



BROMSGROVE DISTRICT COUNCIL

EXECUTIVE CABINET - SPECIAL MEETING

TUESDAY, 24TH MAY 2005, AT 5.30 P.M.

COMMITTEE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

AGENDA

Council Agendas, Reports and Minutes are available on our web-site at www.bromsgrove.gov.uk/meetings

MEMBERS: Councillors D. C. Norton (Executive Leader), Mrs. M. M. T. Taylor (Deputy Executive Leader), B. L. Fuller C.B.E. Q.F.S.M., Mrs. J. M. L. A. Griffiths, R. Hollingworth and P. J. Whittaker

1. To receive apologies for absence
2. Declarations of Interest
3. Public Questions
4. Statement of Accounts 2003/2004
5. To consider any other business, details of which have been notified to the Head of Administrative Services prior to the commencement of the Meeting and which the Chairman, by reason of special circumstances, considers to be of so urgent a nature that it cannot wait until the next Meeting

S. NIXON
Chief Executive

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

16th May 2005

BROMSGROVE DISTRICT COUNCIL

EXECUTIVE CABINET

24TH MAY 2005

STATEMENT OF ACCOUNTS 2003/2004

Responsible Portfolio Holder	Councillor Roger Hollingworth
Responsible Head of Service	Corporate Director of Resources

1. **SUMMARY**

1.1 To present Members with the Statement of Accounts for the year ended 31st March 2004.

2. **RECOMMENDATION**

2.1 To approve the unaudited Statement of Accounts for the year ended 31st March 2004 in accordance with the Accounts and Audit Regulations 2003.

2.2 To approve the write-off requests relating to rent arrears and Council Tax arrears as detailed in this report.

3. **BACKGROUND**

3.1 The Accounts and Audit Regulations 2003 require that the Statement of Accounts be presented to a relevant Committee or to the Council Meeting as a corporate body for approval.

3.2 As Members are aware the preparation of the Statement of Accounts for 2003/2004 has been delayed due to late completion of the 2001/2002 and 2002/2003 accounts. The Council has not met its statutory responsibility to report to Members by 31st August 2004.

3.3 The Statement of Accounts for the year ended 31st March 2004 is attached. The document is unaudited at this stage and KPMG will begin the audit in September 2004. The audit is to be undertaken after the accounts for 2004/2005 have been completed to ensure resources within Financial Services can focus on the accounts preparation rather than audit issues.

4. **REVENUE OUTFURN 2003/2004**

4.1 The revenue surplus for the year was £730k against total net expenditure budget of £8,924k. The surplus is significantly higher than that budgeted of £131k.

4.2 The main reasons for the increase in surplus are:

- Interest generated from investments was £396k more than anticipated. This is due partly to correctly including an accrual of £186k in the revenue account for interest due at the year end but not received. This was an issue highlighted by the Council's external auditors during the audit of the Statement of Accounts for 2002/2003. In addition a further £210k was generated due to higher interest rates than anticipated when preparing the original budget.
- Grant income of £573k in respect of benefit administration that was credited to the revenue account. This income was a one-off amount relating to a change in accounting treatment of receipts generated over a number of years. This amount was not included in the original budget.

4.3 There were a number of overspends that offset the additional income during the year these included:

- Target savings not achieved relating to Business Rate revaluations and employee savings of £73k.
- Overspends on concessionary fares prior to the review of contracting arrangements in 2004/2005 of £68k.
- Charges relating to storage of abandoned vehicles of £128k, the procedures relating to storage costs have been reviewed in 2004/2005 with the aim of reducing costs.

4.4 The General Fund Revenue Balance brought forward as at 31st March 2003 was £1.212 million. After allowing for a planned contribution to the revenue balances of £0.131 million and transfer of the underspend in 2003/2004, the General Fund Revenue Balance increased to £2.073 million as at 31st March 2004.

5. WRITE-OFF RELATING TO BAD DEBTS

5.1 The Council's housing stock was transferred to BDHT on 29th March 2004.

5.2 As at the date of completion of the transfer the Council was owed a total sum in respect of rent and service charges of £715,974.06 from both current and former tenants.

5.3 Arrears of £464,533.25 were assigned to BDHT by virtue of a deed of assignment. BDHT agreed to pay the Council the sum of £227,253.72 for these debts based on applying a variable percentage to the amounts assigned dependent of category and size of debt. See Table 1 below.

5.4 Table 1

Category of debt	-----Tenant Category-----			Total
	Current	Past / Current	Past	
HB Overpayments	71,635.74	8,145.80	48,088.92	127,870.46
Hostel HB Overpayments	0.00	160.02	1,374.77	1,534.79
Rent - Hostel	4,381.99	5,455.64	24,466.18	34,303.81
Rent	327,903.94	16,137.76	166,385.92	510,427.62
Supporting People	28,485.57	112.44	1,127.37	29,725.38
Leaseholders	12,112.00			12,112.00
Total Arrears	444,519.24	30,011.66	241,443.16	715,974.06
Assigned to BDHT	440,137.25	24,396.00	0.00	464,533.25
Retained by BDC (1)	4,381.99	5,615.66	241,443.16	251,440.81
Assigned to BDHT	440,137.25	24,396.00	0.00	464,533.25
Agreed payment (formula based)	225,927.10	1,326.62		227,253.72
Retained by BDC (2)	214,210.15	23,069.38	0.00	237,279.53
Total retained by BDC (1) + (2)	218,592.14	28,685.04	241,443.16	488,720.34

5.5 Rent arrears retained by the Council total £488,720.34. Members approval is requested for the write-off of this debt to the bad debt provision which as at 29th March 2004 was £359,833, with the balance of £128,887 to be charged to the Housing Revenue Account.

5.6 As at 31st March 2003 the Council Tax arrears included an amount of £45,552.62 which related to debts not transferred from ICL to Academy. There is no facility to trace the identity of the debtors from records now available. Members approval is requested for the write-off of this debt to the bad debt provision.

5.7 The Statement of Accounts reflects the position after writing these debts off.

6. **FINANCIAL IMPLICATIONS**

6.1 If the unaudited Statement of Accounts is not referred to Council for approval the Council will not meet its statutory responsibilities and the external auditors will report non-compliance in the Audit Management letter.

6.2 The bad debt provision can be used to offset the Council Tax Arrears write off. The rent arrears will be written off against the bad debt provision with the balance charged to the Housing Revenue Account.

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bromsgrove council

www.bromsgrove.gov.uk

**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31st MARCH 2004**

BROMSGROVE DISTRICT COUNCIL

Statement of Accounts 2003-04

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FOREWORD

Introduction

The financial statements presented here are prepared in accordance with the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LAAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2003 'A Statement of Recommended Practice' (the 2003 SORP). The 2003 SORP sets out proper accounting practices required for the financial statements in accordance with Regulation 6 of the Accounts and Audit Regulations 1996 and by sections 41 and 42 of the Local Government and Housing Act 1989. The aim of the SORP is to ensure as far as possible a broad consistency of practice and a minimum standard of content enabling electors, council taxpayers and other interested parties to obtain clear information on local government activities.

The Financial Statements

The Council's financial statements for the year ended 31st March 2004 are set out on pages 11 to 44 and comprise:

The Statement of Accounting Policies

This statement details the general policies adopted by the Council in compiling the financial statements. The policies are those recommended by the 2003 SORP.

The Consolidated Revenue Account

The Consolidated Revenue Account shows the revenue expenditure incurred in providing services and the income derived from fees and charges, investment interest, government grants, redistributed National Non-Domestic Rates and the Council Tax. The General Fund Surplus or Deficit for the year is transferred to the General Fund Revenue Balance which is shown on the Consolidated Balance Sheet.

The Housing Revenue Account

The Housing Revenue Account (HRA) shows income and expenditure on council housing.

The Collection Fund

The Collection Fund shows the transactions of the Council in relation to the collection of Council Tax, and National Non-Domestic Rates and the way in which these have been distributed to the preceptors, the General Fund and the NNDR Pool. It is a statutory requirement for billing authorities to maintain this account.

The Consolidated Balance Sheet

The Consolidated Balance Sheet summarises the Council's financial position as at 31st March 2004. It includes the assets and liabilities of all activities of the Council.

The Statement of Total Movements in Reserves

The Statement of Total Movements in Reserves summarises the changes in the Council's capital and revenue reserves stated in the Consolidated Balance Sheet. The movements in the revenue reserves are also shown in the Consolidated Revenue Account.

The Cashflow Statement

The Cashflow Statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. It excludes internal transfers between accounts that do not involve transactions with third parties.

Financial Summary

General Fund Revenue Account

At its meeting on 25th February 2003, Bromsgrove District Council set a budget of £8.924 million and a Council Tax of £141.90 which was an increase of 5.5% on the previous year.

The General Fund Revenue Account produced a year end surplus of £0.730m

The main reasons for the variance are;

- Interest generated from investments was £396k more than anticipated. This is due partly to correctly including an accrual of £186k in the revenue account for interest due at the year end but not received. This was an issue highlighted by the Council's external auditors during the audit of the Statement of Accounts for 2002/03. In addition a further £210k was generated due higher interest rates than anticipated when preparing the original budget.
- Grant income of £573k in respect of benefit administration that was credited to the revenue account. This income was a one off amount relating to a change in accounting treatment of receipts generated over a number of years. This amount was not included in the original budget £573k.
- Additional income generated in respect of Planning Applications of £112k was a result of the decision by the Council not to consider planning applications for new buildings received after 31st March 2004.

The General Fund Revenue Balance brought forward as at 31st March 2003 was £1.212 million. After allowing for a planned contribution to the Revenue Balance of £0.131 million and transfer of the underspend in 2003/04, the General Fund Revenue Balance increased to £2.073 million as at 31st March 2004.

Housing Revenue Account

The Housing Revenue Account produced a deficit of £74,740 compared with the original budgeted surplus of £60,989.

The Housing Revenue Balance brought forward as at 31st March 2003 was £23,197. After allowing for the deficit in 2003-04, the Balance was a deficit of £51,542.40 as at 31st March 2004.

Sales of Council houses to tenants during the year totalled 72, all of which were outright sales. The total proceeds of these sales were £3,801,987. The value of mortgages on former sales outstanding at the year-end amounted to £101,459.

Following a ballot of Council tenants in June 2003, all remaining housing stock was transferred to Bromsgrove District Housing Trust, a registered social landlord, on 29th March 2004.

General Fund Capital Expenditure and Receipts

Capital expenditure amounted to £5,558,088. The main areas of expenditure were the new Cemetery at Catshill (£106,395), Arts Centre (£891,078), various IT systems and implementation of electronic government (£582,395), purchase of Vehicles and Plant mainly for the new recycling and refuse arrangements (£1,710,010), improvements to parks and play areas (£174,828), disabled facilities grants (£445,421), and a new car park (£433,394).

Capital receipts for the year totalled £1,074,835. This relates to sales of surplus properties and land, and also to sales of the Council's interest in properties built under various Low Cost housing schemes. These schemes allowed Council tenants to buy properties built by private developers on land provided by the Council where the Council retained 30% ownership.

Capital contributions of £188,790 relating to 'Section 106' agreements whereby developers and other external sources provide sums to be used to fund capital expenditure were received. Schemes to be funded by such contributions are specific and may be time limited. Capital grants of £1,381,816 were also received from Government and other organisations.

Housing Capital Expenditure and Receipts

Capital expenditure totalled £4,556,858 and included investment in heating upgrades and boiler replacements (£277,425), window and door replacements (£405,281), Kitchen Renewals (£317,520) roofing works (£137,899) and electrical upgrades (£87,350). Costs amounting to £2,096,519 relating to the Large Scale Voluntary Transfer of Council houses to Bromsgrove District Housing Trust were also capitalised.

During the year £20,076,121 was received as Capital Receipts of which £16,124,041 relates to the payment received for stock transfer. The balance relates mainly to Right to Buy sales before the transfer.

The Euro

It has not been decided if or when the United Kingdom will join the European Monetary Union and no formal plans have been made by this Council. However, all new I.T. systems installed by the Council are now Euro compliant.

Welcome Break Group Limited

The Council opened a joint bank account with the Welcome Break Group Limited at HSBC Plc in June 1999, which contains £150,000 together with accumulated interest. This money has been received from the developers of the Hopwood Service Station on the M42 motorway. The money will fund a nature reserve at Hopwood Park. Owing to the nature of the relationship with Welcome Break Group Limited the money in this account is not owned solely by Bromsgrove District Council and as such does not form part of these accounts.

E-Government

The Council has commenced preparations for 'E-Government'. This will, by 2005, enable all residents, should they wish so, to communicate with the Council by electronic means to make payments, receive information and return completed forms.

Accounting Policies

The accounting policies adopted by the Council are set out on pages 11 to 15.

Further Information

Further information on the accounts is available from the Corporate Director (Resources), The Council House, Burcot Lane, Bromsgrove, Worcestershire, B60 1AA. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is complete. The availability of the accounts for inspection is advertised in the local press.

Kevin Dicks
Corporate Director (Resources)

Date

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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 for 2003-04 that Officer was the Director of Financial Services. With effect from 28th June 2004, the Section 151 Officer is Kevin Dicks, Corporate Director (Resources).
- Manage its affairs to secure economic, efficient and effective use of its resources and safeguard its assets.
- Approve the Statement of Accounts.

Approval of the Accounts

The Statement of Accounts has been approved at the meeting of Executive Cabinet on 24th May 2005 in accordance with the Accounts and Audit Regulations 2003.

Councillor Dennis Norton
Leader of the Council

Date

The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Council's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2003 (the 2003 SORP) and is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ending 31st March 2004.

In preparing these financial statements the Section 151 Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the 2003 SORP.

The Section 151 Officer has also:

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

The Section 151 Officers Certificate

The Statement of Accounts for Bromsgrove District Council presents fairly the financial position of the Council at 31st March 2004 and its income and expenditure for the year ended 31st March 2004.

Kevin Dicks
Corporate Director (Resources)

Date

**STATEMENT ON INTERNAL CONTROL FOR BROMSGROVE DISTRICT COUNCIL FOR
THE YEAR ENDED 31ST MARCH 2004**

1. SCOPE OF RESPONSIBILITY

Bromsgrove District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk and the prevention and detection of fraud and corruption.

2.THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at the Council for the year ended 31st March 2004 and up to the date of the approval of the annual report and accounts.

3. THE INTERNAL CONTROL ENVIRONMENT

(a) Financial

The system of internal financial control is based upon a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a structure of delegation and accountability. Managers within the Council undertake development and maintenance of the system, either directly or through partners. In particular the system in 2003/04 included:

- Budgeting systems;
- Setting targets to measure financial and other performance;
- Capital expenditure guidelines;
- Adoption of statutory and professional standards;
- Financial regulations and contract procedure rules;
- Budget and policy framework procedure rules;
- Delegations of authority and accountability as outlined in the Council's Constitution;
- Agreed financial administration procedures;
- Internal and external audit.

Some elements of a good financial control system, notably the production of periodic and annual reports which indicate actual expenditure against forecasts, were, however, missing during the year.

(b) Council Priorities and Objectives

The Council acknowledges that its performance in some services is stronger than in others but committed itself during the year to continue its improvement programme.

The short term focus during 2003/04 was on arts and leisure, (with the establishment of an Arts Centre); on recycling and refuse collection, (with a detailed and extensive modernisation of the refuse service), and on improving accessibility and the quality of local services through working in partnership with key providers. During the year the Council reviewed its priorities following consultation with its partners and the community and adopted the following: -

- Caring for the environment
- Preparing a blueprint for Bromsgrove District
- Developing good corporate governance
- Improving the quality of life for residents.

The Council successfully transferred its housing stock to Bromsgrove District Housing Trust, a registered social landlord, on 29th March 2004.

(c) Policy and Decision Making

The Council's decision making process is defined in the Constitution but can be summarised as follows:

- The Council decides policy.
- The Council operates through an Executive Cabinet and regulatory committees for Planning and Licensing
- A Standards Committee is also in place.
- Overview and Scrutiny arrangements were in place during the year but were not used to comment on the budget plans for 2004/05.

(d) Compliance

(1) Policy and Legislation

The Council's statutory officers are the Chief Executive, the Section 151 Officer and the Monitoring Officer. They are responsible for ensuring that the Council acts within the law and in accordance with established policy and procedures. The Section 151 Officer is specifically responsible for the proper discharge of the Council's financial arrangements and must advise elected members where any proposal is unlawful or where expenditure is likely to exceed resources. During 2003/04 there were interim arrangements for the posts of Chief Executive and S151 Officer.

Service Heads and senior management carry responsibility for ensuring that legislation and policy relating to service delivery and Health and Safety are implemented in practice.

(2) Risk Management

A risk management strategy is in place. This strategy aims to integrate risk management into the culture of the organisation and manage risks in accordance with best practice. The strategy however needs enhancing and, more importantly, fully implementing across the Authority. A steering group has been established to provide a formal framework, develop risk registers and instigate training in risk identification, control and monitoring.

Risk assessments are included within reports submitted to members as part of the risk management process. Members are provided with the financial, legal and risk implications of decisions they are being asked to take.

(3) Best Value and C.P.A.

Each year the Council publishes its Best Value performance Plan showing how it performed against national and local performance indicators.

Following a corporate governance reinspection in June 2003 the conclusion of which was that the Council had made insufficient progress in improving its corporate governance, the Council, in June 2004, requested voluntary engagement from the ODPM. This request was accepted and is now in effect. As part of this agreement the Council has been given, and accepts, the CPA category of a “poor” council.

(4) Financial Management

The Council’s financial management framework for 2003/04 is summarised as follows:-

- An annual budget and setting of the Council Tax.
- Some revenue monitoring until November 2003.
- Reporting the annual outturn position to the Council.

(5) Performance Management

A performance management framework is in place but this needs developing and refining. In particular it needs to incorporate key actions within its recovery plan including:-

- Re-assessing and upgrading service standards and business plans.
- Updating service plans and personal objectives each year to reflect any changes in priorities.
- Setting challenging targets within the plans.
- Monitoring delivery against targets.
- Taking action to secure delivery where delivery is at risk.

(5) Partnerships

The Council acts as the “accountable body” for the local Community Safety Partnership. These accords with good practice.

4 REVIEW OF EFFECTIVENESS

4.1 Introduction

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of internal audit and the Statutory Officers within the Authority who have a responsibility for the maintenance and development of the internal control environment. The review is also informed by comments made by the Council’s external auditors and other review agencies and inspectorates.

4.2 Internal Audit

The Council has a responsibility for maintaining an effective internal audit function under Regulation 6 of the Accounts and Audit Regulations 2003. This responsibility is delegated to the Section 151 Officer. The Internal Audit Section reports to him through the Audit and Policy Manager. The section’s primary role is to provide an independent and objective opinion of the degree that the internal control environment supports and promotes the achievement of the Council’s objectives. The section now operates in line with an Audit Plan agreed by the Officers Management team. The section examines, evaluates and reports on the adequacy of internal control as a contribution to the proper economic, efficient and effective use of resources.

The section is subject to an annual review by the Council’s external auditors to ensure the adequacy of the internal audit function.

The internal audit section experienced some vacancies during the year and also a member of its staff was seconded to work on reconciliation issues. The combined effect of this was that insufficient work was done during the year on checking the working of 12 out of the 13 key financial systems.

4.3 Statutory Officers

The current S151 Officer (in post with effect from 28th June 2004 therefore not in post during the year in which this statement relates to and additionally not an employee of the Council during this time) has advised that the Statement of Accounts for 2003/04 has been delayed due to a number of factors including significant delays in finalising the Statements of Accounts for 2001/02 and 2002/03 and

delays in the implementation of the new financial ledger and associated systems. Additionally there were vacancies in key financial posts during the year. The Council has therefore not met its statutory responsibility to report the Statement of Accounts for 2003/04 to the Council by 31st August 2004.

4.4 External Auditors

KPMG LLB on behalf of the Audit Commission undertakes the external audit of the Council. Some matters raised by the Council's external auditors particularly those relating to key system reconciliations and the non-compliance with SORP have been addressed as they have arisen, and they continue to be addressed.

4.5 Standards of Financial Conduct and the Prevention and Detection of Fraud

It is management's responsibility to ensure that there are appropriate controls in place to prevent loss through fraud and error and to ensure that appropriate governance arrangements are in place. The Council's external auditors have concluded that for 2003/04 they have no issues to report on this matter.

4.6 Risk Management

Risk management is a key cornerstone of effective overall governance and is important in providing the Council with a mechanism to make critical decisions as to its financial plans and funding arrangements. Following an internal review, it is accepted that there is still a great deal of progress to be made in developing and embedding risk management into the culture of the Council.

5 SIGNIFICANT INTERNAL CONTROL ISSUES

5.1 The Council experienced a very difficult year. In particular a number of significant weaknesses have been identified within the Council's control environment particularly concerning the internal audit of most key financial systems, financial procedures, processes and system control reconciliations. The Council was therefore exposed to a higher degree of risk than is deemed acceptable, although there is no evidence at present from either external or internal auditors to suggest that there have been material losses or misstatements as a result.

5.2 The Council is committed to ensuring that all necessary measures are taken to overcome the weaknesses identified. The key activities for the Council during subsequent months to enhance the control environment will be to :-

- Build its performance management framework and strategy.
- Ensure that there are sufficient working papers produced to support the financial statements.
- Ensure that Internal Audit is appropriately staffed and review high level controls of all key financial systems annually.
- Address the recommendations on internal controls and reconciliations made by the Council's external auditors.
- Improve budget monitoring procedures.
- Establish risk registers and embed a risk awareness culture in the organisation.
- More rigidly monitor the Treasury Management Process.

Sue Nixon
Chief Executive
Date

Councillor Dennis Norton
Leader of the Council
Date

AUDITORS REPORT

The Council's auditors are KPMG.

To date no audit opinion has been issued.

STATEMENT OF ACCOUNTING POLICIES

General Principles

The general policies adopted in compiling the financial statements are those recommended by the CIPFA/LASAAC Joint Committee in the Code of Practice on Local Authority Accounting in the United Kingdom 2003 'A Statement of Recommended Practice' (the 2003 SORP). If exception occur these are noted at the appropriate place in the statements.

Fixed Assets

The Balance Sheet as at 31st March 2004 has been prepared on the basis of the CIPFA Code of Practice on Accounting for Fixed Assets. However as indicated below there have been changes to previous accounting practice or areas that do not comply with the requirements.

Recognition and Valuation

The requirements of the capital accounting regulations are that all appropriate assets should be carried at a valuation which would be the lower of the net current value or net realisable value for existing use. Also all those assets should be revalued at least once every five years.

Currently the recorded Fixed Assets are subject to a review to ensure the completeness of the record and that the valuations are in accordance with the requirements. This review is not available for this Statement of Accounts but is planned for any required changes to be reflected in the Statement of Accounts for 2004/05.

The basis for valuation of each class of asset is as follows:

Operational assets such as the Council Offices, leisure centres and car parks have been included at estimated current replacement cost.

Infrastructure assets such as environmental improvements, from 2003/04 onwards, are recorded at cost. Vehicle, Plant and Equipment, from 2003/04 onwards, are recorded at cost.

Community assets, such as parks and recreation grounds, are recorded as historic cost or a valuation.

Investment Properties which are assets which are not directly used in the delivery of a service, such as Industrial Properties, are shown at estimated current replacement cost.

Assets under Construction are new capital works which will result in the creation of a new asset but will involve expenditure over several years are carried on the Consolidated Balance Sheet at cost and classified as non operational until they are finished and bought into operational use.

Capital Expenditure

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accrual basis. In this context enhancement means the carrying out of works on the fixed asset which are intended to increase substantially the life, value or use of the asset. Expenditure which falls under this definition but is considered to be immaterial (less than £10,000) is written off during the year. All other expenditure is added to the fixed assets at cost. The expenditure will be carried at cost on the Consolidated Balance Sheet until the asset is revalued.

Deferred Charges

Deferred charges represent expenditure that has been properly capitalised but which do not create a tangible asset for the Council. All expenditure on deferred charges is written off to the General Fund Revenue or Housing Revenue accounts over the appropriate period. However there is a corresponding transfer from the Capital Financing Reserve to neutralise the effect of these charges on the Consolidation Revenue Account.

In most cases this is the year of the expenditure, but for expenditure on software this is to be done over three years to reflect the benefit to the Council from those assets.

Depreciation

Depreciation is charged on assets used in the provision of services. It represents the use of capital assets by that service. It is calculated by writing off the cost or revalued amount for assets, less the residual value for each asset, over the useful life of each asset. However most assets do not currently have a quantified residual value and therefore this could not be used in the calculation of depreciation for 2003/04. It is planned that the valuation review will correct this for the 2004/05 Statement of Accounts.

Depreciation is calculated on a straight line method based on the opening book value for each asset. No depreciation is charged on assets in the year of acquisition or enhancement. No charge is made for non operational assets.

The useful life of assets is based on individual assets but generally is based on:

	Estimated useful life
Council Dwelling	50 years
Other Land and Buildings	10-50 years
Vehicles, Plant and Equipment	5-7 years
Infrastructure	5-20 years
Community Assets	25 years

Capital Charges

Services are charged with a capital charge for all assets used in the provision of their services. These include an annual provision for depreciation (where appropriate) plus a capital financing charge using a rate specified for all authorities. The capital financing charge is based on the opening book value of the asset. The specified rate for 2003/04 being 4.625% for assets carried at historic cost and 3.5% for assets carried at current (revalued) value.

These charges have a neutral impact on the Consolidated Revenue Account as they are reversed out through the Asset Management Revenue Account.

Government Grants

Whatever their basis of payment, revenue grants are matched with the expenditure to which they relate. Grants received to finance general activities of the council or to compensate for a loss of income are credited to the revenue period to which they relate. Government grants are accounted for on an accruals basis and are recognised in the accounting statements when the conditions for their receipts have been compiled with and there is reasonable assurance that the grant will be received.

In a change to accounting practice from 2002/03 and earlier years, where the capital expenditure is funded either wholly or in part by a government grant, or any other contribution from an external source, the amount of the grant or contribution used in financing is credited to the Deferred Government Grants and Contributions Account.

These deferred contributions are released to the Consolidated Revenue Account in line with the depreciation of the asset they are funding. Where an asset does not attract a depreciation charge, the grant or contribution is transferred to the Capital Financing Reserve in the year it is used for financing.

Repayment of Debt

Under the Local Government and Housing Act 1989, the Council must ensure that there is a minimum revenue provision charged to its revenue accounts for the repayment of debt. This calculation is based on the Council's credit ceiling which overall for 2003/04 was negative, meaning that (together with having no external debt) the Council was debt free. For 2003/04 the General Fund credit ceiling was negative resulting in no MRP requirement, whilst the HRA credit ceiling was positive requiring the setting aside 2% of the credit ceiling. The HRA amount being matched by receipt of Housing subsidy.

Capital Receipts

Capital receipts arise from the sale of fixed assets and are accounted for on a cash basis. Receipts under £6,000 are transferred to revenue; the larger sums are available to fund new capital investment. In 2003/04 due to the Council being debt free these sums, after deduction of the costs of sale, are available to use fully. The book value of the asset, where identified, is written out in the year of sale.

Basis on which Debtors and Creditors have been included in the accounts

The revenue and capital transactions of the Council are maintained on an accrual basis in accordance with the 2003 SORP and FRS 18 'Accounting Policies'. That means that sums due to or from the Council during the year are included irrespective of whether cash has actually been received or paid in the year. Where there was insufficient information available to provide actual figures, estimates have been included although this element is not significant.

Nature of Reserves, Provisions and Contingent Liabilities

Reserves: In addition to the revenue balances, the Council has sums set aside for use in future accounting periods, to meet known or predicted liabilities. These earmarked financial reserves are for specific purposes, for example for capital developments or asset purchases.

Two other reserves exist in the name of the "Fixed Asset Restatement Reserve" and the "Capital Financing Reserve". These have been created under the new capital accounting system. Neither of these reserves represents funds to meet future expenditure.

Provisions: The 2003 SORP requires that provisions are recognised when the Council has a present obligation as a result of a past event; it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The Council has not provided for any provisions in 2003-04.

Contingent liabilities: There are no contingent liabilities to provide for.

Leasing

Under the SSAP 21, assets held under finance leases should be included in the Asset Register and therefore be included on the Consolidated Balance Sheet. Also a note to the Consolidated Revenue Account should detail lease rentals paid in the year and obligations to future rentals on existing leases and the interest payable on finance leases should be charged to the Asset Management Revenue Account. Assets held under operating lease are not required to be included in the Asset Register and should be charged to the revenue in equal amounts over the period of the lease. For the financial statements, rental payables under financing and operating leases have been directly charged to the Consolidated Revenue Account and therefore this treatment is a departure from the requirements of SSAP21.

Basis of Valuation of Investments

Investments are recorded in the Balance Sheet at cost.

Extent to which Central Administration Charges are allocated

Staff costs are apportioned over services on a time basis. Administrative buildings and other establishment charges are allocated by way of an on cost addition to staff costs.

The Capital Programme has been charged with support service costs to reflect staff administration of the various schemes within the programme. This change to past practice first occurred in 2001-02, and will continue for the duration of the future capital programme.

Stocks and Stores

These are valued on the basis of last intake price. Stocks in hand are brought into the accounts for Central Depot Stores, Vending Machine Stock, Pest Control Stock and the Postal Franking Machine. The valuation of the stores is a departure from SSAP 9 however the effect is not material.

Interest Charges and Treasury Management Expenses

Provision has been made in the accounts for the accrual of loan interest due to the Council as at 31st March 2004.

External interest payable is charged to the Asset Management Revenue Account. This account is also charged with the provision for depreciation and credited with the capital charges made to the service revenue accounts. The balance on the Asset Management Revenue Account is transferred to the Consolidated Revenue Account after the net cost of services has been determined. The effect is that the Consolidated Revenue Account is charged with an amount equivalent to external interest payable and there is neutral impact on the Amount to be met by Government Grant and Local Taxpayers.

Pensions

This Statement incorporates the full effects of FRS17 – Retirement Benefits, the purpose of which is to ensure that this statement reflects at fair value the assets and liabilities underlying the Council's obligations relating to retirement benefits and that the true cost of those obligations is recognised.

Eligible members of the Local Government Pension Scheme in Bromsgrove are covered by the Worcestershire County Council Pension Fund and the Superannuation Fund Regulations require contributions to be sufficient to maintain fully the solvency of the fund. The fund is a defined benefits scheme based on final pensionable salary. Currently the Pension Fund is in a deficit position and the impact of FRS17 requirements has been to show a Pensions Liability in the Consolidated Balance Sheet of £9.3m, which is the Council's share of the overall deficit of the fund.

The employers' contributions are determined by an independent actuary, based on triennial valuations. The review was carried out as at 31st March 2004.

For 2003/04 the way the pension costs are charged to services changed in that the actuary now provides annual costs of the fund liabilities. These figures replace the actual costs paid by the employers shown within the Net Cost of Services, but are reversed out before the Amount to be met by Government Grant and Local Taxpayers and replaced by the real employers' costs in the Consolidated Revenue Account.

Housing Resource Accounting

The Housing Revenue Account (HRA) has been produced in full compliance with the "Resource Accounting" procedures, which were introduced by the Government from 1st April 2001.

The objectives of this include encouraging more efficient use of housing assets and increasing the transparency of the HRA. In parallel the Government has introduced a Major Repairs Allowance (MRA) which reflects the estimated average annual cost of maintaining the condition of the housing stock over a 30 year period based on the Council's mix of dwelling archetypes.

The HRA receives a cost of capital based on 3.5% of the valuation of property. A housing stock valuation was carried out to determine the basis of the charge. The Council is also required to charge depreciation and, where applicable, impairment on all HRA properties in accordance with proper practices. Additionally a Major Repairs Reserve has been established. This has been credited with an amount equal to the total depreciation charges on all HRA assets. The Major Repairs Reserve has been used to fund capital expenditure on HRA assets.

Best Value Accounting Code of Practice

All Councils now have to comply with the Best Value Accounting Code of Practice (BVACOP), the main items being the mandatory introduction (with some exceptions) of depreciation, identification of trading services, and a revised service expenditure analysis in the Consolidated Revenue Account. The 2003-04 accounts comply with these requirements.

Comparative Figures

To ensure consistency with the current year, certain comparative information has been restated or reclassified where appropriate.

**CONSOLIDATED REVENUE ACCOUNT FOR THE
YEAR ENDED 31ST MARCH 2004**

Net Expenditure 2002-03 £000	Note		Gross Expenditure 2003-04 £000	Gross Income 2003-04 £000	Net Expenditure 2003-04 £000
1,296		Central Services to the Public	1,952	-543	1,409
5,976		Cultural, Environmental and Planning	8,556	-2,302	6,254
297		Highways and Transport	1,225	-771	454
7,035		Housing Services	17,515	-11,325	6,190
1,007		Corporate and Democratic Core	1,548	-219	1,329
544		Unapportionable Central Overheads	575	-184	391
16,155		Net Cost of Services	31,371	-15,344	16,027
-6,162	1	Asset Management Revenue Account			-3,383
356		Precepts to Parish Councils			381
-124	2	Surplus From Trading Operations			-47
-669		External Interest Received			-1,040
-59		Pensions Interest Cost & Expected Rate of Return			573
9,497		Net Operating Expenditure			12,511
-766		Transfer from Capital Financing Reserve			-3,135
-191		Surplus/Deficit(-) transferred back to HRA			-74
45		Contributions to/from(-) Earmarked Reserves			-78
312		Contributions to/from(-) Pension Reserve			-436
-134		Contributions to/from(-) Major Repairs Reserve			-213
-13		Contribution to/from(-) Revenue Balances			131
8,750		Amount to be met by Government Grant & Local Taxpayers			8,706
-4,858		Precept Demands from Collection Fund			-5,506
0		Revenue Support Grant			-862
-3,567		Non-Domestic Rates			-3,068
325		Net General Fund Surplus(-)/Deficit			-730
£000		General Fund Revenue Balance			£000
-1,550		Balance as at 31st March 2003			-1,212
13		Transfer to/from(-) Consolidated Revenue Account			-131
0		Transfer from Collection Fund Community Charge			0
325		Surplus(-)/Deficit for Year			-730
-1,212		General Fund Revenue Balance as at 31st March 2004			2,073

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

This Statement sets out the net cost of services for which the Council is responsible and also shows corporate income and expenditure relating to the Council as a whole and appropriations to and from reserves. It identifies how the total net cost of the Council has been financed from general Government Grants and local taxation. It is prepared to comply with BVACOP and the requirements of FRS17 (Pensions).

1. The Asset Management Revenue Account

The Asset Management Revenue Account is the account that removes the capital charges included within the costs of service figures to ensure that these notional charges do not affect the amount met by Government Grants and Local Taxpayers. The amount transferred to the General Fund was calculated as follows:

2002-03 £000		2003-04 £000
10	External Interest Payments	10
1,884	Depreciation of HRA assets	1,869
364	Depreciation of General Fund assets	469
2,258	Total Expenditure	2,348
	Less: Capital Charges	
	Housing Revenue Account	
-78	Notional Interest Charge	0
-5,390	Asset Rentals (3.5% of asset valuation)	-2,964
-1,884	Depreciation Charges	-1,869
-25	Deferred Contributions Released	-25
	General Fund	
-679	Asset Rentals (3.5% of asset valuation)	-404
-364	Depreciation Charges	-469
-8,420	Total Income	-5,731
-6,162	NET TRANSFER TO REVENUE ACCOUNTS	-3,383
	Represented by:	
-5,493	Housing Revenue Account	-2,896
-669	General Fund	-487

2. Trading Operations

These are activities of a commercial nature, which are financed substantially by charges made to the recipient of the services.

2002-03			2003-04	
Turnover £000	Profit(-) /Loss £000	External Trading Services	Turnover £000	Profit(-) /Loss £000
110	33	Market Services	114	9
126	-37	Industrial Sites	128	-29
236	-4	Total External Trading Services	242	-20
		Internal Trading Services		
3,978	-120	Depot Services	3,364	-27
78	78	Contribution to/from Earmarked Reserves	0	0
4,056	-42	Total Internal Trading Services	3,364	-27

“Depot Services” relate to the contracted services provided to the Council through its own trading operation (e.g. refuse collection, housing repairs, and grounds maintenance). The majority of the income generated by Depot Services comes from other services within the Council. The ‘trading profits’ generated by Depot Services have been transferred back to the client departments as part of the closedown process.

3. Provision for Loan Repayment

The Provision for Loan Repayment complies with the minimum revenue provision required under the Local Government Act 1989.

2002-03 £000		2003-04 £000
41	Housing Revenue Account	40
0	General Fund (Negative credit ceiling-therefore no provision)	0
41	Minimum Revenue Provision	40
	Less: Depreciation already charged to the C.R.A.	
-1,884	Housing Revenue Account	-1,869
-364	General Fund	-469
-2,207	Adjusted Minimum Revenue Provision	-2,298

4. Publicity

Set out below, under the requirements of Section 5(1) of the Local Government Act 1986, is the Council’s spending on publicity:

2002-03 £000		2003-04 £000
43	General Advertising	122
47	Staff Advertising	135
77	Marketing, Promotion and publicity	152
167	Total	409

5. Pensions Benefits (Financial Reporting Standard 17)

The Council participates in the Local Government Pension Scheme for Council employees which is administered by Worcestershire County Council. This is a funded scheme, meaning both the Council and employees pay contributions into the fund, calculated at a level intended to balance the pensions liabilities with investments.

The requirement of FRS 17 is for the cost of retirement benefits to be recognised in the net cost of services when the employees earn the benefits rather than when the benefits are eventually paid as pensions.

However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of benefits is reversed out of the Consolidated Revenue Account after Net Operating Expenditure.

The following transactions have been made in the Consolidated Revenue Account during the year.

2002-03 £000	Cost of retirement benefits in Consolidated Revenue Account	2003-04 £000
	Net Cost of Services	
769	Current Service Costs	849
0	Past Service Costs	123
0	Curtailement costs	32
	Net operating Expenditure	
1,724	Interest Costs	1,819
-1,783	Expected return on assets in scheme	-1,246
	Amount met from Government grant & local taxes	
270	Movement on Pensions Reserve	-436
	Actual amount Charged against Council tax for Pensions in year	
980	Employers Contributions Payable	1141

Notes to Consolidated Balance Sheet contains details of the assumptions made in the estimating of the figures used in this note. The assumptions were made by the Actuary appointed by Worcestershire County Council. The adoption of FRS 17 for 2003/04 means that the 2002/03 have been adjusted for comparative purposes.

6. Payments made to Employees 2003-04

Under Regulation 7(2) of the Accounts and Audit Regulations 2003, the Council is required to disclose in a note to the accounts the number of employees whose remuneration exceeds £40,000 in bands of £10,000. This information is presented below:

2002-03 Total Number of Employees	Remuneration Band	2003-04 Total Number of Employees
10	Over £40,000 and up to £50,000	9
0	Over £50,000 and up to £60,000	1
0	Over £60,000 and up to £70,000	0
1	Over £70,000 and up to £80,000	0

7. Members Allowances

In accordance with the Local Authority (Members' Allowances) Regulations 1991, the Local Authority (Members' Allowances) (Amended) Regulations 1995, and the Local Authority (Members' Allowances) (England) Regulations 2001 the Council publishes each year details of the total amount of basic allowances, attendance allowances and special responsibility allowances paid to members of Bromsgrove District Council.

2002-03 £000		2003-04 £000
95	Basic Allowance	100
31	Special Allowance	32
0	Attendance Allowance	0
5	Chairman's Allowance	5
1	Vice Chairman's Allowance	1
132	Total Allowances Paid	138

Members' Allowances were reviewed by an Independent Remuneration Panel in accordance with Regulation 5 of the Local Authorities (Members' Allowances) (England) Regulations 2001. Members ceased receiving attendance allowance from 29 July 2001 and instead receive a flat rate £2,500, plus reimbursement for travel, subsistence and telephone line rental expenses. Special responsibility allowances are paid to thirteen members undertaking specific duties and responsibilities for nominated roles of office (e.g. Council Leader, Deputy Leader, and Scrutiny Chairs).

8. Related Parties

The 2003 SORP requires disclosure of transactions with related parties in line with FRS8 'Related Party Disclosures'. Parties are defined as related if one party can or has potential to exert control or influence over the other party or are subject to a common control from the same source. During 2003-04 the Council had the following transactions with related parties:

2002/03			2003/04	
Expenditure £000	Income £000		Expenditure £000	Income £000
3,498		West Midlands Police Authority:		
0		- Precept	4,110	
		- Distribution of Collection Fund Surplus	185	
		Parish Councils:		
356		- Precepts	381	
22		- Lighting Grants	24	
85		- Concurrent Functions	85	
		Worcestershire County Council:		
24,365		- Precept	28,213	
0		- Distribution of Collection Fund Surplus	1,290	
	-2	- Ryland Centre	8	
	-19	- Abandoned Vehicles		-14
	-84	- Recycling		-52
1,246		- Superannuation	1,141	
	-29	- Luncheon Clubs		-54
		Government Departments:		
	0	- Revenue Support Grants		-862
	-3,567	- Redistributed NNDR		-3,068
	-4,413	- Housing Benefits		-5,007

	-1,149	- HRA Subsidy		-975
	-109	- Other		-109

9. Building Control Regulations

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – ‘details of scheme for setting charges’. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The table below shows only the chargeable element of operational services.

Building Regulations Total 2002-03 £000		Fee Earning Total 2003-04 £000	Non Fee Earning Total 2003-04 £000	Building Regulations Total 2003-04 £000
	Expenditure:			
2	Printing, Stationery, etc.	2	0	2
4	Consultants Fees	4	0	4
213	Building Control IBU	237	36	273
219	Total Expenditure	243	36	279
	Less Income:			
-291	Fees	-286	0	-286
-1	Sundries	-2	0	-2
-292	Total Income	-288	0	-288
-73	Surplus(-)/Deficit for the Year:	-45	36	-9

10. Local Authorities (Goods and Services) Act 1970

There were no significant transactions in 2003-04 with organisations covered by the Act.

11. Local Government Act 2000

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well-being in their area. Expenditure amounted to £193,087.92 in 2003-04 (£150,044 in 2002-03) and has mainly been used in providing grants to the voluntary sector serving the community in Bromsgrove.

**HOUSING REVENUE ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2004**

2002-03 £000		2003-04 £000
	<u>Income:</u>	
-8,275	Dwelling rents (gross)	-8,116
-319	Non-dwelling rents (gross)	-346
-327	Charges for services & facilities	-455
-1,149	HRA Subsidy receivable (including MRA)	-975
-10,070	Total Income	-9,892
	<u>Expenditure:</u>	
2,046	Repairs and maintenance	1,747
1,903	Supervision and Management	1,840
4,543	Rent Rebates	4,468
0	Write off of bad or doubtful debts at LSVT	129
	Cost of Capital	
5,390	Asset Rental charges	2,964
1,884	Depreciation and Impairment of fixed assets	1,869
0	Amortisation of deferred charges	2,097
15,766	Total Expenditure	15,114
5,696	Net cost of Services	5,222
-5,390	Net HRA Income/expenditure on AMRA	-2,891
-25	Released Deferred Capital Contribution	-25
	HRA Investment Income	
-13	Interest on notional cash balances	21
-9	Mortgage interest	-8
259	Net Operating Expenditure	2,319
	Appropriations	
41	HRA Contribution to Minimum Repayment Provision	40
-134	Transfer to/from(-) Major Repairs Reserve	-213
25	Transfer to/from(-) Capital Financing Reserve	-2,072
191	Total Surplus(-)/Deficit for the year	74
-214	Balance brought forward 1st April	-23
-23	Balance as at 31st March	51

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Transfer of Housing Properties

Following a Council decision to review the provision of housing services within the district, council tenants voted to transfer the properties to Bromsgrove District Housing Trust (BDHT) which is a registered as a Social Landlord. The housing stock was transferred on 29th March 2004. The Council has retained small areas of land. The Council will be applying to the Office of the Deputy Prime Minister in due course for consent to close the HRA. Any balances remaining will then be transferred to the General Fund.

2. Housing Stock

The Council was responsible for managing an average of 3,132 dwellings in 2003-04 before transfer to BDHT. All housing and garages were transferred to BDHT on 29th March 2004. The Council has retained some small areas of land. The stock was made up as follows:

No's	Value as at 31st March 2003 £000		No's	Value as at 31st March 2004 £000
		Operational Assets		
1,363	43,766	Houses	0	0
1,406	27,030	Flats	0	0
399	12,402	Bungalows	0	0
3,168	83,198	Total Council Dwellings	0	0
1,593	1,365	Garages	0	0
	84,563	Total Operational Assets		0
		Non-Operational Assets		
	237	Non-operational Land		32
	84,800	Total HRA Assets		32

The balance sheet values of Council Dwellings given above are based on the Existing Use Value – Social Housing, in accordance with recommended practice.

The change in stock can be summarised as follows:

2002-03 No's		2003-04 No's
	COUNCIL HOUSES	
3,292	Stock as at 31st March	3,168
-124	Less Sales	-72
1	Adjustment	0
0	Transferred to BDHT	-3,096
3,168	Stock as at 31st March	0

3. Major Repairs Reserve

The Major Repairs Reserve represents the amount of subsidy provided by Government to support major works necessary to bring the Council's housing stocks up to an acceptable standard. The balance will be used to fund capital creditors during 2004-05.

2002-03 £000			2003-04 £000	
	-473	Balance as at 31st March		-201
	-1,884	Depreciation charged to the HRA		-1,869
		Less:		
		Amount transferred to HRA during the year		
59		Item 8 - Special Determination	0	
75		Adjusting transfer	213	
	134			213
	2,022	Financing of capital expenditure		1,667
	-201	Balance as at 31st March		-190

4. Housing Capital Expenditure

Details of Housing Capital expenditure is provided below:

2002-03 £000		2003-04 £000
	Expenditure	
0	Land	0
2,270	Houses	2,372
179	Other Property	88
0	LSVT/BDHT Set up costs	2,097
2,449	Sub-total	4,557
	Add Opening Creditors	127
-127	Less Closing Creditors	-629
2,322	Expenditure for Capital Financing Purposes	4,055
	Financed by	
2,022	Major Repairs Reserve	1,667
259	Useable Capital Receipts	2,376
0	External Contribution	12
41	Provision for Credit Liabilities	0
0	Disabled Facilities Grant	0
2,322	Total Financing	4,055

5. Capital Receipts Analysis

The total capital receipts during the 2003-04 financial year are given below, the major element being the receipt from BDHT for stock transfer.

2002-03 £000		2003-04 £000
53	Land	22
5,392	Houses & Garages	19,971

118	Other Property	83
5,563	Total	20,076

6. Depreciation

Depreciation of £1,869,040 was charged in the year in respect of operational assets (including dwellings). There was no depreciation on the non-operational assets. The depreciation charge is based on the Existing Use Value – Social Housing (EUV-SH) for dwellings and Existing Use Value (EUV) for garages. An accounting adjustment has been made in the Housing Revenue Account to represent the difference in calculated depreciation and the value of the Major Repairs Allowance.

7. Cost of Capital Charge

The cost of capital is a charge made to the HRA for the use of its fixed assets. The charge is determined by applying a specified notional rate of interest to the net amount at which each asset is held on the Consolidated Balance Sheet. The rate of interest is determined annually by the CIPFA/LASAAC Joint Committee. The rate for assets valued at current value, which includes council housing, is 3.5% for 2003-04 (6% for 2002-03).

8. Asset Management Revenue Account

The Asset Management Revenue Account accounting adjustment is necessary to ensure that the capital charges for depreciation and notional asset rental charges have a nil impact on the balance on the Housing Revenue Account.

9. Impairment Charges

There were no impairment charges as assessed in accordance with proper practice.

10. Gross Rent Income

This is the total rent income due for the year after allowance is made for voids, etc. The average rent was £52.22 compared with £53.08 for 2002-03.

11. Housing Revenue Account Subsidy

The amount of subsidy payable in 2003-04 was calculated in accordance with the formula set out on paragraph 3.1 of the General Determination of Housing Subsidy for 2003-04 and is set out below:

2002-03 £	Subsidy Element	2003-04 £
2,777,950	Management and maintenance	2,708,664
1,808,590	Major Repairs Allowance	1,656,425
3,875,020	Rent Rebates	3,556,827
131,501	Charges for Capital	142,292
11,966	Other items of reckonable expenditure	7,191
0	Allowance for Tenant Participation Compacts	0
0	Allowance for Resource Accounting	0
8,605,027		8,071,399
	Less:	
-7,442,578	Rent	-7,095,808
-13,166	Interest	-8,667
1,149,283	Housing revenue account subsidy payable to the Council	966,924

12. Rent Arrears

At the date of transfer, to BDHT the Council was owed a total sum in respect of rent and service charges of £715,974 from both current and former tenants. Arrears of £464,533 were assigned to BDHT by virtue of a deed of assignment. BDHT agreed to pay the Council the sum of £227,254 for these debts based on applying a variable percentage to the amounts assigned dependent on category and size of debt. Rent arrears retained by the Council totalled £488,720. The remaining balance of £359,833 on the Bad debt provision, after write offs during the year, was used to write off the debts with the balance of £128,887 being charged to the Housing Revenue Account in 2003/04.

13. Deferred Purchase Scheme

The Council operates a deferred purchase scheme with Morgan Grenfell (Local Authority Finance) Ltd. This scheme involves Morgan Grenfell financing the development on behalf of the Council. On completion, the cost of the scheme together with interest is paid to Morgan Grenfell over a specified number of years.

The scheme relates to the construction of 145 dwellings in Shenstone Court and Burcot Lane, Bromsgrove. The total cost was £969,321 and the amount outstanding at 29th March 2004 was £59,321. This balance has been transferred to BDHT as part of the Large Scale Voluntary Transfer. The annual cost has been charged to the Housing Revenue Account.

14. Bad Debt Provision

2002-03 £000		2003-04 £000
440	Balance as at 31st March	395
-45	Less amounts written off in year	-35
0	Less amounts written off following LSVT	-360
395	Balance as at 31st March	0

15. FRS17 – Retirement Benefits

Although the Consolidated Revenue Account has been updated to reflect the requirements of FRS17 Retirement Benefits, the Housing Revenue Account exclude any adjustments.

**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31st MARCH 2004**

2002-03 £000		2003-04 £000
	<u>Income:</u>	
-31,647	Income from Council Tax (Net)	-35,636
-2,205	Council Tax Benefits	-2,643
	Reduction in Provision for Bad and Doubtful Debts	
0	Council Tax	0
-170	Business Rates	0
-17,001	Income from Business Ratepayers	-17,346
0	Community Charge income	0
-51,023	Total Income	-55,625
	<u>Less Expenditure:</u>	
32,721	Precepts and Demands	39,304
	Business Rates:	
17,062	Payments to Pool	17,122
108	Costs of Collection	109
	Increased Provision for Bad and Doubtful Debts	
0	Council Tax	113
0	NNDR	114
0	Community Charge – Transfer to General Fund	0
49,891	Total Expenditure	56,762
-1,132	Surplus(-)/Deficit for the year	1,137
-351	Collection Fund Surplus(-) brought forward	-1,483
-1,483	Collection Fund Surplus (-) carried forward	-346

NOTES TO THE COLLECTION FUND ACCOUNT

1. General

These accounts represent the transactions of the Collection Fund, a statutory fund separate from the main accounts of the Council. The fund accounts independently for income relating to Council Tax and National Non Domestic Rates on behalf of those bodies (including the Council's own General Fund) for which the income has been raised. Administration costs are borne by the General Fund. The transactions are however consolidated in the Council's Balance Sheet and Cashflow Statement.

2. Council Tax Base

The Council set a total Council Tax of £1,084.05 based on Band 'D' equivalent, with a tax base of 34,307.60.

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

Items for parish precepts are additional.

Band	Valuation	Numbers	Ratio	Band D
A	Up to £40,000	2,469.50	6/9	1,646.30
B	Over £40,000 and up to £52,000	5,818.75	7/9	4,525.70
C	Over £52,000 and up to £68,000	7,255.25	8/9	6,449.10
D	Over £68,000 and up to £88,000	6,523.00	9/9	6,523.00
E	Over £88,000 and up to £120,000	5,631.25	11/9	6,882.60
F	Over £120,000 and up to £160,000	3,073.00	13/9	4,438.80
G	Over £160,000 and up to £320,000	2,321.50	15/9	3,869.20
H	Over £320,000	246.25	18/9	492.50
Total				34,830.00
		Collection Rate		98.50%
		Council tax base		34,307.60

The costs of individual council tax benefits are met from the General Fund to which any Government grants are payable.

3. National Non-Domestic Rates

Non Domestic Rates are collected on behalf of the government and paid into a National Pool. The Collection Fund receives amounts paid by the local ratepayers in the area, and pays this amount over to the national pool net of allowable costs of collection. The National rate specified by government was an amount of 44.4p in the £ for 2003-04 (43.7p 2002-03) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. A revaluation of all non-domestic properties took effect from 1st April 2000; the rateable value as at 31st March 2004 was £45,129,409.

4. Precepts

The precepts and demands were as follows:

2002-03 £000		2003-04 £
24,365	Worcestershire County Council	28,213
4,858	Bromsgrove District Council (including Parish Councils)	5,249
3,498	West Mercia Police Authority	4,110
	Distribution of Collection Fund Surplus	
0	Worcestershire County Council	1,290
0	Bromsgrove District Council	257
0	West Mercia Police Authority	185
32,721	Total	39,304

5. Bad Debt Provision

Bad and doubtful debt provisions comprised the following amounts:

2002-03 £000		2003-04 £000
1,662	Balance as at 31st March	1,270
	Council Tax	
-94	Written-off during the year	-96
0	Movement in Provision	113
	Non-Domestic Rates	
-128	Written-off(-)/on(+) during the year	3
-170	Movement in Provision	114
1,270	Balance as at 31st March	1,404
	Represented By:	
713	Council Tax Provision	730
557	Business Ratepayers Provision	674
1,270	Total	1,404

6. Collection Fund Balance

The Collection Fund reserves are available for distribution to the Authorities which precept on the Fund. In 2003/04, a total of £1.732 million was distributed to Worcestershire County Council, West Mercia Police Authority and Bromsgrove District Council. The balance on the Reserve is set out below:

2002-03 £000		2003-04 £000
351	Balance brought forward 1st April	1,483
1,132	Surplus/Deficit(-) in the Year	-1,137
0	Transfer to General Fund	0
1,483	Balance carried forward 31st March	346

**CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2004**

2002-03 £000		2003-04	
		£000	£000
		Fixed Assets:	
83,120			Operational Assets -
			Council Dwellings
11,873			Other Land and Buildings
0			Vehicles and Plant
0			Infrastructure
260			Community Assets
			Non Operational Assets
4,291			Investment Properties
208			Assets under Construction
99,752	1		Total Fixed Assets
			Other Long Term Assets:
0			Deferred Charges
50	2		Long Term Investments
157	3		Long Term Debtors
99,959			Total Long Term Assets
			Current Assets:
126	4	94	Stocks
4,328	5	5,418	Debtors
0		122	Suspense Accounts
284	6	581	Cash In Hand and Bank
19,450	7	33,702	Short Term Investments
24,188			
			Less: Current Liabilities:
-5,156	8	-6,630	Creditors
-299	9	-296	Short Term Borrowing
-5,455			
118,692			Total Assets less Current Liabilities
			Other Long Term Liabilities
-157	10		Deferred Capital Receipts
0			Commutated Sums
-12,162	12		Liabilities Relating to Defined Benefits Pension Scheme
106,373			Total Assets less Liabilities
			Financed by:
40,313			Fixed Assets Restatement Reserve
59,176			Capital Financing Reserve
1,216			Deferred Government Grant and Contributions
3,287			Government Grants and Contributions Unapplied
10,866			Capital Receipts Unapplied
758			Earmarked Reserves
-12,162	12		Pensions Reserve
201			Major Repairs Reserve
			Revenue Balances:
1,212			General Fund
23			Housing Revenue

1,483	Collection Fund		346
106,373	Total Equity		42,671

NOTES TO THE CONSOLIDATED BALANCE SHEET

1.Fixed Assets

1.1 Analysis of movements in Fixed Assets

	Operational assets					Non Operational		Total
	Council Dwellings	Other Land & Buildings	Vehicles Plant & Equipment	Infra-structure	Community Assets	Investment Properties	Assets under Construction	
	£000	£000	£000	£000	£000	£000	£000	
Gross Book Value at 1st April 2003	88,595	12,836	0	0	274	4,377	208	106,290
Additions	1,984	876	1,655	263	42	0	891	5,711
Disposals	-3,675	0	0	0	0	-385	0	-4,060
Reclassification & Adjustment	0	-497	220		362	322	0	407
Revaluation	0	0	0	0	0	0	0	0
Transfer of Housing Stock	-86,904	-1,575	0	0	0	-206	0	-88,685
Gross Book Value at 31st March 2004	0	11,640	1,875	263	678	4,108	1,099	19,663
Depreciation at 1st April 2003	5,475	963	0	0	14	86	0	6,538
Depreciation for year	1,764	531	102	0	5	22	0	2,424
Disposal Transfers and adjustments	0	5	0	0	-19	-108	0	-122
Transfer of Housing Stock	-7,239	-315	0	0	0	0	0	-7,554
Depreciation at 31st March 2004	0	1,184	102	0	0	0	0	1,286
Net Book Value at 1st April 2003	83,120	11,873	0	0	260	4,291	208	99,752
Net Book Value at 31st March 2004	0	10,456	1,773	263	678	4,108	1,099	18,377

1.2 Valuation of Fixed Assets

The basis for valuation of the individual classes of the fixed assets owned by the Council is explained in the Statement of Accounting policies. The value of the assets transferred to BDHT have been written out of the Consolidated Balance Sheet as Transfer of Housing Stock in the above table. The net book value as at 31st March represents the value of assets belonging to the General Fund and any residual Housing Revenue Account assets which were not included in the transfer.

The freehold and leasehold property owned by the Council has been valued in accordance with the Statement of Valuation Principles and guidance notes issued by The Royal Institute of Chartered Surveyors as recommended by the Chartered Institute of Public Finance and Accountancy. The valuations were carried out by the Council's own Valuation Officer Mr. D Rogers-Davies MRICS.

However the fixed asset values are not compliant with the requirements for all assets to be revalued within a five year period and information to be held on the assets useful economic life and residual value. The

Council is in the process of reviewing all information on fixed assets held to ensure both completeness and compliance with the requirements of SORP. It is anticipated that this information will be available for incorporation in Statement of Accounts for 2004-05.

1.3 Capital Commitments

Capital commitments on major schemes totalled £4.6m at the year end. The major schemes include Refuse and Recycling £2m, Arts Centre £1.5m, Dolphin Centre Upgrade £0.8m, Provision of Customer Service Centre £0.3m. The future expenditure is not included in the accounts.

1.4 Fixed Assets Held

The fixed assets held by the Council include the following:

31st March 2003 No's		31st March 2004 No's
3,168	Council Dwellings	0
1,593	Garages	0
7	Other Properties	7
1	Office	1
1	Depot	1
1	Sport Centre	1
3	Public Conveniences	3
1	Caravan Site	1
9	Car Park	10
1	Day Centre	1
1	Cemeteries	2
1	Museum and TIC	1
1	Market Hall	1
4	Hostels	4
9	Allotments Sites	9
60	Parks/Recreation Grounds/ Open Spaces/Play Areas etc	60

1.5 Capital Expenditure and Financing

2002-03 £000		2003-04 £000
	Expenditure	
424	Additions to Fixed Assets	5,710
3,752	Non Enhancing Expenditure	863
442	Deferred Charges	3,518
4,618	Total Expenditure	10,091
	Funding	
2,030	Capital Receipts	4,344
2,022	Major Repairs Reserve	1,667
217	Capital Grants	1,470
13	Capital Contributions	188
0	Revenue Contributions	24
41	Use of provision for credit liabilities	1,319
295	Movement in capital creditors	1,079
4,618	Total Financing	10,091

1.6 Deferred Charges

Deferred charges refer to capital expenditure which does not create a tangible asset for the Council. This expenditure is charged to revenue over an appropriate number of years, taking into account the benefit derived by the authority from that expenditure. Improvement grants and other items, mainly the cost of LSVT transfer and capital grants, are charged in the year the expenditure is incurred. The expenditure on software will be written off over the next three years to reflect the benefit that will be gained over the period.

	Improvement Grants £000	Computer Software £000	Other £000	Total £000
Balance as at 1st April 2003	0	0	0	0
Expenditure in year	446	707	473	1626
Written off to Consolidated Revenue Account	-446	0	-473	-919
Balance as at 31st March 2004	0	707	0	707

2. Long Term Investments

These consist of a debenture loan to the Association of District Councils for £50,000 (£50,000 as at 31st March 2003) and investment in Charities Investment Fund for £53 (£53 as at 31st March 2003).

3. Long Term Debtors

31st March 2003 £000		31st March 2004 £000
157	Mortgagors re. Sale of Council Houses	101

4. Stocks

The stock at the year-end consisted of:

31st March 2003 £000		31st March 2004 £000
6	Postal Franker	6
115	General Stock Items held at the Council's Depot	84
2	Various Vending machines	2
1	Pest Control Poisons and Baits	1
2	Dolphin Centre Confectionery for Resale	1
126	Total	94

5. **Debtors**

31st March 2003 £000		31st March 2004 £000
	<u>Amounts falling due within one year</u>	
11	Employee related	0
664	Housing Rent (and Benefit) arrears	0
960	NNDR Pool Contribution	833
1,175	NNDR arrears	1,336
2,152	Council Tax arrears	1,798
0	Interest receivable	159
28	Rechargeable works	22
344	Government Departments	1,549
19	Officers car loans	7
446	Payments in advance	117
195	Other debtors	1,275
5,994	Sub-total	7,096
	<u>Amounts falling due after one year</u>	
30	Car Loans to Employees	7
6,024	Gross Debtors	7,103
	Less Provision for Bad Debts:	
-31	General Fund	-31
-1,270	Collection Fund	-1,404
0	HB Overpayments	-250
-395	Housing Tenants	0
4,328	Net Debtors	5,418

6. **Cash In Hand and Bank**

Cash in hand consists of petty cash imprest accounts held by various officers throughout the Council, plus cash and cheques not yet credited to the Bank Account.

31st March 2003 £000		31st March 2004 £000
2	Petty Cash	2
207	Cashiers & Leisure Centres	209
75	Bank	370
284	Total	581

7. **Short Term Investments**

These are surplus monies temporarily invested externally.

8. Creditors

2002-03 £000		2003-04 £000
35	Employee related	13
433	Sundry Creditors	1,328
87	Government Departments	236
64	Housing Rent prepayments	0
1,893	NNDR Pool Contributions	2,191
241	NNDR prepayments	419
474	Council Tax prepayments	440
105	Sewerage agency works	105
20	Contractors Deposits	12
1,804	Other creditors	1,886
5,156	Total	6,630

Included in the National Non-Domestic Rate Pool contribution balance is an amount of £1,761,049 in respect of balances prior to 31st March 2001. This was paid to the Office of the Deputy Prime Minister on 6th September 2004.

9. Borrowing – Short Term

This represents monies temporarily borrowed for less than twelve months.

10. Deferred Capital Receipts

Deferred capital receipts are amounts derived from the sale of assets, which will be received in instalments over an agreed period. The amount shown in the balance sheet relates to mortgages on the sales of council houses and the corresponding debt for this amount is included in the long-term debtors (See Note 3).

11. Provision for Credit Liabilities (Memorandum)

Under the Housing & Local Government Act 1989, the Council is required to reserve proportions of capital receipts and set aside minimum sums for the repayment of debt. As the balances attributable to those receipts now form part of the Capital Financing Reserve it is a requirement to disclose details relating to the movements during the year by way of a memorandum.

	Total £
Balance as at 31st March 2003	21,372
Minimum Revenue Provision	41
Use of MRP to finance Capital expenditure	(1,319)
Balance as at 31st March 2004	20,094

12. FRS 17 – Retirement Benefits

The Note to the Consolidated Revenue Account contains details of the Council's participation in the Local Government Pension Scheme (administered by Worcestershire County Council) in providing the Council's employees with retirement benefits.

The underlying assets and liabilities of the Pension Fund attributable to the Council at 31st March 2004 are as follows:

31st March 2003 £000		31st March 2004 £000
30,478	Estimated Liabilities	32,117
18,316	Estimated Assets	22,830
12,162	Net Liabilities	9,287

The liabilities show underlying commitments that the authority has, in the long run, to pay retirement benefits. The net liabilities of £9.287m has a substantial impact on the net worth of the Council as recorded in the Consolidated Balance Sheet, resulting in a reduction of 17.9% to the overall balance of £51.958m. However, statutory arrangements for funding the deficit means that the financial position of the Council remains healthy as the deficit will be made good by increased contributions over the remaining working life of employees as assessed by the Fund's Actuary and finance only being required to be raised to cover the pensions when they are actually paid.

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 levels etc. The Funds liabilities have been assessed by Mercer Human Resource Consulting Ltd, an independent firm of actuaries, based on the last full valuation of the scheme as at 31st March 2001.

The main assumptions used in the calculations are as follows:

Assumptions as at	31st March 2003 % per annum	31st March 2004 % per annum
Rate of Inflation	2.50	2.8
Rate of increased in salaries	3.75	4.05
Rate of increase in pensions	2.50	2.8
Discount rate	6.00	6.3

The assets are valued at fair value, principally market value for investments, and consist of the proportions, together with rate of return on the class of asset.

Assets	31st March 2003			31st March 2004		
	Value £000	Proportion of Assets %	Expected rate of return %	Value £000	Proportion of Assets %	Expected rate of return %
Equities	13,502	69.7	7.50	18,216	79.8	7.5
Government Bonds	2,460	12.7	4.50	1,689	7.4	4.7
Other Bonds	2,015	10.4	5.40	1,621	7.1	5.5
Property	1,259	6.5	6.50	205	0.9	6.5
Other	135	0.7	3.75	1,097	4.8	4.0
Total	19,371	100.0		22,828	100.0	

	31st March 2003 £000	31st March 2004 £000
Net pensions liability as at 1st April	5,400	12,162
Current service Cost	769	849
Employee contributions	-980	-1,141
Past service/curtailment costs	0	155
Net interest/return on assets	-59	573
Actuarial gain(-)/loss	7,032	-3,311
Net pensions liability as at 31st March	12,162	9,287

13. Post Balance Sheet Events

At its meeting on 3rd June 2004, the Council resolved to seek Voluntary Engagement with the Government in order to secure progressive improvement in the performance of the Council. This would enable the Council to receive advice, support and guidance from various Government appointed advisers whilst remaining in control of its own programme of improvement. This decision was taken against a background of Corporate Governance meetings with the Audit Commission who recognised the Council was making progress from the Inspections in 2001 and 2003 but considered the changes were being implemented too slowly. Additionally the Comprehensive Performance Assessment (CPA) for the Worcestershire District Councils was scheduled for September 2004. After preliminary work by Officers, it was assessed that it was likely that the Council would receive as 'weak' or 'poor' rating. In June 2004 the Council requested voluntary engagement from the ODPM and a deferral of CPA. These requests were accepted. As part of this agreement the Council has been given, and accepts, the CPA category of a "poor" council.

In line with Government policy has appointed the Minister with lead responsibility, the Lead Official and the Regional Link Officer.

**STATEMENT OF TOTAL MOVEMENT IN RESERVES
FOR THE YEAR ENDED 31st MARCH 2004**

31st March 2003 £000		31st March 2004 £000	
	Revenue Surplus/Deficit(-) for year		
-338	General Fund		861
-191	Housing Revenue Account		-74
1,207	Collection Fund		-1,137
45	Net Movement in Earmarked reserves		-78
723	Total Increase/Decrease(-) in Revenue Resources		-428
4,100	Increase in Useable Capital receipts	16,859	
2,560	Increase in unapplied Capital grants and Contributions	-87	
6,660	Total Increase in Realised Capital resources (Note 3)		16,772
0	Gains/Losses(-) on revaluation of Fixed Assets	0	
0	Gains/Losses(-) on adjustments to Fixed Assets	533	
0	Total increase/decrease(-) in Unrealised Value of Fixed Assets (Note 4)		533
-7,848	Value of expenditure written off for non enhancing expenditure	-863	
0	Disposal of fixed assets (Note 4)	-85,279	
			-86,142
2,030	Capital Receipts set a side	4,344	
-2,207	Revenue Resources set aside	-2,169	
2,277	Capital grants and Contributions	3,374	
-25	Movement on deferred grants and contributions	-49	
-443	Amounts written off	-2,812	
1,632	Total increase in amounts set aside to finance capital investment (Note 5)		2,688
1167	Total Recognised Gains and Losses		-66,577

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

1. Revenue Balances

The Council has a number of Revenue Balances

	Balance as at 1st April 2003	Surplus/ Deficit(-) in year	Balance as at 31st March 2004
General Fund	1,212	861	2,073
Housing Revenue Account	23	-74	-51
Collection Fund	1,483	-1,137	346

General Fund

This includes any surplus after meeting net expenditure on Council services.

Housing Revenue Account

This provides a working balance for the HRA, for which transactions are ring fenced. However, following the transfer of the stock to BDHT a formal application to the ODPM to close the HRA will be made in due course at which time any balance remaining will be transferred to the General Fund Reserve.

Collection Fund

The Collection Fund balance relates to the surplus on the collection of Council tax after making payments to the precepting authorities. The balance is distributable to the authorities' precepting on the Fund.

2. Movements in Earmarked Reserves

The movement in Earmarked Reserves during 2003-04 was as follows:

	Balance as at 31st March 2003 £000	Contributions from Revenue £000	Contributions to Revenue £000	Balance as at 31st March 2004 £000
Building Control Partnership	6	6	0	12
Capital reserve	235	0	0	235
Computer Development	37	0	0	37
Insurance Reserve	300	0	0	300
Lottery Reserve	6	0	0	6
Traffic Island Sponsorship	9	0	0	9
Vehicle & Plant Replacement	165	1	-85	81
Total	758	7	-85	680

3. Movement in Realised Capital Resources

Capital Receipts Unapplied represents the income from the sale of fixed assets that can be used to fund capital expenditure. Being "debt free" the Council is able to use 100% of such receipts.

Government Grant and Contributions Unapplied relates to sums received to fund capital expenditure. The sums includes contributions from developers for planning gain agreements and the Major Repairs Reserve (details of which can be found in the Notes to the HRA).

2002-03					2003-04			
Capital Receipts Unapplied		Government Grant and Contributions Unapplied (including Major Repairs Reserve)			Capital Receipts Unapplied		Government Grant and Contributions Unapplied (including Major Repairs Reserve)	
£000	£000	£000	£000		£000	£000	£000	£000
	6,766		928	Balance as at 1st April		10,866		3,488
6,130		4,653		Amounts Receivable	21,203		3,238	
-2,030		-2,093		Applied to finance capital expenditure	-4,344		-3,325	
	4,100		2,560	Increase in Realised Capital Resources		16,859		-87
	10,866		3,488	Balance as at 31st March		27,725		3,401

4. Movement in Unrealised Value of Fixed assets - Fixed Asset Restatement Reserve

The Fixed Asset Restatement Reserve represents the difference between the initial revaluation and their historic value (cost), together with any subsequent revaluations. It also includes the write down of asset disposals and capital expenditure written off.

2002-03 £000			2003/04 £000
48,161	Balance as at 1st April		40,313
0	Gains on revaluation in year	0	
0	Other adjustments	533	
0	Total increase in unrealised resources		533
-3,753	Capital expenditure not included in Fixed assets in year	-863	
-4,095	Amount of assets disposed	-85,279	
-7,848	Total movement in Reserve		-86,142
40,313	Balance as at 31st March		-45,296

5. Movements in amounts set aside to Finance Capital Investment

The Capital Finance Reserve contains the amounts which have been required to be set aside from capital receipts or revenue for the repayment of external loans, together with the amounts of revenue, capital receipts and grants and contributions which have been used to fund capital expenditure.

The Deferred Government Grant and Contributions account represents amounts received to fund capital expenditure, which will be released to revenue to offset depreciation in respect of the assets to which they relate. Sums relating to assets which will not be depreciated are transferred to CFR in the year they are applied.

2002/03			2003/04	
Capital Finance Reserve £000	Deferred Government Grant and Contributions £000		Capital Finance Reserve £000	Deferred Government Grant and Contributions £000
57,519	1,241	Balance as at 1st April	59,176	1,216
2,030	0	Capital Receipts set aside Useable receipts applied	4,344	0
0	0	Revenue resources set aside Revenue funding	24	0
-2,207	0	Reconciling amount of depreciation	-2,193	0
255	0	Grants & contributions set aside Grants and Contributions applied	1,707	1,658
2,022	0	Major repairs reserve applied	1,667	0
0	-25	Amounts credited to AMRA	0	0
-443	0	Amounts written out in year	-2,812	-1,707
1,657	-25	Total movement in year	2,737	-49
59,176	1,216	Balance as at 31st March	61,913	1,167

**CASH FLOW STATEMENT
FOR THE YEAR ENDING 31ST MARCH 2004**

2002-03 £000		2003-04 £000
	Revenue Activities	
	Cash Outflows:	
9,414	Cash paid to and on behalf of employees	9,893
15,915	Other operating cash payments	2,460
4,598	Housing Benefit paid out	4,441
28,219	Precept payments	34,055
17,890	Non domestic rate payments to National Pool	16,824
76,036		67,673
	Cash Inflows:	
-4,444	Rents (after Rebates)	-3,385
-31,757	Council Tax receipts	-35,956
-3,567	Non domestic rates payments from National Pool	-3,205
-17,364	Non domestic rates receipts	-17,185
0	Revenue support grant	-862
-4,388	DSS grants for rebates	-4,421
-1,425	Other government grants (See Note 1)	-1,289
-14,644	Other income and charges	-877
-77,589		-67,180
-1,553	Net cash inflow(-)/outflow from Revenue Activities (See Note 2)	493
	Returns On Investments And Servicing Of Finance	
	Cash Outflows	
0	Interest paid (Net)	10
	Cash Inflows:	
-741	Interest received	-881
-741	Net cash inflow(-)/outflow from investments and servicing of finance	-378
	Capital Activities	
	Cash Outflows:	
3,959	Purchase of Fixed Assets	9,117
	Cash Inflows:	
-6,082	Sale of Fixed Assets	-21,204
-372	Capital Grants	-1,897
-2,564	S106 Contributions	-189
	Other Capital Cash Receipts	
-5,059	Net Cash Inflow(-)/Outflow on Capital Activities	-14,173
-7,353	NET CASH INFLOW(-)/OUTFLOW BEFORE FINANCING	-14,551
	Management Of Liquid Resources	
0	Net increase/decrease in short term deposits	0
	Financing	
	Cash Outflows	
0	Repayments of amounts borrowed	3
6,587	Net increase in investments (See Note3)	14,252
	New loans raised	
-766	Net Increase(-)/Decrease in Cash (See Note4)	-296

NOTES TO CASH FLOW STATEMENT

The Cash Flow Statement summarises the outflows and (inflows) of cash arising from transactions with third parties for revenue and capital purposes.

1. Government Grants

Amounts received in respect of government grants (other than DSS for rebates and capital grants) are listed below:

2002-03 £000		2003-04 £000
1,209	Housing Subsidy	1,066
109	Administration Grant – Local Taxation	109
107	Benefit Administration Grants	266
1,425	Total Other Government Grants	1,441

2. Reconciliation of Deficit To Net Revenue Cashflow

2002-03 £000		2002-03 £000
325	Surplus(-)/Deficit on General Fund	-861
190	Surplus(-)/Deficit on HRA	75
-1,132	Surplus(-)/Deficit on Collection Fund	1,138
	Non Cash Transactions	
766	Contributions to(-)/from CFR	-40
-2,248	Contributions to(-) from AMRA	-24
0	Contributions to(-)/from Bad Debt Provisions	
0	Transfer from Community Charge Collection Fund	
13	Contribution to(-)/from Working Balances	
-45	Contribution to(-)/from Earmarked Reserve	78
135	Contribution to(-)/from Major Repairs Reserve	-1,656
	<u>Items on an Accruals Basis</u>	
-197	Increase(-)/decrease in Creditors	-141
-96	Increase/decrease(-) in Debtors	1,090
-5	Increase/decrease(-) in Stock	-32
	<u>Items included in other classifications</u>	
0	Interest paid	-10
741	Interest received	881
-1,553	Net cash flow from revenue activities	498

3. Net Increase in Investments

2002-03 £000		2003-04 £000
0	PWLB repayments	0
6,587	New Temporary Borrowing	14,255
6,587		14,255

4. **Net Increase(-)/Decrease in Cash**

2002-03 £000		2003-04 £000
-609	Increase/Decrease(-) in Cash Overdrawn	0
-157	Increase(-)/Decrease in Petty Cash and Cash in Hand	-296
-766	Net Increase(-)/Decrease in Cash	-296

GLOSSARY OF TERMS

CAPITAL EXPENDITURE

Capital expenditure is defined as expenditure on new fixed assets such as land and buildings or on the enhancement of existing assets so as to significantly prolong their useful life, increase their market value or increase the use of the asset.

CAPITAL FINANCING

This term describes the method of financing capital expenditure, the principal methods are loan financing, leasing, capital receipts, capital grants and contributions from third parties.

CAPITAL RECEIPTS

This term describes monies received from the sale of the Council's fixed assets such as land and buildings.

COLLECTION FUND

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. The fund accounts for income collected from Council Tax and National Non Domestic Rates (NNDR) payers and payments to precepting Authorities in relation to council tax and the Government in relation to NNDR.

CONTINGENT LIABILITIES

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

DEFERRED CAPITAL RECEIPTS

These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years. The balance is reduced by the amount repayable in any financial year.

DEFERRED CHARGES

Deferred charges represent expenditure that has been properly capitalised but which do not create a tangible asset for the Council for example improvement grants.

DEFERRED LIABILITIES

These are creditor balances repayable after at least one year.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

FIXED ASSETS

These are tangible assets that yield benefit to the Council and the services it provides for a period of more than a year.

GROSS EXPENDITURE, GROSS INCOME AND NET EXPENDITURE

Gross Expenditure and Gross Income arise from the provision of services as show in the General Fund. Net Expenditure is the cost of service provision after the income is taken into account.

HOUSING SUBSIDY

This represents a Government grant payable towards the cost of providing Local Authority housing and the management and maintenance of that housing.

NATIONAL NON-DOMESTIC RATE (NNDR)

Under the revised arrangements for uniform business rates, which came into effect on 1 April 1990, the Council collects Non-Domestic Rates for its area which are based on local rateable values, multiplied by a national rate set by the Government. The total amount, less certain relief's and deductions, is paid to the National pool managed by the Government. These monies are then redistributed back to local and other authorities based on a standard amount per head of the local adult population.

PRECEPT

A precept is a charge raised by one authority on another to meet its net expenditure. The precepting Authorities for this Council are Worcestershire County Council, West Mercia Police Authority and 20 Parish Councils within the Bromsgrove area.

REVENUE SUPPORT GRANT

This funding is the Government Grant provided by the Office of the Deputy Prime Minister (ODPM), which is based on the Government's perception as to what should be spent on local services via the Formula Spending Share. The amount provided by the ODPM is fixed at the beginning of a financial year.

REVENUE BALANCES

These reserves represent surplus accumulated from previous years which can be used in the future.