



BROMSGROVE DISTRICT COUNCIL

EXECUTIVE CABINET – SPECIAL MEETING

WEDNESDAY, 28TH JUNE 2006 AT 5.00PM

COMMITTEE ROOM, THE COUNCIL HOUSE, BROMSGROVE

AGENDA

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

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

1. To receive apologies for absence
2. Declarations of Interest
3. To confirm the Minutes of the Executive Cabinet held on 17th May 2006 (attached)
4. Public Questions
5. Statement of Accounts 2005/2006 (attached)
6. To consider any other business, details of which have been notified to the Head of Legal and Democratic 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

K. DICKS
Acting Chief Executive

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

19th June 2006

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE EXECUTIVE CABINET

Wednesday, 17th May 2006 at 6.00 p.m.

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

1/06 **MINUTES**

The Minutes of the Meetings of the Executive Cabinet held on 19th April and 2nd May 2006 were submitted.

RESOLVED: that the Minutes of the Meetings be approved and confirmed as a correct record.

2/06 **ANNUAL AUDIT AND INSPECTION LETTER AND AUDIT AND INSPECTION PLAN**

Consideration was given to the Annual Audit and Inspection Letter for 2004/05 issued by the Audit Commission and KPMG, the Council's External Auditor, together with the Audit and Inspection Plan for 2006/07. Mr. S. McMillan from the Audit Commission and Mr. J. Gorrie from KPMG were present and addressed the Cabinet on their findings and recommendations and responded to Members' comments and questions. Having received the proposed management response to the Audit and Inspection Letter, it was

RESOLVED:

- (a) that the Annual Audit and Inspection Letter be accepted;
- (b) that the Audit and Inspection Plan be noted.

3/06 **SCRUTINY STEERING BOARD**

The Minutes of the Meetings of the Scrutiny Steering Board held on 8th March and 12th April 2006 were submitted.

RESOLVED: that the Minutes of the Meetings be noted.

4/06 **PERFORMANCE MANAGEMENT BOARD**

The Minutes of the Meeting of the Performance Management Board held on 21st April 2006 were submitted.

RESOLVED:

- (a) that the Minutes of the meeting be noted;
- (b) that the Executive Leader, in consultation with other Cabinet Members, submit a written response to the Board on issues raised in the Minutes.

5/06 **AUDIT BOARD**

The Minutes of the Meeting of the Audit Board held on 25th April 2006 were submitted.

RESOLVED:

- (a) that the Minutes of the meeting be noted;
- (b) that the Executive Leader, in consultation with other Cabinet Members, submit a written response to the Board on issues raised in the Minutes.

6/06 **MONEY LAUNDERING REGULATIONS AND POLICY**

Having considered proposals to address the statutory requirements of the Money Laundering Regulations 2003 and related legislation, it was

RECOMMENDED:

- (a) that the policy relating to the procedures to be followed in respect of money laundering, as set out in the Appendix to the report, be approved and adopted;
- (b) that the Head of Financial Services be appointed as the Council's nominated Money Laundering Reporting Officer and the Audit Services Manager be appointed as the Deputy Money Laundering Reporting Officer.

7/06 **PROPOSED POLICY AND FEE STRUCTURE FOR THE MANDATORY LICENSING OF PRESCRIBED HOUSES IN MULTIPLE OCCUPATION**

Having considered a report on a proposed policy setting out how the Council would meet the statutory requirements for the mandatory licensing of certain types of Houses in Multiple Occupation, including a proposed structure for the fees to be charged to a landlord for the granting of a licence, it was

RECOMMENDED:

- (a) that the policy for the Mandatory Licensing of Prescribed Houses in Multiple Occupation, as set out in the Appendix to the report, be approved;
- (b) that authority be delegated to the Head of Planning and Environment Services for the approval, revocation and variation of licences relating to Prescribed Houses in Multiple Occupation;
- (c) that authority be delegated to the Housing Standards Officer and the Private Sector Housing Team Leader for the signing of any housing related legal notices;

RESOLVED: that the proposed fee structure set out within Section 13 of the policy for the Mandatory Licensing of Prescribed Houses in Multiple Occupation be approved.

8/06 **CHARGES FOR USE OF COUNCIL LAND BY FAIRS**

(The Chairman agreed to the consideration of this item as a matter of urgency as a decision was required thereon before the next ordinary meeting of the Executive Cabinet).

The Chairman referred to the charges for the use of Council recreation land (Market Street Recreation Ground and Boleyn Road, Frankley) by fairs and circuses which had increased substantially for 2006/07 and had led to objections. The Council wished Bromsgrove to be a thriving market town which needed events such as fairs to attract people into the town. On reflection it seemed appropriate to reduce the charges. During the discussion Members expressed the view that the charges should be around 5% higher than those charged the previous year. The Head of Culture and Community Services indicated that he had delegated authority to vary the maximum level of fees and charges within his service area.

RESOLVED: that the Head of Culture and Community Services take account of the views expressed by Members in determining the level of charges to be made.

9/06 **PROGRAMME OF MEETINGS**

(The Chairman agreed to the consideration of this item as a matter of urgency as a decision was required thereon before the next ordinary meeting of the Executive Cabinet).

The Chairman referred to the lack of meetings of the full Council between now and September and to the need for a more structured approach to the programme of Cabinet meetings so that Scrutiny Steering Board meetings could feed into the Cabinet.

It was proposed that future Cabinet meetings would be held on the first Wednesday in the month, with the meetings of the Scrutiny Steering Board held on the previous evening. The Board would then be able to consider the Cabinet papers and its Chairman would be able to forward any comments to the Cabinet the following evening. It was intended that meetings of the full Council would be held on a bi-monthly basis, thirteen days after a Cabinet meeting, with occasional special meetings as required to deal with matters such as accounts.

RESOLVED: that the Executive Leader be authorised, in consultation with the other Group Leaders, to agree the revised programme of meetings for the Scrutiny Steering Board, Cabinet and Council, and that the revised programme be ratified by the full Council in due course.

10/06

LOCAL GOVERNMENT ACT 1972

RESOLVED: that, under Section 100A(4) of the Local Government Act 1972, the public be excluded from the Meeting during the consideration of the item of business the subject of the following minute on the grounds that it involves the likely disclosure of "Exempt Information" as defined in Part 1 of Schedule 12A to the Act, the relevant paragraph of that part, in each case, being as set out below:-

<u>Minute No.</u>	<u>Paragraph</u>
11/06	7

11/06

SECTION 106 MONIES – BROMSGROVE CRICKET, HOCKEY AND TENNIS CLUB

Following consideration of the report, it was

RESOLVED: that approval in principle be given to the application from Bromsgrove Cricket, Hockey and Tennis Club to provide an artificial floodlit pitch utilising the Section 106 monies related to Breme Park, and that a further report be submitted in due course.

(NOTE: Councillor Mrs. M. M. T. Taylor declared a personal interest in this matter as her granddaughter is a member of the Club.)

The Meeting closed at 7.25 p.m.

Chairman

BROMSGROVE DISTRICT COUNCIL

EXECUTIVE CABINET

28th June 2006

STATEMENT OF ACCOUNTS 2005/06

Responsible Portfolio Holder	Councillor Margaret Taylor
Responsible Head of Service	Head of Financial Services

1. Summary

- 1.1 To present Members with the Statement of Accounts for the year ended 31st March 2006.

2. Recommendation

- 2.1 To approve the unaudited Statement of Accounts for the year ended 31st March 2006 in accordance with the Accounts and Audit Regulations 2003.

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 2005/06 is being reported to Members within the statutory deadline of 30th June 2006.
- 3.3 The Statement of Accounts 2005/06 is attached. All figures are subject to external audit examination. It is anticipated that KPMG will begin the audit in August 2006.

4. Revenue Position Summary

- 4.1 At its meeting on 1st March 2005, Bromsgrove District Council set a budget of £9.563 million and a Council Tax of £156.45 which was an increase of 5.0% on the previous year.
- 4.2 The General Fund Revenue Account produced a year end deficit of £0.186m compared to a budgeted deficit of £0.012m, a variance of £0.174m.
- 4.3 The main reasons for the variance are;
- 4.4 Street Scene and Waste Management expenditure was £477k more than anticipated. This is mainly due to additional cost of agency staff, additional fuel and repairs cost on second hand vehicle used in the Recycling Service and additional vehicle hire costs to cover for breakdowns of the vehicle fleet
- 4.5 Culture and Community Services income was lower than in the original budget. This is due to usage of the various leisure facilities being lower than anticipated.

- 4.6 Interest generated from investments was £256k more than originally budgeted. The target for interest on investments equated to a return of 4.75% however interest received during the second half of the year reduced as a result of the Bank of England Base reducing the base rate from 4.75% to 4.5% in early August 2005. This was compensated by funds being available for investment longer than anticipated due to slippage on the capital programme.
- 4.7 A provision of £100k has been made in anticipation of costs and compensation the Council may be required to pay related to employment issues.
- 4.8 To partly offset the additional expenditure during the year, a planned contribution to the Replacement Reserve of £200k was not made.
- 4.9 A full report on the revenue and capital final outturn position will be presented to the Performance Management Board in August 2006.

5. Capital Position Summary

- 5.1. Capital expenditure amounted to £6.300m. The main areas of expenditure were ICT Infrastructure project, other various ICT schemes and the implementation of E-government projects (£1.607m), the capitalisation of cost relating to the Recovery Plan and related management re-structuring of the Council (£1.571m), Strategic/Affordable Housing (£1.393m) Disabled Facilities Grants (£265k) and upgrade of the Dolphin Centre (£244k).
- 5.2. During 2005/06 the accumulated expenditure on the Artrix property, held on the Balance sheet as Assets under Construction, was written out following the transfer of the property to the Bromsgrove Arts Development Trust.

6. Key Financial Statements

- 6.1. There are six financial statements presented within the attached Statement of Accounts. The financial statements are prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2005 'A Statement of Recommended Practice' (the 2005 SORP). The 2005 SORP sets out the proper accounting practices required for the financial statements by section 21(2) of the Local Government Act 2003 prepared in accordance with the Accounts and Audit Regulations 2003 and by sections 41 and 42 of the Local Government and Housing Act 1989.
- 6.2. 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.

- 6.3. The financial statements are:

6.3.1 The Consolidated Revenue Account.

This shows the expenditure and income relating to all of the Council's services including residual HRA transactions, the principal sources of finance, which include Government Grants and the Council Tax, and the net deficit for the year. The service expenditure analysis complies with the Best Value Accounting Code of Practice and as such may vary slightly from the Service Areas defined in the management structure of the Council. The Service expenditure analysis also takes into account the requirement of Financial Reporting Standard 17 Retirement Benefits. This means that the employers contributions paid to the Pension Fund during the year are taken out and replaced with costs, calculated by the fund's actuary, to ensure the Pension Fund is able to meet its future liabilities. A contribution from the Pension Reserve is made to

reduce the cost on the Consolidated Revenue Account to the actual employers contributions paid.

As mentioned in 5.1 above, the Council spent £1.571m from Capital receipts to fund the restructure costs and support from interim specialist managers. Whilst the expenditure is capitalised, the SORP requires that the capital expenditure is charged to the Consolidated Revenue Account as an exceptional item. There is a compensating contribution from the Capital Financing Account to ensure that there is no impact on amount to be met by Government Grant & Local Taxpayers.

6.3.2 The Housing Revenue Account.

Although the housing stock was transferred to Bromsgrove District Housing Trust on 29th March 2004, the Council was still required to maintain the Housing Revenue Account during 2005/06. An application to the Office of the Deputy Prime Minister to close the HRA was granted with effect from 4th April 2006.

6.3.3 The Consolidated Balance Sheet

This statement shows the Council's overall financial position for all activities as at 31st March 2006.

The Council holds £28.153m of Fixed Assets which includes the Council Offices at Burcot Lane, The Dolphin Centre, the Market Hall and various parks and recreation grounds. There is also £486k of intangible assets which relates to capital expenditure which does not create a physical asset, e.g. computer software, but which provides benefit for a period of more than one year.

As at 31st March 2006, the Council held £25.126m of short term investments. This is mainly the funds managed by the Council's external fund managers Invesco and HSBC.

6.3.4 The Statement of Total Movement in Reserves.

This statement summarises the changes in the Council's capital and revenue reserves stated in the Consolidated Balance Sheet.

6.3.5 The Consolidated Cash Flow Statement.

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

7. Financial Implications

- 7.1 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.

Contact officer

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bromsgrove council
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**STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED
31st MARCH 2006**

BROMSGROVE DISTRICT COUNCIL

Statement of Accounts 2005-06

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FOREWORD

Introduction

The financial statements presented here are prepared in accordance with the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee (CIPFA/LAAAC) Code of Practice on Local Authority Accounting in the United Kingdom 2005 'A Statement of Recommended Practice' (the 2005 SORP). The 2005 SORP sets out proper accounting practices required for the financial statements by section 21(2) of the Local Government Act 2003 prepared in accordance with 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 2006 are set out on pages 17 to 47 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 2005 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 (NNDR) 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 2006. 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 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 1st March 2005, Bromsgrove District Council set a budget of £9.563 million and a Council Tax of £156.45 which was an increase of 5.0% on the previous year.

The General Fund Revenue Account produced a year end deficit of £0.186m compared to a budgeted deficit of £0.012m, a variance of £0.174m.

The main reasons for the variance are;

- Street Scene and Waste Management expenditure was £477k more than anticipated. This is mainly due to additional cost of agency staff, additional fuel and repairs cost on second hand vehicle used in the Recycling Service and additional vehicle hire costs to cover for breakdowns of the vehicle fleet
- Culture and Community Services income was lower than in the original budget. This is due to usage of the various leisure facilities being lower than anticipated.
- Interest generated from investments was £256k more than originally budgeted. The target for interest on investments equated to a return of 4.75% however interest received for the second half of the year reduced as a result of the Bank of England Base reducing the base rate from 4.75% to 4.5% in early August 2005. This was compensated by funds being available for investment longer than anticipated due to slippage on the capital programme.
- A provision of £100k has been made in anticipation of costs and compensation the Council may be required to pay related to employment issues.

The Consolidated Revenue Account details the gross costs of service provision amounting to £34,836,817. This expenditure has been analysed as follows:

	2005/06 £000
Employee expenses	10,958
Premises related expenses	1,062
Transport related expenses	1,116
Supplies and services	3,711
Third party payments	904
Transfer payments	11,681
Capital charges	5,405
Total	34,837

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.

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

The gross income of £17,792,024 shown in the Consolidated Revenue Account has been analysed as follows:

	2005/06 £000
Government grants	12,356
Fees & charges	3,960
Other grants & contributions	878
Internal recharges	598
Total	17,792

The figure for government grants income includes £ 11,894,086 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, licensing fees and charges for the use of sports centres.

The General Fund Revenue Balance brought forward as at 31st March 2005 was £2.550 million. After appropriations and transferring the deficit in 2005/06, the General Fund Revenue Balance decreased to £2.282 million as at 31st March 2006.

Housing Revenue Account

Although the housing stock was transferred to BDHT on 29th March 2004 the Council was required to maintain the Housing Revenue Account (HRA) for residual items of income and expenditure for 2005/06. The Council applied to the Office of the Deputy Prime Minister (ODPM) to close the HRA which was granted with effect from 4th April 2006.

The HRA produced a deficit of £246k for the year after taking into account interest receivable on the notional HRA cash balances. The Housing Revenue Account Balance brought forward as at 31st March 2005 was £246k. After transfer of the deficit in 2005/06, the Balance was reduced to nil as at 31st March 2006.

General Fund Capital Expenditure and Receipts

Capital expenditure amounted to £6.300m. The main areas of expenditure were ICT Infrastructure project, other various ICT schemes and the implementation of E-government projects (£1.607m), the capitalisation of cost relating to the Recovery Plan and related management re-structuring of the Council (£1.571m), Strategic/Affordable Housing (£1.393m) Disabled Facilities Grants (£265k) and upgrade of the Dolphin Centre (£244k).

During 2005/06 the accumulated expenditure on the Artrix property, held on the Balance sheet as Assets under Construction, was written out following the transfer of the property to the Bromsgrove Arts Development Trust.

Capital receipts for the year totalled £1.049m. This relates to receipts under the VAT shelter sharing arrangements with Bromsgrove District Housing Trust, sales of vehicle and surplus land and sales of the Council's interest in properties built under 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. Receipts amounting to £9k relating to the sale of vehicles were transferred to the Consolidated Revenue Account as permitted under The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

Capital contributions of £768k 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 £479k were also received from Government and other organisations.

Housing Capital Expenditure and Receipts

There was no capital expenditure in 2005/06 relating to the HRA.

During the year capital receipts amounting to £124k were received from sales of housing land retained by the Council at LSVT and discounts recovered from Right to Buy sales before the housing transfer (£34k). Of this income £13k was paid over to Central Government under the 'Housing Capital Pooling' arrangements introduced when the Prudential Code capital controls system came into force on 1st April 2004. Repayments of mortgage principal amounting to £8k were also capitalised as required under the Pooling regulations and £3k of this was paid over to the Government. After capital pooling, net total capital receipts for Council use amounted to £116k.

Voluntary Engagement and Management Restructure

In June 2004 the Council requested voluntary engagement from the Office of the Deputy Prime Minister (ODPM) and a deferral of Comprehensive Performance Assessment. These requests were accepted. 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.

During 2005/06 the Council received a capitalisation direction from The ODPM to utilize up to £2m of its own capital receipts to fund specific costs associated with delivery of the Recovery Plan. To implement the Recovery Plan the Council restructured from nine departments into seven service areas. The restructure was implemented with the aim of focusing resources on the key priorities of the Council in achieving recovery and maintaining the quality of statutory service provision within the district. As a result a number of posts were deleted and some staff were made redundant. In addition to this the Council utilized consultant and interim specialist managers to drive forward the improvements required to enable the Council to come out of engagement.

Housing Services

Although the housing stock was transferred to Bromsgrove District Housing Trust (BDHT) on 29th March 2004, the Council still retains statutory responsibilities in respect of Strategic Housing Services. The Council has an in-house Strategic Housing Team which has responsibility for assessing the housing needs of the District, the development of housing strategies to meet those needs, developing partnership working with other organisations to enable the provision of affordable housing and schemes that support the improvement and regulation of private sector housing. The Strategic Housing Team also monitors the performance and involvement of Registered Social Landlord's operating in the district, progress against the promises made to tenants in the transfer agreement, and the provision of support, advice and housing services to the Homeless and vulnerable client Groups.

Group Accounts

In accordance with the 2005 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.

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 was 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 residents, should they wish to do so, to communicate with the Council by electronic means to make payments and receive information. During 2005/6 E-Government has undertaken a major infrastructure refreshment project. This will enable the Council to continue to deliver other 'E-Government' schemes.

Accounting Policies

The accounting policies adopted by the Council are set out on pages 17 to 21.

Further Information

Further information on the accounts is available from the Acting Chief Executive, 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
Acting Chief Executive

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 2005/06 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 28th June 2006 in accordance with the Accounts and Audit Regulations 2003.

Councillor Roger Hollingworth
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 2005 (the 2005 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 2006.

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 2005 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 2006 and its income and expenditure for the year ended 31st March 2006.

Kevin Dicks
Acting Chief Executive

Date

STATEMENT ON INTERNAL CONTROL FOR BROMSGROVE DISTRICT COUNCIL FOR THE YEAR ENDED 31st March 2006

1. Scope of Responsibility

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, 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.

Only a partial system of internal control was in place at the Council for the year ended 31st March 2006 and up to the date of the approval of the annual accounts. However, the Council is committed to ensuring a full system of internal control is implemented.

3. The Internal Control Environment

3.1 General

The key elements of control are described below:

- (a) The Council sets out its objectives through a series of Plans; the Annual Performance Plan, the Corporate Plan, and Service Business Plans, together with Action Plans arising from External Inspection reports, and Revenue and Capital Budgets.
- (b) The Council's policy and decision - making process is set out in the Council's Constitution which explains and regulates how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

The Constitution is supplemented by a range of policies and processes to support the operation of the Council, including schemes of delegation to officers, standing orders relating to the business of the Council, and codes of conduct for members and officers.

- (c) The financial management of the Council is integrated with and influenced by many of the above processes. It includes processes for forward planning of expenditure and resources, budget consultation; setting and monitoring, and completion of final accounts, all aimed to be accurate, informative and timely. The Council also has in place financial regulations designed to support sound financial management policies

and procedures, and adherence thereto, and also to reflect the Council's current political and management structure and business activities.

- (d) In order to ensure compliance with policies, procedures and statutory requirements, the Council has a range of controls and processes in place, as set out below. These processes also assist the Council in ensuring the economical, effective and efficient use of resources, in securing continuous improvement in exercising its functions, and provide for an effective performance management and reporting process.

3.2 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 2005/06 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 detailed monthly reports which indicate actual expenditure against budgets, were not produced regularly during the early part of the financial year. However quarterly reports were submitted to Cabinet detailing the financial performance from April 2005. Since August 2005 detailed budget monitoring statements were produced and distributed on a monthly basis to Heads of Service and Budget Holders.

3.3 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 2005/06 was on the Recovery Plan (established to address Ministers main concerns)

During the year the Council reviewed its objectives and adopted the following objectives: -

- To provide a clean, safe and attractive environment
- To develop and implement an effective Local Development Framework
- To develop a caring, socially aware society
- To develop and sustain a strong and expanding economy
- To provide sustainable culture and leisure opportunities
- To be an efficient and effective Council

3.4 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 and were used to comment on the budget plans for 2006/07. These were reviewed during 2005/06 and a Scrutiny Steering Board, Performance Management Board and Audit Board created.

3.5 Compliance

(a) 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.

Heads of Service and senior service area managers have responsibility for ensuring that legislation and policy relating to service delivery and Health and Safety are implemented in practice.

(b) Risk Management

The Risk Management Strategy was reviewed during the year. 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 fully implementing across the Council. A steering group consisting of officers and led by the Corporate Director (Resources) was reformed in November 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".

(c) 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 1st November 2004.

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

The Council also underwent a Progress Assessment" in October / November 2005 and whilst the Council still has a lot of work to do it was accepted that the Council was "making some progress" and is "tangibly a different organisation to 2 years ago".

In line with the Council's priorities the following achievements have been accomplished:-

- The Council has closed down 2004/05 accounts and prepared the Statement of Accounts in accordance with the statutory deadlines and received an unqualified audit opinion.
- The Council has restructured to maximise synergies and reduced the number of sections from nine to seven to foster better cross working.

- A Top Team Development training course has been procured and is planned to develop senior management and Members.
- The launch of the Performance and Development Review process in the year and the development of a training directory to deliver staff training to ensure staff are equipped with core competencies.
- The Council has invested to acquire a modern refuse collection fleet to aid productivity and greater performance in recycling.
- Launched the shopmobility scheme.
- Enhanced its recycling scheme
- Reviewed its Scrutiny process to further enhance governance arrangements.
- Achieved a balanced budget for 2006/07 in line with the Council's main priority of coming out of recovery process by March 2007 and prepared a three year financial plan.
- Began a programme of significant investment and improvement in the information and communication technology throughout the Council.
- Improved the processes and procedures within the Revenues and Benefits section in line with recommendations made in the Benefit Fraud Inspectorate report.

(d) Financial Management

The Council's financial management framework for 2005/06 is summarised as follows:-

- An annual budget and setting of the Council Tax.
- Capital and Revenue Monitoring
- Reporting the annual outturn position to the Council.

Revenue monitoring relates to the perpetual evaluation of performance in financial terms. The process incorporates the following:-

- Close down of monthly accounting period.
- Reports issued to Heads of Service and budget holders comparing annual budget to actual expenditure to date.
- Discussions between designated accountants and budget holders to identify areas of potential over and under spending.
- Quarterly Capital and Revenue Monitoring Reports to Members including identification and explanation of variances and actions required to ensure total actual expenditure remains within budget.

(e) Performance Management

A performance management framework is in place and has been further improved during the year but still needs 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 Service Business Plans.
- Monitoring delivery against targets.
- Taking action to secure service delivery where delivery is at risk.
- Lengthening the horizon for service business plans.

(f) Partnerships

The Council has a duty under the Local Government Act 2000 to promote the social, environmental and economic well being of their area. To fulfil this duty the Council entered into the Community Safety Partnership as directed by the Home Office.

The Council acts as the "accountable body" for the local Community Safety Partnership. This means that the Council is responsible for ensuring that any grant monies received by the Community Safety Partnership are expended for the purpose they were intended.

4. Review of Effectiveness of Internal Controls

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 Council 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.

Control	Review of Effectiveness
<p>Statutory roles of Council's Monitoring Officer and Section 151 Officer to ensure internal control procedures are efficient and effective and are being complied with on a routine basis to ensure legality and sound financial standing.</p>	<p>Council, Cabinet, Committees, Chief Executive, Corporate Directors and Heads of Service have a full range of professional officer advice to enable them to carry out their functions effectively and in compliance with statutory requirements. The External Auditor is broadly satisfied with the Council's arrangements (Annual Audit and Inspection Letter 2004/05).</p>
<p>Internal Audit provides an independent and objective assurance across the whole range of the Council's activities.</p>	<p>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 Head of Financial Services and the Audit Services 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.</p> <p>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.</p> <p>The section is subject to an annual review by the Council's external auditors to ensure the adequacy of the Internal Audit function.</p> <p>The External Auditor is able to place reliance on the work of the Section (Annual Audit and Inspection Letter 2004/05). The Section continues to develop its Annual Plan on a systematic assessment of the risks facing the Council in carrying out its functions.</p> <p>Cabinet approved the Internal Audit Plan for 2005/6 on the 13th April 2005 and a review of the audit plan was presented to Cabinet on 30th November 2005.</p> <p>In addition to the key financial systems the Audit Plan for 2006/07 will focus on:-</p> <ul style="list-style-type: none"> • Agency and Casual Staff • IT Security • CCTV System • Data Protection • Development Control • Section 106 Monies

Control	Review of Effectiveness
	<ul style="list-style-type: none"> • Sports Development • Information and Knowledge Management
External Audit provide a further source of assurance by reviewing and reporting upon the Council's internal control processes and any other matters relevant to their statutory functions and codes of practice.	The External Auditor, KPMG LLP, is broadly satisfied with the Council's arrangements (Annual Audit and Inspection Letter 2004/05).
Risk Management policies and procedures are in place with the objective of ensuring that the risks facing the Council in achieving its objectives are evaluated, regularly reviewed and mitigation strategies developed, and these arrangements are approved and reviewed by Cabinet.	<p>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.</p> <p>During the year a fully developed Risk Management process was not in operation and there was no corporate risk register in place. However Cabinet has now approved the Council's Risk Management Strategy (18th January 2006).</p> <p>Staff training has recently been completed with the objective of ensuring risk management and awareness is embedded across the Council. The corporate and department risk registers are currently being compiled.</p>
Standards of Financial Conduct and the Prevention and Detection of Fraud	<p>It is management's responsibility to ensure that there are appropriate controls in place to prevent loss through fraud and error. The Council uses a range of measures to ensure that effective governance is in place. These include:-</p> <ul style="list-style-type: none"> • Contract procedure rules • Financial Regulations • Standing Orders • Internal audit • Segregation of duties • Anti fraud and corruption strategy <p>Financial Regulations are currently being reviewed.</p>
Provision of effective, efficient and responsive systems of financial management.	<p>Internal Audit has carried out 13 fundamental reviews:-</p> <ul style="list-style-type: none"> • Asset Management • Procurement • Budgetary Control & Strategy • General Ledger & Bank Reconciliations • Treasury Management • Creditors • Payroll • Debtors • Travel & Subsistence (Officers) • Council Tax • National Non Domestic Rates • Benefits • Customer Service Centre & Cash Income <p>All were given Satisfactory Audit Opinions.</p>
Codes of practice are issued by external bodies in respect of Council services and processes with which the Council is expected to comply.	The Council has complied with the 2003 CIPFA Code relating to Capital Finance & Treasury Management and a report presented to Cabinet on 18 th May 2005.

Control	Review of Effectiveness
	The Council's accounts have been prepared in line with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Best Value Accounting Code of Practice
Ensuring the economical, effective and efficient use of resources	As part of the Use of Resources assessment the Council received 1 out of 4 and is currently preparing an action plan to address areas for improvement.
The Council's Overview and Scrutiny Arrangements	The Council has appointed a Scrutiny Steering Board and a number of ad hoc Task and Finish Groups to discharge the functions conferred by Section 21 of the Local Government Act 2000. These replaced the 3 previous Scrutiny Committees. In addition two other Boards have been set up: Performance Management Board and an Audit Board.
Performance monitoring processes are in place to measure progress against objectives and to provide for remedial action where appropriate.	The Council has in place a performance management framework, which it continues to develop. The Assistant Chief Executive is responsible for co-ordination of performance data, and Performance Leads and Co-ordinators have been appointed for each Service Area to help ensure that performance management is embedded across the Council. Performance is regularly reported to the Performance Management Board. The performance management process continues to improve. However, there is a need to speed up the development of the data verification process, in particular around the key corporate performance indicators.
Continued implementation of Best Value reviews and related improvement plans.	These reviews have not been undertaken due to the necessity to focus on the Recovery Plan.
Reports received from external agencies and inspectorates.	The Council has been classified as 'Poor' under CPA following its request for voluntary engagement in June 2004. The Council received an assessment of poor following a Benefits Fraud Inspectorate review of the Benefits section. Over 50% of the BFI recommendations have been implemented including: <ul style="list-style-type: none"> • Improved the recovery and reduced the incidence of Housing Benefit overpayments • Improvements in processing new claims for benefits resulting in a reduction in the number of days to grant benefit • Improved the security regarding access to the Revenues and benefits IT system and personal security of officers working remotely The Council undertook a DWP self assessment of policies and procedures in benefits. The result of the assessment improved our score rating from 0 to 1 (meeting minimum requirement)
Delivery of services by trained, skilled and experienced personnel.	The Council has demonstrated its commitment to staff through the launch of its Performance and Development Review process in the year. There is a commitment to address the weakness highlighted by the recent IIP inspection. The Council has its own Management Development

Control	Review of Effectiveness
	training for its managers.

We have been advised on the implications of the results of the review of the effectiveness and the system of internal control by the Council, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. Significant Internal Control Issues

The requirement for The Statement of Internal Control came into force on 1st April 2003.

Whilst the Council experienced another difficult year it has made significant improvements to its internal control environment particularly with regard to the strengthening of Internal Audit and the creation of an Audit Board.

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.
- Improve budget monitoring procedures.
- Establish risk registers and embed a risk awareness culture in the organisation.
- More rigidly monitor the Treasury Management Process.
- Update the Council's Financial Regulations
- Introduce a Records Management and Document Retention Policy (EDMS)
- To complete the programme of investment in the information and communication technology throughout the Council and undertake the IT project to interface Flex and Radius into the Agresso Financial system
- Implement the remaining recommendations identified in the BFI inspection report
- Develop financial and procurement procedural skills with relevant officers and members

Kevin Dicks
Acting Chief Executive

Councillor Roger Hollingworth
Leader of the Council

Date

Date

AUDITORS REPORT

The Council's auditors are KPMG.

To date no audit opinion has been issued.

AUDITORS REPORT

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 2005 'A Statement of Recommended Practice' (the 2005 SORP). If exception occurs these are noted at the appropriate place in the statements.

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 2005/06 Consolidated Revenue Account complies with these requirements.

Fixed Assets

The Balance Sheet as at 31st March 2006 has been prepared on the basis of the CIPFA Code of Practice on Accounting for Fixed Assets.

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.

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 CIPFA Code of Practice on Accounting for Fixed Assets. A programme of valuations, to be carried out by the Council's Valuation Officer, is in place to ensure all appropriate fixed assets are revalued every 5 years. These financial statements reflect the revaluations carried out during 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 and Deferred charges represent expenditure that has been properly capitalised but which does not create a tangible asset for the Council. Intangible assets include major software purchases, whilst deferred charges include disabled facilities grant, home repair and housing renewal grants, and grants to other persons and bodies such as registered social landlords for capital expenditure purposes. All expenditure on deferred charges is usually written off to the Consolidated Revenue Account in the year the expenditure is incurred. Expenditure on intangible assets is written off to the Consolidated Revenue Account over the period of the benefit to be received from the asset. However there is a corresponding transfer from the Capital Financing Account to neutralise the effect of these charges.

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, some assets are awaiting revaluation and do not have a quantified residual (land) value and therefore this was not reflected in the calculation of depreciation for 2005/06. The programme of revaluations will address this issue as each asset is revalued. Assets which have been revalued during 2005/06 and therefore now have a residual land value included in the Asset Register will have lower depreciation in future years as depreciation is not charged on land.

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	5-50 years
Vehicles, Plant and Equipment	2-7 years
Infrastructure	5-20 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 2005/06 being 4.95% 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.

Prudential Code

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 provide the framework for the prudential code that came into force on 1st April 2004. Since that date the Council has been able to plan its capital expenditure under the Prudential Framework. This focuses on the Council's ability to fund the consequences of spending decisions from future years revenue accounts and allows it to set its own limits on the borrowing needed to achieve an affordable capital strategy. Prudential indicators are defined within the Council's Treasury Management strategy. The Council has not undertaken any prudential borrowing and remains debt-free.

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 Account in the year it is used for financing.

Repayment of Debt

Regulation 27 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 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 after allowable adjustments.

For 2005/06 the Council's Capital Financing Requirement was £24k and after allowable adjustments have been applied there is 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 capital investment. However, in accordance with The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, receipts below £10,000 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 2005 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 2005 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

established two provisions in 2005/06. Both are related to costs and compensation the Council may have to pay arising from employment issues.

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.

Support Service Costs

The Best Value Accounting Code of Practice requires that all support service and service management costs are fully charged to services. In previous years staff costs were apportioned over services on a time basis and Administrative buildings and other establishment charges were allocated by way of an on cost addition to staff costs. During 2005/06 the basis for the apportionment of support service costs was reviewed and revised. Some support services continue to charge out based on staff time whereas other areas use a basis more appropriate to the service provided e.g. Human Resources is recharged on number of employees and the Information and Communication Technology recharge based on the number of PC's each service area operates. The charge to the Capital Programme is based on staff time involved with the administration of various schemes within the programme.

Stocks and Stores

These are valued at cost. 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.

Leasing

Finance Leases

Statement of Standard Accounting Practice 21 (SSAP 21) defines a finance lease as a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee and the present value of the minimum lease payments is 90% or more of the fair value of the leased asset. If a lease qualifies as a finance lease under SSAP 21 then the value of the asset is treated as capital expenditure and recognised in the Authority's balance sheet as a fixed asset matched by a liability. Rental payments under finance leases are apportioned between the finance charge and the reduction of the liability, with the finance charge being allocated and charged to the Asset Management Revenue Account over the term of the lease. The Council does not hold any assets under finance leases.

Operating Leases

If a lease meets the SSAP 21 definition of an operating lease, then the payments under the lease are charged to the service revenue accounts. Details of the Authority's operating leases are outlined in note 11 to the Consolidated Revenue Account.

Interest Charges

Provision has been made in the accounts for the accrual of loan interest due to the Council as at 31st March 2006.

Pensions

This Statement incorporates the full effects of FRS17 – Retirement Benefits, the purpose of which is to ensure that these financial statements reflect 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 £13.3m, 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 2004.

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.

**CONSOLIDATED REVENUE ACCOUNT FOR THE
YEAR ENDED 31st March 2006**

Net Expenditure 2004/05 £000	Note		Gross Expenditure 2005/06 £000	Gross Income 2005/06 £000	Net Expenditure 2005/06 £000
945		Central Services to the Public	1,962	-574	1,388
7,434		Cultural, Environmental and Planning	12,315	-3,385	8,930
407		Highways and Transport	1,306	-1,137	169
4,432		Housing Services	14,880	-12,501	2,379
1,431		Corporate and Democratic Core	2,082	-193	1,889
-48		Non-distributed Costs	721	-2	719
0	13	Exceptional Cost of Voluntary Engagement & Restructure	1,571	0	1,571
14,601		Net Cost of Services	34,837	-17,792	17,045
-690	1	Asset Management Revenue Account			-997
426		Precepts to Parish Councils			447
21		Contribution of Housing Capital receipts to Government Pool			15
52	2	(Surplus)/Deficit From Trading Operations			60
-1,631		External Interest Received			-1,403
398		Pensions Interest Cost & Expected Rate of Return			407
13,177		Net Operating Expenditure			15,574
-4,104		Transfer from Capital Financing Account			-4,437
-21		Housing Pooled Capital Receipts			-15
31		Capital Expenditure financed from revenue			31
0		Prior year adjustment in HRA			278
40		Surplus/Deficit(-) transferred back to HRA			-246
9		Contributions to/from(-) Earmarked Reserves			-82
-310		Contributions to/from(-) Pension Reserve			-775
0		Contributions to/from(-) Major Repairs Reserve			-50
0		Contribution to/from(-) Revenue Balances			-82
8,822		Amount to be met by Government Grant & Local Taxpayers			10,196
-5,627		Precept Demands from Collection Fund			-5,920
-1,354		Revenue Support Grant			-1,490
-2,434		Non-Domestic Rates			-2,600
-593		Net General Fund Surplus(-)/Deficit			186
£000		General Fund Revenue Balance			£000
-1957		Balance as at 31st March 2005			-2,550
0		Transfer to/from(-) Consolidated Revenue Account			82
-593		Surplus(-)/Deficit for Year			186
-2,550		General Fund Revenue Balance as at 31st March 2006			-2,282

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. The statement complies 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.

2004/05 £000		2005/06 £000
10	External Interest Payments	10
0	Depreciation of HRA assets	0
684	Depreciation of General Fund assets	901
694	Total Expenditure	911
	Less: Capital Charges	
	Housing Revenue Account	
0	Asset Rentals	0
0	Depreciation Charges	0
0	Deferred Contributions Released	0
	General Fund	
-218	Release of Government Grants & Capital Contributions	-379
-482	Asset Rentals	-628
-684	Depreciation Charges	-901
-1,384	Total Income	-1,908
-690	NET TRANSFER TO REVENUE ACCOUNTS	-997
	Represented by:	
0	Housing Revenue Account	0
-690	General Fund	-997

2. Trading Operations

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

2004/05		External Trading Services	2005/06	
Turnover £000	Profit(-) /Loss £000		Turnover £000	Profit(-) /Loss £000
109	43	Market Services	109	33
115	-26	Industrial Sites	154	-109
224	17	Total External Trading Services	263	-76

In previous years Depot Services (e.g. refuse collection, recycling and grounds maintenance) have been treated as an internal trading service. Depot Services are no longer treated as contracted services provided to the Council and the costs for 2005/06 have been incorporated with the Net Cost of Services in the Consolidated Revenue Account (CRA). The figure in the CRA includes £135k in respect of support services not included in Net Cost of Services which is funded from Earmarked Reserves.

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:

2004/05 £000		2005/06 £000
60	General Advertising	46
75	Staff Advertising	91
143	Marketing, Promotion and publicity	84
278	Total	221

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.

2004/05 £000	Cost of retirement benefits in Consolidated Revenue Account	2005/06 £000
960	Net Cost of Services	
	Current Service Costs	1,020
0	Past Service Costs	-613
0	Curtailement costs	1,089
	Net operating Expenditure	
1,998	Interest Costs	2,115
-1,600	Expected return on assets in scheme	-1,708
	Amount met from Government grant & local taxes	
-310	Movement on Pensions Reserve	-775
1,048	Actual amount Charged against Council tax for Pensions in year - Employers Contributions Payable	1,128

Notes to Consolidated Balance Sheet contain details of the assumptions made by the actuary in the estimating of the figures used in this note. Further information in respect of actuarial gains or losses in the year are detailed in a note to the Statement of Total Movements in Reserves.

5. Payments made to Employees 2005/06

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:

2004/05 Total Number of Employees	Remuneration Band	2005/06 Total Number of Employees
8	Over £50,000 and up to £60,000	3
0	Over £60,000 and up to £70,000	0
0	Over £70,000 and up to £80,000	3
2	Over £80,000 and up to £90,000	2
0	Over £90,000 and up to £100,000	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.

2004/05 £000		2005/06 £000
107	Basic Allowance	110
36	Special Allowance	38
5	Chairman's Allowance	5
1	Vice Chairman's Allowance	1
149	Total Allowances Paid	154

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 £2,850, 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 2005 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 2005/06 the Council had the following transactions with related parties:

2004/05			2005/06	
Expenditure £000	Income £000		Expenditure £000	Income £000
4,806		West Midlands Police Authority:	5,008	
		- Precept		
425		Parish Councils:	447	
25		- Precepts	26	
87		- Lighting Grants	87	
		- Concurrent Functions		
1,972		Hereford and Worcester Combined Fire Authority	2,006	
		- Precept		
28,783		Worcestershire County Council:	29,981	
9		- Precept	6	
	0	- Ryland Centre		-12
	-248	- Abandoned Vehicles		-69
1,240		- Recycling	1,326	
		- Superannuation		
		Government Departments:		
	-1,354	- Revenue Support Grants		-1,491
	-2,434	- Redistributed NNDR		-2,600
	-10,734	- Housing Benefits		-11,894
	-33	- HRA Subsidy	4	
	-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 2004/05 £000		Fee Earning Total 2005/06 £000	Non Fee Earning Total 2005/06 £000	Building Regulations Total 2005/06 £000
2	Expenditure:			
	Printing, Stationery, etc.	2	1	3
4	Consultants Fees	0	0	0
240	Building Control IBU	157	153	310
246	Total Expenditure	159	154	313
	Less Income:			
-327	Fees	-290	0	-290
-3	Sundries	-2	0	-2
-330	Total Income	-292	0	-292
-84	Surplus(-)/Deficit for the Year:	-133	154	21

9. Local Authorities (Goods and Services) Act 1970

There were no significant transactions in 2005/06 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 £366,552 in 2005/06 (£231,258 in 2004/05) 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 operating lease agreements. The rentals on these leases have been charged to revenue accounts when payable. The amount paid under the arrangements in 2005/06 was £72,924. Future commitments under these existing leases are:

Financial Year	Future Commitment £
2006-07	£64,352
2007-08	£24,431
2008-09	£11,931
2009-10	£ 1,493

12. External Auditors

The Audit Commission has appointed KPMG LLP to be Bromsgrove District Council's External Auditor until the conclusion of the 2006/07 accounts. The Audit Commission is currently undertaking a major procurement exercise for audit services and will consult with the Council, in relation to the appointment of the auditor of Bromsgrove District Council from 2007/08 onwards, by the end of 2006.

For the financial year 2005/06 Bromsgrove District Council incurred the following fees in respect of external audit and statutory inspection.

2004/05 £000		2005/06 £000
15	KPMG LLP with regards to the certification of grant claims and returns.	12
81	KPMG LLP in respect of audit services.	80
0	KPMG LLP in respect of additional services.	0
12	Audit Commission in respect of statutory inspection.	18
108	Total	110

13. Exceptional Cost of Voluntary Engagement & Restructure

During 2005/06 the Council utilised £1.571m of the capital receipt under the capitalisation direction to fund the restructure costs and support from interim specialist managers. Whilst the expenditure is capitalized, the SORP requires that the capital expenditure is charged to the Consolidated Revenue Account as an exceptional item. There is a compensating contribution from the Capital Financing Account to ensure that there is no impact on amount to be met by Government Grant & Local Taxpayers.

**HOUSING REVENUE ACCOUNT
FOR THE YEAR ENDED 31st March 2006**

2004/05 £000		2005/06 £000
	<u>Income:</u>	
0	Dwelling rents (gross)	0
-8	Non-dwelling rents (gross)	-5
-33	HRA Subsidy receivable (including MRA)	0
-41	Total Income	-5
	<u>Expenditure:</u>	
16	Repairs and maintenance	0
24	Supervision and Management	22
0	HRA Subsidy payable	12
2,082	Amortisation of deferred charges	0
2,122	Total Expenditure	34
2,081	Net cost of Services	29
	HRA Investment Income	
-33	Interest on notional cash balances	-7
-6	Mortgage interest	-4
2,042	Net Operating Expenditure	18
	Appropriations	
0	Prior year adjustment	278
0	Transfer to/from(-) Major Repairs Reserve	-50
-2,082	Transfer to/from(-) Capital Financing Account	0
-40	Total Surplus(-)/Deficit for the year	246
206	Balance brought forward 1st April	-246
-246	Balance as at 31st March	0

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 29th March 2004. The Council applied to the Office of the Deputy Prime Minister (ODPM) for consent to close the HRA which was granted on 4th April 2006. Therefore the Council is required to maintain a HRA for 2005/06. The account consists of residual items which relate to the Council rather than BDHT. Any balances remaining on the account will be transferred to the General Fund during 2006/07.

The prior year adjustment relates to amounts due to BDHT in respect of prepaid rents and grant for Supporting People as at the date of transfer (£107k) and debit balances remaining on the Consolidated Balance Sheet from 31st March 2004 which have subsequently been established as chargeable to the HRA

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 were transferred to the General Fund on 1st April 2005 after receiving consent to do so from the ODPM. The land has an asset value of £32,000 as at 31st 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 will be transferred to the General Fund on closure of the HRA in 2006/07.

2004/05 £000		2005/06 £000
-260	Balance as at 31st March	-70
0	Depreciation charged to the HRA	0
0	Less: Amount transferred to HRA during the year	50
190	Financing of capital expenditure	0
-70	Balance as at 31st March	-20

4. Housing Capital Expenditure

There was no capital expenditure on during the year. Capital expenditure in 2004/05 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.

2004/05 £000		2005/06 £000
0	<u>Expenditure</u>	0
2	Land	0
0	Houses	0
0	Other Property	0
2,082	LSVT/BDHT Set up costs and Levy	0
2,084	Sub-total	0
629	Add Opening Creditors	0
0	Less Closing Creditors	0
2,713	Expenditure for Capital Financing Purposes	0

2004/05 £000		2005/06 £000
	Financed by	
190	Major Repairs Reserve	0
2,523	Useable Capital Receipts	0
0	External Contribution	0
0	Provision for Credit Liabilities	0
0	Disabled Facilities Grant	0
2,713	Total Financing	0

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 (£90k) and discounts recovered from right to buy sales (£34k).

6. Housing Revenue Account Subsidy

The amount of subsidy receivable or payable to the ODPM in 2005/06 is based on the formula set out on paragraph 3.1 of the General Determination of Housing Subsidy for 2005/06. For 2005/06 the amount paid to the ODPM is made up of £8k repayment of subsidy credited to the HRA in previous years plus £4k in respect of 2005/06 calculated in line with the formula as follows:

2004/05 £000	Subsidy Element	2005/06 £000
0	Management and maintenance	0
0	Major Repairs Allowance	0
0	Rent Rebates	0
35	Charges for Capital	0
4	Other items of reckonable expenditure	0
1	Anti Social Behaviour Allowance	0
0	Allowance for Tenant Participation Compacts	0
0	Allowance for Resource Accounting	0
40		0
	Less:	
0	Rent	0
-7	Interest	-4
33	HRA subsidy receivable(+)/payable(-)	-4

**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31st March 2006**

2004/05 £000		2005/06 £000
	<u>Income:</u>	
-38,561	Income from Council Tax (Net)	-40,637
-3,208	Council Tax Benefits	-3,423
	Reduction in Provision for Bad and Doubtful Debts	
-23	Council Tax	0
0	Business Rates	0
-17,855	Income from Business Ratepayers	-18,803
-59,647	Total Income	-62,863
	<u>Less Expenditure:</u>	
41,188	Precepts and Demands	42,975
	Business Rates:	
17,652	Payments to Pool	18,522
109	Costs of Collection	109
	Increased Provision for Bad and Doubtful Debts	
0	Council Tax	180
94	NNDR	172
0	Prior Year Adjustment	175
59,043	Total Expenditure	62,133
-604	Surplus(-)/Deficit for the year	-730
-478	Collection Fund Surplus(-) brought forward	-1,082
-1,082	Collection Fund Surplus(-) carried forward	-1,812

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 £1,215.70 based on Band 'D' equivalent, with a tax base of 34,982.18.

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

Items for parish precepts are additional.

Band	Valuation	Numbers	Ratio	Band D
A	Up to £40,000	2,531.65	6/9	1,687.8
B	Over £40,000 and up to £52,000	5,856.15	7/9	4,554.8
C	Over £52,000 and up to £68,000	7,363.60	8/9	6,545.4
D	Over £68,000 and up to £88,000	6,626.00	9/9	6626.0
E	Over £88,000 and up to £120,000	5,887.10	11/9	7,195.3
F	Over £120,000 and up to £160,000	3,084.25	13/9	4455.0
G	Over £160,000 and up to £320,000	2,372.35	15/9	3,953.9
H	Over £320,000	247.40	18/9	494.8
Total Band D equivalent properties				35,514.90
Collection Rate				98.50%
Council tax base				34,982.18

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 42.2p in the £ for 2005/06 (45.6p 2004/05) 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 2006 was £52,802,226.

4. Precepts

The precepts were as follows:

2004/05 £000		2005/06 £
28,783	Worcestershire County Council	29,981
5,627	Bromsgrove District Council (including Parish Councils)	5,920
4,806	West Mercia Police Authority	5,008
1,972	Hereford and Worcester Combined Fire Authority	2,066
	Distribution of Collection Fund Surplus	
0	Worcestershire County Council	0
0	Bromsgrove District Council	0
0	West Mercia Police Authority	0
41,188	Total	42,975

5. Bad Debt Provision

Bad and doubtful debt provisions comprised the following amounts:

2004/05 £000		2005/06 £000
1,404	Balance as at 31st March Council Tax	1,456
-19	Written-off during the year	-171
-23	Movement in Provision	180
	Non-Domestic Rates	
0	Written-off(-)/on(+) during the year	-40
94	Movement in Provision	172
1,456	Balance as at 31st March	1597
	Represented By:	
688	Council Tax Provision	697
768	Non-Domestic Rates Provision	900
1,456	Balance as at 31st March	1,597

6. Collection Fund Balance

The Collection Fund reserves are available for distribution to the Authorities which precept on the Collection Fund. There was no distribution of the surplus during 2005/06 however £1.378m will be distributed during 2006/07. The balance is set out below:

2004/05 £000		2005/06 £000
478	Balance brought forward 1st April	1,082
604	Surplus/Deficit(-) in the Year	730
1,082	Balance carried forward 31st March	1,812

CONSOLIDATED BALANCE SHEET as at 31st March 2006

2004/05 £000	Note		2005/06	
			£000	£000
749		<u>Intangible Assets</u>		486
		<u>Fixed Assets:</u>		
		Operational Assets -		
12,648		Other Land and Buildings	17,009	
2,399		Vehicles and Plant	2,099	
324		Infrastructure	489	
678		Community Assets	869	
		Non Operational Assets -		
4,010		Investment Properties	6,177	
3,396		Assets under Construction	1,510	
23,455	1	Total Fixed Assets		28,153
		<u>Other Long Term Assets:</u>		
50	2	Long Term Investments		50
75	3	Long Term Debtors		52
24,329		Total Long Term Assets		28,741
		<u>Current Assets:</u>		
84	4	Stocks	92	
6,993	5	Debtors	5,523	
0		Suspense Accounts	0	
2	6	Cash In Hand and Bank	2	
25,800	7	Short Term Investments	25,126	
32,879				30,743
		Less: Current Liabilities:		
-3,451	8	Creditors	-5,706	
-7		Suspense Accounts	-118	
-1,075	10	Bank overdraft	-60	
-271	9	Short Term Borrowing	-257	
-4,804				-6,141
52,404		Total Assets less Current Liabilities		53,343
		<u>Other Long Term Liabilities</u>		
-75	11	Deferred Capital Receipts		-52
0		Provisions		-100
-167		Commutated Sums		-181
-13,717	12	Liabilities Relating to Defined Benefits Pension Scheme		-13,304
38,445		Total Assets less Liabilities		39,706
		<u>Financed by:</u>		
-45,174		Fixed Assets Restatement Account		-42,223
67,682		Capital Financing Account		68,970
1,672		Deferred Government Grant and Contributions		1,868
2,749		Government Grants and Contributions Unapplied		2,179
20,596		Capital Receipts Unapplied		17,495
689		Earmarked Reserves		607
-13,717	12	Pensions Reserve		-13,304
70		Major Repairs Reserve		20
		Revenue Balances:		
2,550		General Fund		2,282
246		Housing Revenue		0
1,082		Collection Fund		1,812
38,445		Total Equity		39,706

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 2005	13,743	2,795	343	678	4,010	3,396	24,965
Additions	3,746	248	188	191	0	-1,886	2,487
Disposals	-2,754	-8	0	0	-80	0	-2,842
Reclassification and Revaluation	3,651	-84	0	0	2,247	0	5,814
Gross Book Value at 31st March 2006	18,386	2,951	531	869	6,177	1,510	30,424
Depreciation at 1st April 2005	1,095	396	19	0	0	0	1,510
Depreciation for year	420	458	23	0	0	0	901
Disposal Transfers and adjustments	0	-2	0	0	0	0	-2
Revaluation	-138	0	0	0	0	0	-138
Depreciation at 31st March 2006	1,377	852	42	0	0	0	2,271
Net Book Value at 1st April 2005	12,648	2,399	324	678	4,010	3,396	23,455
Net Book Value at 31st March 2006	17,009	2,099	489	869	6,177	1,510	28,153

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.

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, the 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. A programme of valuations, to be carried out by the Council's Valuation Officer, is in place to ensure all appropriate fixed assets are revalued every 5 years with the inclusion of residual land values. These financial statements reflect the revaluations carried out during 2005/06.

1.3 Capital Commitments

Future capital expenditure committed as at 31st March 2006 amounted to £2.021m and includes the following major schemes:

- ICT Infrastructure (£441k)
- Improvements to Rubery Park (£139k)
- New Park at Barnsley Hall (£217k)
- Improvements to Sanders Park (£43k)
- Affordable and Low Cost Housing Schemes (£515k)
- Refuse Freighters (£292k)
- Pavement Sweepers (£99k)

1.4 Fixed Assets Held

The fixed assets held by the Council include the following:

31st March 2005 No's		31st March 2006 No's
1	Council Offices at Burcot Lane	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
1	Other Properties	1
8	Allotments Sites	8
62	Parks/Recreation Grounds/Open Spaces and Play Areas	62

1.5 Capital Expenditure and Financing

2004/05 £000		2005/06 £000
24	Opening Capital Financing Requirement	24
	Capital Investment	
4,022	Additions to Fixed Assets	2,488
1,618	Non Enhancing Expenditure	159
3,680	Intangible Assets & Deferred Charges	3,653
9,344	Total Expenditure	6,324
	Source of Finance	
7,974	Capital Receipts	4,258
190	Major Repairs Reserve	-1
1,307	Capital Grants	623
1,196	Capital Contributions	1,389
30	Revenue Contributions	31
-1,377	Movement in capital creditors	0
9,320	Total Financing	6,300
24	Closing Capital Financing Requirement	24

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 2005/06 the capitalisation direction to fund the restructure costs and support from interim specialist managers).

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	Other	
		£000	£000	
Balance as at 1st April 2005	749	0	0	749
Expenditure in year	66	300	3,287	3,653
Written off to Consolidated Revenue Account	-329	-300	-3,287	-3,916
Balance as at 31st March 2006	486	0	0	486

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 2005) and investment in Charities Investment Fund for £53 (£53 as at 31st March 2005).

3. Long Term Debtors

31st March 2005 £000		31st March 2006 £000
75	Mortgagors re. Sale of Council Houses	52

4. Stocks

The stock at the year-end consisted of:

31st March 2005 £000		31st March 2006 £000
14	Postal Franker	13
64	General Stock Items held at the Council's Depot	70
2	Various Vending machines	2
1	Sports Centres Stock	5
1	Pest Control Poisons and Baits	1
2	Dolphin Centre Items for Resale	1
84	Total	92

5. Debtors

31st March 2005 £000		31st March 2006 £000
	<u>Amounts falling due within one year</u>	
905	NNDR Pool Contribution	440
1,389	NNDR arrears	1,455
1,668	Council Tax arrears	1,680
360	Interest receivable	429
13	Rechargeable works	10
1,560	Government Departments	1,338
3	Officers car loans	6
340	Payments in advance	47
2,556	Other debtors	2,109
8,794	Sub-total	7,514
	<u>Amounts falling due after one year</u>	
5	Car Loans to Employees	8
8,799	Gross Debtors	7,522
	Less Provision for Bad Debts:	
-31	General Fund	-31
-1,456	Collection Fund	-1,597
-319	HB Overpayments	-371
0	Housing Tenants	0
6,993	Net Debtors	5,523

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

2004/05 £000		2005/06 £000
284	Employee related	923
1,013	Sundry Creditors	967
147	Government Departments	141
255	NNDR Pool Contributions	1
281	NNDR prepayments	631
439	Council Tax prepayments	893
0	Sewerage agency works	0
0	Contractors Deposits	0
1,032	Other creditors	2,150
3,451	Total	5,706

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 31st March 2006 totalled £114,975. 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 Consolidated 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).

12. FRS 17 – Retirement Benefits

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

The underlying assets and liabilities of the Pension Fund attributable to the Council at 31st March 2006 are as follows:

31st March 2005 £000		31st March 2006 £000
-39,281	Estimated Liabilities	-45,847
25,564	Estimated Assets	32,543
-13,717	Net Liabilities	-13,304

The liabilities show underlying commitments that the Council has, in the long run, to pay retirement benefits. The net liabilities of £13.304m has a substantial impact on the net worth of the Council as recorded in the Consolidated Balance Sheet, resulting in a reduction of 25.1% to the overall balance of £53.010m.

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:

Financial Assumptions as at	31st March 2004 % per annum	31st March 2005 % per annum	31st March 2006 % per annum
Rate of Inflation	2.8	2.9	2.9
Rate of increased in salaries	4.05	4.40	4.40
Rate of increase in pensions	2.8	2.9	2.9
Discount rate	6.3	5.4	4.9

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 2005			31st March 2006		
	Value £000	Proportion of Assets %	Expected rate of return %	Value £000	Proportion of Assets %	Expected rate of return %
Equities	20,401	79.8	7.5	26,588	81.7	7.0
Government Bonds	3,374	13.2	4.7	4,035	12.4	4.3
Other Bonds	1,406	5.5	5.4	1,432	4.4	4.9
Property	0	0.0	6.5	0	0.0	6.0
Other	383	1.5	4.75	488	1.5	4.5
Total	25,564	100.0		32,543	100.0	

	31st March 2005 £000	31st March 2006 £000
Net pensions liability as at 1st April	9,287	13,717
Current service Cost	960	1,020
Employee contributions	-1,048	-1,664
Past service/curtailment costs	0	476
Net interest/return on assets	398	407
Actuarial gain(-)/loss	4,120	-652
Net pensions liability as at 31st March	13,717	13,304

**STATEMENT OF TOTAL MOVEMENT IN RESERVES
FOR THE YEAR ENDED 31st March 2006**

31st March 2005 £000		31st March 2006 £000	
	Revenue Surplus/Deficit(-) for year		
593	General Fund		-186
40	Housing Revenue Account		-246
604	Collection Fund		730
-310	Appropriations to/from Pensions Reserve (Note 1)		-239
0	Appropriations to/from General Fund Revenue Balances		-82
-4,120	Actuarial Gains & Losses relating to Pensions (Notes 1 & 6)		652
9	Net Movement in Earmarked reserves		-82
-3,184	Total Increase/Decrease(-) in Revenue Resources		547
-7,284	Increase in Useable Capital receipts	-3,101	
-652	Increase in unapplied Capital grants and Contributions	-620	
-7,936	Total Increase in Realised Capital resources (Note 3)		-3,721
2,032	Gains/Losses(-) on revaluation of Fixed Assets	5,968	
0	Gains/Losses(-) on adjustments to Fixed Assets	-16	
2,032	Total increase/decrease(-) in Unrealised Value of Fixed Assets (Note 4)		5,952
-1,618	Value of expenditure written off for non enhancing expenditure	-159	
-292	Disposal of fixed assets (Note 4)	-2,842	
-1,910			-3,001
7,974	Capital Receipts set a side	4,258	
-654	Revenue Resources set aside	-870	
2,188	Capital grants and Contributions	1,815	
505	Movement on deferred grants and contributions	196	
-3,638	Amounts written off	-3,915	
6,375	Total increase in amounts set aside to finance capital investment (Note 5)		1,484
-4,623	Total Recognised Gains and Losses		1,261

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

1. Revenue Balances

The Council has a number of Revenue Balances

	General Fund	Housing Revenue Account	Collection Fund	Pension Reserve
	£000	£000	£000	£000
Surplus/Deficit(-) in year	-186	-246	730	n/a
Appropriations to/from Revenue	-82	0	0	-239
Actuarial gain / (loss) relating to pensions	0	0	0	652
Movement in Revenue Reserves 2005/06	-268	-246	730	413
Balance as at 1st April 2004	2,550	246	1,082	-13,717
Balance as at 31st March 2006	2,282	0	1,812	-13,304

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.

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.

Pension Reserve

The Pensions Reserve has been created to reflect the net liability on the Local Government Pension Scheme. The movement in the reserve for 2005/06 has been reflected in the statement of total movement in reserves, together with comparative figures for 2004/05. Further analysis of the actuarial gains/ (losses) arising are detailed in note 6 below.

2. Movements in Earmarked Reserves

During the year the earmarked reserves were reviewed and a number of reserves were consolidated into a Replacement Reserve which is to be used to fund replacement of vehicles, plant and ICT equipment. The movement in Earmarked Reserves during 2005/06 was as follows:

	Balance as at 31st March 2005	Contributions		Consolidation of reserves	Balance as at 31st March 2006
		from Revenue	to Revenue		
	£000	£000	£000	£000	£000
Building Control Partnership	7	3	-1	0	9
Capital reserve	235	0	0	-235	0
Computer Development	37	0	-37	0	0
Planning Delivery Grant	314	268	-306	0	276
Lottery Reserve	6	0	0	-6	0
Replacement Reserve	0	0	0	322	322
Traffic Island Sponsorship	9	0	0	-9	0
Vehicle & Plant Replacement	81	0	-9	-72	0
Total	689	271	-353	0	607

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.

2004/05					2005/06			
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
	27,880		3,471	Balance as at 1st April		20,596		2,819
690		2,041		Amounts Receivable	1,157		1,442	
0		0		Transfer of MRR to HRA	0		-50	
-7,974		-2,693		Applied to finance capital expenditure	-4,258		-2,012	
				Increase in Realised Capital Resources				
	-7,284		-652			-3,101		-620
	20,596		2,819	Balance as at 31st March		17,495		2,199

4. Movement in Unrealised Value of Fixed Assets - Fixed Asset Restatement Account

The Fixed Asset Restatement Account 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.

2004/05 £000			2005/06 £000
-45,296	Balance as at 1st April		-45,174
2,032	Gains on revaluation in year	5,968	
0	Other adjustments	-16	
2,032	Total increase in unrealised resources		5,952
-1,618	Capital expenditure not included in Fixed assets in year	-159	
-292	Amount of assets disposed	-2,842	
-1,910	Total movement in Reserve		-3,001
-45,174	Balance as at 31st March		-42,223

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.

2004/05			2005/06	
Capital Financing Account £000	Deferred Government Grant and Contributions £000		Capital Financing Account £000	Deferred Government Grant and Contributions £000
61,812	1,167	Balance as at 1st April	67,682	1,672
7,974	0	Capital Receipts set aside Useable receipts applied	4,258	0
29	0	Revenue resources set aside Revenue funding	31	0
-683	0	Reconciling amount of depreciation	-901	0
0	0	Minimum Revenue Provision Grants & contributions set aside		
1,998	2,502	Grants and Contributions applied	1,816	2,012
190	0	Major Repairs Reserve applied	-1	0
0	-219	Amounts credited to AMRA	0	-379
-3,638	-1,778	Amounts written out in year	-3,915	-1,437
5,870	505	Total movement in year	1,288	196
67,682	1,672	Balance as at 31st March	68,970	1,868

6. Movements in Pensions Reserve

The actuarial gains/losses identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006.

2004/05		Worcestershire County Council Pension Fund	2005/06	
£000	%		£000	%
889	3.5	Differences between the expected and actual return on assets	4,839	14.9
1,271	3.2	Differences between actuarial assumptions about liabilities and actual experience	-813	-1.8
-6,280	-16.0	Changes in demographic and financial assumptions used to estimate liabilities	-3,374	-7.4
-4,120		Total actuarial gains/losses (-)	652	

**CASH FLOW STATEMENT
FOR THE YEAR ENDING 31st March 2006**

2004/05 £000		2005/06 £000
	Revenue Activities	
	Cash Outflows:	
9,956	Cash paid to and on behalf of employees	10,525
6,709	Other operating cash payments	5,281
7,326	Housing Benefit paid out	8,136
35,561	Precept payments	37,055
19,588	Non domestic rate payments to National Pool	19,149
21	Capital Receipts paid to National Pool	15
79,161		80,161
	Cash Inflows:	
0	Rents (after Rebates)	0
-38,690	Council Tax receipts	-40,907
-2,493	Non domestic rates payments from National Pool	-3,263
-17,664	Non domestic rates receipts	-19,002
-1,354	Revenue support grant	-1,490
-9,763	Housing & Council Tax Benefits	-11,966
-1,006	Other government grants (<i>See Note 1</i>)	-1,224
-4,375	Other income and charges	-4,602
-75,345		-82,454
3,816	Net cash inflow(-)/outflow from Revenue Activities (<i>See Note 2</i>)	-2,293
	Returns On Investments And Servicing Of Finance	
	Cash Outflows	
10	Interest paid (Net)	10
	Cash Inflows:	
-1,430	Interest received	-1,334
2,396	Net cash inflow(-)/outflow from investments and servicing of finance	-3,617
	Capital Activities	
	Cash Outflows:	
9,888	Purchase of Fixed Assets	4,872
	Cash Inflows:	
-711	Sale of Fixed Assets	-362
-2,041	Capital Grants	-480
0	S106 Contributions	-768
7,136	Net Cash Inflow(-)/Outflow on Capital Activities	3,262
9,532	NET CASH INFLOW(-)/OUTFLOW BEFORE FINANCING	-355
	Management Of Liquid Resources	
24	Repayments of amounts borrowed	14
-7,902	Net increase/decrease(-) in investments (<i>See Note 3</i>)	-674
1,654	Net Increase(-)/Decrease in Cash (<i>See Note 4</i>)	-1,015

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:

2004/05 £000		2005/06 £000
120	Housing Subsidy	0
176	Community Safety	167
109	Admin Grant – Local Taxation	109
57	Other	307
237	Planning Delivery Grant	268
307	Benefit Administration Grants	373
1,006	Total Other Government Grants	1,224

2. Reconciliation of Deficit To Net Revenue Cashflow

2004/05 £000		2005/06 £000
-593	Surplus(-)/Deficit on General Fund	186
-40	Surplus(-)/Deficit on HRA	246
-604	Surplus(-)/Deficit on Collection Fund	-730
	Non Cash Transactions	
-30	Contributions to(-) from AMRA	0
-121	Contributions to(-)/from Bad Debt Provisions	193
0	Transfer from Suspense	-111
36	Contribution to(-)/from Earmarked Reserve	82
21	Contribution from Capital Receipts	15
0	Contribution to(-)/from Provisions	-100
0	Contribution to(-)/from General Fund Balances	82
0	Contribution to(-)/from Major Repairs Reserve	50
	Items on an Accruals Basis	
2,577	Increase(-)/decrease in Creditors	-827
1,160	Increase/decrease(-) in Debtors	-2,711
-10	Increase/decrease(-) in Stock	8
	Items included in other classifications	
-10	Interest paid	-10
1,430	Interest received	1,334
3,816	Net cash flow from revenue activities	-2,293

3. Liquid Resources

The principal liquid resources of the Council are short term investments. The opening and closing balances for the financial year 2005/06 are given below:-

2004/05 £000		2005/06 £000
33,702	Balance at 1 st April	25,800
25,800	Balance at 31 st March	25,126
-7,902	Movement in Year	-674

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

2004/05 £000		2005/06 £000
1,075	Increase/Decrease(-) in Cash Overdrawn	-1,015
579	Increase/Decrease(-) in Petty Cash and Cash in Hand	0
1,654	Net Increase/Decrease(-) in Cash	-1,015

GLOSSARY OF TERMS

CAPITAL EXPENDITURE

Capital expenditure is defined as expenditure on new fixed assets such as land, buildings, vehicle, plant and equipment 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 which is collectable from Council Tax and National Non Domestic Rates (NNDR) payers and for payments to the major precepting authorities and to 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, 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.

INTANGIBLE ASSETS

Intangible assets relate to capital expenditure which does not create a physical asset, e.g. computer software, but which provides benefit for a period of more than one year.

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 councils and other

authorities based on a standard amount per head of the local adult population. The amount is fixed at the beginning of each financial year.

PRECEPT

A precept is a charge raised by one authority on another authority to meet its net expenditure. The major precepting authorities for this Council which precept on the Collection Fund are Worcestershire County Council, West Mercia Police Authority and Hereford and Worcester Combined Fire Authority. The local precepting authorities, which precept directly on the Council's General Fund, are the 20 Parish Councils within the Bromsgrove area.

REVENUE SUPPORT GRANT

This 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 each financial year.

REVENUE BALANCES

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