



**BOURNEMOUTH  
STATEMENT  
OF ACCOUNTS**

**2009/2010**

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## EXPLANATORY FOREWORD

### 1 Introduction

The Statement of Accounts for 2009/2010 has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2009 : A Statement of Recommended Practice (SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit Regulations 2003. This lays down the proper accounting practices for Local Councils.

**The Statement of Accounts for the Council consists of :-**

- **The Explanatory Foreword**
- **The Statement of Accounting Policies**
- **The Statement of Responsibilities for the Statement of Accounts**
- **The Core Financial Statements :-**

Income and Expenditure Account

Statement of Movement on the General Fund Balance

Statement of Total Recognised Gains and Losses (STRGL)

Balance Sheet

Cash Flow Statement

- **The Notes to the Core Financial Statements**
- **The Supplementary Financial Statements :-**

Housing Revenue Account (HRA) Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance - including notes

Collection Fund - including notes

Required to be included but not part of the Statement of Accounts :-

- **The Annual Governance Statement**
- **A Glossary of Terms is included at the back of the document to assist in understanding the Statement of Accounts.**

### 2 Income and Expenditure Account 2009/2010

This Statement reports the net cost for the year of all the functions for which the Council is responsible, and demonstrates how that cost has been financed from general Government Grants and income from Local Taxpayers. The costs include an element relating to the value of Fixed Assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

A summary of the Income and Expenditure Account for 2009/2010 follows showing a comparison with the revised budget. This shows what actually happened in the year compared with what was planned.

**EXPLANATORY FOREWORD****2 Income and Expenditure Account 2009/2010 contd.**

	<b>Actual</b>	<b>Revised Year</b>	<b>Difference</b>
	£	<b>End Budget</b>	£
	£	£	£
<b>Net Cost of Services</b>	174,158,360	174,926,593	(768,233)
Corporate Income and Expenditure	12,954,993	12,463,517	491,476
<b>Net Operating Expenditure</b>	187,113,353	187,390,110	(276,757)
Principal Sources of Finance	(142,577,674)	(141,979,616)	(598,058)
<b>Deficit / (Surplus) for the Year</b>	44,535,679	45,410,494	(874,815)
(See Note 3 below)			

**3 Statement of Movement on General Fund Balance 2009/2010**

The balance on the Income and Expenditure Account has to be adjusted to agree with the Statutory provisions that specify the net expenditure that Councils need to take into account when setting local taxes. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward, the outturn on the Income and Expenditure Account needs to be reconciled to the balance established by the relevant statutory provision.

	<b>Actual</b>	<b>Revised Year</b>	<b>Difference</b>
	£	<b>End Budget</b>	£
	£	£	£
<b>Deficit / (Surplus) for the Year on the Income and Expenditure Account</b>	44,535,679	45,410,494	(874,815)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(50,469,518)	(47,399,494)	(3,070,024)
Increase in General Fund Balance for the year	(5,933,839)	(1,989,000)	(3,944,839)
General Fund Balance Brought Forward	(12,146,082)	(12,146,082)	-
General Fund Balance Carried Forward	(18,079,921)	(14,135,082)	(3,944,839)

The Surplus shown in the statement above relates to General Fund Services only. The main differences between the revised budget and the actual were due to the non application of the corporate inflation allowance and an unbudgeted receipt of interest from Customs and Excise in relation to a successful claim going back to 1972.

**4 Statement of Total Recognised Gains and Losses (STRGL)**

The Income and Expenditure Account brings together all of the functions of the Council and summarises all of the resources the Council has generated, consumed or set aside in providing services during the year. However, the Council recognises other gains and losses in the Balance Sheet. The Statement of Total Recognised Gains and Losses (STRGL) brings these other gains and losses together with the outturn on the Income and Expenditure Account to show the total movement in the Council's net worth for the year.

**5 The Balance Sheet**

The Balance Sheet shows the financial position of the Council at 31 March 2010. It shows the balances and reserves at the Council's disposal and its long-term indebtedness, and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held. The Balance Sheet includes all assets and liabilities of all activities of the Council excluding trust funds.

**6 The Cash Flow Statement**

This consolidated statement summarises all of the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

**7 The Housing Revenue Account**

The Housing Revenue Account (HRA) is a record of the revenue expenditure and income relating to the Council's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. The HRA is a statutory account, ring fenced from the rest of the Council's funds, so that rents cannot be subsidised from Council Tax (or vice versa).

The transactions of the Housing Revenue Account are consolidated with the General Fund in the Income and Expenditure Account and Statement of Movement on General Fund Balance. The Housing Revenue Account Surplus is however removed from the Statement of Movement on General Fund Balance by way of a transfer to Housing Revenue Account balance and thus not included in the final balance which represents the balance on the General Fund only.

**8 The Collection Fund**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. The Account shows the transactions of the Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to the Dorset Police Authority and the Dorset Fire and Rescue Service (by way of the precept) and to this Council's General Fund.

**9 The Statement of Responsibilities for the Statement of Accounts**

This Statement sets out the respective responsibilities of the Council and the Service Director, Resources for the accounts.

**10 The Annual Governance Statement**

The Council needs to demonstrate that there is a sound system of internal control in place. This Statement details the framework and processes the Council has in place and any significant issues highlighted resulting from the review.

**11 Public Works Loan Board (PWLB) - Borrowing**

The Council's overall borrowing from the PWLB reduced in 2009/2010 by £2.0m as a loan reaching maturity was repaid. Given the current level of balances invested it is not intended to increase the current level of borrowing. Indeed if further opportunities present themselves, the intention will be to further reduce the amount owed to the PWLB. This will minimise the exposure to risks associated with fluctuations in interest rates.

**12 Capital Expenditure**

Capital Expenditure in the year totalled £ 35,717,829. The major schemes during the year were :-

	<b>Actual</b>	<b>Budget</b>
	<b>£</b>	<b>£</b>
<b>Housing :-</b>		
Council Housing Enhancement	5,593,448	5,750,000
Disabled facilities grant	1,044,590	893,000
NHS campus reprovision	720,000	720,000
<b>Education :-</b>		
Quality & Access Grant	1,759,596	1,050,200
<b>Other :-</b>		
Pavilion Dance centre	959,319	2,189,700
Pelham's Park leisure centre	4,207,485	4,392,500
Boscombe Spa Village refurbishment	1,756,893	1,850,470
Kinson Click (Kinson new library)	1,949,428	2,618,230
Office accommodation	1,024,918	961,800
Coastal Protection - stage 4	1,005,923	1,140,000

**13 Summary of Revenue and Capital Investment Plans for 2010/2011**

The Council set a revenue and capital budget for 2010/2011 on the 17th February 2010.

The revenue budget has been based on a Council Tax increase of 2.9% for 2010/2011. This increase compares with the 5% increase predicted in the Medium Term Financial Plan approved in February 2009.

Bournemouth will receive formula grant support in 2010/2011 of £55.024m, a cash increase over the 2009/2010 grant of £0.798m. On a like for like basis revenue grant has increased by £0.813m or 1.5%, compared to the average Unitary Council increase of 3.9%. The grant settlement to Bournemouth included an amount of £5.649m of grant protection.

In setting the 2010/2011 budget the Council has recognised the impact of the financial climate on local people, and reduced the council tax increase from 5%, as predicated in the medium term financial plan, to 2.9%. Prudent financial management has enabled the Council to redirect funding of £7.955m to reduce the planned increase in Council Tax, support budget pressures and invest in Council priorities including:-

- £0.75m support for the provision of accommodation for Learning Disability Clients
- £0.75m support for older people personal care
- £1.7m support for Children's Social Care
- £1.3m to implement the Pay & Reward Strategy
- £2.26m funding to support workforce development & efficiencies

The impact of the recession and market weakness continues to be felt within the Borough. As well as the direct implications on Bournemouth residents and businesses, the economic climate continues to have a direct impact upon many of the services provided by the Council, such as the increase in caseload for housing benefits and reduced income for planning and building control fees.

**13 Summary of Revenue and Capital Investment Plans for 2009/2010 - Contd.**

These economic pressures are expected to continue into 2010/2011 and beyond. Provision has been made within the Medium Term Financial Plan for future loss of Government Grants and Council Tax increases have been reduced to 3.5%. The new coalition Government has recently announced a package of immediate budget reductions covering both revenue and capital grants for 2010/2011. Further reductions are expected for 2011/2012 through the Government's Public Spending Review which is due for completion in the Autumn.

The indications are that the Government funding in future years is likely to reduce significantly and during 2010/2011 Council will consider how to manage service provision with regard to the likely available funding.

In responding to the funding pressure the Council is actively reviewing opportunities to work with local communities, private sector partnerships and to improve efficiency, effectiveness and value for money throughout service delivery. The Council has established in 2010/2011 an independent charitable Trust to operate the Council's Conference, Entertainment and Leisure facilities and is completing negotiations with an external partner to directly run certain Council services.

The capital programme identifies investment of £24.145m in 2010/2011. This represents a continuation of the major investment programme developed since 2006/2007. Major investment have or will be completed at Kinson Community Library, Boscombe Spa development and the Pavilion Dance Centre whilst investment continues to be made into core assets such as schools, housing and highways. Major investment has been approved to update and expand Primary Schools to meet changes in the number and needs of primary children.

The Council is also working towards major partnerships for the long term investment in the Town Centre and through the Building Schools for the Future programme for Secondary Schools.

Detailed revenue and capital budgets for 2010/2011 are available on the Council's web site (through the link below).

[http://www.bournemouth.gov.uk/Council/Departments/resources/Finance/Budgets/budget\\_book\\_1011.asp](http://www.bournemouth.gov.uk/Council/Departments/resources/Finance/Budgets/budget_book_1011.asp)

**14 Pensions Liability**

These accounts include amounts that have been calculated in accordance with FRS 17 as assessed by an actuary. Due to the valuation methodology and the derivation of the main financial assumptions required, FRS17 is likely to produce volatile numbers from year to year.

Due to the extreme fluctuations that there have been in the economic climate during the last two financial years the figures assessed by the actuary have been subject to similar violent fluctuations.

Pensions need to be viewed in the long term and conclusions should not be drawn at a point in time and particularly during major changes in the economic climate.

## THE STATEMENT OF ACCOUNTING POLICIES

### 1 General Principles

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

### 2 Accruals of Income and Expenditure

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

Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried forward as stocks on the balance sheet.

Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant Financial Instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 3 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

The Council has made provision for the cost of settling claims for back pay arising from discriminatory payments incurred before the council implemented its equal pay strategy. However, statutory arrangements allow settlement to be financed from the General Fund in the year that payments actually take place, not when the provision is established. The provision is therefore balanced by an Equal Pay Account that will be debited to the Statement of Movement on the General Fund Balance in future financial years as payments are made.

### 4 Reserves

The Council sets aside specific amounts as reserves for future Revenue or Capital Expenditure. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance, thus counting as a charge against council tax in the year the reserve is created. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to count against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the Statement of Movement on the General Fund Balance so that there is no net charge against council tax for the expenditure in that year.



**4 Reserves - Contd.**

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

**5 Government Grants and Contributions (Revenue)**

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the Income and Expenditure Account after Net Operating Expenditure.

**6 Retirement Benefits**

Employees of the Council are open to join one of two separate pension schemes:

The Teachers' Pension Scheme, administered by the Department for Children, Schools and Families (DCSF).

The Local Government Pensions Scheme, administered by Dorset County Council.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned whilst working for the Council.

**TEACHERS' PENSION SCHEME**

The arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payment of benefits is recognised in the balance sheet and the Childrens and Education service revenue account is charged with the employer's contributions payable to Teachers' Pensions in the year.

In addition to the standard Teachers' Pensions Scheme the Council has the option to grant enhancements to employees on early retirement. This element of their pension is paid on a pay-as-you-go basis by the Council over the life of the pensioner. This additional liability is not covered by the normal contributions paid to the scheme and is accounted for as a defined benefit scheme.

**LOCAL GOVERNMENT PENSION SCHEME**

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

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

Liabilities are discounted to their value at current prices, using a discount rate of 5.5 % (6.7 % 2008/2009 ) - based on the indicative rate of return on high quality corporate bonds.

**6 Retirement Benefits contd****LOCAL GOVERNMENT PENSION SCHEME contd**

The assets of the Dorset County Council pension fund attributable to the Council are included in the balance sheet at their fair value.

- Quoted Securities - Current Bid Price
- Unquoted Securities - Professional Estimate
- Unitised Securities - Current Bid Price
- Property - Market Value

The change in the net pensions liability is analysed into seven components:

- Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for whom the employees worked.
- Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
- Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account.
- Expected Return on Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account.
- Gains/Losses on Settlements and Curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non-Distributed Costs.
- Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses.
- Contributions Paid to the Dorset County Council pension fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the amounts paid to the Pension Fund and any amounts payable to the Fund but unpaid at the year end.

**DISCRETIONARY BENEFITS**

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

**7 Value Added Tax (VAT)**

All VAT collected is payable to HM Revenue and Customs and most VAT paid is recoverable. Income and expenditure in the Statement of Accounts excludes any amounts related to VAT other than any irrecoverable VAT which is charged to the service the supply related.

**8 Overhead and Support Services**

The costs of overheads and support services are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2009. The full cost of overheads and support services are shared between users in proportion to the benefits received using the following bases :-

<b>Cost</b>	<b>Basis of Allocation</b>
<b>Central Directorates :-</b>	
Human Resources, Health and Safety Equalities & Diversity, IT Project Team	Time/Number of full time employees
Administrative Buildings	Area Occupied
Information and Communication Technology	Estimated Usage
Insurance	Administration Charge added to Premiums
Policy & Performance	Corporate Management/Pro rata to gross budgeted expenditure for each service
Payroll	Number and type of employment
Cashiers, Creditors, Debtors	Number of transactions
Procurement	Corporate Management/Pro rata to supplies & services budgeted expenditure for each service
<b>All other Central Support Services</b>	Time allocation Sheets
<b>Technical Services :-</b>	
Technical Business Units	Time allocation Sheets

The following overheads are not allocated to services :-

Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation

Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

**9 Intangible Fixed Assets**

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

**10 Tangible Fixed Assets**

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

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides are for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (eg repairs and maintenance) is charged to revenue as it is incurred.

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

Classification	Basis of Valuation	Depreciation
Council Dwellings	Valued Annually as Social Housing	Equates to Major Repairs Allowance
Other Buildings	Existing Use Value or Depreciated Replacement Cost	Straight Line
Vehicles Plant and Equipment	Historical Cost as a proxy for Current Value	Straight Line
Infrastructure	Historical Cost	Straight Line
Community Assets	Historical Cost	Straight Line
Assets under Construction	Cost	None
Investment Property	Open Market Value	None
Surplus Assets	Open Market Value	None

Depreciation is provided for on all fixed assets with a determinable finite useful life on a straight line basis excluding Investment Property, Surplus Assets and Assets under Construction, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Following consultation with the Directorates the following lives have been applied for depreciation :-

Buildings	50 years
Highways Infrastructure	20 years
Coast Protection Infrastructure	25 years
Plant and Equipment	1 - 20 years
Vehicles	5 - 10 years

Revaluation gains are also depreciated with an amount equal to the difference between the current value depreciation charged on assets and the depreciation that would have been chargeable on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years (depending on circumstances at the time of the revaluation). Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally gains may be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service revenue account.

**10 Tangible Fixed Assets contd**

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

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

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

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

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (ie, netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

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

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

**11 Charges to Revenue for Fixed Assets**

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

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

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

**12 Revenue Expenditure Funded from Capital under Statute**

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

Where the expenditure is financed from a Capital Grant the Grant is credited to the relevant service in the Income and Expenditure Account. This Grant is then reversed out in the Statement of Movement on the General Fund Balance so there is no impact on the level of Council Tax.

**13 Leases**

Rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease. There are no finance leases.

**14 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 payments are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For the Council's current borrowings this means that the amount presented in the Balance Sheet is the outstanding principal (plus accrued interest) and the interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

**15 Repurchase of Borrowing**

Gains and losses on the repurchase or early settlement of borrowing are charged in the year to the Income and Expenditure Account. Accounting Regulations have been put in place to allow this amount to be Charged to the General Fund over a period of time, the charge now being made against the Statement of Movement on General Fund Balance rather than the Income and Expenditure Account.

**16 Financial Assets****LOANS AND RECEIVABLES**

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

However, the Council does allow some "loans" at less than market interest rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited in line with the market rate, with the difference serving to increase the amortised cost of the loan in the Balance Sheet.

Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year - the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instrument Adjustment Account in the Statement of Movement on the General Fund Balance.

**16 Financial Assets - Contd.****LOANS AND RECEIVABLES - Contd.**

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

**INSTRUMENTS ENTERED INTO BEFORE 1 APRIL 2006**

The Council entered into a number of financial guarantees that are not required to be accounted for as Financial Instruments. These guarantees are reflected in the Statement of Accounts to the extent that they are included in the note for Contingent Liabilities.

**17 Stocks and Work in Progress**

The Code of Practice requires stocks to be shown at the lower of actual cost or net realisable value, care is taken to write out any obsolescent stocks.

Work in progress on uncompleted works is valued at the lower of cost (including an allocation of overheads) or net realisable value.

**18 Private Finance Initiative (PFI)**

The Council has a PFI contract for the provision of the Central Library and related IT equipment. PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as ownership of the fixed assets will pass to the Council at the end of the contract, the Council carries the fixed assets used under the contract on the Balance Sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the assets.

Fixed assets relating to PFI contracts are recognised on the Balance Sheet and are revalued and depreciated in the same way as any other assets owned by the council.

The amounts payable to the PFI operator each year are analysed into the following elements :-

- Fair value of the Services received during the year – debited to the relevant service in the Income and Expenditure Account

- Finance Cost – an interest charge on the outstanding Balance Sheet liability, debited to Interest Payable and Similar Charges in the Income and Expenditure Account

- Contingent Rent – increases in the amount to be paid for the property arising during the contract, debited to Interest Payable and Similar Charges in the Income and Expenditure Account

- Payment towards Liability – applied to write down the Balance Sheet liability to the PFI operator

The Statement of Movement in the General Fund Balance is charged with a Revenue Provision for Capital Financing equivalent to the Payment towards the Liability made in the year.

Allowance is made for Government Grants received for the PFI scheme, in excess of current levels of expenditure, these are carried forward as a deferred credit. The amount will be written back to revenue when the grant level in the year falls below the payment required.

**19 Landfill Allowance Trading Scheme**

The Waste and Emissions Trading Act 2003 place a duty on Waste Disposal Authorities (WDAs) in England and Wales to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. It also provides the legal framework for the Landfill Allowance Trading Scheme (LATS), which commenced operation on 1 April 2005 in England.

The Landfill Allowance Trading Scheme is a 'cap and trade' scheme which allocates tradeable landfill allowances to each WDA in England up to the amount of the WDA's 'cap'.

The Landfill Allowances Trading Scheme (LATS) gives rise to :-

- an asset for the allowances held
- LATS grant income
- a liability for actual BMW landfill usage

Landfill allowances are issued free by DEFRA and initially recognised as deferred income in the balance sheet and subsequently recognised as income on a systematic basis over the compliance year for which the allowances were allocated.

As landfill is used, a liability is recognised for actual BMW landfill usage. This liability is discharged by using allowances to meet the liability. The allowances and liabilities are valued at their fair value.

At 31 March 2010 there was no demand for LATS allowances and because of this the fair value for 2009/2010 has been assessed as nil.

**20 Changes in Accounting Policy****ACCOUNTING FOR COUNCIL TAX IN THE CORE FINANCIAL STATEMENTS**

Under the 2009 SORP it has been determined that the Council, in its capacity as a billing authority, act as an agent for the preceptors. Collecting and distributing Council Tax income on behalf of the major preceptors and itself.

The amount of Council Tax Income shown in the Income and Expenditure Account will be the accrued amount that is due to the Council for the year. However, the amount that can be credited to the General Fund is prescribed by statute, this will mean that there will need to be an adjustment in the Statement of Movement on the General Fund Balance to a Collection Fund Adjustment Account.

The Balance Sheet now only reflects the balances that are attributable to the Council other than the difference in cash collected and paid over to the preceptors which is included as a debtor or creditor.

The Cash Flow Statement now only reflects the proportions of Council Tax Collected that relate to the Council.

**ACCOUNTING FOR NATIONAL NON DOMESTIC RATES - (NNDR)**

Under the 2009 SORP it has been determined that the Council, in its capacity as a billing authority, act as an agent for the Government. Collecting and distributing NNDR income on behalf of the Government.

The Balance Sheet no longer reflects the balances that are attributable to the collection of NNDR other than the difference in cash collected and paid over to the Government which is included as a debtor or creditor.



**20 Changes in Accounting Policy - Contd.**

**ACCOUNTING FOR ASSETS ACQUIRED UNDER PUBLIC FINANCE INITIATIVES - (PFI)**

The 2009 SORP calls for PFI contracts to be accounted for in accordance with the International Financial Reporting Standard (IFRS). This has resulted in PFI property used to deliver PFI services, previously "off Balance Sheet" to now be shown as assets of the Council on the Balance Sheet. This asset has been recognised in the Balance Sheet with a corresponding liability for the financing provided by the PFI operator.

The change has also resulted in the unitary charge, previously charged to service, being split into elements relating to the capital repayment, the interest charge for the financing and the actual revenue service charge.

**21 Equal Pay Back Pay Account**

The Authority made provision in 2006/2007 in the Service Revenue Accounts for possible claims from employees for back pay as a result of the Pay and Grading Review currently being undertaken. Regulations have been put in place providing discretion to authorities not to charge the General Fund until payment is actually made. This was achieved in 2006/2007 by reversing out the provision charged to Service in the Statement of Movement in General Fund Balance to a new Reserve, the Equal Pay Back Pay Account.

**22 Adjustments to Balance Sheet Comparatives**

	Balance Sheet in 2008/2009 Statement of Accounts  £	Adjustment due to change in accounting treatment  £	Balance Sheet Comparative in 2009/2010 Statement of Accounts  £
--	--------------------------------------------------------------------	--------------------------------------------------------------------	-----------------------------------------------------------------------------------

**Agency Accounting for Council Tax and NNDR :-**

Short Term Debtors - Balance to below	34,462,401	(1,239,110)	33,223,291
Creditors	(39,967,870)	1,239,110	(38,728,760)
		-	

**Bringing PFI Contract onto Balance Sheet :-**

Intangibles	729,760	170,425	900,185
Other Land and Buildings	428,277,123	11,836,731	440,113,854
Short Term Debtors - balance from above	33,223,291	119,961	33,343,252
PFI Capital Current	-	(212,856)	(212,856)
PFI Capital Obligation	-	(12,073,587)	(12,073,587)
Capital Adjustment Account	(615,992,045)	279,287	(615,712,758)
Earmarked Reserves	(39,716,987)	(119,961)	(39,836,948)
		-	

23 Adjustment to Income and Expenditure Account Comparatives

	I&E Account in 2008/2009 Statement of Accounts	Adjustment due to change in accounting treatment	I&E Account Comparative in 2009/2010 Statement of Accounts
	£	£	£
<b>Accrual Council Tax Income :-</b>			
Income and Expenditure Account :-			
Demand from the Collection Fund	(74,238,268)	74,238,268	-
Contribution to / (from) the Collection Fund	168,474	(168,474)	-
Income from Council Tax	-	(75,039,491)	(75,039,491)
		<u>(969,697)</u>	
Statement of Movement in General Fund Balance :-			
Difference between amounts credited to the Income and Expenditure Account and amounts to be recognised under statutory provisions relating to Council Tax	-	969,697	969,697
		<u>-</u>	
		<u><u>-</u></u>	
<b>Change in PFI Accounting :-</b>			
Income and Expenditure Account :-			
Cultural, Environmental and Planning	39,856,868	115,732	39,972,600
Interest payable and similar charges	1,894,638	1,148,574	3,043,212
PFI Support Grant	-	(1,254,181)	(1,254,181)
		<u>10,125</u>	
Statement of Movement in General Fund Balance :-			
Depreciation and Impairment of General Fund Fixed Assets	(43,645,119)	(225,622)	(43,870,741)
Depreciation and Impairment of Intangible Assets	-	(27,260)	(27,260)
Revenue Provision for Repayment of Borrowing	3,253,192	197,757	3,450,949
Capital Expenditure charged in year to General Fund	4,830,242	61,383	4,891,625
Net transfer to / from earmarked reserves	4,050,281	(16,383)	4,033,898
		<u>-</u>	
		<u><u>-</u></u>	

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS**

**1 The Council's Responsibilities**

The Council is required :-

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

**2 Certificate For The Approval Of The Accounts**

I confirm that these accounts were approved by the Audit and Governance Committee at the Meeting held on 28 June 2010.

**Signed on behalf of Bournemouth Borough Council**

**Ben Grower**

**Chairman of the Audit and Governance Committee**

**Dated - 28th June 2010**

**3 Service Director, Resources' Responsibilities**

The Service Director, Resources 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 the United Kingdom ('the Code of Practice')

In preparing this Statement of Accounts, the Service Director, Resources has :-

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

The Service Director, Resources has also :-

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

**4 Service Director, Resources Certificate**

I certify that the Statement of Accounts provides a true and fair view of the financial position of Bournemouth Borough Council and its income and expenditure for the year ended 31 March 2010.

**Judith A Martin CPFA**  
**Service Director, Resources**

**17 June 2010**

## INCOME AND EXPENDITURE ACCOUNT 2009/2010

This Account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed (depreciation and impairment) and the real projected value of retirement benefits earned by employees in the year.

The balance on this account has to be adjusted to agree with the Statutory provisions that specify the net expenditure that Councils need to take into account when setting local taxes. In order to give a full presentation of the financial performance of the Council during the year and the actual spending power carried forward, the balance on this account needs to be reconciled in the Statement of Movement in the General Fund Balance to the amount established by the relevant statutory provision.

	Expenditure	Income	Net Expenditure	Net Expenditure Restated
	2009/2010	2009/2010	2009/2010	2008/2009
	£	£	£	£
<b>Service :-</b>				
Central Services to the Public	19,867,767	16,689,100	3,178,667	2,993,103
Court Services	771,203	481,799	289,404	279,246
Cultural, Environmental and Planning	96,266,212	39,963,809	56,302,403	39,972,600
Childrens and Education	161,797,966	118,839,478	42,958,488	33,522,859
Highways, Roads and Transport	23,699,225	10,690,048	13,009,177	11,075,268
Local Authority Housing (HRA)	16,865,753	18,474,932	(1,609,179)	25,123,259
Other Housing Services	100,322,046	96,843,406	3,478,640	2,773,486
Adult Social Care	66,566,467	15,804,838	50,761,629	51,018,327
Corporate and Democratic Core	5,665,770	93,225	5,572,545	4,724,679
Non-Distributed Costs	216,586	-	216,586	1,950,455
<b>NET COST OF SERVICES</b>	<b>492,038,995</b>	<b>317,880,635</b>	<b>174,158,360</b>	<b>173,433,282</b>
<b>Corporate Income and Expenditure :-</b>				
		<b>Notes</b>		
Loss on disposal and decommissioning of fixed assets			1,110,657	241,154
Other Capital Income			(41,193)	(51,040)
Levies			233,442	227,715
Interest payable and similar charges			2,946,065	3,043,212
Contribution of housing capital receipts to Government			125,132	69,069
Interest and Investment Income			(3,662,110)	(4,895,753)
Pensions Interest Cost and Expected Return on Pensions Assets		<b>30</b>	12,243,000	8,789,000
<b>NET OPERATING EXPENDITURE</b>			<b>187,113,353</b>	<b>180,856,639</b>
<b>Principal Sources of Finance :-</b>				
Income from Council Tax			(78,683,450)	(75,039,491)
Revenue Support Grant			(10,168,875)	(6,516,855)
Local Authority Business Growth Incentive Grant			(186,200)	(780,392)
Area Based Grant			(8,228,179)	(8,164,306)
Non Domestic Rates Redistribution			(44,056,789)	(46,813,750)
PFI Support Grant			(1,254,181)	(1,254,181)
<b>Deficit / (Surplus) for the Year</b>			<b>44,535,679</b>	<b>42,287,664</b>

## STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE 2009/2010

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government shows as a charge in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

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

	2009/2010	2008/2009
	£	Restated £
<b>(Surplus) / Deficit for the Year on the Income and Expenditure Account</b>	44,535,679	42,287,664
Net Additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year (See Full Analysis on Page 20 )	(50,469,518)	(43,793,017)
(Increase) in General Fund Balance for the year	(5,933,839)	(1,505,353)
General Fund Balance Brought Forward	(12,146,082)	(10,640,729)
General Fund Balance Carried Forward	<u>(18,079,921)</u>	<u>(12,146,082)</u>

The Balance on the General Fund is available for new expenditure - the amounts relating to balances held by governors under schemes to finance schools are accounted for as earmarked reserves and not included in the General Fund Balance.

## STATEMENT OF THE MOVEMENT ON THE GENERAL FUND BALANCE 2009/2010

The net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance in the Statement of Movement on the General Fund Balance is analysed below :-

Analysis of reconciling item :-	Note	2009/2010	2008/2009 Restated
		£	£
<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>			
Depreciation and Impairment of General Fund Fixed Assets		(49,600,412)	(43,870,741)
Depreciation and Impairment of Intangible Assets		(145,969)	(27,260)
The excess depreciation charged to HRA Services over the Major Repairs Allowance element of Housing Subsidy		(44,585)	(32,834)
Government Grants Deferred amortisation		2,255,170	1,963,202
Grant Finance of Revenue Expenditure Funded from Capital under Statute		5,829,684	2,761,873
Revenue Expenditure Funded from Capital under Statute		(8,401,390)	(5,338,644)
Write down of Deferred Debtors Written Off financed from Capital		-	(168,050)
Loss on disposal and decommissioning of fixed assets		(921,628)	(73,949)
Other Capital Income		41,193	51,040
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt		104,483	4,506
Net Charges made for retirement benefits in accordance with FRS17		(25,186,587)	(26,828,457)
Difference between amounts credited to the Income and Expenditure Account and amounts to be recognised under statutory provisions relating to Council Tax		597,879	969,697
		<u>(75,472,162)</u>	<u>(70,589,617)</u>
<b>Amounts not included in Income and Expenditure but required to be included by statute when determining the movement on the General Fund for the year</b>			
Revenue Provision for Capital Financing		3,681,186	3,450,949
Capital Expenditure charged in year to Revenue		5,773,677	4,891,625
Transfer from Usable Capital Receipts to meet the Housing Capital Receipts Pool		(125,132)	(69,069)
Employer's Contributions Payable to Pension Fund and retirement benefits payable direct to pensioners		15,344,916	14,925,582
		<u>24,674,647</u>	<u>23,199,087</u>
<b>Transfers to or from General Fund balance required to be taken into account when determining movement on General Fund balance</b>			
Surplus / (Deficit) to Housing Revenue Account		327,327	(436,385)
Net transfer to or from earmarked reserves	23	670	4,033,898
		<u>327,997</u>	<u>3,597,513</u>
<b>Net additional amount required to be charged to the General Fund Balance for the year</b>		<u>(50,469,518)</u>	<u>(43,793,017)</u>

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES 2009/2010

This Statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes other gains and losses analysed below.

	2009/2010 £	2008/2009 Restated £
Deficit / (Surplus) on the Income and Expenditure Account	44,535,679	42,287,664
(Surplus) arising from the revaluation of Fixed Assets	(19,703,926)	(6,877,166)
Actuarial (Gains) and Losses on Pension Fund Assets and Liabilities	140,860,907	34,959,877
Total Recognised (Gains) / Losses for the Year	<u>165,692,660</u>	<u>70,370,375</u>

**Impact of Prior Period Adjustments made during the period to Reserves:-**

The bringing of the PFI Contract onto the Balance Sheet had the following impact on Reserve levels.

	Balance Sheet in 2008/2009 Statement of Accounts £	Adjustment due to change in accounting treatment £	Balance Sheet Comparative in 2009/2010 Statement of Accounts £
Capital Adjustment Account	(615,992,045)	279,287	(615,712,758)
Earmarked Reserves	(39,716,987)	(119,961)	(39,836,948)
Loss relating to Prior Period Adjustment		<u>159,326</u>	

<b>BALANCE SHEET</b>				
	<b>Note</b>	<b>2009/2010</b>	<b>2009/2010</b>	<b>2008/2009</b>
		<b>£</b>	<b>£</b>	<b>Restated</b>
				<b>£</b>
<b>INTANGIBLE ASSETS</b>			812,951	900,185
<b>TANGIBLE FIXED ASSETS</b>	<b>9</b>			
<b>Operational Assets</b>				
- Council Dwellings		260,240,003		258,571,132
- Other Land and Buildings		465,069,656		440,113,854
- Vehicles Plant and Equipment		8,234,794		8,605,044
- Infrastructure		69,024,269		63,578,839
- Community Assets		3,050,806		3,861,035
<b>Non-operational Assets</b>				
- Assets under Construction		219,097		1,607,412
- Investment Properties		335,000		27,245,230
- Surplus Assets		-		9,513,000
<b>TOTAL FIXED ASSETS</b>			806,173,625	813,095,546
Long Term Debtors			2,323,481	2,126,300
<b>TOTAL LONG TERM ASSETS</b>			809,310,057	816,122,031
<b>SHORT TERM ASSETS :-</b>				
Stock and Work in Progress		874,367		986,676
Short Term Debtors	<b>16</b>	30,904,845		33,343,252
Short Term Investments	<b>19</b>	61,428,536		56,681,379
Cash and Bank		8,538,936		9,164,167
			101,746,684	100,175,474
<b>TOTAL ASSETS</b>			911,056,741	916,297,505
<b>SHORT TERM LIABILITIES :-</b>				
Short Term Borrowing		579,395		6,281,673
PFI Capital Short Term		229,106		212,856
Creditors	<b>17</b>	38,983,749		38,728,760
Bank Overdraft		9,566,068		11,767,823
			49,358,318	56,991,112
<b>TOTAL ASSETS LESS SHORT TERM LIABILITIES</b>			861,698,423	859,306,393
Long Term Borrowing		24,500,000		24,500,000
PFI Capital Obligation		11,844,481		12,073,587
Provisions	<b>22</b>	13,283,304		10,395,954
Deferred Credits	<b>20</b>	1,479,000		1,479,000
Unapplied Capital Grants & Contributions		18,265,894		12,106,473
Capital Grants & Contributions Deferred	<b>21</b>	63,301,371		54,736,924
Pensions Liability	<b>30</b>	332,740,388		182,037,810
			465,414,438	297,329,748
<b>TOTAL ASSETS LESS LIABILITIES</b>			396,283,985	561,976,645



## BALANCE SHEET - contd

	Note	2009/2010	2008/2009
		£	Restated £
<b>FINANCED BY:</b>	<b>23</b>		
Revaluation Reserve		64,132,749	50,371,994
Capital Adjustment Account		585,309,930	615,712,758
Financial Instrument Adjustment Account		(624,470)	(728,952)
Usable Capital Receipts Reserve		17,793,112	22,914,919
Deferred Capital Receipts		537,305	569,924
Pensions Reserve		(332,740,388)	(182,037,810)
Provisions Adjustment Account		(3,000,000)	(3,000,000)
General Fund		18,079,921	12,146,082
Housing Revenue Account		3,381,569	3,054,242
Collection Fund Adjustment Account		1,432,427	834,548
Earmarked Reserves		39,837,618	39,836,948
Housing - Major Repairs Reserve		2,144,212	2,301,992
		<u>396,283,985</u>	<u>561,976,645</u>

## CASH FLOW STATEMENT

	Note	2009/2010	2009/2010	2008/2009
		£	£	Restated
REVENUE ACTIVITIES				£
<b>Cash Outflows :-</b>				
Cash paid to Employees		176,664,045		168,760,816
Other Operating Costs		155,959,510		164,929,811
Housing Benefit paid out		65,085,633		53,639,132
Revenue Expenditure Funded from Capital		8,401,390		5,338,644
Payment of Negative HRA Subsidy Grant		3,906,746		3,397,678
Payments to the Capital Receipts Pool		125,132		267,254
			410,142,456	396,333,335
<b>Cash Inflows :-</b>				
Rents (after Rebates)		10,954,660		9,200,905
Council Tax Receipts		66,360,487		64,334,448
Receipts from NNDR Pool	34	44,056,789		46,813,750
Revenue Support Grant	34	10,168,875		6,516,855
LABGI Grant	34	186,200		3,008,194
Area Based Grant	34	8,228,179		8,164,306
PFI Support Grant	34	1,254,181		1,254,181
DWP Grants for Rebates	34	76,825,747		63,948,684
Capital Grants for Revenue Expenditure	34	5,829,684		2,761,873
Other Government Grants	34	137,017,161		131,828,618
Cash Received for Goods & Services		62,280,194		55,499,356
Other Operating Cash Receipts		12,407,847		13,012,691
			435,570,004	406,343,861
<b>Net Revenue Activities</b>	<b>31</b>		<b>25,427,548</b>	<b>10,010,526</b>
<b>SERVICING OF FINANCE</b>				
<b>Cash Outflows :-</b>				
Interest Paid		1,469,301		1,913,464
Interest Element of PFI Payments		1,135,308		1,148,574
			2,604,609	3,062,038
<b>Cash Inflows :-</b>				
Interest Received		5,808,452		4,186,407
			5,808,452	4,186,407
<b>Net Servicing of Finance</b>			<b>3,203,843</b>	<b>1,124,369</b>
<b>CAPITAL ACTIVITIES</b>				
<b>Cash Outflows :-</b>				
Purchase of Fixed Assets		35,333,273		29,436,621
Deferred Debtor Advances		112,966		145,817
			35,446,239	29,582,438
<b>Cash Inflows :-</b>				
Capital Receipts		7,597,922		8,216,791
Capital Grants Received	34	16,579,698		12,609,294
			24,177,620	20,826,085
Net Capital Activities			(11,268,619)	(8,756,353)
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>			<b>17,362,772</b>	<b>2,378,542</b>

## CASH FLOW STATEMENT - contd

	Note	2009/2010	2009/2010	2008/2009
		£	£	Restated £
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING Bfwd</b>			17,362,772	2,378,542
<b>MANAGEMENT OF LIQUID RESOURCES</b>				
Net (Increase) / Decrease in Short Term Deposits	33		(7,000,000)	(4,500,000)
Net (Increase) / Decrease in Other Liquid Resources			(2,941,617)	783,117
			<u>(9,941,617)</u>	<u>(3,716,883)</u>
<b>FINANCING</b>				
<b>Cash Outflows :-</b>				
Repayments of Amounts Borrowed		(140,234,454)		(328,927,877)
Capital Element of PFI Payments		(212,856)		(197,758)
<b>Cash Inflows :-</b>				
New Loans Raised		-		-
New Short Term Borrowing		134,602,679		328,309,928
Net Financing			<u>(5,844,631)</u>	<u>(815,707)</u>
<b>INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>			<u>1,576,524</u>	<u>(2,154,048)</u>

**1 Undischarged Obligations arising from Long-Term Contracts****OPERATING LEASES**

The Council uses assets classified as vehicles, plant and equipment acquired under the terms of operating leases.

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Amounts paid in the year	276,834	253,504

The Council is committed to making payments of £272,020 under these leases in 2010/2011 comprising the following elements:

Leases expiring within 1 year	133,255
Leases expiring 2 - 5 years	138,765
Leases expiring 5 + years	-
	<u>272,020</u>

The total of all payments under these leases from 2011/2012 onwards is £138,765.

**2 Private Finance Initiative (PFI)**

The Council has a PFI contract for the provision of the Central Library and related IT equipment. The contract commenced on 11 March 2002 and is for a period of 30 years. For a full explanation of how this arrangement works see Statement of Accounting Policy 18.

The amounts included in the Balance Sheet that relate to PFI tangible assets are :-

	<b>2009/2010</b>	<b>2008/2009</b>
	£	Restated £
<b>Valuation</b>		
Brought Forward 1 April	13,416,083	13,416,083
Impairments	(2,006,731)	-
Revaluations	(1,579,352)	-
Carried Forward 31 March	<u>9,830,000</u>	<u>13,416,083</u>
<b>Depreciation</b>		
Brought Forward 1 April	(1,579,352)	(1,353,730)
Depreciation for year	(186,000)	(225,622)
Revaluations	1,579,352	-
Carried Forward 31 March	<u>(186,000)</u>	<u>(1,579,352)</u>
<b>Net Balance Sheet Carried Forward</b>	<u>9,644,000</u>	<u>11,836,731</u>

**2 Private Finance Initiative (PFI) - Contd**

The Total amount of Capital Obligation outstanding and movement in the year is as below :-

<b>PFI Capital Obligation Outstanding</b>	<b>2009/2010</b>	<b>2008/2009 Restated</b>
	£	£
Brought Forward 1 April	(12,286,443)	(12,484,201)
Repayment during year	212,856	197,758
Carried Forward 31 March	<u>(12,073,587)</u>	<u>(12,286,443)</u>

The Council is committed to making the following payments under the terms of the PFI contract. The payments are subject to change in accordance with the Retail Price Index (RPI). The amounts listed below are at March 2010 price base.

<b>Payments Due</b>	<b>Capital Obligation</b>	<b>Interest Element</b>	<b>Service Charge</b>
	£	£	£
Within one year	229,106	1,149,670	721,661
Within two to five years	1,105,207	4,409,897	2,886,644
Within six to ten years	1,927,591	4,966,289	3,608,305
Within eleven to fifteen years	2,784,660	4,109,220	3,608,305
Within sixteen to twenty years	4,022,810	2,871,070	3,608,305
Within twenty one to twenty five years	2,004,213	671,762	1,400,624

**3 Trading Operations**

The Council operates the following significant trading operations within the overall General Fund :-

**PAVILION and BIC**

The Pavilion complex incorporates a theatre and ballroom; the BIC constitutes a multi purpose centre for conferences, exhibitions, entertainments and leisure events. Whilst the Council operates all venues on a mainly commercial basis, it does require facilities to be provided consistent with Bournemouth's position as an "all year round resort".

Included in the income is a delegate subsidy of £1,585,441 from the Council in 2009/2010. The large rise in expenditure is due to an impairment in 2009/2010 of £10,030,071 due to a downward revaluation of the buildings.

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Income	15,975,526	17,208,474
Less Expenditure	27,555,955	17,634,407
Net Surplus / (Deficit)	<u>(11,580,429)</u>	<u>(425,933)</u>

Note the operation of this venue transferred to BH Live on 1 May 2010 - See Note 37.

## 3 Trading Operations - Contd

**AMUSEMENT CENTRES**

The amusement centre at Bournemouth Pier which provides gaming and amusement machines is operated in order to maximise income reducing the support costs of Seafront. The introduction of the Gambling Act has seen all arcades suffer with restricted ability to maximise trade. The income levels have been sustained by moving more towards the prize (crane) type machines but this has had a detrimental effect on expenditure with more prizes being purchased.

	2009/2010	2008/2009
	£	£
Income	1,134,111	1,111,566
Less Expenditure	738,282	655,499
Net Surplus / (Deficit)	<u>395,829</u>	<u>456,067</u>

**TRADE REFUSE**

The Council collects and disposes of commercial waste on behalf of businesses throughout the Borough. The operation generates a surplus in order to contribute to the Council's total waste management costs. The cost of Waste Disposal is increasing yearly due to a yearly escalator which increases the tax charged for waste disposed to Landfill by £8 per tonne each year. The council continues to work with residents and commercial customers to minimise waste, increase recycling and reduce the volume of waste taken to Landfill.

	2009/2010	2008/2009
	£	£
Income	1,026,286	884,761
Less Expenditure	927,504	813,967
Net Surplus / (Deficit)	<u>98,782</u>	<u>70,794</u>

**GOLF COURSE MANAGEMENT**

An 18 hole golf course is provided which also offers bar and buffet facilities.

	2009/2010	2008/2009
	£	£
Income	473,757	470,374
Less Expenditure	592,332	608,199
Net Surplus / (Deficit)	<u>(118,575)</u>	<u>(137,825)</u>

**CATERING**

The operation consists of five temporary catering outlets on the seafront. Trade is wholly weather dependant and the increased income reflects a good start to the 09/10 summer season.

	2009/2010	2008/2009
	£	£
Income	549,360	482,755
Less Expenditure	403,157	361,100
Net Surplus / (Deficit)	<u>146,203</u>	<u>121,655</u>

**LITTLEDOWN CENTRE**

The facility offers a variety of sports/recreational activities ranging from gym facilities, exercise classes, swimming and spa facilities.

	2009/2010	2008/2009
	£	£
Income	4,261,210	4,303,112
Less Expenditure	5,675,325	5,698,954
Net Surplus / (Deficit)	<u>(1,414,115)</u>	<u>(1,395,842)</u>

Note the operation of this venue transferred to BH Live on 1 May 2010 - See Note 37.

**4 Pooled Budgets**

Section 75 of the Health Act 2006 contains powers that enable health and local authorities to work together for the benefit of clients of their services by using pooled budgets and the delegation of functions. A pooled budget is a mechanism by which the partners to the agreement bring money to form a discrete 'fund'. The purpose and scope of the fund is agreed at the outset and then used to pay for the services and activities for the relevant client group.

The council contributed to one pooled budget during 2009/2010.

Integrated Community Equipment Store: is a pooled budget arrangement between all the principal local and health authorities in Dorset. This Council acts as the 'host' Authority for this budget. The scheme commenced 1st January 2004. Gross income was £2,055,811 (2008/09 £4,390,600) of which this Council's contribution was £450,000 (2008/09 £504,000). All of the Pooled Budget has been spent.

**5 Members' Allowances**

In accordance with the Local Authorities (Members' Allowances) Regulations 2003 the Council publishes each year details of the total amount of basic allowance, special responsibility allowance, travel allowance, subsistence allowance, carer's allowance and co-optees allowance paid to Members of Bournemouth Borough Council.

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Total Allowances Paid	792,600	792,109

**6 Officer's Emoluments**

The number of directly employed employees whose gross remuneration, excluding employer pension contributions was £50,000 or more in bands of £5,000 were :-

Remuneration Band	<b>2009/2010</b>	<b>2008/2009</b>
	No. of Employees	No. of Employees
£50,000 - £54,999	39	39
£55,000 - £59,999	40	21
£60,000 - £64,999	7	5
£65,000 - £69,999	5	4
£70,000 - £74,999	10	10
£75,000 - £79,999	7	5
£80,000 - £84,999	1	1
£85,000 - £89,999	1	1
£90,000 - £94,999	-	2
£95,000 - £99,999	2	1
£100,000 - £104,999	1	3
£105,000 - £109,999	4	1
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	1	1
Total	<u>118</u>	<u>94</u>

## Officer's Emoluments - Contd.

Officer's Emoluments  Individual Posts of Senior Employees :-	£	£	£	£	£	£	£	£	£	£
	Salary, Fees, Allowances	Expenses Allowances	Compensation for loss of Employment	Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions			
<b>2008/2009 :-</b>										
<b>Chief Executive</b>	125,481	1,095	-	-	126,576	22,693	149,269			
<b>Executive Directors :-</b>										
Adult and Community Services	103,852	1,095	-	-	104,947	18,797	123,744			
Children and Families Services	103,850	1,095	-	-	104,945	18,797	123,742			
Environment and Economic Services	106,978	1,095	-	-	108,073	18,797	126,870			
<b>Service Directors :-</b>										
Managing Director of BIC, Pavilion Partnerships and Improvement	89,144	1,095	-	-	90,239	16,076	106,315			
Adult and Community Support - started 23 June 2008	70,940	1,095	-	-	72,035	12,840	84,875			
Children's Strategic Services	54,744	756	-	-	55,500	9,909	65,409			
Children's Social Care	70,940	1,095	-	-	72,035	12,840	84,875			
Children's Social Care	75,940	1,095	-	-	77,035	13,745	90,780			
Planning and Transport Information, Culture and Community	70,940	1,095	-	-	72,035	12,840	84,875			
Learning	70,940	1,095	-	-	72,035	12,840	84,875			
Children's Learning and Engagement	70,940	1,095	-	-	72,035	12,840	84,875			
Tourism and Corporate Communications	71,047	1,095	-	-	72,142	12,840	84,982			
Community Care	70,940	1,095	-	-	72,035	12,840	84,875			
Technical Services	78,574	1,095	-	581	80,250	14,202	94,452			
Leisure	72,748	1,095	-	581	74,424	13,148	87,572			
Environmental Health and Consumer Services	72,748	1,095	-	581	74,424	13,148	87,572			
Housing Landlord Resources	79,222	1,095	-	581	80,898	14,339	95,237			
Law and Governance	77,112	1,095	-	-	78,207	13,953	92,160			
	77,088	1,095	-	-	78,183	13,953	92,136			
	1,614,168	21,561	-	2,324	1,638,053	291,437	1,929,490			



## Officer's Emoluments - Contd.

Officer's Emoluments	Salary, Fees, Allowances	Expenses Allowances	Compensation for loss of Employment	Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
Individual Posts of Senior Employees :-	£	£	£	£	£	£	£
<b>2009/2010 :-</b>							
<b>Chief Executive</b>	125,481	1,170	-	-	126,651	22,692	149,343
<b>Executive Directors :-</b>							
Environment and Economic Services	105,661	1,170	-	-	106,831	18,797	125,628
Children and Families Services	103,850	1,170	-	-	105,020	18,797	123,817
Adult and Community Services	103,850	1,170	-	-	105,020	18,797	123,817
<b>Service Directors :-</b>							
Managing Director of BIC, Pavilion Partnerships and Improvement	88,814	1,170	-	-	89,984	16,016	106,000
Adult and Community Support	70,940	1,170	-	-	72,110	12,840	84,950
Children's Strategic Services	70,940	1,170	-	-	72,110	12,840	84,950
Children's Social Care	76,185	1,170	-	-	77,355	13,790	91,145
Planning and Transport	73,440	1,170	-	-	74,610	13,293	87,903
Information, Culture and Community Learning	71,021	1,167	36,055	-	108,243	157,599	265,842
Children's Learning and Engagement	70,940	1,170	-	-	72,110	12,840	84,950
Tourism and Corporate Communications	71,048	1,170	-	-	72,218	12,840	85,058
Community Care	70,940	1,170	-	-	72,110	12,840	84,950
Technical Services	77,571	1,170	-	581	79,322	14,126	93,448
Leisure	72,167	1,170	-	581	73,918	13,148	87,066
Environmental Health and Consumer Services	72,167	1,170	-	581	73,918	13,148	87,066
Housing Landlord	73,705	1,170	-	581	75,456	13,446	88,902
Resources	77,109	1,170	-	-	78,279	13,953	92,232
Law and Governance	77,088	1,170	-	-	78,258	13,953	92,211
Human Resources and Organisational Development - started 2 November 2009	29,361	484	-	-	29,845	5,314	35,159
	1,653,218	23,881	36,055	2,324	1,715,478	443,909	2,159,387

**Officer's Emoluments - Contd**

In addition to the directly employed staff there are a number of staff employed by the governing bodies of Foundation, Voluntary Aided and Trust Schools. The numbers of these employees whose gross remuneration, excluding employer pension contributions was £50,000 or more in bands of £5,000 were :-

Remuneration Band	2009/2010 No. of Employees	2008/2009 No. of Employees
£50,000 - £54,999	9	5
£55,000 - £59,999	11	14
£60,000 - £64,999	7	1
£65,000 - £69,999	3	3
£70,000 - £74,999	1	1
£75,000 - £79,999	-	1
£80,000 - £84,999	1	2
£85,000 - £89,999	2	-
£90,000 - £94,999	-	1
£95,000 - £99,999	-	1
£100,000 - £104,999	-	-
£105,000 - £109,999	1	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
Total	<u>35</u>	<u>29</u>

**7 Related Party Transactions**

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

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. Housing Benefit). Details of transactions with Government Departments are set out in Note 34 to the Core Financial Statements - Analysis of Grants in Cash Flow .

Members of the Council have direct control over the Council's financial and operating policies. During 2009/2010 the Council entered into transactions totalling £36.8m with companies and other organisations declared in the register of Members' interests at 31 March 2010. The majority of this relates to amounts paid to Dorset Fire and Rescue Service (£3.8m), Dorset Police Authority (£13.6m), Dorset County Council (£1.8m) and Dorset Pension Fund (£14.7m). Any declarations of interest are properly recorded in the register of Members' interests which is open to public inspection.

Chief Officers have the ability to influence the Council. During 2009/2010 the Council entered into transactions totalling £1.5m with organisations declared in their register of interests.

**8 Audit Costs**

The Council incurred the following fees relating to external audit and inspection.

	2009/2010 £	2008/2009 £
External audit services carried out by the appointed auditor	272,849	257,560
Statutory Inspection	16,630	22,395
Certifying Grant Claims and Returns	43,888	28,743
Other services provided by the appointed auditor	-	-
Total	<u>333,367</u>	<u>308,698</u>

**9 Fixed Assets****Operational Assets**

For the analysis of movements in the year for Operational Assets please see the table on page 34

Non Operational Assets	Assets Under Construction £	Investment Properties £	Surplus Assets £	Total Non Operational Assets £
<b>Cost or Valuation</b>				
Brought Forward 1 April 2009	1,607,412	27,245,230	10,129,000	38,981,642
Additions	179,139	-	-	179,139
Disposals and Decommissions	-	-	(6,871,000)	(6,871,000)
Impairments	-	(3,563,808)	-	(3,563,808)
Reclassification	(1,567,454)	(26,360,129)	(7,783,000)	(35,710,583)
Revaluations	-	3,013,707	4,525,000	7,538,707
Balance Carried Forward 31 March 2010	<u>219,097</u>	<u>335,000</u>	<u>-</u>	<u>554,097</u>
<b>Depreciation</b>				
Brought Forward 1 April 2009	-	-	(616,000)	(616,000)
Depreciation for year	-	-	-	-
Disposals and Decommissions	-	-	-	-
Reclassification	-	(82,693)	-	(82,693)
Revaluations	-	82,693	616,000	698,693
Balance Carried Forward 31 March 2010	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance Sheet Amount 1 April 2009	<u>1,607,412</u>	<u>27,245,230</u>	<u>9,513,000</u>	<u>38,365,642</u>
Balance Sheet Amount 31 March 2010	<u>219,097</u>	<u>335,000</u>	<u>-</u>	<u>554,097</u>
<b>Nature of Asset Holding 31 March 2010</b>				
Owned	<u>219,097</u>	<u>335,000</u>	<u>-</u>	<u>554,097</u>

9 Fixed Assets - Operational Assets

Fixed Assets	Council Dwellings £	Other Land and Buildings £	Vehicles Plant and Equipment £	Infrastructure £	Community Assets £	Total Operational Assets £
<b>Operational Assets</b>						
<b>Cost or Valuation</b>						
Brought Forward 1 April 2009	262,015,035	457,867,651	15,756,331	112,403,354	7,404,361	855,446,732
Additions	5,867,910	19,639,456	1,641,652	8,180,117	37,854	35,366,989
Disposals and Decommissions	(60,280)	(2,051,174)	(338,473)	-	-	(2,449,927)
Impairments	(1,224,755)	(30,358,406)	-	-	(4,771)	(31,587,932)
Reclassification	179,138	33,680,097	134,881	2,560,669	(844,202)	35,710,583
Revaluations	(2,916,603)	(327,570)	-	-	(5,369)	(3,249,542)
Balance Carried Forward 31 March 2010	263,860,445	478,450,054	17,194,391	123,144,140	6,587,873	889,236,903
<b>Depreciation</b>						
Brought Forward 1 April 2009	(3,443,903)	(17,753,798)	(7,151,287)	(48,824,515)	(3,543,326)	(80,716,829)
Depreciation for year	(3,620,442)	(6,657,663)	(2,100,126)	(5,279,643)	(411,240)	(18,069,114)
Disposals and Decommissions	-	75,303	294,504	-	-	369,807
Reclassification	-	(311,036)	(2,688)	(15,713)	412,130	82,693
Revaluations	3,443,903	11,266,796	-	-	5,369	14,716,068
Balance Carried Forward 31 March 2010	(3,620,442)	(13,380,398)	(8,959,597)	(54,119,871)	(3,537,067)	(83,617,375)
Balance Sheet Amount 1 April 2009	258,571,132	440,113,853	8,605,044	63,578,899	3,861,035	774,729,903
Balance Sheet Amount 31 March 2010	260,240,003	465,069,656	8,234,794	69,024,269	3,050,806	805,619,528
<b>Nature of Asset Holding 31 March 2010</b>						
Owned	260,240,003	455,425,656	8,234,794	69,024,269	3,050,806	795,975,528
PFI	-	9,644,000	-	-	-	9,644,000
	260,240,003	465,069,656	8,234,794	69,024,269	3,050,806	805,619,528

**9 Fixed Assets contd**

During each year the assets are reviewed as to their classification and if necessary they are moved between asset types. When assets are reclassified from operational, where depreciation is chargeable, to non operational, where depreciation is not chargeable they are transferred with their cumulative depreciation. This continues to be shown until the asset is revalued.

During the year the following major capital receipts resulted from the disposal of Fixed Assets - Terrace Mount Car Park £4.8m and the sale of land at Madeira Road £1.6m.

**10 Intangible Assets**

Analysis of the movement in balances for intangible assets is shown below :-

<b>Cost or Valuation</b>	<b>Software Licences £</b>
Brought Forward 1 April 2009	927,445
Additions	58,735
Disposals and Decommissions	-
Impairments	-
Reclassification	-
Revaluations	-
Balance Carried Forward 31 March 2010	<u>986,180</u>
<b>Depreciation</b>	
Brought Forward 1 April 2009	(27,260)
Depreciation for year	(145,969)
Disposals and Decommissions	-
Reclassification	-
Revaluations	-
Balance Carried Forward 31 March 2010	<u>(173,229)</u>
Balance Sheet Amount 1 April 2009	<u>900,185</u>
Balance Sheet Amount 31 March 2010	<u>812,951</u>

## 11 Summary of Capital Expenditure and Sources of Finance

	2009/2010	2008/2009
	£	Restated £
<b>Opening Capital Financing Requirement</b>	94,151,724	92,781,928
<b>Capital Investment :-</b>		
- Intangibles	58,735	791,143
- Fixed Assets	35,546,128	27,410,343
- Deferred Debtors	112,966	145,817
Sub Total Capital Expenditure	35,717,829	28,347,303
<b>Revenue Expenditure Funded from Capital under Statute (REFCUS)</b>	8,401,390	5,338,644
<b>Sources of Finance :-</b>		
- Capital Receipts	(13,189,810)	(9,775,944)
- Government Grants and Contributions	(16,649,303)	(11,646,674)
- Revenue Finance	(5,773,677)	(4,891,625)
- Major Repairs Reserve	(3,733,637)	(2,550,959)
<b>Other Sums set aside from Revenue :-</b>		
- Revenue Provision for Repayment of Borrowing	(3,681,186)	(3,450,949)
<b>Closing Capital Financing Requirement</b>	95,243,330	94,151,724
<b>Explanation of movements in year :-</b>		
Increase in underlying need to borrow (supported by Government financial assistance)	152,339	948,966
Increase in underlying need to borrow (unsupported by Government financial assistance)	939,267	420,830
<b>Increase in Capital Financing Requirement</b>	1,091,606	1,369,796

## 12 Commitments under Capital Contracts

Major commitments under Capital Contracts at 31 March were as follows :-

	2010	2009
	£	£
NHS Campus Reprovision	4,266,190	-
Pelham's Park Leisure Centre	2,532,510	-
Imax Acquisition	3,644,000	-
Slades Farm - park extension	882,000	-
Mallard Road - affordable housing	1,011,300	-
Pavilion Dance Centre - construction & fit out of centre	2,280,380	3,139,715
Kinson Community Library & Information Centre	668,800	2,099,996
New Mortuary	2,464,930	2,246,015
Boscombe Spa Village	-	2,030,456

**13 Assets Owned at 31 March**

The fixed asset figures include the Council's wide portfolio of holdings such as Council Housing, Administrative Buildings, Leisure Facilities, Libraries, Education Properties, Social Services Establishments, Highways and significant areas of Open Space. The analysis below gives an indication of the actual assets that are held by the Council :-

	<b>2010</b>	<b>2009</b>
Council Housing	5,097	5,098
Main Administrative Buildings	2	2
Sports Pavilions	24	24
Beach Catering Outlets	25	25
Sports Centres	4	3
Entertainment Complexes	2	2
Libraries	10	10
Youth Centres	7	7
Schools - Local Education Authority's	23	23
Social Services Establishments	18	18
Public Conveniences	46	48
Golf Courses	3	3
Amusement Centres	3	3
Piers	2	2
Car Parks	41	43
Length of Roads (km)	530	530

**14 Valuation Information**

Other Land and Buildings and Investment properties are revalued on a five year rolling basis, the proportion of the total of these assets valued over the previous financial years is as follows. Where an asset reaches its revaluation date it is checked to see if there is any major work planned which would affect the valuation. If that is the case the revaluation is postponed until the work has been carried out. The valuations are carried out using the Authority's Property Services section who hold the Fellow of the Royal Institute of Chartered Surveyors (FRICS) qualification.

<b>Year of Valuation</b>	<b>Other Land and Buildings</b>		<b>Investment</b>
	<b>Valuation</b>	<b>Depreciation</b>	<b>Assets</b>
	<b>£</b>	<b>£</b>	<b>Valuation</b>
Historic and Awaiting Completion of Major Works	1,984,577	311,944	-
2005/2006	39,845,047	3,302,936	-
2006/2007	3,274,189	284,821	-
2007/2008	76,741,813	3,999,032	90,000
2008/2009	109,641,051	2,605,935	220,000
2009/2010	246,963,377	2,875,730	25,000
	<b>478,450,054</b>	<b>13,380,398</b>	<b>335,000</b>

**15 Analysis of Net Assets Employed**

	<b>31 March 2010</b>	<b>31 March 2009</b>
	<b>£</b>	<b>Restated</b>
		<b>£</b>
<b>General Fund</b>	144,571,462	306,519,458
<b>Housing Revenue Account</b>	251,712,523	255,457,187
	<b>396,283,985</b>	<b>561,976,645</b>

16	Short Term Debtors	31 March 2010	31 March 2009 Restated
		£	£
	<b>Non Financial Instruments</b>		
	<b>Collection Fund Amounts :-</b>		
	Council Tax debtors	7,330,705	6,670,146
	Bad Debts provision - Council Tax	(4,855,044)	(3,918,176)
	Preceptors Balances	-	78,259
	NNDR Balance	4,948,877	1,863,181
	<b>Total Collection Fund Amounts</b>	7,424,538	4,693,410
	<b>Other Non Financial Instrument Amounts :-</b>		
	HM Revenue and Customs (VAT)	1,053,697	677,049
	Payments in Advance	6,346,156	8,361,262
	Government Debtors relating to Grants	3,812,342	4,588,189
	<b>Total Non Financial Instruments</b>	18,636,733	18,319,910
	<b>Financial Instruments</b>		
	Government and Other Public Bodies	3,629,018	6,325,702
	Rent Arrears	207,620	214,651
	Other Goods and Services	11,960,888	11,615,731
	Bad Debts provision - Impairment	(3,529,414)	(3,132,742)
	<b>Total Financial Instruments</b>	12,268,112	15,023,342
	<b>Total Short Term Debtors per Balance Sheet</b>	30,904,845	33,343,252
17	Creditors	31 March 2010	31 March 2009 Restated
		£	£
	<b>Non Financial Instruments</b>		
	<b>Collection Fund Amounts :-</b>		
	Council Tax Prepayments	(1,391,133)	(1,500,290)
	Preceptors Balances	(65,820)	-
	NNDR Balance	-	-
	<b>Total Collection Fund Amounts</b>	(1,456,953)	(1,500,290)
	<b>Other Non Financial Instrument Amounts :-</b>		
	HM Revenue and Customs payroll deductions	(2,570,599)	(2,566,777)
	Receipts in Advance	(15,463,837)	(16,726,244)
	Government Creditors relating to Grants	(356,489)	-
	<b>Total Non Financial Instruments</b>	(19,847,878)	(20,793,311)
	<b>Financial Instruments</b>		
	Government and Other Public Bodies	(3,468,510)	(5,550,274)
	Other Creditors	(15,667,361)	(12,385,175)
	<b>Total Financial Instruments</b>	(19,135,871)	(17,935,449)
	<b>Total Creditors per Balance Sheet</b>	(38,983,749)	(38,728,760)



**18 Landfill Allowances**

For a brief background on the Landfill Allowance Trading Scheme see Statement of Accounting Policy 19 which explains the operation and accounting of the scheme.

At year end the accounts show the balance of allowances the Council has valued in accordance with guidance from the Department for Environment, Food and Rural Affairs (DEFRA) and the expected liability in terms of allowances required for the estimated amount of landfill during the year. The actual allowances used are calculated in September at which stage the allowances used are "cashed in" leaving any allowances unused to be carried forward to future years or sold to other Councils.

At 31 March 2010 there was no demand for LATS allowances and because of this the fair value for 2009/2010 has been set at nil. However, the Council hold more LATS allowances than are required to cover the amount of landfill carried out in 2009/2010 which will be required in September by DEFRA.

	<b>31 March 2010</b>	<b>31 March 2009</b>
	£	£
Stock of Allowances held	-	-
Estimated Liability for year (included in Government and Public Bodies Creditors)	-	-

**19 Short Term Investments**

This represents the Council's surplus funds which are invested for less than one year in accordance with the Council's Treasury Management Strategy. The sums are lodged with approved financial institutions.

**20 Deferred Credits**

This figure represents Government Grant that has been received in connection with the Library PFI in advance of when amounts are due to be paid to the provider. The amount will be written back to revenue when the grant level in the year falls below the payment required.

**21 Capital Grants and Contributions Deferred**

Sums are received from the Government and Developers towards the cost of certain capital schemes. When these amounts are received they are put to the Unapplied Capital Grants and Contributions Account. As the amounts are used to finance Capital Schemes they are transferred to the Capital Grants and Contributions Deferred Account .

The balance on this account represents the value of external contributions that have been used to finance Capital Expenditure. This amount is then credited back to the service revenue accounts in line with how the item is depreciated.

	<b>31 March 2009</b>	<b>In / (Out)</b>	<b>31 March 2010</b>
	£	£	£
Capital Grants and Contributions Deferred	54,736,924	8,564,447	63,301,371

22 Provisions	31 March 2009 Restated	In / (Out)	31 March 2010
	£	£	£
Insurance Provisions	2,395,954	589,878	2,985,832
Other Provisions	8,000,000	2,297,472	10,297,472
	<u>10,395,954</u>	<u>2,887,350</u>	<u>13,283,304</u>

Since April 1992, the Council's insurance strategy has been primarily to be self insured, with claims falling within self insured limits being funded from the Insurance Fund. As an indication, the current insurance arrangements require the Insurance Fund to meet any Liability, Fidelity Guarantee, and Professional Indemnity claims under £37,500 and Material Damage claims under £25,000 except losses involving storm/wet perils where the excess is £50,000. To limit the exposure for each year, "stop-loss" cover is arranged annually and the current stop is at £1,100,000. The Fund is financed by contributions from all Business Units.

On 30 September 1992 the Council's insurers at the time, Municipal Mutual Insurance (MMI), ceased accepting new business. The Council has a number of outstanding claims with MMI and arrangements are in place to enable an orderly settlement of the sums due. The estimated value of claims submitted to MMI as at 31 March 2010 was £512,950.

### 23 Reserves

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

The movements on Reserves during the year were :-	Balance 31 March 2009 Restated	Net Movement in Year	Balance 31 March 2010
	£	£	£
<b>Earmarked Reserves :-</b>			
Established to earmark resources for future spending plans. Note Schools' Balances are unspent delegated balances and are only available to be spent by Schools.			
Other Earmarked Reserves	17,784,238	2,796,488	20,580,726
Schools' Balances	4,125,654	(340,013)	3,785,641
Renewal Funds	418,056	161,574	579,630
Repairs and Improvements	495,530	(79,669)	415,861
Capital Fund	2,580,220	1,104,038	3,684,258
Insurance & Contingent Liabilities	14,446,380	(2,255,131)	12,191,249
	<u>39,850,078</u>	<u>1,387,287</u>	<u>41,237,365</u>
Borrow to Invest Scheme	(13,130)	(1,386,617)	(1,399,747)
<b>Net Earmarked Reserves</b>	39,836,948	670	39,837,618
<b>Revaluation Reserve</b>	50,371,994	13,760,755	64,132,749
Store of gains on revaluation of Fixed Assets. - See Note 24.			
<b>Capital Adjustment Account</b>	615,712,758	(30,402,828)	585,309,930
Store of Capital Resources set aside to fund past Capital Expenditure. See Note 26.			
<b>Subtotal Carried Forward</b>	<u>705,921,700</u>	<u>(16,641,403)</u>	<u>689,280,297</u>

23 Reserves - Contd.

The movements on Reserves during the year were :-	Balance 31 March 2009 Restated	Net Movement in Year	Balance 31 March 2010
	£	£	£
<b>Subtotal Brought Forward</b>	705,921,700	(16,641,403)	689,280,297
<b>Financial Instrument Adjustment Account</b> Represents the adjustments in the accounts relating to Financial Instruments that have been deferred from being charged to the General Fund. See Note 25.	(728,952)	104,482	(624,470)
<b>Usable Capital Receipts Reserve</b>  Proceeds of Fixed Asset Sales available to fund future Capital Investment. See Note 27.	22,914,919	(5,121,807)	17,793,112
<b>Deferred Capital Receipts</b>  Outstanding mortgages relating to Council House Sales and Loans due from Police and Probation Service acquired at Local Government Reorganisation. When received these sums will be available to fund Future Capital Investment.	569,924	(32,619)	537,305
<b>Pensions Reserve</b>  Balancing Account to allow inclusion of Pension Liability in Balance Sheet. See Note 30.	(182,037,810)	(150,702,578)	(332,740,388)
<b>Provisions Adjustment Account</b> Represents the amount of a Provision which has been deferred from being charged to the General Fund - in accordance with the Accounting Regulations 2007.	(3,000,000)	-	(3,000,000)
<b>General Fund</b> Resources available to meet future running costs of non HRA Services. See Pages 18 and 19.	12,146,082	5,933,839	18,079,921
<b>Housing Revenue Account</b> Resources available to meet future running costs of HRA Council Houses. See Page 62.	3,054,242	327,327	3,381,569
<b>Subtotal Carried Forward</b>	558,840,105	(166,132,759)	392,707,346

## 23 Reserves - Contd.

The movements on Reserves during the year were :-	Balance 31 March 2009 Restated	Net Movement in Year	Balance 31 March 2010
	£	£	£
<b>Subtotal Brought Forward</b>	558,840,105	(166,132,759)	392,707,346
<b>Collection Fund</b> Council's share of the year end balance on the Collection Fund. This account collects amounts due from Council Tax Payers and distributes it to the Council and preceptors. See Page 68.	834,548	597,879	1,432,427
<b>Housing Major Repairs Reserve</b> Resources available to meet Capital Investment in Council Housing. See Note 3 of the Housing Revenue Account.	2,301,992	(157,780)	2,144,212
Total	561,976,645	(165,692,660)	396,283,985

## 24 Revaluation Reserve

The movements on the Revaluation Reserve can be summarised as follows :-

	2009/2010 £	2008/2009 £
Balance as at 1 April	50,371,994	50,952,230
Net Gain / Loss on revaluations in year	19,703,925	6,877,166
Release of Revaluation gains on disposal	(5,465,398)	(6,412,144)
Depreciation in excess of historic cost	(477,772)	(1,045,258)
Balance as at 31 March	64,132,749	50,371,994

## 25 Financial Instrument Adjustment Account

The movements on the Financial Instrument Adjustment Account can be summarised as follows :-

	2009/2010 £	2008/2009 £
Balance as at 1 April	(728,952)	(733,458)
Debt Redemption Adjustment	48,607	83,676
Soft Loans - Initial Cost to Service	(50,627)	(170,486)
Soft Loans - Amortise to Interest Receivable	106,502	91,316
Balance as at 31 March	(624,470)	(728,952)

**26 Capital Adjustment Account**

The movements on the Capital Adjustment Account can be summarised as follows :-

	<b>2009/2010</b>	<b>2008/2009</b>
	£	Restated £
Balance as at 1 April	615,712,758	643,348,511
Statement of Movement in General Fund Balance :-		
Capital Expenditure Charged in the year to Revenue	5,773,677	4,891,625
Depreciation and impairment of General Fund Fixed assets	(49,746,381)	(43,898,001)
Govt Grants Deferred Amortisation	2,255,170	1,963,202
REFCUS	(8,401,390)	(5,338,644)
Grant Finance of REFCUS	5,829,684	2,761,873
Revenue Provision for Capital Financing	3,681,186	3,450,949
Write out financing on disposal / decommission	(8,951,119)	(7,628,792)
Write down of deferred debtors financed from capital	-	(168,050)
Capital Receipts Reserve :-		
Financing of Capital Expenditure - Capital Receipts	13,189,810	9,775,944
Deferred Debtors repaid	(89,830)	(10,317)
Housing Major Repairs Reserve :-		
Financing of Capital Expenditure - MRR	3,733,637	2,550,959
HRA Depreciation Charge	(3,620,442)	(3,443,903)
Revaluation Reserve :-		
Release of revaluation gains on disposal	5,465,398	6,412,144
Depreciation in excess of Historic Cost	477,772	1,045,258
Balance as at 31 March	<u>585,309,930</u>	<u>615,712,758</u>

**27 Usable Capital Receipts Reserve**

The movements on the Usable Capital Receipts Reserve can be summarised as follows :-

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Balance as at 1 April	22,914,919	25,098,549
Net Capital Receipts including Deferred Capital Receipts	8,193,135	7,661,383
Housing Capital Receipts payable to the Government	(125,132)	(69,069)
Financing of Capital Expenditure	(13,189,810)	(9,775,944)
Balance as at 31 March	<u>17,793,112</u>	<u>22,914,919</u>

**28 Contingent Liabilities**

The Council entered into a number of warranties associated with the sale of its holding in Bournemouth Transport Limited in 2005/2006. The warranties are subject to a cap of £5m in total and cover a period of seven years from the date of sale and relate to possible claims against the current owner that relate to events before the sale date.

All of these warranties are being actively managed by the Council to minimise their impact. A proportion of the Capital Receipt is being retained until these warranties expire to protect the Council against the possible impact of these contingent liabilities materialising. As at 31 March 2010 none have materialised.

**29 Amounts Administered on behalf of Third Parties**

**TRUST FUNDS**

The Council acts as sole trustee for a number of legacies left by former inhabitants of the Borough. The funds are used to help the elderly residents of the Borough, paid to an approved voluntary agency etc.

The transactions for the funds are summarised below :-

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Balance at 1 April brought forward	171,187	209,136
(Funds Transferred) / New Funds	-	500
Income	699	9,204
Expenditure	(32,474)	(47,653)
Balance at 31 March carried forward	<u>139,412</u>	<u>171,187</u>

The Trust fund balances are invested with the Council excepting those invested with The Mercantile Trust, which are valued at cost. The funds do not represent assets of the Council and are not included in the Balance Sheet.

**Investment Analysis**

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Funds with the Council	136,529	168,304
External Investments	2,883	2,883
Total	<u>139,412</u>	<u>171,187</u>

**REGISTERED CHARITIES**

**RUSSELL-COTES ART GALLERY AND MUSEUM CHARITABLE TRUST**

The trust was created under Indentures of 1908, 1918 and 1920 between Bournemouth Borough Council's predecessor body the County Borough of Bournemouth Corporation and Sir Merton and Lady Russell-Cotes. In 1962 a charity was formed to take over responsibility for the house and contents.

Under the Indentures, the house and its collection were gifted to the Council for the purpose of forming an art gallery and museum for the use, benefit, and enjoyment of the inhabitants of and visitors to Bournemouth.

## 29 TRUST FUNDS contd

**RUSSELL-COTES ART GALLERY AND MUSEUM CHARITABLE TRUST - contd**

The original Indentures were varied by s.57 Bournemouth Borough Council Act 1985. This requires that the Council manage, regulate, control and deal with the trust, premises and property by means of a management committee appointed by them in accordance with the Local Government Act 1972.

Historically the Council, in its role as local authority, has provided donated services each year sufficient for the trust to achieve breakeven. This is currently the policy that is expected to continue.

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Net Donated Services in Income and Expenditure Account	711,662	734,258

The Russell-Cotes Art Gallery and Museum Charitable Trust issue their own Statement of Accounts which is available from the Service Director, Resources at the Town Hall.

**THE LOWER CENTRAL GARDENS BOURNEMOUTH CHARITABLE TRUST**

The trust was created in 1873 under an Indenture between Bournemouth Borough Council's predecessor body the Bournemouth Commissioners and Sir George Elliott Meyrick Tapps Gervis.

Under the Indenture, the Council are to maintain the land as public gardens for the inhabitants of Bournemouth.

Historically the Council, in its role as local authority, has provided donated services each year sufficient for the trust to achieve breakeven. This is currently the policy that is expected to continue.

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Net Donated Services in Income and Expenditure Account	170,573	126,468

The Lower Central Gardens Bournemouth Charitable Trust issue their own Statement of Accounts which is available from the Service Director, Resources at the Town Hall.

**OTHER THIRD PARTY FUNDS ADMINISTERED BY THE COUNCIL**

In addition to the above, certain sums, not included in the Council's Statement of Accounts, are held in bank accounts under the Council's control. The balances held are as below:-

	<b>Balance</b>	<b>Balance</b>
	<b>31 March 2010</b>	<b>31 March 2009</b>
	£	£
Performance Bonds	-	-
Court of Protection Clients	475,244	432,127
Criminal Injury Compensation Payments	27,442	62,327
Other	135,383	63,585
	<b>638,069</b>	<b>558,039</b>

**30 Retirement Benefits**

**PARTICIPATION IN PENSION SCHEMES**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council must disclose its liability to make these payments at the time the employees earn their future entitlement.

**The authority participates in two pension schemes :-**

**The Local Government Pension Scheme administered by Dorset County Council :-**

This is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

**The Teachers' Pension Scheme, administered by the Department for Children, Schools and Families (DCSF) :-**

In addition to the standard Teachers Pensions Scheme the Council has the option to grant enhancements to employees on early retirement. This element of their pension is paid on a pay-as-you-go basis by the Council over the life of the pensioner. This additional liability is not covered by the normal contributions paid into the scheme and is accounted for as a defined benefit scheme.

**TRANSACTIONS RELATING TO RETIREMENT BENEFITS**

The Council 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 on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

**Defined Contribution Schemes :-**

**TEACHERS' PENSION SCHEME**

Teachers employed by the Council are members of the Teachers' Pension Scheme (TPS), administered by the Department for Children, Schools and Families. It provides teachers with defined benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries fixed each year. The amount paid to the Teachers' Pension Scheme is recognised in the accounts as a charge to net cost of service.

	<b>2009/2010</b>	<b>2008/2009</b>
Amount paid to Teachers' Pensions Scheme - £	5,929,290	5,807,515
Percentage of pensionable pay - %	14.10	14.10



30 The actuarial gains identified as movements in the Reconciliations of Scheme Assets and Liabilities can be analysed into the following categories, measured in absolute amounts and as a percentage of assets or liabilities.

Scheme History :-	2009/2010	2008/2009	2007/2008	2006/2007	2005/2006
	£	£	£	£	£
<b>LOCAL GOVERNMENT PENSION SCHEME</b>					
Present Value of Liabilities	(607,675,000)	(380,335,000)	(402,955,000)	(427,405,000)	(413,751,000)
Fair Value of Assets	286,348,000	209,134,000	277,857,000	299,492,402	281,064,945
Surplus / (Deficit) - LGPS	(321,327,000)	(171,201,000)	(125,098,000)	(127,912,598)	(132,686,055)
<b>TEACHERS' ADDITIONAL BENEFITS</b>					
Present Value of Liabilities	(11,413,388)	(10,836,810)	(10,077,058)	(9,902,157)	(9,816,839)
Total Surplus / (Deficit)	(332,740,388)	(182,037,810)	(135,175,058)	(137,814,755)	(142,502,894)
<b>History of Experience Gains and Losses :-</b>					
	%	%	%	%	%
<b>LOCAL GOVERNMENT PENSION SCHEME</b>					
Differences between the expected and actual return on assets	20.04	(44.55)	(11.09)	(0.07)	14.34
Differences between actuarial assumptions about liabilities and actual experience	0.03	-	4.22	0.69	-
Changes in the demographic and financial assumptions used to estimate liabilities	32.41	(15.58)	(14.99)	(3.66)	9.23
Effect of Change in Accounting Methodology	-	-	1.09	-	-
<b>TEACHERS' ADDITIONAL BENEFITS</b>					
Differences between actuarial assumptions about liabilities and actual experience	10.01	9.71	4.20	6.38	9.17

## 30 Retirement Benefits - Contd.

## Defined Benefit Schemes - Contd :-

	2009/2010	2008/2009
	£	£
<b>LOCAL GOVERNMENT PENSION SCHEME</b>		
<b>Net Cost of Service</b>		
Current Service Cost	12,727,000	16,089,000
Past Service Costs	-	1,386,000
Loss on Curtailment	143,000	229,000
	<u>12,870,000</u>	<u>17,704,000</u>
<b>Net Operating Expenditure</b>		
Interest Cost	25,635,000	26,861,000
Expected Return on Assets	(13,392,000)	(18,072,000)
Sub Total Interest and Expected Return	<u>12,243,000</u>	<u>8,789,000</u>
	<u>25,113,000</u>	<u>26,493,000</u>
<b>Statement of Movement on the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(25,113,000)	(26,493,000)
Actual amount charged against Council Tax for Pensions in the year	14,705,521	14,297,467
	<u>14,705,521</u>	<u>14,297,467</u>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains and losses are included in the Statement of Total Recognised Gains and Losses (STRGL).

	2009/2010	2008/2009
	£	£
Actual Return less expected return on pension scheme assets	57,225,479	(93,180,467)
Changes in assumptions underlying the present value of the scheme liabilities	(196,944,000)	59,273,000
Actuarial Gains and (Losses) in STRGL	<u>(139,718,521)</u>	<u>(33,907,467)</u>

**TEACHERS' ADDITIONAL BENEFITS**

In addition to the standard Teachers Pensions Scheme the Council has the option to grant enhancements to employees on early retirement. This element of their pension is paid on a pay-as-you-go basis by the Council over the life of the pensioner. This additional liability is not covered by the normal contributions paid to the scheme.

	2009/2010	2008/2009
	£	£
<b>Net Cost of Service</b>		
Past Service Costs	73,587	335,457
<b>Statement of Movement on the General Fund Balance</b>		
Reversal of net charges made for retirement benefits in accordance with FRS 17	(73,587)	(335,457)
Actual amount charged against Council Tax for Pensions in the year	639,395	628,115
<b>Total</b>	<u>639,395</u>	<u>628,115</u>

## 30 Retirement Benefits - Contd.

## Defined Benefit Schemes - Contd :-

## TEACHERS' ADDITIONAL BENEFITS - Contd

In addition to the amounts shown in the Income and Expenditure Account, actuarial gains and losses are included in the Statement of Total Recognised Gains and Losses (STRGL).

	2009/2010 £	2008/2009 £
Actuarial Gains and (Losses) in STRGL	(1,142,386)	(1,052,410)

**ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS**

## LOCAL GOVERNMENT PENSION SCHEME

Net Pension Asset	31 March 2010 £	31 March 2009 £
Present Value of Funded Obligation	(593,747,000)	(368,512,000)
Fair Value of Scheme Assets (bid value)	286,348,000	209,134,000
<b>Net Liability</b>	<b>(307,399,000)</b>	<b>(159,378,000)</b>
Present Value of Unfunded Obligation	(13,928,000)	(11,823,000)
<b>Net Liability in Balance Sheet</b>	<b>(321,327,000)</b>	<b>(171,201,000)</b>

Reconciliation of Present Value of Scheme Liabilities	2009/2010 £	2008/2009 £
Opening Defined Benefit Obligation	(380,335,000)	(402,955,000)
Current Service Cost	(12,727,000)	(16,089,000)
Interest Cost	(25,635,000)	(26,861,000)
Employee Contributions	(4,886,000)	(4,751,000)
Actuarial Gain / (Loss)	(196,944,000)	59,273,000
Benefits Paid (Net of transfers in)	12,084,000	11,780,000
Unfunded Pension Payments	911,000	883,000
Past Service Cost	-	(1,386,000)
Curtailments and Settlements	(143,000)	(229,000)
Closing Defined Benefit Obligation	<b>(607,675,000)</b>	<b>(380,335,000)</b>

Reconciliation of Fair Value of the Scheme Assets	2009/2010 £	2008/2009 £
Opening Fair Value of Scheme Assets	209,134,000	277,857,000
Expected Return on Assets	13,392,000	18,072,000
Actuarial Gain / (Loss)	57,225,479	(93,180,467)
Employer Contributions	14,705,521	14,297,467
Employee Contributions	4,886,000	4,751,000
Benefits Paid (Net of transfers in)	(12,995,000)	(12,663,000)
Receipt of Bulk Transfer Value	-	-
Fair Value of Scheme Assets at end of Period	<b>286,348,000</b>	<b>209,134,000</b>

## 30 Retirement Benefits - Contd.

**ASSETS AND LIABILITIES IN RELATION TO RETIREMENT BENEFITS - Contd.****LOCAL GOVERNMENT PENSION SCHEME - Contd.**

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

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Actual Return on Scheme Assets	70,785,000	(75,092,000)

**TEACHERS' ADDITIONAL BENEFITS****Reconciliation of Present Value of Scheme Liabilities**

	£	£
Liability at beginning of period	(10,836,810)	(10,077,058)
Actuarial (Gain) / Loss	(1,142,386)	(1,052,410)
Unfunded Pension Payments	639,395	628,115
Past Service Cost	(73,587)	(335,457)
Liability at end of period	<u>(11,413,388)</u>	<u>(10,836,810)</u>

**TOTAL PENSIONS LIABILITY**

The liabilities as detailed on page 47 show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £333m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduced balance of £396m. However, statutory arrangements for funding the Council mean that the financial position of the Council remains unchanged.

The deficit on the Local Government Pension Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 is £14.3m.

**BASIS FOR ESTIMATING ASSETS AND LIABILITIES****LOCAL GOVERNMENT PENSION SCHEME**

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 dependant on assumptions about mortality rates, salary level etc.. The Dorset County Council Fund liabilities have been assessed by Barnett Waddingham LLP, an independent firm of actuaries.

## 30 Retirement Benefits - Contd.

## BASIS FOR ESTIMATING ASSETS AND LIABILITIES - Contd.

## LOCAL GOVERNMENT PENSION SCHEME - Contd.

The principal assumptions used by the actuary have been :-

	2009/2010 %	2008/2009 %
Long-term expected return on assets in the scheme :		
Equities	7.50	7.00
Gilts	4.50	4.00
Other Bonds	5.50	6.50
Property	5.50	6.60
Cash	3.00	3.00
Other	5.00	N/A
<b>Total</b>	<b>6.40</b>	<b>6.30</b>
Assumed Life Expectations from age 65 are :-		
	Years	Years
- Longevity at 65 retiring today :-		
- Men	20.84	20.84
- Women	23.86	23.86
- Longevity at 65 retiring in 20years :-		
- Men	21.79	21.79
- Women	24.80	24.80
	2009/2010 %	2008/2009 %
Retail Price Inflation - p.a.	3.90	3.00
Increase in Salaries - p.a.	5.40	4.50
Increase in Salaries - real	1.50	1.50
Increases in Pensions and Deferred Pensions - p.a.	3.90	3.00
Discount Rate - p.a.	5.50	6.70
Discount Rate - real	1.50	3.60
Take up rate of lump sum payments	50.00	50.00

The Local Government Pension Scheme Assets consist of the following categories, by proportion of the total assets held.

	31 March 2010 %	31 March 2009 %
Equities	61.00	56.61
Gilts	16.00	19.70
Other Bonds	5.00	7.17
Property	7.00	8.34
Cash	6.00	8.18
Other	5.00	-
	<b>100.00</b>	<b>100.00</b>

## 30 Retirement Benefits - Contd.

## BASIS FOR ESTIMATING ASSETS AND LIABILITIES - Contd.

## TEACHERS' ADDITIONAL BENEFITS

The liabilities associated with the unfunded Teacher's Additional Benefits have been valued in the accounts in accordance with Local Authority Accounting Panel (LAAP) Bulletin 51. This produces a Capital value based on the ongoing payments and any new amounts awarded.

## 31 Reconciliation of Income and Expenditure Account to Net Cash Flow

	2009/2010	2008/2009
	£	Restated £
	<hr/>	<hr/>
<b>Surplus / (Deficit) on Income and Expenditure Account</b>	(44,535,679)	(42,287,664)
<b>Items in Income and Expenditure Account not resulting in a Cash Flow :-</b>		
Depreciation Charged to service	18,215,083	17,340,304
Impairment Charged to service	35,151,740	30,001,600
Cost of Soft Loans Charged to service	50,627	170,486
Amortisation of Financial Instrument Revaluation	(106,502)	(91,316)
Deferred Government Grants amortised to service	(2,255,170)	(1,963,202)
Transactions relating to Gains and Losses on disposals and decommissioning of Fixed Assets or Investments	8,951,120	7,628,792
Charges for retirement benefits in accordance with FRS 17	25,186,587	26,828,457
Contributions to Provisions	3,324,613	2,670,745
<b>Cash Flow Items in Income and Expenditure Account relating to another section of the Cash Flow :-</b>		
Capital Receipts	(8,071,097)	(7,606,290)
Interest Payments	2,534,106	3,069,364
Debt Redemption Premia	-	(26,153)
Interest Received	(3,555,609)	(4,515,607)
<b>Amounts in Revenue Activities of Cash Flow not in Income and Expenditure Account :-</b>		
Amount Payable to Pension Fund	(15,344,916)	(14,925,582)
Direct Expenditure from Provisions	(437,263)	(499,791)
<b>Items on an Accrual Basis :-</b>		
Debtors	5,890,184	(3,624,501)
Creditors	468,205	(1,901,870)
Stock and Work in Progress	112,308	(82,534)
Long Term Debtors	(150,789)	(174,712)
<b>Net Cash Flow from Revenue Activities</b>	<hr/> <hr/>	<hr/> <hr/>
	25,427,548	10,010,526

**32 Reconciliation of Net Cash Flow to movement in Net Debt**

	<b>2009/2010</b>	<b>2008/2009</b>
	£	<b>Restated</b> £
Increase in Cash in the Year	1,576,524	(2,154,048)
Increase in Liquid Resources	9,941,617	3,716,883
Cash Flow from increase in Debt	5,844,631	815,707
Movement in Net Debt in the Year	17,362,772	2,378,542
Net Debt 1 April	10,664,457	8,285,915
Net Debt 31 March	<u>28,027,229</u>	<u>10,664,457</u>

**33 Management of Liquid Resources and Financing**

Liquid Resources consist of the surplus cash that the Council has on a day to day basis. This cash is lent out to other Local Authorities and Financial Institutions in accordance with the Council's Treasury Management Policy Statement.

	<b>Balance</b> <b>1 April 2009</b>	<b>Balance</b> <b>31 March 2010</b>	<b>Movement</b> <b>in Year</b>
	£	£	£
<b>Liquid Resources :-</b>			
Short Term Investments	54,000,000	61,000,000	7,000,000
Principal's Collection Fund Cash	1,941,440	4,883,057	2,941,617
			<u>9,941,617</u>
<b>Financing :-</b>			
Temporary Borrowing	(5,886,884)	(255,109)	5,631,775
Long Term Borrowing	(24,500,000)	(24,500,000)	-
PFI Current	(212,856)	(229,106)	(16,250)
PFI Long Term	(12,073,587)	(11,844,481)	229,106
			<u>5,844,631</u>

**34 Analysis of Grants in Cash Flow**

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Revenue Support Grant	10,168,875	6,516,855
LABGIS Grant	186,200	3,008,194
Area Based Grant	8,228,179	8,164,306
PFI Support Grant	1,254,181	1,254,181
Contribution from NNDR Pool	44,056,789	46,813,750
DWP Grants for Rebates	76,825,747	63,948,684
Childrens and Education - See Note 35	108,841,693	102,410,098
Adult Social Care	1,719,399	1,199,352
Allowance for Collection of NNDR	254,062	253,771
Supporting People	10,690,276	8,699,079
Other Miscellaneous	15,511,731	19,266,318
Capital Grants - for Capital Expenditure	16,579,698	12,609,294
Capital Grants - for Revenue Expenditure	5,829,684	2,761,873
	<u>300,146,514</u>	<u>276,905,755</u>

## 35 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department for Children, Schools and Families (DCSF), the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the Schools Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an Authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2009/2010 are as follows :-

	Central Expenditure £	Individual Schools Budget £	Total £
Final DSG receivable for 2009/2010			79,039,000
Brought Forward from 2008/2009			284,524
Carry Forward to 2010/2011 agreed in advance			-
Agreed Budgeted Distribution for 2009/2010	10,468,495	68,855,029	79,323,524
Actual Central Expenditure	10,516,298		
Actual ISB deployed to Schools		68,668,047	
Local Authority Contribution for 2009/2010	-	-	
Carry Forward to 2010/2011	(47,803)	186,982	139,179

## 36 Financial Instruments

## Analysis of Financial Instruments :-

	2009/2010 £	2008/2009 £
<b>Financial Assets :-</b>		
<b>Loans and Receivables :-</b>		
Long Term Debtors	2,323,481	2,126,300
Short Term Investments	61,428,536	56,681,379
Short Term Debtors	See Note 16	15,023,342
Cash and Bank	8,538,936	9,164,167
<b>Total Financial Assets</b>	<b>84,559,065</b>	<b>82,995,188</b>
<b>Financial Liabilities :-</b>		
<b>Borrowings :-</b>		
Long Term Borrowing	(24,500,000)	(24,500,000)
Short Term Borrowing	(579,395)	(6,281,673)
Bank Overdraft	(9,566,068)	(11,767,823)
<b>Other :-</b>		
Creditors	See Note 17	(17,935,449)
<b>Total Financial Liabilities</b>	<b>(53,781,334)</b>	<b>(60,484,945)</b>



## 36 Financial Instruments contd

**Private Finance Initiative (PFI) see note 2**

The PFI arrangement meets the definition of a financial instrument it is specifically excluded from the measurement requirements and is not included in the analysis of financial instruments shown above, this is because the PFI is required to be reported within the disclosures for leases. However, the arrangement is not excluded from the disclosure requirements for financial requirements and is included in the notes below.

**GAINS AND LOSSES**

The gains and losses recognised in the Income and Expenditure Account in relation to Financial Instruments are made up as follows.

	Financial Liabilities Measured at Amortised Cost <b>2009/2010</b> £	Financial Assets Loans and Receivables <b>2009/2010</b> £	Total <b>2009/2010</b> £
Interest Expense for PFI Arrangement	1,135,308		1,135,308
Interest Expense for Financial Instruments	1,398,798		1,398,798
Charge to Service on issue of Soft Loans		50,627	50,627
Bad Debt Provisions		411,960	411,960
	<u>2,534,106</u>	<u>462,587</u>	<u>2,996,693</u>
Interest Income for Financial Instruments		(3,662,110)	(3,662,110)
Net (Gain) / Loss for 2009/2010	<u>2,534,106</u>	<u>(3,199,523)</u>	<u>(665,417)</u>
Net (Gain) / Loss for 2008/2009	<u>3,043,212</u>	<u>(4,725,267)</u>	<u>(2,946,703)</u>

**FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST**

Financial Liabilities and Financial Assets represented by Borrowings, Long Term Debtors and Investments are carried in the Balance Sheet at amortised cost. Their Fair Value can be assessed by calculating the present value of the Cash Flows that will take place over the remaining term of the instruments.

- The Fair Value of the PWLB loans has been calculated at 31 March by reference to the "premature repayment" set of rates in force on that day.

- Where an Instrument will mature in the next 12 months, Carrying Amount is assumed to approximate Fair Value

- the Fair Value of Trade and Other Receivables is taken to be the invoiced or billed amount

<b>Financial Liabilities :-</b>	<b>2009/2010</b> £	<b>2008/2009</b> £
PFI Obligation	(12,073,587)	(12,286,443)
Financial Instrument Liabilities	(53,781,334)	(60,484,945)
Total Carrying Amount	<u>(65,854,921)</u>	<u>(72,771,388)</u>
Fair Value	(70,264,241)	(78,593,268)

## 36 Financial Instruments - Contd.

## FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST - contd.

## Financial Liabilities contd :-

The fair value is greater than the carrying amount because the Council's portfolio of borrowing includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the balance sheet date. This commitment to pay interest above current market rates increases the amount the Council would have to pay if the lender requested or agreed to early repayment of the loans.

Financial Assets	2009/2010 £	2008/2009 £
Carrying Amount	84,559,065	82,995,188
Fair Value	84,559,065	82,995,188

The fair value is shown as the same as the carrying value. This is because a number of the loans are at a variable interest rate which corresponds with the current market rate. The remainder fall within the "soft loan" category and have had their amortised value reassessed to the market rate at the balance sheet day and are thus also at fair value.

## NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

The Treasury Management function is carried out in accordance with the Annual Treasury Management Strategy which is approved each year by Cabinet.

Key Indicators in the 2009/2010 Strategy were :-

- Authorised Limit £83.7m - This represents the maximum limit of External Borrowing and Long Term Liabilities
- Operational Boundary £66.0m - This represents the expected level of External Borrowing and Long Term Liabilities
- The maximum amounts of fixed and variable interest rate exposure based on the Council's net debt were set at 95% and 5% respectively

## Credit Risk

Credit risk arises from deposits with Banks and Financial Institutions, Loans that have been made and from normal Trade Debtors defaulting on the amounts due.

## 36 Financial Instruments - Contd.

**Credit Risk contd**

Deposits are not made with Banks and Financial Institutions unless they are rated independently, with a minimum Fitch Rating of Short Term F1, Long Term A, Support 2 and Individual B. The Council has a policy of not lending more than 25% of its surplus balances to one institution. There are no geographical limitations on where the investments are made provided they meet the rating requirements.

Historically the Council has never suffered any loss as a result of any of deposits with Banks and Financial Institutions.

- Short term Rating 'F1' Indicates the strongest capacity for timely payment of financial commitments.

- Long Term Rating 'A' denotes expectations of a low credit risk. The capacity for payment of financial commitments is considered strong.

- Support Rating '2' denotes a Bank for which there is a high probability of support.

- Individual Rating 'B' denotes a strong Bank. There are no major concerns regarding the Bank.

The above criteria is extended to include Support Rating 3 for Building Societies and Banks that have converted from Building Societies.

- Support Rating '3' denotes a Bank for which there is a moderate probability of support.

<b>Financial Assets :-</b>	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
<b>Long Term Debtors :-</b>		
- with other Public Bodies	518,150	545,633
- secured against property	1,794,712	1,570,036
- unsecured	10,619	10,631
<b>Short Term Investments :-</b>		
Building Societies	18,099,697	35,698,330
UK Domiciled Banks	43,328,839	10,479,749
Non UK Banks	-	10,503,300
<b>Debtors :-</b>		
Government and Other Public Bodies	3,629,018	6,325,702
Rent Arrears	207,620	214,651
Other Goods and Services	11,960,888	11,615,731
Bad Debts provision - Impairment	(3,529,414)	(3,132,742)
<b>Cash and Bank</b>	8,538,936	9,164,167
<b>Total Financial Assets</b>	<b>84,559,065</b>	<b>82,995,188</b>

The credit risk associated with the Loans with other Public Bodies and those secured against property is minimal, however the unsecured loans are at risk of non payment. However, the credit risk associated with these amounts is reflected in bad debt provisions.

Debtors are also subject to non payment, bad debt provisions are calculated for these based on the historical experience of levels of default. By including these provisions within the the accounts the credit risk is recognised in the accounts.

## 36 Financial Instruments - Contd.

**Liquidity Risk**

As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the Council will be bound to replenish a significant proportion of its borrowing at a time of unfavourable interest rates. The Council's strategy is to maintain a balanced maturity portfolio such that debt repayable in any one year is not excessive. The Council also holds significant deposits with approved Financial Institutions which would allow flexibility when any replacement borrowings have to be taken out.

The maturity analysis shown below refers to the items classified as Financial Instruments, see note 2 for the maturity analysis of the capital element of the PFI.

The maturity analysis of the Financial Instruments held is as follows :-

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
less than one year	(29,281,334)	(35,984,945)
between one and two years	-	-
between two and five years	(5,000,000)	(5,000,000)
between five and ten years	-	-
in ten years or more	(19,500,000)	(19,500,000)
Total Financial Liabilities	<u>(53,781,334)</u>	<u>(60,484,945)</u>

**Market Risk - Interest Rate Changes**

The Council is exposed to risk associated with changes in interest rates on its borrowings and lendings. A rise in interest rates would have the following impact on the Council's accounts :-

- Long Term Borrowings - the fair value of these fixed interest borrowings shown in this note would be less
- Temporary Borrowings - the interest payable in the Income and Expenditure Account would be greater
- Long Term Loans and Receivables - the interest receivable on the variable interest loans in the Income and Expenditure Account would be greater and the fair value shown in these notes would be less
- Short Term Investments - the interest receivable in the Income and Expenditure Account would be greater
- PFI contract payments are not subject to variations in interest rates but the payments are subject to adjustments based on the Retail Price Index RPI.

The Treasury Management function of the Council monitors projected interest rate changes. As at 31 March HM Treasury's list of forecasting institutions were not expecting changes in interest rates to exceed 1%.

**36 Financial Instruments - Contd.****Market Risk - Interest Rate Changes - Contd**

If Interest Rates had been 1% higher (with all other variables held constant) the financial impact on the accounts would be :-

	2009/2010	2008/2009
	£	£
<b>Income and Expenditure Account :-</b>		
Increase in Interest Payable on Temporary Borrowing	48,660	71,573
Increase in Interest Receivable on Short Term Investments	(849,263)	(797,332)
Increase in Interest Receivable on Long Term Debtors	(6,295)	(6,826)
Impact on Income and Expenditure	<u>(806,898)</u>	<u>(732,585)</u>

**Decrease in Fair Values - no impact on Income and Expenditure Account or STRGL :-**

Fixed Rate Long Term Borrowing - Liability	3,176,128	3,504,405
Soft Loans - Asset	69,032	62,782

The impact of a 1% fall in interest rates would be as above but with the movement being reversed.

**37 Events after the Balance Sheet Date****BH Live Leisure Trust**

BH Live (Leisure, International Venues & Events) is a new leisure and cultural trust, which on 1 May became responsible for the management and operation of certain venues and facilities previously operated directly by the Council :-

Bournemouth International Centre (BIC)  
 Bournemouth Pavilion  
 Littledown Centre  
 Pelhams Park Leisure Centre  
 Stokewood Leisure Centre  
 Kinson Swimming Pool

BH Live has been established as a 'non profit distributing organisation' (NPDO) to promote community participation in healthy recreation and the provision of venues and facilities for leisure, arts, culture and heritage to residents, communities, businesses and visitors to Bournemouth.

See Note 3 - Trading Operations - to see results for last full year operated by the Council.

The establishment of the Trust does not involve a reduction in the Council's Assets as they have been retained by the Council.

**Creation of School Academies**

The Bishop of Winchester and Kings High schools will be closing on 31st August 2010 and reopening on 1st September as The Bishop of Winchester Academy and The Bourne Academy. This means that from 1st September both schools will cease to be under the control of the Local Authority and will receive their funding direct from the government.

**37 Events after the Balance Sheet Date Contd****Indexation of Public Service Pensions**

The Government announced in its Budget on Tuesday 22 June 2010 that the Consumer Price Index (CPI), as opposed to the current Retail Price Index (RPI), will be adopted for the indexation of public service pensions from April 2011. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet Date), this change is deemed to be a non-adjusting post balance sheet event. This change will reduce the value of the net liability (or deficit) in the Dorset County Pension Fund by £27,357,000.

**Building Schools for the Future**

The Government announced on 5 July 2010 that it was bringing to an end the Building Schools for the Future programme. The ending of this programme will have an impact on a number of Schools in Bournemouth that were due to have work carried out under this arrangement.

**38 Authorised for Issue Date**

I certify that the Statement of Accounts reflects events up to the Publication Date of 23 September 2010.

Stephen Parker

Chief Accountant

**Dated**

23 September 2010

HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT

	Note	2009/2010	2008/2009
		£	£
<b>INCOME</b>			
Dwelling rents (gross)		17,157,350	16,576,544
Non-dwelling rents (gross)		353,907	312,172
Charges for services/facilities		850,175	801,080
Contributions towards expenditure		113,500	121,975
<b>Total Income</b>		<b>18,474,932</b>	<b>17,811,771</b>
<b>EXPENDITURE</b>			
Repair and Maintenance	4	3,062,812	3,084,870
Supervision and Management		4,874,606	5,077,366
Rents, rates, taxes and other charges		126,934	157,690
Negative Housing Subsidy	10	3,906,746	3,397,678
Depreciation and Impairment of Fixed Assets	7	4,845,197	31,083,474
Debt Management Expense		49,458	46,970
<b>Total Expenditure</b>		<b>16,865,753</b>	<b>42,848,048</b>
<b>Net Cost of Housing Services per Authority Income and Expenditure Account</b>		<b>(1,609,179)</b>	<b>25,036,277</b>
HRA share of - Non Distributed Costs		4,389	40,923
<b>Net Cost of HRA Services</b>		<b>(1,604,790)</b>	<b>25,077,200</b>
(Gain) or loss on disposal of HRA fixed assets		(54,309)	408
Other Capital Income		(41,193)	(49,040)
Interest payable and similar charges		326,494	658,442
Investment Income		(25,989)	(178,898)
Pensions Interest Cost and Expected Return on Pension Assets	11	375,791	222,709
<b>(Surplus) / Deficit for the year on HRA Services</b>		<b>(1,023,996)</b>	<b>25,730,821</b>

STATEMENT OF MOVEMENT ON HRA BALANCE

	Note	2009/2010	2008/2009
		£	£
<b>(Surplus) / Deficit on HRA Income and Expenditure Account</b>		(1,023,996)	25,730,821
Impairment of Fixed Assets		(1,224,755)	(27,639,571)
Government Grants Deferred amortisation		24,303	24,303
Net Loss on sale of HRA fixed assets		54,308	(408)
Other Capital Income		41,193	49,040
Amount to be recognised under statutory provisions relating to premiums and discounts on the early repayment of debt		(1,026)	2,711
Net Charges made for pensions under FRS17		(770,828)	(671,320)
Capital Expenditure charged in year to HRA		2,201,185	2,640,097
Employer's Contributions Payable to Pension Fund and retirement benefits payable direct to pensioners	11	416,874	333,546
Net transfer to or (from) Major Repairs Reserve	3	(44,585)	(32,834)
<b>(Surplus) / Deficit on HRA</b>		<u>(327,327)</u>	<u>436,385</u>
<b>Balance at beginning of year</b>		(3,054,242)	(3,490,627)
<b>Balance at end of year</b>		<u><u>(3,381,569)</u></u>	<u><u>(3,054,242)</u></u>



## NOTES TO THE HOUSING REVENUE ACCOUNT

## 1 Housing Stock

The Council was responsible for managing the following housing stock :-

	<b>Bedrooms</b>	<b>31 March 2010</b>	<b>31 March 2009</b>
	No.	No.	No.
<b>Houses</b>	1	1	1
	2	662	664
	3	1,069	1,068
	4	88	88
	5+	5	5
<b>Flats</b>	1	2,052	2,052
	2	779	779
	3	19	19
<b>Bungalows</b>	1	283	283
	2	109	110
	3	30	29
		<b>5,097</b>	<b>5,098</b>

## 2 Balance Sheet Value of HRA Assets

<b>Fixed Assets</b>	Council Dwellings	Other Land and Buildings	Total Operational Assets
<b>Operational Assets :-</b>	£	£	£
<b>Cost or Valuation</b>			
Brought Forward 1 April 2009	258,452,646	3,562,389	262,015,035
Additions	5,776,649	91,261	5,867,910
Disposals and Decommissions	(60,280)	-	(60,280)
Impairments	(1,224,534)	(221)	(1,224,755)
Reclassification	-	179,138	179,138
Revaluations	(3,411,069)	494,466	(2,916,603)
Balance Carried Forward 31 March 2010	<b>259,533,412</b>	<b>4,327,033</b>	<b>263,860,445</b>
<b>Depreciation</b>			
Brought Forward 1 April 2009	(3,411,069)	(32,834)	(3,443,903)
Depreciation for year	(3,575,857)	(44,585)	(3,620,442)
Disposals and Decommissions	-	-	-
Reclassification	-	-	-
Revaluations	3,411,069	32,834	3,443,903
Balance Carried Forward 31 March 2010	<b>(3,575,857)</b>	<b>(44,585)</b>	<b>(3,620,442)</b>
Balance Sheet Amount 1 April 2009	<b>255,041,577</b>	<b>3,529,555</b>	<b>258,571,132</b>
Balance Sheet Amount 31 March 2010	<b>255,957,555</b>	<b>4,282,448</b>	<b>260,240,003</b>

**2 Balance Sheet Value of HRA Assets contd**

<b>Fixed Assets</b>	<b>Assets Under Construction</b>	<b>Surplus Assets</b>	<b>Total Non Operational</b>
<b>Non Operational Assets :-</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost or Valuation</b>			
Brought Forward 1 April 2009	219,097	-	219,097
Additions	179,138	-	179,138
Disposals and Decommissions	-	-	-
Impairments	-	-	-
Reclassification	(179,138)	-	(179,138)
Revaluations	-	-	-
Balance Carried Forward 31 March 2010	<u>219,097</u>	<u>-</u>	<u>219,097</u>
<b>Depreciation</b>			
Brought Forward 1 April 2009	-	-	-
Depreciation for year	-	-	-
Disposals and Decommissions	-	-	-
Reclassification	-	-	-
Revaluations	-	-	-
Balance Carried Forward 31 March 2010	<u>-</u>	<u>-</u>	<u>-</u>
Balance Sheet Amount 1 April 2009	<u>219,097</u>	<u>-</u>	<u>219,097</u>
Balance Sheet Amount 31 March 2010	<u>219,097</u>	<u>-</u>	<u>219,097</u>

The Balance Sheet value is based on existing use value as Social Housing.

In addition the Government requires a Housing Council to value its housing stock as if it was unoccupied and could be sold with vacant possession. This form of valuation is higher than for existing social use. For Bournemouth the vacant possession value of dwellings on the 1 April 2009 was £578,446,993. The difference between these two methods of valuation for dwellings within the HRA shows the economic cost to the Government of providing council housing at less than market rent.

**3 Major Repairs Reserve**

The Major Repairs Reserve receives a transfer from the Capital Adjustment Account equivalent to the total depreciation charged to the HRA. A transfer is put to the HRA to reduce this amount to the value of the Major Repairs Allowance. The net sum is then available to finance HRA Capital Expenditure.

**3 Major Repairs Reserve contd**

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Balance Brought Forward 1 April	2,301,992	1,441,882
HRA Depreciation from Capital Adjustment Account	3,620,442	3,443,903
Excess Depreciation to HRA	(44,585)	(32,834)
Financing of HRA Capital Expenditure - Council Housing	(3,733,637)	(2,550,959)
Balance Carried Forward 31 March	<u>2,144,212</u>	<u>2,301,992</u>

**4 Repair and Maintenance**

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Responsive Repairs	1,599,349	1,807,590
Programmed Repairs	1,201,130	1,028,580
Support Costs	262,333	248,700
Charge to Housing Revenue Account	<u>3,062,812</u>	<u>3,084,870</u>

The Council does not maintain a separate Housing Repair Account.

**5 Summary of Capital Expenditure and Sources of Finance**

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Opening Capital Financing Requirement	11,465,327	11,465,327
Capital Investment :-		
Fixed Assets	6,047,048	5,191,056
Sources of Finance :-		
Government Grants and Contributions	(112,226)	-
Revenue Finance	(2,201,185)	(2,640,097)
Major Repairs Reserve	(3,733,637)	(2,550,959)
Closing Capital Financing Requirement	<u>11,465,327</u>	<u>11,465,327</u>
Explanation of movements in year :-		
Increase in underlying need to borrow (supported by Government financial assistance)	-	-
Appropriation of property to the HRA	-	-
Increase / (decrease) in Capital Financing Requirement	<u>-</u>	<u>-</u>

**6 Capital Receipts**

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Usable Capital Receipts Brought Forward 1 April	1,755,731	2,291,351
Capital receipts in year :-		
- Sale of Council Houses	114,589	92,092
- Discounts Repaid	41,193	-
- Housing Advances Repaid	4,931	16,192
- Other	-	49,040
Pooled Capital Receipts	(125,132)	(69,069)
Applied to finance Capital Expenditure :-		
- Housing - HRA	-	-
- Housing - Non HRA	(184,100)	(623,875)
Balance Carried Forward 31 March	<u>1,607,212</u>	<u>1,755,731</u>

**7 Cost of Capital Charge**

Depreciation of £3,620,442 and Impairment charges of £1,224,755 create a total revenue charge within Net Cost of Service of £4,845,197.

Within the Income and Expenditure Account the deprecation charge of £3,620,442 is transferred to the Major Repairs Reserve, where it is adjusted to equal the Major Repairs Allowance.

**8 Impairment Charges**

Impairment Charges for 2009/2010 totalled £1,224,755 (£27,639,571 2008/2009).

**9 Rent Arrears**

	<b>31 March</b>	<b>31 March</b>
	<b>2010</b>	<b>2009</b>
	£	£
Cumulative Gross Arrears	629,468	632,293
Provision for Uncollected Debts	422,124	412,073

In addition to the provision for uncollected rents shown above, there is also a provision for non payment of amounts outstanding for rechargeable works that have been carried out on behalf of tenants / leaseholders.

**10 Housing Revenue Account Subsidy**

The Council is required by the Government to maintain a notional Housing Revenue Account in order that the Council's entitlement to Housing Subsidy can be calculated.

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Expenditure on Notional Account	12,699,205	12,902,334
Income on Notional Account	(16,604,400)	(16,303,030)
Surplus on Notional Account	(3,905,195)	(3,400,696)
Previous Year Adjustment	(1,551)	3,018
<b>Housing Subsidy Grant Receivable / (Payable)</b>	<u>(3,906,746)</u>	<u>(3,397,678)</u>

## 11 Analysis of HRA Contributions to / (from) Pensions Reserve

	2009/2010 £	2008/2009 £
<b>Net Cost of Service</b>		
Current Service Cost	390,648	407,687
Past Service Costs	-	35,121
Loss on Curtailment	4,389	5,803
	<u>395,037</u>	<u>448,611</u>
<b>Net Operating Expenditure</b>		
Interest Cost	786,850	680,645
Expected Return on Assets	(411,059)	(457,936)
Sub Total Interest and Expected Return	<u>375,791</u>	<u>222,709</u>
	<u>770,828</u>	<u>671,320</u>
Reversal of net charges made for retirement benefits in accordance with FRS 17	(770,828)	(671,320)
Actual amount charged against the HRA for Pensions in the year	416,874	333,546
	<u><u>416,874</u></u>	<u><u>333,546</u></u>

## THE COLLECTION FUND

	Note	2009/2010 £	2008/2009 £
<b>INCOME</b>			
Income from Council Tax		80,313,072	77,389,617
Transfers from General Fund :-			
- Council Tax Benefit		14,850,002	12,873,838
Sub-Total - Council Tax		<u>95,163,074</u>	<u>90,263,455</u>
Income Collectable from Business Ratepayers (NDR.)		58,679,895	58,837,584
Contribution from Precepting Authorities			
- towards deficit balance	5	-	200,000
Total Income		<u>153,842,969</u>	<u>149,301,039</u>
<b>EXPENDITURE</b>			
Precepts and Demands	4	92,112,984	88,130,245
Business Rate :-			
- Payment to National Pool		58,425,833	58,583,813
- Costs of Collection		254,062	253,771
Bad and Doubtful Debts :-			
Council Tax :-			
- Write Offs		492,474	185,203
- Provisions		1,120,305	996,449
Contribution to Authorities			
- of surplus balance	5	725,000	-
Total Expenditure		<u>153,130,658</u>	<u>148,149,481</u>
Movement in Fund Balance (Surplus)/Deficit		(712,311)	(1,151,558)
Balance Brought Forward 1 April :-			
- Bournemouth's Proportion		(834,548)	135,149
- Preceptor's Proportion		(156,570)	25,291
Balance Carried Forward 31 March		<u>(1,703,429)</u>	<u>(991,118)</u>
- Bournemouth's Proportion		(1,432,427)	(834,548)
- Preceptor's Proportion		(271,002)	(156,570)
		<u>(1,703,429)</u>	<u>(991,118)</u>

The balance on the Collection Fund is taken into account when calculating the level of Council Tax each year. A surplus becomes a contribution to the Annual Borough Requirement reducing the level required to be raised from Council Taxpayers, a deficit requires a higher payment from Council Taxpayers to bring the amount into balance.

## NOTES TO THE COLLECTION FUND

**1 Income from Council Tax**

The Council Tax is calculated and charged on domestic properties. For the purposes of identifying liability and determining the level of Tax, properties are placed in one of eight Valuation Bands by the Inland Revenue. After accounting for discounts, exemptions etc. these are then converted to a Band D equivalent which is known as the Tax Base. The Tax Base for 2009/2010 on which the tax was set was :-

<b>Valuation Band</b>	<b>No. of Properties</b>	<b>Proportion to Band D</b>	<b>No. of Band D Equivalent Properties</b>
A * - disabled relief for Band A property	10	5 / 9	6
A	11,559	6 / 9	7,706
B	14,216	7 / 9	11,057
C	19,362	8 / 9	17,211
D	13,072	9 / 9	13,072
E	6,834	11 / 9	8,353
F	2,995	13 / 9	4,326
G	1,302	15 / 9	2,170
H	62	18 / 9	124
<b>Total</b>	<b>69,412</b>		<b>64,025</b>

The above Band D Equivalent figure is adjusted by the expected collection rate of 99% to give the Tax Base for the year. The Tax Base for 2009/2010 was set by the Council at 63,385 (2008/2009 63,130).

**2 Reconciliation of Budgeted Council Tax Income to Actual - 2009/2010**

	<b>Actual £</b>	<b>Budgeted £</b>	<b>Difference £</b>
Balance Brought Forward	(991,120)	(725,000)	(266,120)
Council Tax Gross Income	(95,163,074)	(93,043,052)	(2,120,022)
Bad Debt Provision	1,612,780	930,067	682,713
	<b>(94,541,414)</b>	<b>(92,837,985)</b>	<b>(1,703,429)</b>

**3 Income from Business Ratepayers**

	<b>2009/2010</b>	<b>2008/2009</b>
Total Rateable Value at 31 March (£)	142,677,897	143,690,317
The Multiplier (rate in the £) as set by Government (Pence)	48.50	46.20

The 2008/2009 rate in the pound of 46.2 pence includes a 0.4 pence supplement to pay for the Small Business Rate Relief introduced. The rate in the pound for 2009/2010 increases in line with inflation between the two years and includes a 0.4 pence supplement to pay for the Small Business Rate Relief.

**4 Precepts and Demands**

The following Precepts and Demands were met by the Collection Fund :-

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Bournemouth Borough Council	77,474,852	74,238,268
Dorset Police Authority	10,930,109	10,369,267
Dorset Fire and Rescue Service	3,708,023	3,522,710
<b>Total</b>	<b>92,112,984</b>	<b>88,130,245</b>

**5 Distribution of Estimated Balance on the Collection Fund**

In accordance with regulations the balance on the Collection Fund has to be estimated on 15 January each year. This estimate is distributed the following year between the authorities.

The Estimated (Surplus) / Deficit on the Collection Fund was distributed as below :-

	<b>2009/2010</b>	<b>2008/2009</b>
	£	£
Bournemouth Borough Council	(610,719)	168,474
Dorset Police Authority	(85,302)	23,529
Dorset Fire and Rescue Service	(28,979)	7,997
<b>Total</b>	<b>(725,000)</b>	<b>200,000</b>

**6 Accrued Council Tax Income**

The Income and Expenditure Account of the Council on page 18 shows the accrued Income from Council Tax attributable to this Council.

This is made up of the amount payable in the year by way of Demand and distribution of estimated balance together with a share of the actual surplus for the year. This surplus is then reversed out of the Statement of Movement in General Fund Balance to the Collection Fund Adjustment Account where it appears on the Balance Sheet.

	<b>Precept / Demand Plus Share of Estimated Balance 2009/2010</b>	<b>Share of Surplus for the year 2009/2010</b>	<b>Accrued Council Tax Income 2009/2010</b>
	£	£	£
Bournemouth Borough Council	78,085,571	597,879	78,683,450
Dorset Police Authority	11,015,411	85,543	11,100,954
Dorset Fire and Rescue Service	3,737,002	28,889	3,765,891
	<b>92,837,984</b>	<b>712,311</b>	<b>93,550,295</b>





## Independent auditor's report to the Members of Bournemouth Borough Council

### Opinion on the financial statements

I have audited the Authority accounting statements and related notes of Bournemouth Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund[1] and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Bournemouth Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

#### ***Respective responsibilities of the Acting Service Director, Resources and auditor***

The Acting Service Director, Resources responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

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

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

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

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

***Basis of audit opinion***

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

***Opinion***

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

**Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources*****Authority's Responsibilities***

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

***Auditor's Responsibilities***

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

***Conclusion***

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

## Certificate

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

Martin Robinson  
District Auditor

Westward House  
Lime Kiln Close  
Stoke Gifford,  
Bristol, BS34 8SR

23 September 2010

**ANNUAL GOVERNANCE STATEMENT****For the Year Ended 31 March 2010****Scope of responsibility**

Bournemouth Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and also that public money is safeguarded and properly accounted for and used economically, efficiently and effectively. Bournemouth Borough 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, Bournemouth Borough Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

Bournemouth Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA / SOLACE Framework Delivering Good Governance in Local Government.

A copy of the code is on our website or can be obtained from the Service Director, Law and Governance, Town Hall, Bourne Avenue, Bournemouth BH2 6DY. This statement explains how Bournemouth Borough 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 Bournemouth Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The current governance framework was put in place at Bournemouth following the publication of the CIPFA / SOLACE Framework in July 2007. This governance framework replaced the previous CIPFA / SOLACE framework under which Bournemouth Borough Council operated.

**The governance framework**

The 'Local Code of Corporate Governance Principles Matrix 2009/10' explains how the Council integrates the following components of Governance in its delivery of services.

- 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

**The governance framework - contd.**

- 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
- defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication
- developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff
- 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 for 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
- incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

**Review of effectiveness****Internal Control**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review is informed by the work of the following :-

- internal auditors including the Head of Internal Audit's annual report
- executive managers within the Council who are responsible for the development and maintenance of the governance environment
- comments made by the external auditors and other review agencies and inspectorates.

Further details are given below :-

- The Council has established its future priorities in the Corporate Plan. It continues to operate a Service Planning and Performance Management Framework which regularly monitors achievement against these priorities.

- Both threats and opportunities are reflected within the Council's Strategic and Operational Risk Registers

**Internal Audit**

- The Council's risk based Internal Audit Plan is consulted upon with Service Directors and approved by the Audit & Governance Committee. This provides the basis for the review of internal control within the Council. The content of the Strategic and Operational Risk Registers also inform the Audit Plan.

- Achievement of the Internal Audit Plan and the work of Internal Audit generally is monitored by the Executive Board and the Audit & Governance Committee.

- Internal Audit provides a formal Internal Audit Opinion in both annual and interim reports to the Executive Board and the Audit & Governance Committee. These reports contain an assurance about the system of internal control throughout the Council.

Whilst Internal Audit is unable to give absolute assurance, the results of the reviews completed during the year have resulted in an overall audit opinion that:-

- Systems and internal control arrangements continue to be effective and ensure that the Council achieves its overall objectives and uses its resources economically, efficiently and effectively. Specific exceptions are referred quarterly to the Executive Board and the Audit & Governance Committee. Details are included within the evidence file that supports this statement.

- Accounting arrangements are sound.

- Agreed policies, regulations and the Constitution are complied with.

- Managers throughout the Council are aware of the importance of maintaining internal controls and the recommendations made by Internal Audit is accepted as practical and a valuable contribution to the continued operation of those systems. Instances where implementation of recommendations is not achieved by the dates agreed are brought to the attention of the appropriate Service Director.

- Appropriate arrangements are operated to deter and detect fraud.

The Accounts and Audit Regulations of 2003 were amended in 2006 to require that 'The relevant body shall, at least once in each year, conduct a review of the effectiveness of its system of internal audit'. This review is carried out internally as a self assessment and reported to the Audit & Governance Committee (please see Internal Audit Report – Report for the Three Months Ended March 2010/Review of Year 2009/10).

**Elected Members**

· Internal Control forms part of the agenda of the Audit & Governance Committee (Terms of Reference – see item 090729Pa).

**Executive Directors' Assurance Statement**

Each Executive Director is required to sign off an over-arching Annual Assurance Statement on internal control arrangements within their Service Unit clusters.

**Service Directors' Assurance Statements**

- Each Service Director is required to compile an Annual Assurance Statement on internal control arrangements within their service area(s). They are responsible for monitoring and reviewing internal controls as an integral part of the risk management process. Any significant control issues identified are included in the attached Governance Improvement Plan.

- Service Units maintain Operational Risk Registers in respect of the risks to the achievement of their Service Plans and service delivery. This process is closely aligned to the Service Planning framework. It acts as a significant part of the evidence for the Assurance Statements.

## External Audit and Inspection

The Council's External Auditors issued their Annual Audit Letter in January 2010. This is available on the Council's website. This report summarises the findings of the External Auditors' 2008/09 audit. It includes messages arising from the audit of the Council's financial statements and the results of the work undertaken to assess arrangements to secure value for money in the use of resources. The Use of Resources Theme scores are set out in the table below. External Audit have emphasised the close link between the audit matters discussed in the Annual Audit Letter and other aspects of their work, particularly the Council's Organisational Assessment and the Area Assessment for the Bournemouth area.

The Council's overall Organisational Assessment concludes that "overall, Bournemouth Borough Council performs well". The scores breakdown as follows (with 4 being the highest and 1 representing a failure to meet minimum requirements at level 2):

Managing Performance	3 out of 4
Use of Resources	2 out of 4
Managing Finances	2 out of 4
Governing the Business	2 out of 4
Managing Resources	2 out of 4

Please see the following link for more details:

<http://oneplace.direct.gov.uk/infobyarea/region/area/localorganisations/organisation/pages/default.aspx?region=54&area=314&orgId=1032>

The Area Assessment for the Bournemouth area consists of an independent assessment by six inspectorates which sets out how well local public services are tackling the major issues in the area. It says how well better results for local people are being delivered and how likely these are to improve in future. Green flags are used to highlight judgements where others can learn from outstanding achievements, improvements or innovation. Red flags are used to highlight significant concerns about results and future prospects that are not being tackled adequately. This means that local partners need to do something more or differently to improve these prospects.

Bournemouth has identified the following priorities for the area: -

- Investing in people – to be a town which values and listens to its residents
- A thriving economy – to be a town with strong businesses that provides quality jobs
- Safer and stronger communities – to be a safe town with inclusive and vibrant neighbourhoods
- Sustainable environment – to have a sustainable environment with well-designed, affordable housing and a well used public transport system
- Health & wellbeing – for residents to have healthy and active lifestyles

No green or red flags have been identified for Bournemouth.

Please see the following link for more detail:

<http://oneplace.direct.gov.uk/infobyarea/region/area/Pages/areaoverview.aspx?region=54&area=314>

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

## Significant governance issues

- We have been advised on the implications arising from the review of the effectiveness of the system of internal control operated by the Council.

**Significant governance issues contd**

- This includes Annual Assurance Statements from Executive Directors and Service Directors. The Council does not consider that it has any significant control risks. However any weaknesses identified, together with details of actions proposed to ensure continuous improvement to service delivery, are included in a Governance Improvement Plan. This Plan is monitored regularly, with reporting to the Executive Board and the Audit & Governance Committee on a quarterly basis.

- We note areas of concern arising from the work of Internal Audit which have been separately reported in regular progress reports to the Audit & Governance Committee. These are on the website at the following link:

- The Council's Strategic Risk Register was initially established following a risk profile session with Directors in 2003. It is regularly reviewed and refreshed. Risks are led by individual Executive Directors and Service Directors, with Improvement Action Plans monitored and reported quarterly to the Audit & Governance Committee. The following risks are currently identified as High:-

No	Risk
2	Lack of Effective Strategic Planning
4	Effectiveness of Overview & Scrutiny Structures
6	Adequacy of financial resources to meet identified needs/Council priorities
8	Major budget overspend/variation resulting from unplanned work or work required at short notice
10	Failure to Effectively Workforce Plan
12	Recession Resulting from National or Local Problems, Including Closure of a Major Local Employer
14	Levels of Education and Attainment
15	Failure of Data/Information Security
25	Not Achieving Efficiency Targets 2008/09 to 2010/11 (CSR 07)
27	Significant Increase in Pension Fund Deficit
29	Negative Impact of Pay and Grading Review
31	Shaping Success (Efficiency Review)
32	Project 0006
35	Ability to Respond to a Major Occurrence/Event (Emergency Planning)
37	Safeguarding – Failure to Protect Employees or Agents from Harm, Serious Injury or Death
38	Safeguarding – Failure to Protect Vulnerable Groups & Community from Harm, Serious Injury or Death
40	Change in Local Government Financing
41	Corporate Resilience (Business Continuity)
42	Building Schools for the Future
45	Project 000129

A full review of the Council's Strategic Risk Register is planned for the summer of 2010. This review will be carried out by means of an externally facilitated workshop.

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



## GLOSSARY

### **Accruals**

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

### **Borrow to Invest Schemes**

The scheme allows Business Units to borrow from the Council's reserves, the loan repayments are subject to interest.

### **Capital Expenditure**

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

### **Capital Receipt**

The proceeds from the sale of a fixed asset. A proportion of Capital Receipts relating to the Sale of Council Dwellings is payable to the National Pool the remainder of Capital Receipts are available to finance Capital Expenditure.

### **Charging Authority**

The Council responsible for administering the Collection Fund, including raising bills for and collecting the appropriate council tax and non-domestic rates (NDR).

### **Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control.

### **Contingent Liability**

A contingent liability is either:

- A possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control; or
  
- A present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount cannot be measured with sufficient reliability.

### **Council Tax**

A charge on the residential property within the Council's area to finance a proportion of the Council's expenditure.

### **Creditors**

Amounts owed by the Council for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.

### **Current Assets**

Assets which can be expected to be consumed or cease to have material value during the next accounting period, examples are stock and debtors.

### **Current Liabilities**

Amounts which will become due or could be called upon during the next accounting period, examples are creditors.

### **Debtors**

Amounts due to the Council for goods or services provided within the accounting period but not received at the balance sheet date.

### **Deferred Capital Receipts**

Amounts due to the Council from the sale of fixed assets which are not receivable immediately on sale.

## GLOSSARY

### **Depreciation**

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

### **Fixed Assets**

Tangible assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.

### **General Fund**

The main account of the Council which records the cost of service provision.

### **Government Grants**

Payments by Central Government towards the cost of local Council services either specifically (e.g. improvement grants) or generally (e.g. revenue support grant).

### **Housing Benefits**

A system of financial assistance to individuals towards certain housing costs administered by Councils and subsidised by Central Government.

### **Housing Revenue Account**

A separate account from the General Fund recording all the transactions relating to the provision of housing accommodation by the Council.

### **Infrastructure Assets**

Fixed assets that are not able to be transferred or sold, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

### **Leasing**

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

### **Liquid Resources**

Current asset investments that are readily disposable by the Council without disrupting its business and are either:

- Readily convertible to known amounts of cash as or close to the carrying amount; or
- Traded in an active market.

### **Minimum Revenue Provision (MRP)**

Is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Council.

### **Non-Domestic Rates (NDR)**

A flat rate is set annually by central government and levied on businesses in the Borough. The money is collected by the Council and then passed to Central Government who reallocate the proceeds to all Councils.

### **Non-Operational Assets**

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

### **Operational Assets**

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

## GLOSSARY

### **Post Balance Sheet Events**

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

### **Precept**

The amount which a Precepting Authority requires from a Charging Council to meet its expenditure requirements, requiring the Charging Council to collect income from council taxpayers on their behalf.

### **Precepting Authority**

Local Authorities, including fire and rescue and police authorities, which cannot levy a council tax directly on the public but have the power to precept Charging Councils.

### **Projected Unit Method**

The value of the assets held in the fund is compared directly to the value of pension liabilities accrued in respect of service prior to the valuation date. For active members, this method allows for pensionable service to date, but account is taken of the expected final pensionable salary (projected forward to allow for future pay increases).

### **Private Finance Initiative (PFI)**

The PFI is a government policy designed to increase private sector involvement in the provision of public services. The Council does not own the asset, for example, the Bournemouth Library, but pays the PFI contractor payments over the period of the contracts for the use of the facilities under the contract period.

### **Provisions**

Amounts set aside in the accounts for future liabilities which cannot accurately be quantified.

### **Public Works Loan Board (PWLB)**

A Central Government Agency which lends money to public bodies for capital purposes at interest rates only slightly higher than those at which the Government itself can borrow.

### **Related Party Transaction**

This is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

### **Reserves**

Amounts set aside in the accounts for the purpose of providing money for future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are often described as balances.

### **Revenue Account**

An account which records the Council's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.

### **Revenue Budget Comparison**

This statement reports the actual expenditure and income of the services for which the Council is responsible. It demonstrates how the new cost has been financed from general Government Grants and from Local Taxpayers. It brings together expenditure and income relating to all of the Council's functions.

### **Revenue Expenditure**

The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

**GLOSSARY****Revenue Support Grant (RSG)**

A general Central Government Grant paid to the Income and Expenditure Account in support of the Charging Council's revenue expenditure.

**Stocks**

Items of raw materials and stores purchased by the Council to use on a continuing basis and which has not been used. The value of those items not used at the balance sheet date are included as assets of the Council.

**Temporary Borrowing/Investment**

Money borrowed or invested for an initial period of less than one year.

**Work in Progress**

The value of work done on an uncompleted project which has not been recharged to the appropriate account at the balance sheet date.