



## **BROMSGROVE DISTRICT COUNCIL**

### **EXECUTIVE CABINET – SPECIAL MEETING**

**WEDNESDAY, 27TH JULY 2005 AT 5.00 PM**

**COMMITTEE ROOM, THE COUNCIL HOUSE, BROMSGROVE**

### **AGENDA**

Council Agendas and Minutes are available on our web site at  
[www.bromsgrove.gov.uk/meetings](http://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 2004/05
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
6. To consider, and if considered appropriate, to pass the following resolution to exclude the public from the meeting during the consideration of item(s) of business containing exempt information:-

“RESOLVED: that under Section 100A (4) of the Local Government Act 1972, the Public be excluded from the meeting during the consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act, the relevant paragraph of that part being as set out below:-

<u>Item No.</u>	<u>Paragraph(s)</u>
7	5
8	9
9	1

7. Application for reduction of Council Tax under Section 13A of the Local Government Finance Act 1992 (not available to the Public)
8. Bromsgrove Rovers Football Club (not available to the Public)
9. Redundancy of the Head of Administrative Services (not available to the Public)

S. NIXON  
Chief Executive

The Council House,  
Burcot Lane,  
BROMSGROVE  
Worcs.  
B60 1AA

19th July 2005

# **BROMSGROVE DISTRICT COUNCIL**

## **EXECUTIVE CABINET**

**27TH JULY 2005**

Responsible Portfolio Officer	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 2005.

### **2. RECOMMENDATION**

- 2.1.1 To approve the unaudited Statement of Accounts for the year ended 31st March 2005 in accordance with the Accounts and Audit Regulations 2003.
- 2.1.2 To approve the amendment to the Council resolutions minute no 54/04 Resolution 7 to read " That the Corporate Director (Resources) be authorised to make transfers under Section 97 of the Local Government Finance Act 1988 from the Collection Fund to the General Fund the sum of £5,627,015 being the Council's own demand on the Collection Fund including Parish Precepts of £425,793."

### **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 The Statement of Accounts for 2004/05 is being reported to Members within the statutory deadline of 31st July 2005.
- 3.3 The Statement of Accounts 2004/05 is attached. All figures are subject to external audit examination. It is anticipated that KPMG will begin the audit in November 2005 after the audit of 2003/04 accounts which is planned to take place August to October 2005.

### **4. COUNCIL TAX RESOLUTION**

- 4.1 Revised Council tax resolution 7 approved by Council on 27th July 2005 in respect of transfers from the Collection Fund to the General Fund incorrectly stated a figure of £5,607,265. This figure was understated by £19,750 and should have read £5,627,015. This correction has no impact on the calculation of the Council tax.

## 5. REVENUE OUTTURN 2003/04

5.1 The revenue outturn position is shown in Table 1.1

Table 1.1

Service	Original Budget 2004/05 £'000	Actual 2004/05 £'000	Variance 2004/05 £'000
Policy & Strategy	4,822	3,723	-1,099
Housing	369	431	62
Environmental & Health	3,035	3,549	514
Planning	652	309	-343
Leisure	1,892	1,909	17
Budget and actual 2004/ 05 are shown excluding capital charges			
<b>COST OF GENERAL FUND SERVICES</b>	<b>10,770</b>	<b>9,921</b>	<b>-849</b>
Investment Income	-1,288	-1,587	-299
<b>NET OPERATING EXPENDITURE</b>	<b>9,482</b>	<b>8,334</b>	<b>-1,148</b>
Contributions to /from Earmarked Reserves	-300	9	309
Adjustment re actual cost of pensions	0	88	88
<b>AMOUNT TO BE MET FROM GOVERNMENT GRANTS AND LOCAL TAXPAYERS</b>	<b>9,182</b>	<b>8,431</b>	<b>-751</b>
Contribution to/from (-) General Fund Revenue	-193	558	751
Balances	-1,354	-1,354	0
Revenue Support Grant	-2,434	-2,434	0
Distribution from Non Domestic Rate Pool			
<b>DEMAND ON COLLECTION FUND</b>	<b>5,201</b>	<b>5,201</b>	<b>0</b>

5.2 The main variations to budget within the General Fund services can be summarised as follows:

**POLICY AND STRATEGY**

	Variance to budget 2004/05 £,000
Contributions from BDHT re sale of properties	-220
Employee vacancies due to part year effect of restructures and benefit administration vacancies	-190
Adjustment re accounting treatment of Pension liability	-413
Council Tax court cost income generated	-126
Additional income re lifeline support	-30
Savings re communication costs	-82
Miscellaneous savings	-38
<b>UNDERSPEND 2004/05</b>	<b>-1,099</b>

**HOUSING**

	Variance to budget 2004/05 £'000
Rent allowances net income	-144
BDHT management agreements offset by income received for services undertaken by Bromsgrove District Council.	206
<b>OVERSPEND 2004/05</b>	<b>62</b>

**ENVIRONMENTAL & HEALTH**

	Variance to budget 2004/05 £'000
Impact of the additional costs at the depot relating to the refuse recycling service and street cleansing	514
<b>OVERSPEND 2004/05</b>	<b>514</b>

## **PLANNING**

	<b>Variance to budget 2004/05 £'000</b>
Employee vacancies within Building Control	-36
Net income received re Planning Delivery Grant	-331
Shortfall on Planning Application fees	32
Savings due to the delay in commencement of the Shopmobility scheme	-25
Miscellaneous overspends	17
<b>UNDERSPEND 2004/05</b>	<b>-343</b>

## **LEISURE**

	<b>Variance to budget 2004/05 £'000</b>
Shortfall on cemetery income	11
Miscellaneous overspends	6
<b>OVERSPEND 2004/05</b>	<b>17</b>

- 5.3 Additional interest on investments of £299,335 was generated in 2004/05 this was due to rates achieved of up to 4.75% on investments during the year compared with the budgeted rate of 4.25%.
- 5.4 The net appropriation to reserves is mainly made up of the budgeted release of the insurance reserve (-£300k) and the contribution to Planning Delivery Grant reserve (£314k).
- 5.5 The General Fund Revenue Balance as at 31st March 2004 was £2.032 million. After transferring the under spend in 2004/05 of £558k, the General Fund Revenue Balance increased to £2.590 million as at 31st March 2005. This balance is higher than the anticipated balance of £1.3 million estimated when setting the 2005/06 budget in February 2005 and is in excess of the minimum of £800k which the Corporate Director (Resources) has advised would be the prudent level of Revenue Balance.

## **6. FINANCIAL IMPLICATIONS**

- 5.1 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.
- 5.2 Members will be aware that the Statement of Accounts for 2002/03 and 2003/04 did not meet the statutory reporting deadline.

### **Contact officer**

**Name:** Javne Pickering 01527-881204

**Email:** [j.pickering@bromsgrove.gov.uk](mailto:j.pickering@bromsgrove.gov.uk)



**bromsgrove council**  
[www.bromsgrove.gov.uk](http://www.bromsgrove.gov.uk)

**STATEMENT OF ACCOUNTS  
FOR THE YEAR ENDED  
31st MARCH 2005**

# **BROMSGROVE DISTRICT COUNCIL**

## **Statement of Accounts 2004-05**

### **Table of Contents**

	<b>Page no</b>
Foreword	<b>2</b>
Statement of Responsibilities for the Statement of Accounts	<b>6</b>
Statement on Internal Control	<b>7</b>
Auditor's Report	<b>12</b>
Statement of Accounting Policies	<b>13</b>
Consolidated Revenue Account	<b>17</b>
Housing Revenue Account	<b>23</b>
Collection Fund Account	<b>26</b>
Consolidated Balance Sheet	<b>29</b>
Statement of Total Movement in Reserves	<b>36</b>
Cash Flow Statement	<b>40</b>
Glossary of Terms	<b>43</b>



## **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 2004 'A Statement of Recommended Practice' (the 2004 SORP). The 2004 SORP sets out proper accounting practices required for the financial statements in accordance with Regulation 7 of the Accounts and Audit Regulations 2003 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 2005 are set out on pages 13 to 42 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 2004 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 2005. 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 2<sup>nd</sup> March 2004, Bromsgrove District Council set a budget of £9.182 million and a Council Tax of £149.00 which was an increase of 7.1% on the previous year.

The General Fund Revenue Account produced a year end surplus of £0.558m compared to a budgeted deficit of £0.193m, a variance of £0.751m.

The main reasons for the variance are;

- Interest generated from investments was £299k more than anticipated. This is due to higher interest rates than anticipated when preparing the original budget.
- Employee related expenditure includes an under spend of £226k due to employee vacancies and the part year effect of restructuring.
- Contributions received from BDHT on the sale of former council properties (£220k)

The Consolidated Revenue Account details the gross costs of service provision amounting to £31,203,531. This expenditure has been analysed as follows:

	£'000
Employee Expenses	2,148
Premises related expenses	611
Transport related expenses	53
Supplies and services	2,439
Third party payments	651
Transfer payments	10,560
Internal service units	3,416
Support Services	7,312
Capital Charges	4,013
Sub-total	31,203

Employee expenses comprise payments to and on behalf of the Council's employees and include salaries, employers' National Insurance and Superannuation contributions, training, professional subscriptions, recruitment and health and safety costs.

Transfer payments are payments made to others for which no goods or services are received and are principally in respect of housing and council tax benefits. Grants received in respect of housing and council tax benefits are reflected in gross income.

Support services were provided by internal business units. These include financial services, legal services, IT services and all establishment costs.

Internal service unit expenditure relates to charges from the trading operation at the depot to the various front line services.

Capital charges comprise depreciation, notional interest and, where applicable, impairment charge. These charges represent the cost of employing assets in service provision.

The gross income of £16,565,251 shown in the Consolidated Revenue Account has been analysed as follows:

	£'000
Government Grants	11,473
Fees & Charges	3,013
Other grants & contributions	1,362
Internal recharges	717
Sub-total	16,565

The figure for government grants income includes £ 10,733,528 towards the cost of housing and council tax benefits and their administration.

Income from fees and charges includes car parking fees, building control fees, planning fees, land charge fees and licensing fees.

The General Fund Revenue Balance brought forward as at 31st March 2004 was £2.032 million. After transferring the under spend in 2004/05, the General Fund Revenue Balance increased to £2.590 million as at 31st March 2005.

### **Housing Revenue Account**

Although the housing stock was transferred to BDHT in March 2004 there is a requirement to maintain the separate account for residual items of income and expenditure.

The Housing Revenue Account (HRA) produced a surplus of £40.4k for the year after taking into account subsidy due and interest receivable on the notional HRA cash balances.

The Housing Revenue Account balance brought forward as at 31st March 2004 was £317k. After transfer of the surplus in 2004-05, the Balance increased to £357k as at 31st March 2005. An application will be made in due course to close the HRA at which time any balance on the account will transfer to the General Fund.

### **General Fund Capital Expenditure and Receipts**

Capital expenditure amounted to £7,240,160. The main areas of expenditure were purchase of Vehicles and Equipment for recycling and refuse purposes (£2,252,062), the Arts Centre (£1,593,929), Dolphin Centre (£803,863), Strategic/Affordable Housing (£866,934), Service Centre (£536,799), Disabled Facilities Grants (£418,677), and various IT systems and the implementation of electronic government (£294,998).

Capital receipts for the year totalled £389,550. 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 £240,125 were received relating to Section 106 planning agreements whereby developers and other external sources provide sums to be used to fund capital expenditure. Schemes to be funded by such contributions are specific and may be time limited. Capital grants and contributions of £1,640,260 were also received from Government and other organisations.

### **Housing Capital Expenditure and Receipts**

Capital expenditure totalled £2,083,837 and included payment of the Government levy on the recent Large Scale Voluntary Transfer (LSVT) of Council dwellings to Bromsgrove District Housing Trust (£1,962,563). Costs amounting to £119,006 relating to the Large Scale Voluntary Transfer were also capitalised.

During the year capital receipts amounting to £298,587 were received from sales of housing land and property retained by the Council at LSVT, the granting of an easement (£210,000), and discounts recovered from Right to Buy sales before the housing transfer (£88,587). Of this income £16,610 was paid over to Central Government under the new 'Housing Pooling' arrangements introduced when the new 'Prudential Code' capital controls system came into force on 1<sup>st</sup> April 2004. Repayments of mortgage principal amounting to £22,683 were also capitalised as required under the new Pooling regulations and £4,253 of this was paid over to Central Government. After capital pooling, net total capital receipts for Council use amounted to £300,407.

### **Group Accounts**

In accordance with the 2004 SORP the Council has considered its relationship with a number of bodies in order to determine whether or not group accounts are required. It has been concluded that no group relationships exist and therefore the Council is not required to prepare group accounts.

### **The Euro**

It has not been decided if or when the United Kingdom will join the European Monetary Union and this Council has made no formal plans. 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 implemented various projects for 'E-Government', enabling all residents, should they wish to do so, to communicate with the Council by electronic means to make payments and receive information. The Council remains on target to comply with the national timetable for implementation of other 'E-Government' schemes.

### **Accounting Policies**

The accounting policies adopted by the Council are set out on pages 13 to 16

### **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 2004-05 that Officer was the 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 27<sup>th</sup> July 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 2004 (the 2004 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 2005.

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 2004 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 2005 and its income and expenditure for the year ended 31st March 2005.

**Jayne Pickering**

**Deputy Section 151 Officer**

Date

## **STATEMENT ON INTERNAL CONTROL FOR BROMSGROVE DISTRICT COUNCIL FOR THE YEAR ENDED 31ST MARCH 2005**

### **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 2005 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 2004/05 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 reports which indicate actual expenditure against budgets, were, however, not produced regularly 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 2004/05 was on arts and leisure, (with the establishment of an Arts Centre); on the implementation of the recycling service (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.

(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. From 1<sup>st</sup> April 2004 to 28<sup>th</sup> June 2004 there were interim arrangements for the post of S151 Officer.

Service Heads and senior management have 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 Council. A steering group was established in February 2005 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 recommendations they are being asked to approve and the consequences of not approving recommendations or "not taking the decision at that time".

(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.

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.

The ODPM appointed a Lead Official and a Monitoring Board. The Recovery Plan was approved by Council in October 2004 and submitted to the ODPM on 1<sup>st</sup> November 2004.

The Monitoring Board has monthly meetings to assess the Council's progress against its Recovery Plan.

(4) Financial Management

The Council's financial management framework for 2004/05 is summarised as follows:-

- An annual budget and setting of the Council Tax.
- Revenue Monitoring December 2004
- 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 the 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.

(6) Partnerships

The Council acts as the "accountable body" for the local Community Safety Partnership. This is in accordance 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**

Under Regulation 6 of the Accounts and Audit Regulations 2003, the Council has a responsibility for maintaining an effective Internal Audit function. This responsibility is delegated to the Section 151 Officer. The Internal Audit Section reports to the Section 151 Officer through the Audit and Policy Manager. Internal Audit's primary role is to provide an independent and objective opinion on the Council's internal control system and how it supports and promotes the achievement of the Council's objectives.

Internal Audit's work is directed by a risk based strategic audit plan, which is approved by the Council's Executive Cabinet. The section reviews, 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 was restructured during the year and two new members of staff were employed. However, this process was not completed until February 2005.

Internal Audit has completed their work on the Council's key financial systems, as highlighted by external audit. The section was subject to their annual review during April 2005 and is currently awaiting a copy of the report.

#### 4.3 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.

#### 4.4 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.

#### 4.5 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. A Risk Management Steering Group has been formed and held its first meeting in February 2005. The group has developed a workplan to commence implementation of risk management by October 2005 as detailed in the Recovery Plan timetable.

### **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 2004 'A Statement of Recommended Practice' (the 2004 SORP). If exception occur these are noted at the appropriate place in the statements.

### **Fixed Assets**

The Balance Sheet as at 31st March 2005 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 that 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. The review was not finalised for this Statement of Accounts but is planned to be completed and to be fully reflected in the Statement of Accounts for 2005/06.

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

Intangible assets such as software are recorded at cost in the balance sheet and are amortised to revenue over an appropriate period.

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 at valuation.

Investment Properties, which are assets that 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 that 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 brought into operational use.

### **Capital Expenditure**

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis. In this context enhancement means the carrying out of works on the fixed asset that are intended to increase substantially the life, value or use of the asset.

Expenditure that falls under this definition but that is considered to be immaterial by virtue of not adding value to the asset (generally 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.

### **Intangible Assets/Deferred Charges**

Intangible Assets/Deferred charges represent expenditure that has been properly capitalised but which do not create a tangible asset for the Council. They include major software purchases, housing renovation grants and grants to other persons and bodies for capital expenditure purposes. All expenditure on

intangible assets/deferred charges is written off to the General Fund Revenue or Housing Revenue accounts over the period of the benefit to be received from the asset, usually in the year the expenditure is incurred. However there is a corresponding transfer from the Capital Financing Reserve to neutralise the effect of these charges on the Consolidated Revenue Account.

### **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 (usually land), over the useful life of each asset. However, most assets do not currently have a quantified residual value and therefore was not reflected in the calculation of depreciation for 2004/05. It is included in the review of all fixed assets and will be reflected in the 2005/06 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
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 2004/05 being 4.8% 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 complied with and there is reasonable assurance that the grant will be received.

All grants and other contributions used to fund capital expenditure are credited in the first instance to the Government grants and contributions unapplied 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**

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 provide the framework for the new prudential code that came into force on 1<sup>st</sup> April 2004. Regulation 27 requires Councils to charge a minimum revenue provision (MRP) to its revenue accounts for the repayment of debt.

This calculation is based on the Council's Capital Financing Requirement (CFR) as derived from the Consolidate Balance Sheet.

For 2004/05 this Council's Capital Financing Requirement was negative resulting in a nil MRP requirement.

### **Capital Receipts**

Capital receipts arise from the sale of fixed assets. The sums received are credited to Capital Receipts Unapplied on the Consolidated Balance Sheet and are only available to the Council to fund additional capital investment. However, receipts below £10,000, in accordance with the regulations, can be treated as revenue income and are transferred to the Consolidated Revenue Account.

Receipts from the sale of Housing Revenue Account assets are subject to national pooling. The regulations allow the reduction in amounts paid to the pool but limit the use that the Council may make of the retained element of the receipt.

### **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 2004 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 capital accounts exist in the name of the "Fixed Asset Restatement Account" and the "Capital Financing Account". These accounts were previously called reserves but their titles have been changed in accordance with recommended practice as neither of these accounts represents funds available to meet future expenditure.

Provisions: The 2004 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 2004-05.

Contingent liabilities: Municipal Mutual Insurance Limited (MMI) – Scheme of Arrangement  
On 30 September 1992 the Council's then insurer MMI announced that it had ceased taking new business and had placed a moratorium on claims payments. On 6 October 1992 MMI resumed the full payment of claims. Subsequently there has been further strengthening in the company's financial position and its directors remain of the view that a solvent run off can be anticipated. If a solvent run off is not achieved the Council currently has a potential contingent liability of up to £268,216. No provision has been made in the Consolidated Balance Sheet for this amount.

### **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 time involved with the administration of various schemes within the 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**

Provision has been made in the accounts for the accrual of loan interest due to the Council as at 31st March 2005.

### **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.

The Worcestershire County Council Pension Fund covers eligible members of the Local Government Pension Scheme in Bromsgrove 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 £13.7m, which is the Council's share of the overall deficit of the fund.

An independent actuary, based on triennial valuations, determines the employers' contributions. The review was last carried out as at 31st March 2005.

Since 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.

### **Best Value Accounting Code of Practice**

All Councils 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 2004/05 Consolidated Revenue Account complies 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 2005**

Net Expenditure 2003-04 £000	Note		Gross Expenditure 2004-05 £000	Gross Income 2004-05 £000	Net Expenditure 2004-05 £000
1,409		Central Services to the Public	1,520	-575	945
6,254		Cultural, Environmental and Planning	10,399	-2,863	7,536
454		Highways and Transport	1,362	-955	407
5,863		Housing Services	15,597	-11,230	4,367
1,329		Corporate and Democratic Core	2,373	-942	1,431
391		Unapportionable Central Overheads	-48	0	-48
<b>15,700</b>		<b>Net Cost of Services</b>	<b>31,203</b>	<b>-16,565</b>	<b>14,638</b>
-3,383	1	Asset Management Revenue Account			-700
381		Precepts to Parish Councils			426
0		Contribution of Housing Capital receipts to Government Pool			21
-47	2	(Surplus)/Deficit From Trading Operations			56
-1,040		External Interest Received			-1,627
573		Pensions Interest Cost & Expected Rate of Return			398
<b>12,184</b>		<b>Net Operating Expenditure</b>			<b>13,212</b>
-3,135		Transfer from Capital Financing Reserve			-4,104
0		Housing Pooled Capital Receipts			-21
0		Capital Expenditure financed from revenue			31
294		Surplus/Deficit(-) transferred back to HRA			40
-78		Contributions to/from(-) Earmarked Reserves			9
-436		Contributions to/from(-) Pension Reserve			-310
-213		Contributions to/from(-) Major Repairs Reserve			0
131		Contribution to/from(-) Revenue Balances			0
<b>8,747</b>		<b>Amount to be met by Government Grant &amp; Local Taxpayers</b>			<b>8,857</b>
-5,506		Precept Demands from Collection Fund			-5,627
-862		Revenue Support Grant			-1,354
-3,068		Non-Domestic Rates			-2,434
-689		<b>Net General Fund Surplus(-)/Deficit</b>			<b>-558</b>
<b>£000</b>		<b>General Fund Revenue Balance</b>			<b>£000</b>
-1,212		Balance as at 31st March 2004			-2,032
-131		Transfer to/from(-) Consolidated Revenue Account			0
0		Transfer from Collection Fund Community Charge			0
-689		Surplus(-)/Deficit for Year			-558
-2,032		<b>General Fund Revenue Balance as at 31st March 2005</b>			<b>-2,590</b>



## 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

Service Revenue Accounts are charged with capital charges comprising depreciation (representing the cost of using assets) and a capital financing charge calculated by applying a notional interest rate to the value of assets employed in the service.

Capital charges have a neutral impact on the amount raised from local taxation as the transactions are reverse through the asset management revenue account and replaced by the actual external interest payable.

2003-04 £000		2004-05 £000
10	External Interest Payments	0
1,869	Depreciation of HRA assets	0
469	Depreciation of General Fund assets	684
2,348	<b>Total Expenditure</b>	684
	<b>Less: Capital Charges</b>	
	Housing Revenue Account	
-2,964	Asset Rentals	0
-1,869	Depreciation Charges	0
-25	Deferred Contributions Released	0
	General Fund	
0	Release of Government Grants & Capital Contributions	-218
-404	Asset Rentals	-482
-469	Depreciation Charges	-684
-5,731	<b>Total Income</b>	-1,384
-3,383	<b>NET TRANSFER TO REVENUE ACCOUNTS</b>	-700
	<b>Represented by:</b>	
-2,896	Housing Revenue Account	0
-487	General Fund	-700

### 2. Trading Operations

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

2003-04			2004-05	
Turnover £000	Profit(-) /Loss £000	External Trading Services	Turnover £000	Profit(-) /Loss £000
114	9	Market Services	109	43
128	-29	Industrial Sites	115	-26
242	-20	<b>Total External Trading Services</b>	224	17
		<b>Internal Trading Services</b>		
3,364	-27	Depot Services	4,324	19
0	0	Contribution to/from Earmarked Reserves	0	0
3,364	-27	<b>Total Internal Trading Services</b>	4,324	19

“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. Publicity

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

2003-04 £000		2004-05 £000
122	General Advertising	60
135	Staff Advertising	75
152	Marketing, Promotion and publicity	143
<b>409</b>	<b>Total</b>	<b>278</b>

### 4. 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.

2003-04 £000	Cost of retirement benefits in Consolidated Revenue Account	2004-05 £000
	Net Cost of Services	
849	Current Service Costs	960
123	Past Service Costs	0
32	Curtailed costs	0
	Net operating Expenditure	
1,819	Interest Costs	1,998
-1,246	Expected return on assets in scheme	-1,600
	Amount met from Government grant & local taxes	
-436	Movement on Pensions Reserve	-310
	Actual amount Charged against Council tax for Pensions in year	
1141	Employers Contributions Payable	1,048

Notes to Consolidated Balance Sheet contain details of the assumptions made by the actuary in the estimating of the figures used in this note.

#### **5. Payments made to Employees 2004-05**

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 £50,000 in bands of £10,000. This information is presented below:

<b>2003-04</b> Total Number of Employees	<b>Remuneration Band</b>	<b>2004-05</b> Total Number of Employees
1	Over £50,000 and up to £60,000	8
0	Over £60,000 and up to £70,000	0
0	Over £70,000 and up to £80,000	0
0	Over £80,000 and up to £90,000	2

#### **6. 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.

<b>2003-04</b> <b>£000</b>		<b>2004-05</b> <b>£000</b>
<b>100</b>	Basic Allowance	<b>107</b>
<b>32</b>	Special Allowance	<b>36</b>
<b>0</b>	Attendance Allowance	<b>0</b>
<b>5</b>	Chairman's Allowance	<b>5</b>
<b>1</b>	Vice Chairman's Allowance	<b>1</b>
<b>138</b>	<b>Total Allowances Paid</b>	<b>149</b>

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).

#### **7. Related Parties**

The 2004 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 2004-05 the Council had the following transactions with related parties:

2003/04			2004/05	
Expenditure £000	Income £000		Expenditure £000	Income £000
		<b>West Midlands Police Authority:</b>		
4,110		- Precept	4,806	
185		- Distribution of Collection Fund Surplus	0	
		<b>Parish Councils:</b>		
381		- Precepts	425	
24		- Lighting Grants	25	
85		- Concurrent Functions	87	
		<b>Hereford and Worcester Combined Fire Authority</b>		
		- Precept	1,972	
		<b>Worcestershire County Council:</b>		
28,213		- Precept	28,783	
1,290		- Distribution of Collection Fund Surplus	0	
8		- Ryland Centre	9	
	-14	- Abandoned Vehicles	0	
	-52	- Recycling		-248
		- Superannuation	1,240	
1,141	-54	- Luncheon Clubs	0	
		<b>Government Departments:</b>		
	-862	- Revenue Support Grants		-1,354
	-3,068	- Redistributed NNDR		-2,434
	-5,007	- Housing Benefits		-10,734
	-975	- HRA Subsidy		-33
	-109	- Other		-109

#### 8. 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 2003-04 £000		Fee Earning Total 2004-05 £000	Non Fee Earning Total 2004-05 £000	Building Regulations Total 2004-05 £000
	<b>Expenditure:</b>			
2	Printing, Stationery, etc.	1	1	2
4	Consultants Fees	4	0	4
273	Building Control IBU	208	32	240
279	Total Expenditure	213	33	246
	<b>Less Income:</b>			
-286	Fees	-327	0	-327
-2	Sundries	-3	0	-3
-288	Total Income	-330	0	-330
-9	<b>Surplus(-)/Deficit for the Year:</b>	-117	33	-84

**9. Local Authorities (Goods and Services) Act 1970**

There were no significant transactions in 2004-05 with organisations covered by the Act.

**10. 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 £231,258 in 2004-05 (£193,088 in 2003-04) and has mainly been used in providing grants to the voluntary sector serving the community in Bromsgrove.

**11. Leases**

The Council has acquired a variety of assets such as vehicles, office equipment and vending machines by the means of lease agreements. The rentals on these leases have been charged to revenue accounts when payable. The amount paid under the arrangements in 2004-05 was £91,818. Future commitments under these existing leases are:

2005-06	£53,258
2006-07	£27,286
2007-08	£23,818
2008-09	£11,733
2009-10	£ 1,493

**HOUSING REVENUE ACCOUNT  
FOR THE YEAR ENDED 31st MARCH 2005**

2003-04 £000		2004-05 £000
	<b><u>Income:</u></b>	
-8,116	Dwelling rents (gross)	0
-346	Non-dwelling rents (gross)	-8
-455	Charges for services & facilities	0
-327	Contribution towards Services	0
-975	HRA Subsidy receivable (including MRA)	-33
<b>-10,219</b>	<b>Total Income</b>	<b>-41</b>
	<b><u>Expenditure:</u></b>	
1,747	Repairs and maintenance	16
1,840	Supervision and Management	24
4,468	Rent Rebates	0
129	Write off of bad or doubtful debts at LSVT	0
	Cost of Capital	
2,964	Asset Rental charges	0
1,869	Depreciation and Impairment of fixed assets	0
2,097	Amortisation of deferred charges	2,082
<b>15,114</b>	<b>Total Expenditure</b>	<b>2,122</b>
<b>4,895</b>	<b>Net cost of Services</b>	<b>2,081</b>
-2,891	Net HRA Income/expenditure on AMRA	0
-25	Released Deferred Capital Contribution	0
	HRA Investment Income	
-20	Interest on notional cash balances	-33
-8	Mortgage interest	-6
<b>-1,951</b>	<b>Net Operating Expenditure</b>	<b>2,042</b>
	<b><u>Appropriations</u></b>	
40	HRA Contribution to Minimum Repayment Provision	0
-213	Transfer to/from(-) Major Repairs Reserve	0
-2,072	Transfer to/from(-) Capital Financing Reserve	-2,082
<b>-294</b>	<b>Total Surplus(-)/Deficit for the year</b>	<b>-40</b>
-23	Balance brought forward 1st April	-317
<b>-317</b>	<b>Balance as at 31st March</b>	<b>-357</b>

## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1. General

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 29<sup>th</sup> March 2004. The Council will be applying to the Office of the Deputy Prime Minister in due course for consent to close the HRA, approval for which is normally granted twelve months after the transfer of stock. Therefore there is a requirement to maintain an HRA for 2004/05. The account consists of residual items which relate to the Council rather than BDHT. The balance remaining on the account will be transferred to the General Fund once the HRA is closed.

### 2. Housing Stock

All the dwellings and garages were transferred to BDHT as part of the stock transfer. The council retained some small areas of non-operational land which had an asset value of £32,000 as at 31<sup>st</sup> March 2005.

### 3. Major Repairs Reserve

The Major Repairs Reserve represented 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 as at 31/03/04 was used fund capital creditors during 2004/05.

2003-04 £000			2004-05 £000	
	<b>-201</b>	<b>Balance as at 31st March</b>		<b>-190</b>
	<b>-1,869</b>	Depreciation charged to the HRA		<b>0</b>
		Less:		
		Amount transferred to HRA during the year		
		Item 8 - Special Determination	<b>0</b>	
		Adjusting transfer	<b>0</b>	
<b>0</b>	<b>213</b>			<b>0</b>
	<b>213</b>			<b>0</b>
	<b>1,667</b>	Financing of capital expenditure		<b>190</b>
	<b>-190</b>	<b>Balance as at 31st March</b>		<b>0</b>

### 4. Housing Capital Expenditure

Capital expenditure in the year related to payments for schemes started before the transfer to BDHT which remained the responsibility of the Council, and the costs of the transfer of the housing stock, including the levy on the proceeds.

2003-04 £000		2004-05 £000
	<b><u>Expenditure</u></b>	
<b>0</b>	Land	<b>0</b>
<b>2,372</b>	Houses	<b>2</b>
<b>88</b>	Other Property	<b>0</b>
<b>2,097</b>	LSVT/BDHT Set up costs and Levy	<b>2,082</b>
<b>4,557</b>	<b>Sub-total</b>	<b>2,084</b>
<b>127</b>	Add Opening Creditors	<b>629</b>
<b>-629</b>	Less Closing Creditors	<b>0</b>
<b>4,055</b>	<b>Expenditure for Capital Financing Purposes</b>	<b>2,713</b>

		<b>Financed by</b>
1,667	Major Repairs Reserve	190
2,376	Useable Capital Receipts	2,523
12	External Contribution	0
0	Provision for Credit Liabilities	0
0	Disabled Facilities Grant	0
<b>4,055</b>	<b>Total Financing</b>	<b>2,713</b>

#### 5. Capital Receipts

Capital receipts in the year relate to the sale of some of the land retained at the time of the stock transfer (£210k) and discounts recovered from right to buy sales (£89k).

#### 6. Housing Revenue Account Subsidy

The amount of subsidy receivable in 2004-05 is based on the formula set out on paragraph 3.1 of the General Determination of Housing Subsidy for 2004-05 and is set out below:

2003-04 £'000	Subsidy Element	2004-05 £'000
2,709	Management and maintenance	0
1,656	Major Repairs Allowance	0
3,557	Rent Rebates	0
142	Charges for Capital	35
7	Other items of reckonable expenditure	4
	Anti Social Behaviour Allowance	1
0	Allowance for Tenant Participation Compacts	0
0	Allowance for Resource Accounting	0
<b>8,071</b>		<b>40</b>
	Less:	
-7,096	Rent	0
-8	Interest	-7
<b>967</b>	<b>Housing revenue account subsidy payable to the Council</b>	<b>33</b>



**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT  
YEAR ENDED 31st MARCH 2005**

2003-04 £000		2004-05 £000
	<b><u>Income:</u></b>	
-35,636	Income from Council Tax (Net)	-38,561
-2,643	Council Tax Benefits	-3,208
	Reduction in Provision for Bad and Doubtful Debts	
0	Council Tax	-23
0	Business Rates	0
-17,346	Income from Business Ratepayers	-17,855
0	Community Charge income	0
-55,625	<b>Total Income</b>	-59,647
	<b><u>Less Expenditure:</u></b>	
39,304	Precepts and Demands	41,188
	Business Rates:	
17,122	Payments to Pool	17,652
109	Costs of Collection	109
	Increased Provision for Bad and Doubtful Debts	
113	Council Tax	0
114	NNDR	94
0	Community Charge – Transfer to General Fund	0
56,762	<b>Total Expenditure</b>	59,043
1,137	<b>Surplus(-)/Deficit for the year</b>	-604
-1,483	Collection Fund Surplus(-) brought forward	-346
-346	<b>Collection Fund Surplus (-) carried forward</b>	-950

## 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 £1,167.69 based on Band 'D' equivalent, with a tax base of 34,908.70.

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	2553.60	6/9	1702.4
B	Over £40,000 and up to £52,000	5847.56	7/9	4548.1
C	Over £52,000 and up to £68,000	7387.09	8/9	6566.3
D	Over £68,000 and up to £88,000	6529.50	9/9	6592.5
E	Over £88,000 and up to £120,000	5871.76	11/9	7176.6
F	Over £120,000 and up to £160,000	3071.91	13/9	4437.2
G	Over £160,000 and up to £320,000	2345.16	15/9	3908.6
H	Over £320,000	253.40	18/9	506.8
<b>Total</b>				<b>35,438.50</b>
		Collection Rate		98.50%
		<b>Council tax base</b>		<b>34,908.70</b>

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 45.6p in the £ for 2004-05 (44.4p 2003-04) 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 2005 was £45,233,286.

#### 4. Precepts

The precepts and demands were as follows:

2003-04 £000		2004-05 £
28,213	Worcestershire County Council	28,783
5,249	Bromsgrove District Council (including Parish Councils)	5,627
4,110	West Mercia Police Authority	4,806
0	Hereford and Worcester Combined Fire Authority	1,972
	<b>Distribution of Collection Fund Surplus</b>	
1,290	Worcestershire County Council	0
257	Bromsgrove District Council	0
185	West Mercia Police Authority	0
39,304	<b>Total</b>	<b>41,188</b>

#### 5. Bad Debt Provision

Bad and doubtful debt provisions comprised the following amounts:

2003-04 £000		2004-05 £000
1,270	Balance as at 31st March Council Tax	1,404
-96	Written-off during the year	-19
113	Movement in Provision	-23
	Non-Domestic Rates	
3	Written-off(-)/on(+) during the year	0
114	Movement in Provision	94
1,404	<b>Balance as at 31st March</b>	<b>1,456</b>
	<b>Represented By:</b>	
730	Council Tax Provision	688
674	Business Ratepayers Provision	768
1,404	<b>Total</b>	<b>1,456</b>

#### 6. Collection Fund Balance

The Collection Fund reserves are available for distribution to the Authorities which precept on the Fund. There was no distribution of the surplus during 2004/05. The balance on the Reserve is set out below:

2003-04 £000		2004-05 £000
1,483	Balance brought forward 1st April	346
-1,137	Surplus/Deficit(-) in the Year	604
0	Transfer to General Fund	0
346	<b>Balance carried forward 31st March</b>	<b>950</b>

**CONSOLIDATED BALANCE SHEET  
AS AT 31ST MARCH 2005**

2003-04 £000			2004-05 £000	
			£000	£000
707		<b><u>Intangible Assets</u></b>		749
		<b><u>Fixed Assets:</u></b>		
		Operational Assets -		
10,456		Other Land and Buildings	12,672	
1,773		Vehicles and Plant	2,399	
263		Infrastructure	324	
678		Community Assets	678	
		Non Operational Assets -		
4,108		Investment Properties	4,010	
1,099		Assets under Construction	3,396	
18,377	1	<b>Total Fixed Assets</b>		23,479
		<b><u>Other Long Term Assets:</u></b>		
50	2	Long Term Investments		50
101	3	Long Term Debtors		75
19,235		<b>Total Long Term Assets</b>		24,353
		<b><u>Current Assets:</u></b>		
94	4	Stocks	84	
5,418	5	Debtors	6,922	
122		Suspense Accounts	56	
581	6	Cash In Hand and Bank	2	
33,702	7	Short Term Investments	25,831	
39,917				32,895
		<b>Less: Current Liabilities:</b>		
-6,303	8	Creditors	-3,554	
0		Bank overdraft	-1,075	
-296	9	Short Term Borrowing	-296	
-6,599				-4,925
52,553		<b>Total Assets less Current Liabilities</b>		52,323
		<b><u>Other Long Term Liabilities</u></b>		
-101	10	Deferred Capital Receipts		-75
-167		Commutated Sums		-167
-9,287	12	Liabilities Relating to Defined Benefits Pension Scheme		-13,717
42,998		<b>Total Assets less Liabilities</b>		38,364
		<b><u>Financed by:</u></b>		
-45,296		Fixed Assets Restatement Account		-45,150
61,913		Capital Financing Account		67,784
1,167		Deferred Government Grant and Contributions		1,672
3,211		Government Grants and Contributions Unapplied		2,749
27,725		Capital Receipts Unapplied		20,441
680		Earmarked Reserves		689
-9,287	12	Pensions Reserve		-13,717
190		Major Repairs Reserve		0
		Revenue Balances:		
2,032		General Fund		2,590
317		Housing Revenue		357
346		Collection Fund		949
42,998		<b>Total Equity</b>		38,364

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. Fixed Assets

#### 1.1. Analysis of movements in Fixed Assets

	Operational assets				Non Operational		Total
	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 2004	11,640	1,875	263	678	4,108	1,099	19,663
Additions	715	930	80	0	0	2,297	4,022
Disposals	0	-10	0	0	-258	0	-268
Revaluation	1,501	0	0	0	160	0	1,661
Gross Book Value at 31st March 2005	13,856	2,795	343	678	4,010	3,396	25,078
Depreciation at 1st April 2004	1,184	102	0	0	0	0	1,286
Depreciation for year	371	294	19	0	0	0	684
Disposal Transfers and adjustments	0		0	0	0	0	0
Revaluation	-371	0	0	0	0	0	-371
Depreciation at 31st March 2005	1,184	396	19	0	0	0	1,599
Net Book Value at 1st April 2004	10,456	1,773	263	678	4,108	1,099	18,377
<b>Net Book Value at 31st March 2005</b>	<b>12,672</b>	<b>2,399</b>	<b>324</b>	<b>678</b>	<b>4010</b>	<b>3396</b>	<b>23,479</b>

#### 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 net book value as at 31st March represents the value of assets belonging to the General Fund and any residual Housing Revenue Account assets.

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 and Mr Colin Booth BA (Econ) MRICS, District Valuer.

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 process will be completed for incorporation in Statement of Accounts for 2005-06.

#### 1.3 Capital Commitments

Future capital expenditure committed as at 31/03/05 amounted to £460k and includes the following major schemes:

Mill Lane Town Centre Access (£146k)

The Arts Centre (£60k)

Sanders Park (£70k)

The Dolphin Centre Car Park (£40k).

#### 1.4 Fixed Assets Held

The fixed assets held by the Council include the following:

31st March 2004 No's		31st March 2005 No's
1	Other Properties	1
1	Office	1
1	Depot	1
1	Sport Centre	1
3	Public Conveniences	3
1	Caravan Site	1
9	Car Parks	9
2	Cemeteries	2
1	Museum and TIC	1
1	Market Hall	1
6	Hostels	6
9	Allotments Sites	9
60	Parks/Recreation Grounds/Open Spaces and Play Areas	60

#### 1.5 Capital Expenditure and Financing

2003-04 £000		2004-05 £000
	Expenditure	
5,710	Additions to Fixed Assets	4,022
863	Non Enhancing Expenditure	1,618
3,518	Intangible Assets/Deferred Charges	3,680
<b>10,091</b>	<b>Total Expenditure</b>	<b>9,320</b>
	Funding	
4,344	Capital Receipts	7,974
1,667	Major Repairs Reserve	190
1,470	Capital Grants	1,307
188	Capital Contributions	1,196
24	Revenue Contributions	30
1,319	Use of provision for credit liabilities	0
1,079	Movement in capital creditors	-1,377
<b>10,091</b>	<b>Total Financing</b>	<b>9,320</b>

#### 1.6 Intangible assets/Deferred charges

Intangible assets refer to capital expenditure that does not create a fixed asset for the Council but the benefit of which lasts for more than one year (mainly items such as computer software). Deferred charges represent expenditure that is capital under the capital controls definition but which does not result in assets for the benefit of the council (items such as improvement grants and in 2004/05 the LSVT Levy).

This expenditure is charged to revenue over the period of estimated benefits; i.e. in the case of deferred charges in the year the expenditure is incurred. The intangible assets identified relate to expenditure on computer software that will be charged to revenue over 3 years.

	Intangible Assets Computer Software £000	Deferred Charges		Total £000
		Improvement Grants £000	Other £000	
Balance as at 1st April 2004	707	0	0	707
Expenditure in year	277	419	2,984	3,680
Written off to Consolidated Revenue Account	-235	-419	-2,984	-3,638
<b>Balance as at 31st March 2005</b>	<b>749</b>	<b>0</b>	<b>0</b>	<b>749</b>

## 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 2004) and investment in Charities Investment Fund for £53 (£53 as at 31st March 2004).

## 3. Long Term Debtors

31st March 2004 £000		31st March 2005 £000
101	Mortgagors re. Sale of Council Houses	75

## 4. Stocks

The stock at the year-end consisted of:

31st March 2004 £000		31st March 2005 £000
6	Postal Franker	14
84	General Stock Items held at the Council's Depot	64
2	Various Vending machines	2
0	Sports Centres Dual Use Stock	1
1	Pest Control Poisons and Baits	1
1	Dolphin Centre Confectionery for Resale	2
94	<b>Total</b>	<b>84</b>

5. **Debtors**

31st March 2004 £000		31st March 2005 £000
	<b><u>Amounts falling due within one year</u></b>	
833	NNDR Pool Contribution	774
1,336	NNDR arrears	1,389
1,798	Council Tax arrears	1,668
159	Interest receivable	360
22	Rechargeable works	13
1,549	Government Departments	1625
7	Officers car loans	3
117	Payments in advance	340
1,275	Other debtors	2,551
7,096	<b>Sub-total</b>	8,723
	<b><u>Amounts falling due after one year</u></b>	
7	Car Loans to Employees	5
7,103	<b>Gross Debtors</b>	8,728
	<b>Less Provision for Bad Debts:</b>	
-31	General Fund	-31
-1,404	Collection Fund	-1,456
-250	HB Overpayments	-319
0	Housing Tenants	0
5,418	<b>Net Debtors</b>	6,922

6. **Cash In Hand and Bank**

Cash in hand consists of petty cash imprest accounts held by various officers throughout the Council.

7. **Short Term Investments**

These are surplus monies temporarily invested externally.

8. **Creditors**

2003-04 £000		2004-05 £000
13	Employee related	284
1,001	Sundry Creditors	1,013
236	Government Departments	147
2,191	NNDR Pool Contributions	255
419	NNDR prepayments	281
440	Council Tax prepayments	439
105	Sewerage agency works	0
12	Contractors Deposits	0
1,886	Other creditors	1,135
6,303	<b>Total</b>	3,554

9. **Borrowing – Short Term**

This represents monies temporarily borrowed for less than twelve months.



## **10. Bank Overdraft.**

Monies held in the Council's bank accounts as at 31<sup>st</sup> March 2005 totalled £122,387. The difference between this figure and the figure reflected in the Consolidated Balance Sheet is due mainly to the value of unrepresented cheques at that date.

## **11. 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. 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 2005 are as follows:

<b>31st March 2004 £000</b>		<b>31st March 2005 £000</b>
-32,117	Estimated Liabilities	-39,281
22,830	Estimated Assets	25,564
-9,287	Net Liabilities	-13,717

The liabilities show underlying commitments that the Council has, in the long run, to pay retirement benefits. The net liabilities of £13.717m has a substantial impact on the net worth of the Council as recorded in the Consolidated Balance Sheet, resulting in a reduction of 26.2% to the overall balance of £52.282m

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. Mercer Human Resource Consulting Ltd, an independent firm of actuaries, has assessed the Fund's liabilities based on the 2004 actuarial valuation assumptions, with the exception of the financial assumptions which are shown below:

The main assumptions used in the calculations are as follows:

<b>Financial Assumptions as at</b>	<b>31st March 2004 % per annum</b>	<b>31st March 2005 % per annum</b>
Rate of Inflation	2.8	2.9
Rate of increased in salaries	4.05	4.40
Rate of increase in pensions	2.8	2.9
Discount rate	6.3	5.4

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 2004			31st March 2005		
	Value £000	Proportion of Assets %	Expected rate of return %	Value £000	Proportion of Assets %	Expected rate of return %
Equities	18,216	79.8	7.5	20,401	79.8	7.5
Government Bonds	1,689	7.4	4.7	3,374	13.2	4.7
Other Bonds	1,621	7.1	5.5	1,406	5.5	5.4
Property	205	0.9	6.5	0	0.0	6.5
Other	1,097	4.8	4.0	383	1.5	4.75
<b>Total</b>	<b>22,828</b>	<b>100.0</b>		<b>25,564</b>	<b>100.0</b>	

	31st March 2004 £000	31st March 2005 £000
Net pensions liability as at 1st April	12,162	9,287
Current service Cost	849	960
Employee contributions	-1,141	-1,048
Past service/curtailment costs	155	0
Net interest/return on assets	573	398
Actuarial gain(-)/loss	-3,311	4,120
<b>Net pensions liability as at 31st March</b>	<b>9,287</b>	<b>13,717</b>

**STATEMENT OF TOTAL MOVEMENT IN RESERVES  
FOR THE YEAR ENDED 31st MARCH 2005**

<b>31st March 2004 £000</b>		<b>31st March 2005 £000</b>	
	Revenue Surplus/Deficit(-) for year		
820	General Fund		558
294	Housing Revenue Account		40
-1,137	Collection Fund		604
-78	Net Movement in Earmarked reserves		9
<b>-101</b>	<b>Total Increase/Decrease(-) in Revenue Resources</b>		<b>1,211</b>
16,859	Increase in Useable Capital receipts	-7,284	
-87	Increase in unapplied Capital grants and Contributions	-651	
<b>16,772</b>	<b>Total Increase in Realised Capital resources (Note 3)</b>		<b>-7,935</b>
0	Gains/Losses(-) on revaluation of Fixed Assets	2,032	
533	Gains/Losses(-) on adjustments to Fixed Assets	0	
<b>533</b>	<b>Total increase/decrease(-) in Unrealised Value of Fixed Assets (Note 4)</b>		<b>2,032</b>
-863	Value of expenditure written off for non enhancing expenditure	-1,618	
-85,279	Disposal of fixed assets (Note 4)	-268	
<b>-86,142</b>			<b>-1,886</b>
4,344	Capital Receipts set a side	7,974	
-2,169	Revenue Resources set aside	-653	
3,374	Capital grants and Contributions	2,188	
-49	Movement on deferred grants and contributions	505	
-2,812	Amounts written off	-3,638	
<b>2,688</b>	<b>Total increase in amounts set aside to finance capital investment (Note 5)</b>		<b>6,376</b>
<b>-66250</b>	<b>Total Recognised Gains and Losses</b>		<b>-202</b>

## 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 2004	Surplus/ Deficit(-) in year	Balance as at 31st March 2005
General Fund	2,032	558	2590
Housing Revenue Account	317	40	357
Collection Fund	346	604	950

#### **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 Revenue Balance.

#### **Collection Fund**

The Collection Fund balance relates to the surpluses 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 2004-05 was as follows:

	Balance as at 31st March 2004 £000	Contributions from Revenue £000	Contributions to Revenue £000	Balance as at 31st March 2005 £000
Building Control Partnership	12	0	-5	7
Capital reserve	235	0	0	235
Computer Development	37	0	0	37
Insurance Reserve	300	0	-300	0
Planning Delivery Grant	0	402	-88	314
Lottery Reserve	6	0	0	6
Traffic Island Sponsorship	9	0	0	9
Vehicle & Plant Replacement	81	0	0	81
<b>Total</b>	<b>680</b>	<b>402</b>	<b>-393</b>	<b>689</b>

### 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.

Government Grant and Contributions Unapplied relates to sums received to fund capital expenditure. The sums include contributions from developers for planning gain agreements made under S106 of the Town and Country Planning Act 1990.

2003-04					2004-05			
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	
	10,866		3,488	<b>Balance as at 1st April</b>		27,725	3,401	
21,203		3,238		Amounts Receivable	690		2,041	
-4,344		-3,325		Applied to finance capital expenditure	-7,974		-2692	
	16,859		-87	Increase in Realised Capital Resources		-7,284	-651	
	<b>27,725</b>		<b>3,401</b>	<b>Balance as at 31st March</b>		<b>20,441</b>	<b>2,750</b>	

#### 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.

2003-04 £000			2004/05 £000
<b>40,313</b>	<b>Balance as at 1st April</b>		<b>-45,296</b>
0	Gains on revaluation in year	2,032	
533	Other adjustments	0	
533	Total increase in unrealised resources		2,032
-863	Capital expenditure not included in Fixed assets in year	-1,618	
-85,279	Amount of assets disposed	-268	
-86,142	Total movement in Reserve		-1,886
<b>-45,296</b>	<b>Balance as at 31st March</b>		<b>-45,150</b>

#### 5. Movements in amounts set aside to Finance Capital Investment

The Capital Finance Account contains the amounts which have been required to be set aside from capital receipts and amounts charged to 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 the Consolidated Revenue Account to offset depreciation in respect of the assets to which they relate. Sums relating to assets that will not be depreciated are transferred to the Capital Financing Account in the year they are applied.

2003/04			2004/05	
Capital Finance Reserve £000	Deferred Government Grant and Contributions £000		Capital Finance Reserve £000	Deferred Government Grant and Contributions £000
59,176	1,216	<b>Balance as at 1st April</b>	61,913	1,167
4,344	0	Capital Receipts set aside Useable receipts applied	7,974	0
24	0	Revenue resources set aside Revenue funding	30	0
-2,193	0	Reconciling amount of depreciation	-683	0
1,707	1,658	Grants & contributions set aside Grants and Contributions applied	1,998	2,502
1,667	0	Major repairs reserve applied	190	0
0	0	Amounts credited to AMRA	0	-219
-2,812	-1,707	Amounts written out in year	-3,638	-1,778
<b>2,737</b>	<b>-49</b>	<b>Total movement in year</b>	<b>5,871</b>	<b>505</b>
<b>61,913</b>	<b>1,167</b>	<b>Balance as at 31st March</b>	<b>67,784</b>	<b>1,672</b>

**CASH FLOW STATEMENT  
FOR THE YEAR ENDING 31ST MARCH 2005**

2003-04 £000		2004-05 £000
	<b>Revenue Activities</b>	
	<b>Cash Outflows:</b>	
9,893	Cash paid to and on behalf of employees	9,956
2,460	Other operating cash payments	6,122
4,441	Housing Benefit paid out	7,326
34,055	Precept payments	35,561
16,824	Non domestic rate payments to National Pool	19,588
0	Capital Receipts paid to National Pool	21
67,673		78,574
	<b>Cash Inflows:</b>	
-3,385	Rents (after Rebates)	0
-35,956	Council Tax receipts	-38,690
-3,205	Non domestic rates payments from National Pool	-2,493
-17,185	Non domestic rates receipts	-17,664
-862	Revenue support grant	-1,354
-4,421	DSS grants for rebates	-9,763
-1,289	Other government grants ( <i>See Note 1</i> )	-1,006
-877	Other income and charges	-4,375
-67,180		-75,345
493	<b>Net cash inflow(-)/outflow from Revenue Activities (<i>See Note 2</i>)</b>	3,229
	<b>Returns On Investments And Servicing Of Finance</b>	
	<b>Cash Outflows</b>	
10	Interest paid (Net)	0
	<b>Cash Inflows:</b>	
-881	Interest received	-839
-378	<b>Net cash inflow(-)/outflow from investments and servicing of finance</b>	2,390
	<b>Capital Activities</b>	
	<b>Cash Outflows:</b>	
9,117	Purchase of Fixed Assets	9,888
	<b>Cash Inflows:</b>	
-21,204	Sale of Fixed Assets	-711
-1,897	Capital Grants	-2,041
-189	S106 Contributions	0
	Other Capital Cash Receipts	
-14,173	<b>Net Cash Inflow(-)/Outflow on Capital Activities</b>	7,136
-14,551	<b>NET CASH INFLOW(-)/OUTFLOW BEFORE FINANCING</b>	9,526
	<b>Management Of Liquid Resources</b>	
0	<b>Net increase/decrease in short term deposits</b>	0
	<b>Financing</b>	
	<b>Cash Outflows</b>	
3	Repayments of amounts borrowed	0
14,252	Net increase/decrease(-) in investments ( <i>See Note3</i> )	-7,872
	New loans raised	
-296	<b>Net Increase(-)/Decrease in Cash (<i>See Note4</i>)</b>	1,654

## 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:

2003-04 £000		2004-05 £000
914	Housing Subsidy	120
0	Community Safety	176
109	Admin Grant – Local Taxation	109
0	Other	57
0	Planning Delivery Grant	237
266	Benefit Administration Grants	307
<b>1,289</b>	<b>Total Other Government Grants</b>	<b>1,006</b>

### 2. Reconciliation of Deficit To Net Revenue Cashflow

2003-04 £000		2004-05 £000
-861	<b>Surplus(-)/Deficit on General Fund</b>	-558
75	<b>Surplus(-)/Deficit on HRA</b>	-40
1,138	<b>Surplus(-)/Deficit on Collection Fund</b>	-603
	<b>Non Cash Transactions</b>	
-40	Contributions to(-)/from CFR	0
-24	Contributions to(-) from AMRA	-30
0	Contributions to(-)/from Bad Debt Provisions	-121
78	Contribution to(-)/from Earmarked Reserve	-75
0	Contribution from Capital Receipts	21
-1,656	Contribution to(-)/from Major Repairs Reserve	0
	<b><u>Items on an Accruals Basis</u></b>	
-141	Increase(-)/decrease in Creditors	2,181
1,090	Increase/decrease(-) in Debtors	1,383
-32	Increase/decrease(-) in Stock	-10
	<b><u>Items included in other classifications</u></b>	
-10	Interest paid	0
881	Interest received	839
<b>498</b>	<b>Net cash flow from revenue activities</b>	<b>3,229</b>

### 3. Net Increase/Decrease(-) in Investments

2003-04 £000		2004-05 £000
14,255	Increase/decrease(-) in Temporary Borrowing	-7,872
<b>14,255</b>		<b>-7,872</b>



4. Net Increase(-)/Decrease in Cash

2003-04 £000		2004-05 £000
0	Increase/Decrease(-) in Cash Overdrawn	1,075
-296	Increase/Decrease(-) in Petty Cash and Cash in Hand	579
-296	<b>Net Increase/Decrease(-) in Cash</b>	<b>1,654</b>

## **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.