826)	(2,102)	0	(3,928)
Net book value	52,945	5,791	378	59,114

	Intangible Assets £000	Investment Properties £000	Work in Progress £000	Total Fixed Assets £000
Cost or valuation at 1 April 2007	806	6,118	1,514	68,175
Cumulative depreciation	(176)	-	-	(2,861)
Net book value 1 April 2007	630	6,118	1,514	65,314

Movement in 2007/8

Additions	273	1	1,036	3,375
Disposals	-	-	-	(108)
Transfers	-	162	(1,455)	-
Revaluation gains	-	1,773	-	2,972
Revaluation losses	-	(35)	-	(590)
Depreciation charge for year	(161)	-	-	(1,993)
	112	1,901	(419)	3,656
Net book value 31 March 2008	742	8,019	1,095	68,970

Analysis at 31st March 2008

Book value	1,079	8,019	1,095	73,235
Cumulative depreciation	(337)	-	-	(4,265)
Net book value	742	8,019	1,095	68,970

The net book value figures at 1 April 2007 have been restated, see Note 45.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

	2007/08 £000's	2006/07 £000's
15. Capital Expenditure and Financing		
Capital expenditure adding to fixed asset valuation		
Land and buildings	755	597
Vehicles, plant and equipment	1,279	2,016
Community assets	31	90
Intangible assets	273	174
Investment properties	1	44
Work in progress	1,036	1,361
Additions to fixed assets	3,375	4,282
Capital expenditure not adding to fixed asset valuation		
Deferred charges	864	1,837
Total Capital Expenditure	4,239	6,119
Financed by:		
Approved borrowing	2,102	1,100
Usable capital receipts	814	2,744
Grants and other contributions	1,035	2,151
Section 106 funds	288	124
Total Capital Financing	4,239	6,119

16. Capital Commitments

	at 31 March 2008		2006/07
	Approved Schemes £000	Contractual Commitments £000	Approved Schemes £000
Housing renovation	1,350	242	2,145
Homelessness schemes	900	-	1,188
Depot replacement	1,079	420	1,302
Riverside Improvements	902	-	1,015
Gheluvelt Park	984	-	1,057
Fort Royal improvements	440	-	1,063
Swan Theatre	585	-	650
King George V playing fields	1,331	1,331	1,170
	7,571	1,993	9,590

17. Information on Assets Held

The number and value of the main fixed assets of the Council include the following:

	2007/08 value £000	2007/08 number	2006/07 value £000	2006/07 number
Operational Assets				
Offices	8,472	2	8,350	2
Car parks	22,015	15	21,852	15
Hostel	470	1	460	1
Community centres	7,390	8	6,666	8
Leisure and sports facilities	8,858	3	8,851	3
Museums	3,900	2	2,800	2
Public conveniences	728	5	846	6
Cemeteries and crematorium	1,740	2	1,708	2

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

17. Information on Assets Held (cont'd)

The number and value of the main fixed assets of the Council include the following:

	2007/08	2007/08	2006/07	2006/07
	value	number	value	number
	£000		£000	
Depots	82	1	82	1
Bus shelters	226	76	222	76
Vehicles	2,363	37	2,445	40
	56,244	152	54,282	156
Community Assets				
Sports pitches	711	37	711	37
Allotment sites	198	15	198	15
	909	52	909	52
Non-operational Assets				
Shared ownership dwellings	1,447	21	1,447	21
Commercial units and shops	1,907	20	1,907	20
Worcester Racecourse freehold	200	1	200	1
Ex-Public convenience	86	1		
	3,640	43	3,554	42
Total	60,793	247	58,745	250

18. Asset Valuation

The Council's property portfolio is valued by the Council's Estates Valuation Manager in accordance with the requirements of the RICS Appraisal and Valuation Manual and the Accounting Code of Practice. Asset valuations are reviewed on a regular basis having regard to use and type of asset. Plant and machinery are included in the valuation of buildings.

Revaluations in 2007/8 were:

	Increase/ (decrease)
	£000
<u>Operational Properties</u>	
Community centres	996
Car parks	137
Museums	(416)
Other	(83)
<u>Investment Properties</u>	
Land (various locations)	1,374
Buildings (cemeteries)	400

19. Leases

The Council uses leased commercial vehicles, computers, sports and office equipment under the terms of an operating lease. Operating lease payments in 2007/8 are £25,300 (2006/7: £159,000). The Council's outstanding liabilities under these lease arrangements as at 31 March are £23,500 per annum from 2008/9 onwards.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

20. Transferred Debt

The Council had loans taken out prior to 1974 in respect of assets that were transferred on 1st April 1974 to Worcestershire County Council following Local Government reorganisation. The assets were subsequently transferred to the West Mercia Police Authority. The loans are administered by the Council and were repaid during 2007/8 (2006/7: £10k).

21. Long Term Debtors

These debts relate to loans for the purchase and improvement of private housing and Council dwellings. Loans are no longer given for these purposes. The outstanding debts do not fall due for a period of at least one year and in some cases the debt is for the life of the borrower, unless the house is sold beforehand.

	2007/08	2006/07
	£000's	£000's
Private house purchasers	19	23
Council house purchasers	18	24
Balance outstanding at 31 March	37	47

22. Stock

Stationery and consumables	24	23
Fuel	20	11
Stock for resale	25	30
Other operations stock	43	46
	112	110

23. Debtors

	2007/08	Restated
	£000's	2006/07
		£000's
Council taxpayers	2,507	3,146
National non-domestic ratepayers	478	834
Government departments	3,440	2,487
Local authorities	297	113
Worcester Community Housing	898	1,068
Payments in advance	433	459
Other debtors	1,861	2,282
	9,914	10,389
Less: provision for doubtful debts	(1,510)	(1,676)
	8,404	8,713

The amount due from Worcester Community Housing is the City Council's share of the proceeds from the sale of former Council dwellings.

The 2006/7 accounts have been restated, see Note 45.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

24. Financial Instruments

The Council has adopted CIPFA's Treasury Management in the Public Services: Code of Practice, and has set treasury management indicators to control key financial instruments risks in accordance with CIPFA's Prudential Code

The Council's **investments** (financial assets) are detailed in **note 25**. The Council has short term investments but no long term investments. The Council's **borrowings** (financial liabilities) are detailed in **note 26**. The Council has both short term and long term borrowings.

Financial assets and financial liabilities represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value has been assessed by calculating the net present value of the cash flows that will take place over the term of the instruments using the following assumptions:

- Interest is calculated using the most common market convention ACT/365
- Where interest is paid/received every 6 months on a day basis interest is rounded to 2 equal instalments
- For fixed term deposits it is assumed that interest is received on maturity
- Interest value and date has not been adjusted where a relevant date occurs on a non working day.

The discount rate used in the present value calculation is the rate applicable in the market on the date of valuation (31 March 2008) for an instrument with the same duration, same structure and terms (or as similar as possible).

Accrued interest to 31 March 2008 has been included in the fair value calculation in order to provide a comparison with the Balance Sheet carrying value. The interest rates quoted in the calculation were provided by Sector, the Council's treasury management advisors, from the market on 31 March 2008 using bid prices where applicable.

Fair values as at 31 March 2008 are set out below:

	Nominal Value £000	Balance Sheet £000	Fair Value £000
Financial asset - investments	4,750	4,961	4,962
Financial liability - short term borrowing	37	37	37
Financial liability - LOBO loan	5,000	5,057	5,420
Financial liability - PWLB loan	2,628	2,656	2,772

The fair value of the LOBO loan is higher than the carrying amount because it has been calculated over the full term of the loan which is 50 years. The carrying amount has been calculated over the term up until the first option to break the loan in 2009.

The new borrowing rate has been used as the discount factor for PWLB loans. The fair value is higher than the carrying value because the Council's portfolio of PWLB loans include a number of fixed rate loans where the interest rate is lower than the new borrowing rate used in the fair value calculation.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

24. Financial Instruments (cont'd)

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

- Credit risk- the possibility that other parties might fail to pay amounts due to the authority
- Liquidity risk- the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk- the possibility that financial loss might arise from changes such as interest rates and stock market movements.

The Council's risk management programme seeks to minimise potential adverse affects on its resources. Risk management is carried out by the Head of Financial Services under policies set out in the Treasury Management Strategy Statement.

Credit risk

The Council has a policy of only investing in investments which offer high security and high liquidity. Investments must be in sterling and have a maturity of no more that one year. In addition where appropriate, credit ratings from recognised credit rating agencies are used to minimise risk. Only bodies with high credit ratings are used. The Council has no experience of default concerning its investments.

Liquidity risk

The Council has access to borrowings from the Public Works Loans Board and there is no significant risk that it will be unable to meet its commitments under financial instruments.

Market risk

The Council minimises its exposure to interest rate movement by ensuring that the Treasury Manager and our treasury management consultants monitor market rates together and advise the Council. Informed interest rate estimates and impacts are factored into the budget setting process.

25. Investments

The Council has a 19% minority interest shareholding in Worcester Racecourse Ltd and the majority shareholder is Arena Leisure PLC. The total issued share capital is 100 shares at £1 each. The Council retains the freehold of the racecourse site which has been leased to Worcester Racecourse Ltd.

The Council does not have any long term investments. The Councils short term investments on 31st March were:

	2007/08	2006/07
	£000's	£000's
Bank/Building Society balances at amortised cost	4,961	7,075
Unquoted investments at cost (share capital)	-	-
	<u>4,961</u>	<u>7,075</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

	2007/08	2006/07
	£000's	£000's
26. Long term borrowing		
An analysis of loans by lender category and by maturity is as follows:		
P.W.L.B.	2,656	2,628
Money Market	5,057	5,000
	<u>7,713</u>	<u>7,628</u>
Maturing within one year	93	1
Maturing in 1-2 years	5,017	8
Maturing in 2-5 years	98	5,081
Maturing in 5-10 years	171	171
Maturing in more than 10 years	2,334	2,367
	<u>7,713</u>	<u>7,628</u>
27. Creditors		
Government departments	291	384
Local Authorities	346	295
Receipts in advance	3,807	3,370
Section 106 planning obligations	1,934	2,148
Other creditors	1,658	1,884
	<u>8,036</u>	<u>8,081</u>

Within the receipts in advance figure, £890k (2006/7: £800k) relates to council tax and £692k (2006/7: £720k) relates to national non-domestic rates.

28. Bank overdraft

This figure represents the amount that the Council would be overdrawn if all cheques drawn by 31st March had been cashed.

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

	2007/08	Restated
	£000's	2006/07
		£000's
29. Capital contributions deferred		
Opening balance at 1st April	1,964	903
Transfer in year from 'capital contributions unapplied'	54	1,285
Released to revenue in year	(337)	(224)
Closing balance at 31st March	<u>1,681</u>	<u>1,964</u>

Capital grants and contributions are applied to finance capital expenditure. When the asset to which the contribution relates comes into use and is depreciated, the contribution is transferred from this account to the Income and Expenditure account to offset the depreciation charge.

30. Capital contributions unapplied

Opening balance at 1st April	912	1,371
Additions in year	603	826
Transfer in year to 'capital contributions deferred'	(54)	(1,285)
Closing balance at 31st March	<u>1,461</u>	<u>912</u>

When capital grants and contributions are received they are initially applied to this account. Once the scheme to which they relate requires financing, the contribution is transferred to the capital contributions deferred account prior to being released to the Income and Expenditure account to offset the associated depreciation charge.

The 2006/7 accounts for Notes 29 and 30 above have been restated, see Note 45.

31. Revaluation Reserve

This is a new account which replaces the Fixed Asset Restatement Account (FARA). The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 4).

The FARA has been restated for 2006/7 (see note 45). The restated credit balance of £21,790,000 on the FARA at 31 March 2007 has been written off to the Capital Adjustment Account. The Revaluation Reserve has been included in the Balance Sheet with a zero balance at 1 April 2007. The closing balance on the Revaluation Reserve at 31 March 2008 only shows revaluation gains accumulated since 1 April 2007:

	£000
Land (various locations)	1,374
Buildings (cemeteries)	400
Community centres	996
Car parks	137
Other	65
	<u>2,972</u>

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

32. Capital Adjustment Account

This is a new account which replaces the Capital Financing Account (CFA). The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Capital Adjustment Account.

The CFA has been restated for 2006/7 (see note 45) The restated credit balance of £34,945,000 on the CFA at 31 March 2007 has been written off to the Capital Adjustment Account (CAA).

The opening balance on the Capital Adjustment Account at 1 April 2007 is £56,735,000 which comprises write offs of £21,790,000 from the FARA and £34,945,000 from the CFA respectively.

	CAA	Restated
	2007/08	CFA
	£000's	2006/07
		£000's
Opening balance on 1st April	56,735	34,209
Depreciation of fixed assets	(1,993)	(1,674)
Minimum revenue position	228	191
Deferred charges	(497)	(1,420)
Revaluation losses	(590)	-
Capital Financing		
Useable capital receipts	814	2,744
Mortgages	(3)	-
Government grants - released	228	224
Earmarked reserves	353	671
Subtotal	55,275	34,945
Transfer balance on Fixed Asset Restatement Account	-	21,790
Closing balance on 31st March	55,275	56,735

33. Useable Capital Receipts

The useable capital receipts reserve represents capital receipts available to finance future capital expenditure.

	2007/08	2006/07
	£000's	£000's
Opening balance on 1st April	-	1,382
Useable capital receipts	100	1,457
Useable capital receipts transferred to the Housing Pool	-	(95)
Capital receipts used to finance capital expenditure	-	(2,744)
Closing balance on 31st March	100	-

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

34. Deferred Capital Receipts

Deferred capital receipts derive from mortgages on the sale of council houses. They represent the amounts to be received in instalments in future periods.

35. Earmarked Reserves

	Balance at 1st April £000's	Receipts in year £000's	Payments in year £000's	Balance at 31st March £000's
Revenue Reserves				
Budget Action Plan 2008/9	512	404		916
Agreed Budget Funding 2007/8	250	(6)	(106)	138
Transfer to Capital 2007/8	(74)		74	0
Internal Audit	25			25
Occupational Health	28			28
Planning Appeals	4			4
Building Control	-	18		18
Parking Enforcement	83		(83)	-
City Centre Manager	16		(16)	-
Central Training	56			56
Recreational Improvements	123	70		193
Art & Museum Specimens	33			33
Three Choir/Elgar Choral Festivals	26	5		31
Christmas Fayre	9		(9)	-
Re-organisation Reserve	228		(102)	126
Land Charges	-	26		26
Pre LSVT Housing Contracts	120		(13)	107
Section 106 Interest	24			24
	1,463	517	(255)	1,725
Capital/Other Reserves				
The Commandery	35	6	(41)	-
Agreed Budget Funding 2007/8	74		(74)	-
Property Asset System	15		(15)	-
Depot Replacement	1852		(223)	1,629
Guildhall Floodlights & Tourism	30			30
Nunnery Lane Deposits	16			16
Environment Warranty Insurance	934			934
	2,956	6	(353)	2,609
	4,419	523	(608)	4,334

The reserves have been established for the following purposes:

Reserve	Purpose
Budget Action Plan 2008/9	to fund 5 year budget action funding plan
Agreed Budget Funding 2007/9	to fund specific priority items in 2007/09
Internal Audit	to fund any income shortfalls on new business generation
Occupational Health	to fund future Occupational Health initiatives
Planning Appeals	to fund abnormal planning appeal costs
Building Control	to fund rolling 3 year ring-fenced programme

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

35. Earmarked Reserves (Cont'd)

The reserves have been established for the following purposes (cont'd):

Reserve	Purpose
Central Training	to fund central training plan
Recreational Improvements	to fund recreational improvements plan
Art & Museum Specimens	to fund acquisition of exhibits and initiatives
Three Choir/Elgar Choral Festivals	to fund Council hosting of event every 3 years
Re-organisation Reserve	to fund 5 year budget action funding plan
Land Charges	to fund a ring-fenced programme
Section 106 Interest	to fund interest due on time expired s106 schemes
Depot Replacement	to fund replacement depot, part of capital programme
Guildhall Floodlights & Tourism	to fund Guildhall improvements, part of capital programme
Pre LSVT Housing Contracts	to fund contract obligations from former council houses
Nunnery Lane Deposits	developer deposits towards making up road
Environment Warranty Insurance	to fund internal insurance claims on former housing land

36. Contingent Liabilities

An application for judicial review of a Planning Committee decision by the Council was successful and the Council was ordered to pay the claimant's costs. The claimants have submitted a claim for costs in the sum of £70,000. The Council is seeking justification of this sum and anticipates that this figure will be reduced although a final value has not been confirmed. No provision has been made in the 2007/8 accounts and the Council expects to incur the charge in the 2008/9 financial year.

37. Post balance sheet events

There are no post balance sheet events to report.

38. Analysis of changes in net debt

	At 1 April 2007 £000	Cashflows £000	At 31 March 2008 £000
Cash in hand, and at bank	13	(1)	12
Bank overdraft	(683)	53	(630)
	(670)	52	(618)
Borrowings	(7,665)	(85)	(7,750)
Investments	7,075	(2,114)	4,961
Net debt	(1,260)	(2,147)	(3,407)

39. Analysis of government grants

	2007/08 £000's	2006/07 £000's
Housing subsidies	338	150
LPSA reward grant	70	70
LA business growth incentives	252	92
DWP - planning delivery grant	284	294
Total government grants	944	606

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

	2007/08 £000's	2006/07 £000's
40. Reconciliation of the deficit on the Income and Expenditure Account to the movement on revenue activities		
Non-cash transactions		
Net additional amount required to be credited to the General Fund balance for the year	(577)	107
Contributions (to) / from Earmarked Reserves	(85)	176
Contributions (to) / from Provisions	-	(755)
Useable capital receipts	100	(1,382)
Minimum revenue provision	228	191
Collection Fund	17	(59)
Capital financing adjustment	(1,394)	(1,961)
Other cash transactions	2	13
Items on an accruals basis		
Increase / (decrease) in stocks	(2)	2
Increase / (decrease) in debtors	98	2,864
(Increase) / decrease in creditors	40	304
Net cash outflow/inflow from revenue activities	(1,573)	(500)
41. Returns on investments and servicing of finance		
Interest received	(875)	(606)
Interest paid	319	320
Net cash inflow from returns on investment and servicing of finance	(556)	(286)
42. Capital activities		
Purchase of fixed assets	1,619	2,772
Other capital payments	1,977	2,342
Sales of tangible fixed assets	(1,090)	(4,274)
Capital grants received	(352)	(425)
Other capital receipts	(878)	(964)
Net cash outflow/(inflow) from capital activities	1,276	(549)
43. Management of liquid resources		
Decrease in short term borrowing	-	1
(Decrease) / increase in short term investments	(2,325)	375
Net cash (inflow) / outflow from the management of liquid resources	(2,325)	376
44. Long term financing		
Repayment of long term borrowing	-	1
Repayment of mortgages and transferred debt	(20)	(12)
Net cash inflow from financing	(20)	(11)

WORCESTER CITY COUNCIL
NOTES TO THE CORE FINANCIAL STATEMENTS
For the year ended 31st March 2008

45. Restated 2006/7 Accounts

The 2006/7 Accounts have been restated to correct balances as detailed below:

	2006/7 Accounts		Restated Value £000
	Original Value £000	Corrections £000	
Balance Sheet			
Accumulated depreciation	(5,633)	2,772	(2,861)
Fixed assets	62,542	2,772	65,314
Other assets	57	0	57
Debtors - Collection Fund	160	(160)	0
Debtors	8,873	(160)	8,713
Other current assets	7,198	0	7,198
Current assets	16,071	(160)	15,911
Government grants deferred	(6,663)	6,663	
Other contributions deferred	(2,911)	2,911	
Other current liabilities	(8,801)		(8,801)
Current liabilities	(18,375)	9,574	(8,801)
Government grants deferred	0	(1,237)	(1,237)
Transfer to 'capital contributions unapplied'*		325	325
Capital contributions unapplied	0	(912)	(912)
Other contributions deferred	0	(1,639)	(1,639)
Transfer to 'capital contributions deferred'**		(325)	(325)
Capital contributions deferred	0	(1,964)	(1,964)
Other long term liabilities	(24,293)		(24,293)
Long term liabilities	(24,293)	(2,876)	(27,169)
TOTAL NET ASSETS	36,002	9,310	45,312
Fixed asset restatement account	(19,018)	(2,772)	(21,790)
Capital financing account	(28,247)	(6,698)	(34,945)
Capital adjustment account	(47,265)	(9,470)	(56,735)
Collection Fund balance (reserves)	20	160	180
Other reserves	11,243		11,243
	(36,002)	(9,310)	(45,312)

Included within the restatement of 'government grants deferred' is £224k of income which should have been released to the Income and Expenditure account in 2006/7. The 2006/7 account has therefore been restated to reflect this and the deficit of £1.81m has been reduced to £1.586m. This had no impact on the General Fund balance.

**WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31st March 2008**

		2007/08	2006/07
		£000's	£000's
Note			
	Income		
1,2,5,6	Council Tax debit and bad debts	(42,429)	(40,055)
3,5	Non-domestic rates debit and bad debts	(33,188)	(33,540)
		(75,617)	(73,595)
	Expenditure		
1	Precepts and demands		
	County council	30,468	28,746
	City council and parishes	4,756	4,586
	Police authority	5,090	4,802
	Fire authority	2,099	1,980
		42,413	40,114
	Non-domestic rates		
	Payments to national pool	33,041	33,393
	Cost of collection allowance	146	147
		75,600	73,654
4	(Surplus)/deficit for the Year	(17)	59
	Deficit as at 1 April 2007	180	121
		163	180
	Deficit as at 31 March 2008	163	180

1. Council Tax: basic amounts

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands, based on estimated valuations as at 1st April 1991.

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Worcestershire County Council, West Mercia Police Authority, Hereford & Worcester Fire and Rescue Authority and the City Council for the forthcoming year and dividing this by the Council Tax base. The Council Tax base is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts.

This basic amount of Council Tax for a Band D property (£1,310.96 for 2007/2008 and £1,252.52 for 2006/2007) is multiplied by the proportion specified by legislation for the particular band to give an individual amount due.

**WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31st March 2008**

1. Council Tax: basic amounts (cont'd)

Council Tax bills were based on the following proportions for Bands A to H:

	Number of properties Band D equivalents	Proportion	Amount £
Band A	4,234	6/9	873.98
Band B	9,384	7/9	1,019.64
Band C	8,524	8/9	1,165.31
Band D	4,532	1	1,310.96
Band E	3,557	11/9	1,602.30
Band F	1,711	13/9	1,893.62
Band G	574	15/9	2,184.94
Band H	6	18/9	2,621.94

2. Council Tax

The Council Tax debit is made up of the following amounts:

	2007/08 £000's	2006/07 £000's
Due from taxpayers	37,215	34,956
Council Tax benefit	5,214	5,099
Total Council Tax	<u>42,429</u>	<u>40,055</u>

3. National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies an amount (44.4p in 2007/2008 and 43.3p in 2006/2007) and, subject to the effects of the transition arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the Pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income (after reliefs and provisions) of £33.188m for 2007/2008 and £33.539m for 2006/2007 was based on an average rateable value for the Council's area. The rateable value was £87.792m at 31st March 2008 (£88.887m at 31st March 2007).

**WORCESTER CITY COUNCIL
COLLECTION FUND
For the year ended 31st March 2008**

4. Collection Fund surpluses and deficits for Council Tax

The deficit on the Fund of £163k at 31st March 2008 in respect of Council Tax transactions will be collected in subsequent financial years from Worcestershire County Council, West Mercia Police Authority, Hereford & Worcester Fire and Rescue Authority and the City Council in proportion to the value of the respective precepts and demands made by the Councils on the Collection Fund. The allocations are as follows:

	2007/08 £000's	2006/07 £000's
Worcestershire County Council	117	129
West Mercia Police Authority	20	22
Hereford and Worcester Fire and Rescue Authority	8	9
Worcester City Council	18	20
	<u>163</u>	<u>180</u>

5. Provision for Bad Debts and Write Offs

The Provisions for Bad Debts and Write Offs as at 31 March 2008 are as follows:

	2007/08 £000's	2006/07 £000's
Council Tax	639	874
NNDR	375	427

6. Write Offs

The amounts written off were as follows:

	2007/08 £000's	2006/07 £000's
Council Tax	255	201
NNDR	256	486

Financial regulation 11.10 allows for the writing off of debts deemed irrecoverable. Although written out of the accounts, the debts are still due in law and recovery action will continue.

WORCESTER CITY COUNCIL
HOPMARKET CHARITY
For the year ended 31st March 2008

The Hopmarket Charity is an independent charity for which the City Council acts as a sole trustee. The full annual accounts will be presented to the Hopmarket Charity. Summary financial statements are reproduced here.

INCOME AND EXPENDITURE ACCOUNT (SUMMARY)

For the year ended 31 March 2008

	2007/08	2006/07
	£	£
Income	286,759	182,488
Expenditure	(181,928)	(32,261)
Surplus for the year	<u>104,831</u>	<u>150,227</u>

APPROPRIATION ACCOUNT

As at 31 March 2008

	2007/08	2006/07
	£	£
Surplus for the year	105,883	150,227
Surplus brought forward	104,831	20,656
Transfers:		
- to repairs fund	(20,000)	(15,000)
- from repairs fund	33,425	-
Grants paid	(83,505)	(50,000)
	<u>140,634</u>	<u>105,883</u>

BALANCE SHEET

As at 31 March 2008

	2007/08	2006/07
	£	£
Fixed assets	1,000,000	1,000,000
Current assets		
Debtors	31,389	5,656
Cash	229,429	229,137
Less: Current liabilities		
Creditors	(41,145)	(26,987)
Tenants' deposits	(19,616)	(29,076)
	<u>200,057</u>	<u>178,730</u>
Net assets	<u>1,200,057</u>	<u>1,178,730</u>
Represented by:		
Capital Reserves	1,000,000	1,000,000
Repairs Fund	59,423	72,847
Accumulated surplus	140,634	105,883
	<u>1,200,057</u>	<u>1,178,730</u>

WORCESTER CITY COUNCIL
SOUTH WORCESTERSHIRE REVENUE AND BENEFITS SHARED SERVICE
ORGANISATION (SWR&BSSO)
For the period 2nd July 2007 to 31st March 2008

The SWR&BSSO was formed on the 2nd July 2007 and is hosted by Wychaven District Council. The Council has member representation on the Joint Committee of this organisation.

Summary financial statements are reproduced here.

INCOME AND EXPENDITURE ACCOUNT (SUMMARY)

For the period ended 31 March 2008

	Council Tax £000	NNDR £000	Housing Benefits £000	Set-up Costs £000	TOTAL £000
Grant income	-	-	205	-	205
Income from Partners	1,364	315	2,362	-	4,041
Income	1,364	315	2,567	-	4,246
Employee expenses	851	130	1,412	46	2,439
Other direct expenses	174	22	364	6	566
Support services	425	101	657	-	1,183
Expenditure	1,450	253	2,433	52	4,188
Surplus/(deficit) for the period	(86)	62	134	(52)	58

Worcester City's contribution to the Income from Partners of the shared service was £557k in 2007/8. Included within the Support Service costs shown above is an additional £395k of residual support costs incurred by Worcester City Council as identified in the Partnership Agreement. This £395k of residual support costs are included in Worcester City Council's Income and Expenditure Account.

BALANCE SHEET

As at 31 March 2008

£000

Current assets

Debtors 236
Cash 117

Total Assets 353

Less: Current liabilities

Creditors 95
Receipts in advance 200

Total Liabilities 295

Total Assets less Total Liabilities 58

Funded by:

Revenue Balances 58

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