

Bromsgrove District Council

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Statement of Accounts 2006/07

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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 Council (Scotland) Accounts Advisory Committee (CIPFA/LAAAC) Code of Practice on Local Council Accounting in the United Kingdom 2006 'A Statement of Recommended Practice' (the 2006 SORP). The 2006 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 2007 are set out on pages 13 to 45 and comprise:

The core financial statements

The Income and Expenditure Account (I&E Account)

The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and projected value of retirement benefits earned by employees in the year.

Statement of the Movement on the General Fund Balance

This statement shows the change in the General Fund Balance after taking into account the Council's spending against the Council tax that it raised for the year, items required to be included or excluded by statute, the use of reserves built up in previous years and contributions to Earmarked Reserves for future expenditure.

Statement of Total Recognised Gains and Losses

The I&E Account brings together all of the functions of the Council and summarises all of the resources that the Council has generated, consumed or set aside in providing services during the year. However, the Council may recognise other gains and losses in its Balance Sheet that are not debited or credited to the Income and Expenditure Account. The Statement of Total Recognised Gains and Losses brings these other gains and losses together with the surplus or deficit on the I&E Account to show the total movement in the Council's net worth for the year.

The Balance Sheet

The Balance Sheet summarises the Council's financial position as at 31st March 2007. It includes the assets and liabilities of all activities of the Council.

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.

The supplementary financial statements

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 Statement of Accounting Policies

This statement can be found on pages 46 to 52 and details the general policies adopted by the Council in compiling the financial statements. The policies are those recommended by the 2006 SORP.

Statement of Internal Control

The council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Councils' functions and which includes arrangements for the management of risk and the prevention and detection of fraud. This statement outlines the internal control system, reviews its effectiveness and sets out improvements planned for the future.

Financial Summary

General Fund Revenue Account

At its meeting on 1st March 2006, Bromsgrove District Council set a budget of £10.455 million and a Council Tax of £164.26 (£156.45 in 2005/06) which was an increase of 4.99% on the previous year.

The General Fund Revenue Account produced a year end deficit of £0.408m compared to a budgeted deficit of £0.919m, a variance of £0.511m.

The main reasons for the variance are;

- Street Scene and Waste Management expenditure was £431k overspent. This included a shortfall of £110k in the income generated from car parking charges in the district. The budget was set using an average increase per ticket however due to the profile of actual ticket sales the budgeted increase has not been achieved. Refuse collection has a

- overspend for the year of £366k. This is due to overspendings on fuel (£120k), hire costs of trade waste and recycling vehicles and increased running costs of the fleet (£126k).
- Corporate Services underspend of £118k is mainly due to an underspend of £100k on the corporate projects of the Town centre and Longbridge site developments. Officer time has been invested in preliminary work on these projects but due to the complex nature and number of stakeholders involved in both projects it has not yet been necessary to use additional resources. This budget has been requested to be carried forward into 2007/08.
 - Planning and Environment underspend of £243k is mainly due to staff vacancies and underspending on consultants fees in respect of Local Planning enquiry. This was offset by a shortfall of £198k on budgeted income for building regulation fees, planning applications and land charges. This is due to the planning moratorium and the slight decrease in the housing market during 2006/07. It is anticipated that this trend will continue during 2007/08.
 - 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 £236k more than budget. The target for interest on investments equated to a return of 4.50% however investments benefited from three base rate increases during the year. Additionally slippage on the capital programme made more funds available for investment in the latter part of the year.

The Income and Expenditure Account details the gross costs of service provision amounting to £31.546 million. This expenditure has been analysed as follows:

	2005/06	2006/07
	£000	£000
Employee expenses	10,958	11,127
Premises related expenses	1,062	1,096
Transport related expenses	1,116	1,293
Supplies and services	3,841	3,445
Third party payments	904	1,124
Transfer payments	11,681	12,059
Capital charges	4,710	1,402
Total	34,271	31,546

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 and recruitment.

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 of depreciation and impairment charges, where applicable. These charges represent the cost of using assets in the provision of services.

The gross income of £18.054 million shown in the Income and Expenditure Account has been analysed as follows:

	2005/06	2006/07
	£000	£000
Government grants	12,356	12,446
Fees & charges	3,960	4,197
Other grants & contributions	878	839
Internal recharges	598	572
Total	17,792	18,054

The figure for government grants income includes £ 12.320 million 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 2006 was £2.282 million. After appropriations and transferring the deficit in 2006/07, the General Fund Revenue Balance decreased to £1.874 million as at 31st March 2007.

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. The Councils' application to the Office of the Deputy Prime Minister (ODPM) to close the HRA was granted with effect from 4th April 2006 The HRA was therefore required to be open for 4 days within 2006/07.

General Fund Capital Expenditure and Receipts

Capital expenditure amounted to £4.077m. The main areas of expenditure were ICT Infrastructure project, other various ICT schemes including the upgrading of computer systems, completion the Internet/Intranet E-government project, and upgrading of equipment (£964k); replacement vehicles for provision of Street Scene and Waste Management depot services (£811k); Strategic/Affordable Housing (£403k); Disabled Facilities Grants (£397k); and provision and refurbishment of play/leisure areas (£300k).

Capital receipts for the year totalled £0.415m. This relates to sales of vehicles 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 £2k relating to the sale of land were transferred to the Income and Expenditure Account as permitted under The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

Capital contributions of £283k 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 £448k were also received from Government and other organisations.

Housing Capital Expenditure and Receipts

There was no capital expenditure in 2006/07 relating to the HRA.

During the year capital receipts amounting to £47k were received from sales of the Council's interest in property held under the Right to Buy Rent to Mortgage Scheme (£29k) and discounts recovered from Right to Buy sales before the housing transfer (£18k). The Rent to Mortgage Scheme allowed tenants to purchase a share of their property if they could not afford to buy the property outright, with the balance remaining in the ownership of the Council. Of this income £26k was paid over to Central Government under the 'Housing Capital Pooling' arrangements. Repayments of mortgage principal amounting to £12k were also capitalised as required under the Pooling regulations and £7k of this was paid over to the Government. After capital pooling, net total capital receipts for Council use amounted to £26k.

Voluntary Engagement

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 enables the Council to receive advice, support and guidance from various Government appointed advisers whilst remaining in control of its own programme of improvement.

The Council underwent a full Comprehensive Performance Assessment in March 2007. The report was published on 12th June 2007 and the Council was given a "poor" rating.

Housing Services

Although the Councils' 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 2006 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 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 2006/7 E-Government has undertaken a major infrastructure refreshment project. This will enable the Council to continue to deliver other 'E-Government' schemes.

Further Information

Further information on the accounts is available from the Head of Financial Services, 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.

This document can also be made available in other languages and alternative formats on request from the Customer Service Centre on 01527 881288 or email worcestershirehub@bromsgrove.gov.uk.

**For a large print version of this document telephone
01527 881288**

Acknowledgements

Finally, I wish to thank all Financial Services staff, and their colleagues throughout the Council, who have worked on preparing these statements. I also wish to thank Corporate Director and Heads of Service for their assistance and co-operation throughout this process.

Jayne Pickering
Head of Financial Services

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 until 17th July 2006 that Officer was the Corporate Director (Resources). From 18th July 2006 that officer was the Head of Financial Services.
- 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 Council on 27th June 2007 in accordance with the Accounts and Audit Regulations 2003, amended 2006.

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 Council Accounting in the United Kingdom 2006 (the 2006 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 ended 31st March 2007.

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 2006 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 as at 31st March 2007 and its income and expenditure for the year ended 31st March 2007.

Jayne Pickering
Head of Financial Services

Date

Auditors Report

The Council's Auditors are KPMG LLP

To date no audit opinion has been issued on this Statement of Accounts

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INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31st MARCH 2007

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

Net Expenditure 2005/06 £000		Gross Expenditure 2006/07 £000	Gross Income 2006/07 £000	Net Expenditure 2006/07 £000
1,322	Central Services to the Public	1,563	-336	1,227
8,249	Cultural, Environmental and Planning	12,487	-3,256	9,231
65	Highways and Transport	1,546	-1,424	122
2,272	Housing Services	14,155	-12,936	1,219
1,838	Corporate and Democratic Core	1,787	-100	1,687
854	Non-distributed Costs	7	-2	5
307	Housing Revenue Account - Discontinued Operation	0	0	0
1,571	Exceptional Cost of Voluntary Engagement & Restructure	0	0	0
16,478	Net Cost of Services	31,545	-18,054	13,491
0	Gain or loss on disposal of fixed assets			-52
447	Precepts of local precepting authorities			482
-102	Surplus(-)/deficit of trading undertakings or other operations including dividends (Note 3)			-65
10	Interest payable and similar charges			29
15	Amounts payable into the Housing Capital Receipts Pool			33
-1,403	Interest and investment income			-1,097
407	Pensions interest cost and expected return on pensions assets			238
15,852	Net Operating Expenditure			13,059
-5,920	Precept Demands from Collection Fund			-6,519
-1,490	Revenue Support Grant			-784
-2,600	Non-Domestic Rates			-3,849
5,842	Deficit for the year			1,907

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE FOR THE YEAR ENDED 31st MARCH 2007

The Income and Expenditure account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last financial year. However, the Council is required to raise Council tax on a different basis and therefore is required to make adjustments for the effects of the following:

- Capital investment is accounted for as it is financed rather than when the fixed assets are consumed.
- Payment of a share of housing capital receipts to Government shows as a cost in the I&E Account, but is met from useable capital receipts rather than Council tax.
- Retirement benefits are charge as amounts become payable rather than as future benefits are earned.

This statement shows the change in the General Fund Balance after taking into account the Council's spending against the Council tax that it raised for the year, items required to be included or excluded by statute, the use of reserves built up in previous years and contributions to Earmarked Reserves for future expenditure.

31st March 2006 £000		31st March 2007 £000
-2,550	General Fund Balance as at 1 st April	-2,282
5,842	Surplus or deficit for the year on the Income and Expenditure Account	1,907
-5,574	Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year	-1,499
-2,282	General Fund Balance as at 31st March	-1,874

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR
THE YEAR ENDED 31st MARCH 2007**

31st March 2006 £000		31st March 2007 £000
-5,842	Surplus/deficit(-) on the Income and Expenditure Account for the year	-1,907
6,030	Surplus/deficit(-) arising on revaluation of fixed assets	12,296
652	Actuarial gains and losses(-) on pension fund assets and liabilities	2,269
101	Any other gains and losses required to be included	
	Collection fund balance	-74
536	Pension Reserve	-96
1,172	Capital receipts received in year	473
1,442	Capital grants received in year	705
-2,012	Capital grants applied to fund expenditure in year	-1,135
-3,001	Value of Fixed Assets written out	-1,096
-922	Total Recognised Gains(-) and Losses for the year	11,435

BALANCE SHEET AS AT 31st MARCH 2007

2005/06 £000	Note		2006/07 £000 £000	
486		<u>Intangible Assets</u>		373
		<u>Fixed Assets:</u>		
		Operational Assets -		
16,981		Other Land and Buildings	28,219	
2,099		Vehicles and Plant	4,542	
489		Infrastructure	458	
869		Community Assets	1,145	
		Non Operational Assets -		
6,283		Investment Properties	6,464	
1,510		Assets under Construction	153	
28,231	13	Total Fixed Assets		40,981
		<u>Other Long Term Assets:</u>		
50	19	Long Term Investments	50	
52	20	Long Term Debtors	32	
28,819		Total Long Term Assets		82
		<u>Current Assets:</u>		
92	21	Stocks	64	
5,523	22	Debtors	3,949	
2	23	Cash In Hand and Bank	185	
25,126	24	Short Term Investments	21,612	
30,743				25,810
		<u>Less: Current Liabilities:</u>		
-7,268	25	Creditors	-5,714	
-118		Suspense Accounts	-350	
-60		Bank overdraft	0	
-257	26	Short Term Borrowing	-108	
51,859		Total Assets less Current Liabilities		61,074
		<u>Other Long Term Liabilities</u>		
-52		Deferred Capital Receipts		-32
-1,868	33	Deferred Government Grant and Contributions		-1,732
-100		Provisions		0
-181		Commutated Sums		-165
-13,304	34	Liabilities Relating to Defined Benefits Pension Scheme		-11,356
36,354		Total Assets less Liabilities		47,789
		<u>Financed by:</u>		
-42,145	29	Fixed Assets Restatement Account		-30,984
68,970	30	Capital Financing Account		70,582
2,179	32	Government Grants and Contributions Unapplied		1,749
17,495	31	Capital Receipts Unapplied		15,000
607		Earmarked Reserves		748
-13,304	34	Pensions Reserve		-11,356
20		Major Repairs Reserve		0
2,282		General Fund Balance		1,874
250		Collection Fund Balance		176
36,354		Total Equity		47,789

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31st MARCH 2007**

2005/06 £000		2006/07 £000
	Revenue Activities	
	Cash Outflows:	
10,525	Cash paid to and on behalf of employees	11,107
5,281	Other operating cash payments	7,544
8,136	Housing Benefit paid out	8,395
37,055	Precept payments	40,753
19,149	Non domestic rate payments to National Pool	20,100
15	Capital Receipts paid to National Pool	32
80,161		87,931
	Cash Inflows:	
-40,907	Council Tax receipts	-42,947
-3,263	Non domestic rates payments from National Pool	-4,289
-19,002	Non domestic rates receipts	-19,587
-1,490	Revenue support grant	-784
-11,966	Housing & Council Tax Benefits	-12,919
-1,224	Other government grants	-1,269
-4,602	Other income and charges	-5,476
-82,454		-87,271
-2,293	Net cash inflow(-)/outflow from Revenue Activities	660
	Returns On Investments And Servicing Of Finance	
	Cash Outflows	
10	Interest paid (Net)	27
	Cash Inflows:	
-1,334	Interest received	-1,168
-3,617	Net cash inflow(-)/outflow from investments and servicing of finance	-481
	Capital Activities	
	Cash Outflows:	
4,872	Purchase of Fixed Assets	5,322
	Cash Inflows:	
-362	Sale of Fixed Assets	-1,234
-480	Capital Grants	-202
-768	S106 Contributions	-283
3,262	Net Cash Inflow(-)/Outflow on Capital Activities	3,603
-355	NET CASH INFLOW(-)/OUTFLOW BEFORE FINANCING	3,122
	Management Of Liquid Resources	
14	Repayments of amounts borrowed	149
-674	Net increase/decrease(-) in investments	-3,514
-1,015	Net Increase(-)/Decrease in Cash	-243

NOTES TO THE CORE FINANCIAL STATEMENTS

1. Note of reconciling items for the Statement of Movement on the General Fund Balance

31 st March 2006 £000		31st March 2007 £000	
	<i>Amounts included in the income and expenditure account but are required by statute to be excluded when determining the movement on the General Fund Balance for the year:</i>		
-901	Depreciation and impairment of fixed assets	-1,061	
379	Government Grants Deferred amortization	1,181	
-3,915	Write down of deferred charges financed from capital resources	-1,540	
0	Net gain or loss on sale of fixed assets	52	
-775	Amount by which pension costs calculated in accordance with the SORP (in accordance with FRS 17) are different from the contributions due under the pension scheme regulations	-224	
-5,212			-1,592
	<i>Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year:</i>		
0	Statutory provision for repayment of debt	0	
31	Capital expenditure charged to the General Fund Balance	7	
-15	Transfer from Usable Capital Receipts to meet payments to Housing Capital Receipts Pool.	-33	
16			-26
	<i>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year:</i>		
-246	Statutorily required transfer of the surplus or deficit for the year on the Housing Revenue Account calculated in accordance with statute to the HRA Balance	-20	
-82	Net transfer to or from earmarked reserves	139	
-50	Net transfer from Major repairs reserve	0	
-378			119
-5,574	Net additional amount required by statute and non statutory proper practices to be debited or credited to the General Fund Balance for the year		-1,499

2. Comparative figures for 2005/06

In preparing these statements in accordance with the 2006 SORP, the Council has adopted three significant new accounting policies that impact on the comparative figure for 2005/06 in the income and Expenditure Account. These are:

- Capital financing charges for the use of fixed assets are no longer made to the service revenue accounts, support services and trading accounts
- Credits for Government Grants Deferred are now posted to service revenue accounts, support services and trading accounts and therefore included within the Net Cost of Services rather than being included within the Transfer from the Capital Financing Account.
- Gains and losses on the disposal of fixed assets are recognised in the I&E Account.

The 2005/06 figures in the I&E Account have been restated to reflect all these changes and the table below shows the changes made to the Consolidated Revenue Account for 2005/06 to give the restated figures.

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000	Removal of Capital Charges £000	Relocation of Government Grant Deferred credits £000	Other Adjustments necessary relating to Support Services and HRA £000	2005/06 I&E Account £000
Central Services to the Public	1,388	0	-15	-51	1,322
Cultural, Environmental and Planning	8,929	-341	-210	-129	8,249
Highways and Transport	169	-88	0	-16	65
Housing Services	2,379	-57	0	-50	2,272
Corporate and Democratic Core	1,889	-14	-25	-12	1,838
Non-distributed Costs	719	0	0	135	854
HRA - discontinued		0	0	307	307
Exceptional Cost of Voluntary Engagement & Restructure	1,571	0	0	0	1,571
Net Cost of Services	17,044	-500	-250	184	16,478
Asset Management Revenue Account	-997	617	380	0	0
Precepts to Parish Councils	447	0	0	0	447
Contribution of Housing Capital Receipts to Government Pool	15	0	0	0	15
Surplus From Trading Operations	-75	-27	0	0	-102
Depot		0	0	0	0
Support Services	135	-100	-130	95	0
Interest Payable & similar charges		10	0	0	10
External Interest Received	-1,403	0	0	0	-1,403
Pensions Interest Cost & Expected Rate of Return	407	0	0	0	407
Net Operating Expenditure	15,573	0	0	279	15,852

3. Trading Operations

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

2005/06			2006/07	
Turnover £000	Profit(-) /Loss £000	External Trading Services	Turnover £000	Profit(-) /Loss £000
109	33	Market Services	103	20
154	-109	Industrial Sites	132	-85
263	-76	Total External Trading Services	235	-65

4. Discretionary Expenditure

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well-being in their area. Expenditure amounted to £354,110 in 2006/07 (£366,552 in 2005/06) and has mainly been used in providing grants to the Voluntary sector serving the community in Bromsgrove.

5. Publicity

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

2005/06 £000		2006/07 £000
46	General Advertising	41
91	Recruitment Advertising	80
84	Marketing, Promotion and publicity	65
221	Total	186

6. Local Authorities (Goods and Services) Act 1970

There were no significant transactions in 2006/07 with organisations covered by the Act.

7. Building Control Regulations

The Building (Local Council Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function with the aim of covering all costs incurred. 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 2005/06 £000		Fee Earning Total 2006/07 £000	Non Fee Earning Total 2006/07 £000	Building Regulations Total 2006/07 £000
3	Expenditure:			
310	Printing, Stationery, etc.	1	2	3
	Building Control IBU	146	143	289
313	Total Expenditure	147	145	292
	Less Income:			
-290	Fees	-287	0	-287
-2	Sundries	-4	0	-4
-292	Total Income	-291	0	-291
21	Surplus(-)/Deficit for the Year:	-144	145	1

8. Members Allowances

In accordance with the Local Council (Members' Allowances) Regulations 1991, the Local Council (Members' Allowances) (Amended) Regulations 1995, and the Local Council (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.

2005/06 £000		2006/07 £000
110	Basic Allowance	121
38	Special Allowance	51
5	Chairman's Allowance	5
1	Vice Chairman's Allowance	1
154	Total Allowances Paid	178

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).

9. Payments made to Employees 2006/07

Under Regulation 7(2) of the Accounts and Audit Regulations 2003, the Council is required to disclose the number of employees whose remuneration exceeds £50,000 in bands of £10,000.

2005/06	Numbers of Employees	2006/07
3	Over £50,000 and up to £60,000	6
0	Over £60,000 and up to £70,000	1
3	Over £70,000 and up to £80,000	1
2	Over £80,000 and up to £90,000	1
2	Over £90,000 and up to £100,000	1

10. Profit/ loss on sale of fixed assets

This note shows any profit or loss on the sale of fixed assets compared to the market value of those assets. The surplus is properly accounted for within the Income and Expenditure Account, but is reversed out in the Statement of Movement of General Fund Balance, with the proceeds being transferred to Capital Receipts Unapplied.

2005/06 £000		2006/07 £000
-530	Proceeds of Sales	-394
530	Market Value of Fixed assets sold	394
0	Deferred capital grants relating to assets sold	-52
0	Profit/loss for the year	-52

11. Related Parties

The 2006 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 2006/07 the Council had the following transactions with related parties:

2005/06			2006/07	
Expenditure £000	Income £000		Expenditure £000	Income £000
5,008		West Midlands Police Authority:		
		- Precept	5,348	
		- Distribution of Collection Fund Surplus	161	
		Parish Councils:		
447		- Precepts	482	
26		- Lighting Grants	0	

2005/06			2006/07	
Expenditure £000	Income £000		Expenditure £000	Income £000
87		- Concurrent Functions	88	
		Hereford and Worcester Fire and Rescue Authority		
2,066		- Precept	2,205	
		- Distribution of Collection Fund Surplus	66	
		Worcestershire County Council:		
29,981		- Precept	32,012	
		- Distribution of Collection Fund Surplus	961	
6		Active Sports Partnership	0	
8		Community Safety Projects	13	
61		Dual Use Leisure Centres	46	
70		Tipping charges	119	
8		Sports facilities hire	9	
18		Miscellaneous	17	
0		Internet Project	30	
2		Tourism publicity	10	
28		Local Searches	28	
14		Museum	14	
8		Emergency Planning	10	
	-12	- Abandoned Vehicles	0	
	-69	- Recycling	0	
1,326		- Superannuation	1,456	
		Bromsgrove District Housing Trust		
366		Homelessness and Hostels	354	
4		Repair and Maintenance	1	
223		Social Housing Grant		
	-149	Service Level Agreements		-79
2,857	-2,857	Payroll transactions on behalf of BDHT	2,500	-2,500
	-108	Rents and charges collected on behalf of BDC		-132
	-170	Contribution from sale of former Council houses		-70
1	-19	Miscellaneous	1	-1
		Trade Waste		-11
		Street Cleansing contract		-17
		Government Departments:		
	-1,491	- Revenue Support Grants		-784
	-2,600	- Redistributed NNDR		-3,849
	-11,891	- Housing Benefits		-11,880
4		- HRA Subsidy		0
	-109	- Other		-111

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 has appointed District Audit as the Council's external auditors from 2007/08 onwards.

For the financial year 2006/07 Bromsgrove District Council incurred the following fees in respect of external audit and statutory inspection.

2006/07 £000		2006/07 £000
12	KPMG LLP with regards to the certification of grant claims and returns.	12
80	KPMG LLP in respect of audit services.	90
0	KPMG LLP in respect of additional services.	7
18	Audit Commission in respect of statutory inspection.	30
110	Total	139

13. 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	
Gross Book Value at 1st April 2006	18,358	2,951	531	869	6,283	1,510	30,502
Additions (transfers from Assets Under Construction)	12	1,446	0	52	0	-1,510	0
Additions	16	1,531	1	224	0	153	1,925
Disposals	0	-127	0	0	-354	0	-481
Reclassification and Adjustments	-18	18	0	0	0	0	0
Revaluation	10,102	-52	0	0	535	0	10,585
Gross Book Value at 31st March 2007	28,470	5,767	532	1,145	6,464	153	42,531

	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	
Depreciation at 1st April 2006	1,377	852	42	0	0	0	2,271
Depreciation for year	538	491	32	0	0	0	1,061
Transfers and adjustments	-5	5	0	0	0	0	0
Disposal	0	-71	0	0	0	0	-71
Revaluation	-1,659	-52	0	0	0	0	-1,711
Depreciation at 31st March 2007	251	1,225	74	0	0	0	1,550
Net Book Value at 1st April 2006	16,981	2,099	489	869	6,283	1,510	28,231
Net Book Value at 31st March 2007	28,219	4,542	458	1,145	6,464	153	40,981

14. Capital Expenditure and Financing

The following table shows the total expenditure incurred in the year and the funding of that expenditure. The Capital Financing Requirement is the underlying borrowing requirement for previous expenditure, calculated under the prudential controls.

2005/06 £000		2006/07 £000
24	Opening Capital Financing Requirement	24
	Capital Investment	
2,488	Additions to Fixed Assets	1,925
159	Non Enhancing Expenditure	726
3,653	Intangible Assets & Deferred Charges	1,426
6,300	Total Expenditure	4,077
	Source of Finance	
4,258	Capital Receipts	2,935
-1	Major Repairs Reserve	0
623	Capital Grants	503
1,389	Capital Contributions	632
31	Revenue Contributions	7
0	Movement in capital creditors	0
6,300	Total Financing	4,077
24	Closing Capital Financing Requirement	24

15. 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.

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 2006/07.

The following table is analysis of the gross book value of fixed assets by the year in which they were revalued.

	Other Land & Buildings	Vehicles, Plant and Equipment	Infra- structure	Community Assets	Investment Property	Total
	£000	£000	£000	£000	£000	£000
Valued at historic cost		5,767	532	1,145		7,444
Valued at current value						
2002/03						
2003/04						
2004/05	3,982				160	4,142
2005/06	4,985				5,837	10,822
2006/07	19,485				469	19,954
Total Gross Book Value as at 31 st March 2007	28,452	5,767	532	1,145	6,466	42,362

16. 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).

This expenditure is charged to the I&E Account over the period of estimated benefits. Intangible assets, which relate to expenditure on computer software, is charged over 3 years and deferred charges are written off in the year the expenditure is incurred.

	Intangible Assets Computer Software £000	Deferred Charges		Total £000
		Improvement Grants	Other	
		£000	£000	
Balance as at 1st April 2006	486	0	0	486
Expenditure in year	237	461	728	1,426
Written off to Income and Expenditure Account	-350	-461	-728	-1,539
Balance as at 31st March 2007	373	0	0	373

17. Capital Commitments

Future capital expenditure committed as at 31st March 2007 amounted to £7.368m and includes the following major schemes:

Spatial Project (£6.178m)

Replacement of Multi-lift Vehicles (£161k)

Street Cleaning Vehicles and Equipment (£156k)

Affordable and Low Cost Housing Schemes (£122k)

Contribution towards New Sports Facilities (£130k)

New Park/Football Pitches at Barnsley Hall (£215k)

18. Fixed Assets Held

The fixed assets held by the Council include the following:

31 st March 2006 No's		31 st March 2007 No's
1	Council Offices at Burcot Lane	1
1	Depot	1
1	Sport Centre	1
1	Customer Service Centre	1
3	Public Conveniences	3
1	Caravan Site	1
13	Car Parks	13
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

19. Long Term Investments

These consist of a debenture loan to the Association of District Councils for £50,000 (£50,000 as at 31st March 2006) and investment in Charities Investment Fund for £53 (£53 as at 31st March 2006).

20. Long Term Debtors

These represent the balance outstanding on mortgages granted for the purchase of Council Houses, under the right to buy scheme. The amount is off set by a deferred capital receipt

31st March 2006 £000		31st March 2007 £000
52	Mortgagors re. Sale of Council Houses	32

21. Stocks

The stock at the year-end consisted of:

31st March 2006 £000		31st March 2007 £000
13	Postal Franker	23
70	General Stock Items held at the Council's Depot	38
2	Various Vending machines	1
5	Sports Centres Stock	0
1	Pest Control Poisons and Baits	1
1	Dolphin Centre Items for Resale	1
92	Total	64

22. Debtors

31st March 2006 £000		31st March 2007 £000
	<u>Amounts falling due within one year</u>	
440	NNDR Pool Contribution	592
1,455	NNDR arrears	1,672
1,680	Council Tax arrears	1,585
429	Interest receivable	358
10	Rechargeable works	0
1,338	Government Departments	677
6	Officers car loans	6
47	Payments in advance	332
2,109	Other debtors	901
7,514	Sub-total	6,123
	<u>Amounts falling due after one year</u>	
8	Car Loans to Employees	2
7,522	Gross Debtors	6,125
	Less Provision for Bad Debts:	
-31	General Fund	-31
-1,597	Collection Fund	-1,682
-371	HB Overpayments	-463
5,523	Net Debtors	3,949

23. Cash In Hand and Bank

Cash in hand consists of petty cash imprest accounts held by various officers throughout the Council. Bank balances include cash in transit at the balance sheet date.

24. Short Term Investments

These are surplus monies temporarily invested externally.

25. Creditors

2005/06 £000		2006/07 £000
923	Employee related	516
967	Sundry Creditors	526
141	Government Departments	384
1	NNDR Pool Contributions	0
631	NNDR prepayments	710
1,562	Collection Fund Balance due to other precepting authorities	1,100
893	Council Tax prepayments	660
2,150	Other creditors	1,818
7,268	Total	5,714

26. Borrowing – Short Term

This represents monies temporarily borrowed for less than twelve months.

27. 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 the I&E Account when payable. The amount paid under the arrangements in 2006/07 was £68,440. Future commitments under these existing leases are:

Financial Year	Future Commitment £
2007/08	24,431
2008/09	11,931
2009/10	1,493
2010/11	0

28. Summary of Movements in Reserves

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

Reserve	Balance 1 st April 2006 £000	Net Movement in year £000	Balance 31 st March 2007 £000	Purpose of Reserve
Fixed Asset Restatement Account	-42,145	11,161	-30,984	Accumulation of gains on the revaluation of fixed

Reserve	Balance 1st April 2006 £000	Net Movement in year £000	Balance 31st March 2007 £000	Purpose of Reserve
Capital Financing Account	68,970	1,612	70,582	assets. Accumulation of capital resources set aside to meet past capital expenditure
Capital Grants and Contributions Unapplied	2,179	-430	1,749	Sums received from third parties, which are available to meet future capital investment
Capital Receipts Unapplied	17,495	-2,495	15,000	Proceeds of fixed asset sales, and other sums treated as capital receipts, available to meet future capital investment
Earmarked Reserves				
Building Control Partnership	9	0	9	Funds associated with partnership arrangements on Building Control
Planning Delivery Grant	276	27	249	Accumulation of unused Planning Delivery Grant
Replacement Reserve	322	107	429	Sums set aside to fund future replacement of vehicles and ICT equipment
Leisure Reserve	0	61	61	Unspent government grant to be used within Culture and Community for leisure programs
Pension Reserve	-13,304	1,948	-11,356	Balance account to allow the inclusion of pension liability in the balance sheet
Major Repairs Reserve	20	-20	0	Resources to support major works on Council housing stock
General Fund	2,282	408	1,874	Resources available to meet future revenue running costs.
Collection Fund	250	-74	176	Surplus on Collection Fund which is available for distribution to authorities precepting on the fund
Total	36,354	11,436	47,789	

29. Movement in Fixed Asset Restatement Account

The Fixed Asset Restatement Account represents the difference between fixed assets historic value (cost) and the value it is currently carried at in the Balance Sheet. It also includes the write down of asset disposals and capital expenditure written off.

2005/06 £000		2006/07 £000
-45,174	Balance as at 1st April	-42,145
6,046	Gains on revaluation in year	12,296
-16	Other adjustments	0
6,030	Total increase in unrealised resources	12,296
-159	Capital expenditure not included in Fixed assets in year	-726
-2,842	Amount of assets disposed	-409
-3,001	Total movement in Reserve	-1,135
-42,145	Balance as at 31st March	-30,984

30. Movement in Capital Financing Account

The Capital Financing Reserve 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.

2005/06 £000		2006/07 £000
67,682	Balance as at 1st April	68,970
4,258	Useable receipts applied	2,935
31	Revenue funding	7
-901	Reconciling amount of depreciation	-1,061
1,816	Grants and Contributions applied	1,271
-1	Major Repairs Reserve applied	0
-3,915	Amounts written out in year	-1,540
1,288	Total movement in year	1,612
68,970	Balance as at 31st March	70,582

31. Movement in Capital Receipts Unapplied

Capital Receipts Unapplied represents the income from the sale of fixed assets that can be used to fund capital expenditure.

2005/06 £000		2006/07 £000
20,596	Balance as at 1st April	17,495
1,157	Amounts Receivable	440
-4,258	Applied to finance capital expenditure	-2,935
-3,101	Increase in Realised Capital Resources	-2,495
17,495	Balance as at 31st March	15,000

32. Movement in Government Grants and Contributions Unapplied

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.

2005/06 £000		2006/07 £000
2,819	Balance as at 1st April	2,199
1,442	Amounts Receivable	705
-50	Transfer of MRR to HRA	-20
-2,012	Applied to finance capital expenditure	-1,135
-620	Increase in Realised Capital Resources	-450
2,199	Balance as at 31st March	1,749

33. Deferred Government Grants and Contributions

The Deferred Government Grant and Contributions account represents amounts received to fund capital expenditure, which will be released to the Income and Expenditure 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.

2005/06 £000		2006/07 £000
1,672	Balance as at 1st April	1,868
2,012	Grants and Contributions applied	1,135
-379	Amounts credited to the I&E Account	-350
-1,437	Amounts written out in year	-921
196	Total movement in year	-136
1,868	Balance as at 31st March	1,732

34. 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 pension's 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 Income and Expenditure Account after Net Operating Expenditure.

The following transactions have been made in the Income and Expenditure Account during the year.

2005/06 £000	Cost of retirement benefits in Income and Expenditure Account	2006/07 £000
1,020	Net Cost of Services	1,218
-613	Current Service Costs	0
1,089	Past Service Costs	103
	Curtailment costs	
2,115	Net operating Expenditure	2,238
-1,708	Interest Costs	-2,000
	Expected Return on Assets	
-775	Statement of Movement on General Fund Balance Amount by which pension costs calculated in accordance with the SORP (in accordance with FRS 17) are different from the contributions due under the pension scheme regulations Movement on Pensions Reserve	-224
1,128	Actual amount Charged against Council tax for Pensions in year - Employers Contributions Payable	1,335

The underlying assets and liabilities of the Pension Fund attributable to the Council at 31st March 2007 are as follows:

31st March 2006 £000		31st March 2007 £000
-45,847	Estimated Liabilities	-45,647
32,543	Estimated Assets	34,291
-13,304	Net Liabilities	-11,356

The liabilities show underlying commitments that the Council has, in the long run, to pay retirement benefits. The net liabilities of £11.356m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a reduction of 19.2% to the overall balance of £59.145m.

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 31st March 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 2005 % per annum	31st March 2006 % per annum	31st March 2007 % per annum
Rate of Inflation	2.9	2.9	3.1
Rate of increased in salaries	4.40	4.40	4.6
Rate of increase in pensions	2.9	2.9	3.1
Discount rate	5.4	4.9	5.4

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

Assets	31st March 2006			31st March 2007		
	Value £000	Proportion of Assets %	Expected rate of return %	Value £000	Proportion of Assets %	Expected rate of return %
Equities	26,588	81.7	7.0	30,965	90.3	7.5
Government Bonds	4,035	12.4	4.3	1,715	5.0	4.7
Other Bonds	1,432	4.4	4.9	1,234	3.6	5.4
Other	488	1.5	4.5	377	1.1	5.25
Total	32,543	100.0		34,291	100.0	

Movements in Pensions Reserve

	31st March 2006 £000	31st March 2007 £000
Net pensions liability as at 1st April	13,717	13,304
Current service Cost	1,020	1,218
Employee contributions	-1,664	-1,238
Past service/curtailment costs	476	103
Net interest/return on assets	407	238
Actuarial gain(-)/loss	-652	-2,269
Net pensions liability as at 31st March	13,304	11,356

The actuarial gains/losses identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007.

2004/05		2005/06		Worcestershire County Council Pension Fund	2006/07	
£000	%	£000	%		£000	%
889	3.5	4,839	14.9	Differences between the expected and actual return on assets	-75	-0.2
1,271	3.2	-813	-1.8	Differences between actuarial assumptions about liabilities and actual experience	0	
-6,280	16.0	-3,374	-7.4	Changes in demographic and financial assumptions used to estimate liabilities	-2,194	-4.8
-4,120		652		Total actuarial gains(-)/losses	-2,269	

35. Notes to The Cash Flow Statement

Reconciliation of Deficit to Net Revenue Cashflow

2005/06 £000		2006/07 £000
5,842	Surplus(-)/Deficit on General Fund	1,907
-730	Surplus(-)/Deficit on Collection Fund	536
	Non Cash Transactions	
-4,437	Capital Charges	-1,420
-775	FRS17 Pension Costs	-224
193	Contributions to(-)/from Bad Debt Provisions	-177
-111	Transfer from Suspense	-232
-246	Statutory Transfer from HRA	-20
82	Contribution to(-)/from Earmarked Reserve	-140
31	Contribution to Capital Expenditure	7
15	Contribution from Capital Receipts	85
50	Contribution to(-)/from Major Repairs Reserve	0
	Items on an Accruals Basis	
-827	Increase(-)/decrease in Creditors	-153
-2,711	Increase/decrease(-) in Debtors	-622
8	Increase/decrease(-) in Stock	-28
	Items included in other classifications	
-10	Interest paid	-27
1,334	Interest received	1168
-2,293	Net cash flow from revenue activities	660

Liquid Resources

The principal liquid resources of the Council are short term investments. The opening and closing balances for the financial year 2006/07 are given below:-

2005/06 £000		2006/07 £000
25,800	Balance at 1 st April	25,126
25,126	Balance at 31 st March	21,612
-674	Movement in Year	-3,514

Net increase/Decrease in Cash

2005/06 £000		2006/07 £000
-1,015	Increase/Decrease(-) in Cash Overdrawn	-243
0	Increase/Decrease(-) in Petty Cash and Cash in Hand	0
-1,015	Net Increase/Decrease(-) in Cash	-243

Government Grants

Amounts received in respect of government grants (other than for housing and council tax benefits and capital grants) are listed below:

2005/06 £000		2006/07 £000
167	Community Safety	151
109	Admin Grant – Local Taxation	111
307	Other	446
268	Planning Delivery Grant	121
373	Benefit Administration Grants	440
1,224	Total Other Government Grants	1,269

**HOUSING REVENUE ACCOUNT
FOR THE YEAR ENDED 31st MARCH 2007**

2005/06 £000		2006/07 £000
	<u>Income:</u>	
-5	Non-dwelling rents (gross)	0
-5	Total Income	0
	<u>Expenditure:</u>	
22	Supervision and Management	0
12	HRA Subsidy payable	0
34	Total Expenditure	0
29	Net cost of Services	0
	HRA Investment Income	
-7	Interest on notional cash balances	0
-4	Mortgage interest	0
18	Net Operating Expenditure	0
	Appropriations	
278	Prior period amendments	0
-50	Transfer to/from(-) Major Repairs Reserve	-20
246	Total Surplus(-)/Deficit for the year	-20
-246	Balance brought forward 1st April	0
0	Balance transferred to General Fund Balance	20

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 Councils' application to the Office of the Deputy Prime Minister for consent to close the HRA was granted on 4th April 2006.

The account for 2006/07 consists of residual items which relate to the Council rather than BDHT. The residual balance of the Major Repairs Reserve was credited to the Housing Revenue Account and total surplus for the year on the Housing Revenue Account was transferred to the General Fund Balance.

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.

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 was transferred to the HRA in 2006/07.

2005/06 £000		2006/07 £000
-70	Balance as at 31st March	20
50	Amount transferred to HRA during the year	0
0	Transfer to Housing Revenue Account	-20
-20	Balance as at 31st March	0

4. Housing Capital Expenditure

There was no capital expenditure on during the year.

5. Housing Revenue Account Subsidy

With the closure of the Housing Revenue Account, no housing subsidy was receivable or payable in 2006/07.

2005/06 £000	Subsidy Element	2006/07 £000
4	Mortgage interest	0
4	HRA subsidy receivable(-)/payable(+)	0

**COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT
YEAR ENDED 31st MARCH 2007**

2005/06 £000		2006/07 £000
	<u>Income:</u>	
-40,637	Income from Council Tax (Net)	-43,116
-3,423	Council Tax Benefits	-3,567
0	Reduction in Provision for Bad and Doubtful Debts Council Tax	-53
-18,803	Income from Business Ratepayers	-19,824
-62,863	Total Income	-66,560
	<u>Less Expenditure:</u>	
42,975	Precepts and Demands	47,272
	Business Rates:	
18,522	Payments to Pool	19,508
109	Costs of Collection	111
180	Increased Provision for Bad and Doubtful Debts Council Tax	0
172	NNDR	205
175	Prior Period Amendment	0
62,133	Total Expenditure	67,096
-730	Surplus(-)/Deficit for the year	536
-1,082	Collection Fund Surplus(-) brought forward	-1,812
-1,812	Collection Fund Surplus(-) carried forward	-1,276

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 £1,275.82 based on Band 'D' equivalent, with a tax base of 35,593.67.

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	2,567.50	6/9	1,711.7
B	Over £40,000 and up to £52,000	5,955.00	7/9	4,631.7
C	Over £52,000 and up to £68,000	7,447.75	8/9	6,620.2
D	Over £68,000 and up to £88,000	6,723.50	9/9	6,723.5
E	Over £88,000 and up to £120,000	5,947.50	11/9	7,269.2
F	Over £120,000 and up to £160,000	3,090.50	13/9	4,464.1
G	Over £160,000 and up to £320,000	2,409.25	15/9	4,015.4
H	Over £320,000	258.00	18/9	516.0
Total Band D equivalent properties				35,953.20
Collection Rate				99.00%
Council tax base				35,593.67

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 43.3p in the £ for 2006/07 (42.2p for 2005/06) 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 2007 was £54,535,185.

4. Precepts

The precepts were as follows:

2005/06 £000		2006/07 £
29,981	Worcestershire County Council	32,012
5,920	Bromsgrove District Council (including Parish Councils)	6,329
5,008	West Mercia Police Authority	5,348
2,066	Hereford and Worcester Fire and Rescue Authority	2,205
	Distribution of Collection Fund Surplus	
0	Worcestershire County Council	961
0	Bromsgrove District Council	190
0	West Mercia Police Authority	161
0	Hereford and Worcester Fire and Rescue Authority	66
42,975	Total	47,272

5. Bad Debt Provision

Bad and doubtful debt provisions comprised the following amounts:

2005/06 £000		2006/07 £000
1,456	Balance as at 31st March Council Tax	1,597
-171	Written-off during the year	-32
180	Movement in Provision	-53
	Non-Domestic Rates	
-40	Written-off(-)/on(+) during the year	-35
172	Movement in Provision	205
1,597	Balance as at 31st March	1,682
	<u>Represented By:</u>	
697	Council Tax Provision	612
900	Non-Domestic Rates Provision	1,070
1,597	Balance as at 31st March	1,682

6. Collection Fund Balance

The Collection Fund Balance is available for distribution to the authorities which precept on the Collection Fund. During 2006/07 a total of £1.378m was distributed to the precepting authorities as detailed in Note 4 above. The balance is set out below:

2005/06 £000		2006/07 £000
1,082	Balance brought forward 1st April	1,812
730	Surplus/Deficit(-) in the Year	-536
1,812	Balance carried forward 31st March	1,276

The Collection Fund Balance represents council tax collected but not paid over to the precepting authorities. This balance has accumulated due to both the collection rates and income received being higher than budgeted for at the beginning of the financial year. This surplus is available to be shared amongst the precepting authorities (prorate to the amount of the total precepts). The amount attributable to Bromsgrove District Council is £176k (13.8%). This amount is shown within the total Equity in the Balance Sheet as a Collection Fund Balance. The remainder is shown within creditors.

2005/06 £000		2006/07 £000
250	Bromsgrove District Council Collection Fund Balance	176
1,562	Creditor - Other precepting bodies	1,100
1,812		1,276

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 Council Accounting in the United Kingdom 2006 'A Statement of Recommended Practice' (the 2006 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 charging of depreciation (with some exceptions), identification of trading services, and a standard service expenditure analysis in the Income and Expenditure Account. The 2006/07 Income and Expenditure Account complies with these requirements.

Comparator Figures

In line with the 2006 SORP, comparative figures for the previous financial year are shown. Where there have been changes to the presentation or accounting treatment of items the previous year's figures have been restated to ensure that they are comparable.

Fixed Assets - Recognition and Valuation

The requirements of the 2006 SORP 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 2006 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. These financial statements reflect the revaluations carried out during 2006/07.

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 depreciated 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.
- Investment Properties, which are assets that are not directly used in the delivery of a service, such as Industrial Properties, are shown at market value.
- 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 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 to the Income and Expenditure Account during the year. All other expenditure is added to the fixed assets at cost. The expenditure will be carried at cost on the 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 grants, home repair and housing renewal grants, 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 Income and Expenditure Account in the year the expenditure is incurred. Expenditure on intangible assets is written off to the Income and Expenditure 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 on the General Fund Balance.

Depreciation

Depreciation is charged on all assets used in the provision of services. It represents the use of capital assets by that service. It is calculated on a straight line basis 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.

Depreciation is charged on the asset values at the beginning of the financial year. Some assets which have been revalued during 2006/07 did not have a quantified residual (land) value at the beginning of the year. This meant that the valuation

upon which the depreciation was based was higher than the valuation which will be used for future year's depreciation calculations. Therefore the depreciation charge in 2006/07 is higher than in it will be in future years. The programme of revaluations has addressed this issue. All assets have now been revalued within the last three years and a valuation of the residual (land) value is included in the Asset Register, where applicable.

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

In previous years a capital financing charge based on the opening book value of each asset and a specified percentage rate was charged to the revenue account. The 2006 SORP no longer requires capital charges to be made.

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 I&E Account in the year 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 Income and Expenditure 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 Balance Sheet after allowable adjustments.

For 2006/07 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 on the disposal of fixed assets are credited to the Income and Expenditure Account in the first instance and transferred to Capital Receipts Unapplied on the Balance Sheet where they 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 remain within the Income and Expenditure Account.

Receipts from the sale of former 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 2006 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 2006 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 established two provisions in 2005/06. Both were related to costs and compensation relating to employment issues, Both matters were settled and the provisions have been used within 2006/07.

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 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. During 2005/06 the basis for the apportionment of support service costs was reviewed and revised. Some support services are charged 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 Council'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 charged to the I&E 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 Council's operating leases are outlined in Note 27 to the Income and Expenditure Account.

Interest Charges

Provision has been made in the accounts for the accrual of loan interest due to the Council as at 31st March 2007.

Pensions

This Statement of Accounts 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 Balance Sheet of £11.356m, 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. An adjustment in the Statement of Movement on the General Fund Balance reverses these cost out and replaces them with the actual costs paid.

STATEMENT OF INTERNAL CONTROL FOR BROMSGROVE DISTRICT COUNCIL FOR THE YEAR ENDED 31st MARCH 2007

1. Scope of Responsibility

Bromsgrove District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for whilst demonstrating value for money in its use. 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, comply with statutory requirements and to make best use of public funds and assets. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is maintained through 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.

That process has been in place at the Council for the year ended 31st March 2007 and up to the date of the approval of the annual accounts for that year.

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 Improvement Plan, the Annual Performance Plan, the Council Plan, and Service Business Plans, together with Action Plans arising from External Inspection reports, and Revenue and Capital

Budgets. The objectives of the Council are linked to individual targets of achievement through the Performance and Development Review process.

- (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, 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; budget setting and monitoring, and completion of final accounts, all aimed to be accurate, informative and timely. The Council also has in place, as part of the Constitution, financial regulations designed to support sound financial management policies and procedures, and contract procedural rules to ensure compliance with procurement objectives. These also 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 Head of Financial Services has responsibility for ensuring that effective financial control is maintained. The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The Council's Financial Regulations provide a framework for managing the council's financial affairs and apply to every member and officer of the council and anyone acting on the council's behalf. The regulations cover, inter alia, budgetary control, payment of accounts, contracts for building,

constructional or engineering work, and procurement of consultancy services, treasury management and control of income.

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 2006/07 included

- Comprehensive budgeting systems
- Setting targets to measure financial and other performance
- Detailed monthly financial monitoring statements to Heads of Service and Budget Holders to include both revenue and capital
- Designated accountants to support departmental budget holders
- Financial training for managers
- Preparation of regular financial reports to Members which indicate actual expenditure against the forecasts;
- 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.

During 2006/07, financial monitoring reports highlighted areas of overspending and shortfalls in income. These were managed by reviewing services to ensure they could be delivered within revised financial resources and reducing expenditure where appropriate. As a result, outturn expenditure remained within budget.

The improvements in 2006/07 have been recognised by the Audit Commission in the scoring of the Use of Resources framework increasing from 1 to 2. This reflects the Council's focus on robust financial management, budgetary control and risk management during the financial year.

3.3 Council Priorities and Objectives

The Council acknowledges that its performance in some services is stronger than in others and committed itself during the year to continue its improvement programme. The focus during the first quarter of 2006/07

was on the Councils' Recovery Plan and from July 2006 onwards the Council's Improvement Plan.

During the year the Council reviewed its corporate objectives and adopted the following Vision, Council Objectives and priorities:

<p>Vision</p> <p>“Working together to build a district where people are proud to live and work, through community leadership and excellent services”</p>

Council Objectives	Council Priorities
Regeneration	Town Centre Longbridge Housing
Improvement	Customer Service Reputation Performance
Sense of Community and Well Being	Community Influence Community Events
Environment	Clean District Planning

3.4 Policy and Decision Making

The Council's decision making process is defined in its' Constitution which 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 2006/07 and included Scrutiny Steering Board.

3.5 Compliance

(a) Policy and Legislation

The Council's statutory officers are the Chief Executive, the Monitoring Officer and the Section 151 Officer. They are responsible for ensuring that the Council acts within the law and in accordance with established policy and procedures.

The Chief Executive is responsible for the corporate and operational management of the Council, taking an active role in corporate governance arrangements, determination and organisation of the Council's staff.

The Council's Monitoring Officer has statutory and other duties in relation to maintaining the Council's Constitution, ensuring lawfulness and fairness in decision making, supporting the Standards Committee,

acting as the proper officer for access to information, advising whether Cabinet decisions are within the Budget and Policy framework and providing advice on the scope of powers and authority to make decisions, maladministration, financial impropriety, probity and Budget and Policy Framework issues

The Section 151 Officer has statutory and other duties in relation to the effective discharge of the Council's financial arrangements including responsibility for ensuring lawfulness and financial prudence of decision making including reporting to 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 Council's Risk Management Strategy and process was reviewed and updated during the year. The new strategy and process was approved by the Executive Cabinet on the 7th March 2007 and aims to embed risk management into the culture of the organisation whilst enabling the Council to manage risks in accordance with best practice. A steering group consisting of officers and led by the Chief Executive exists and meets monthly to provide a formal framework, develop risk registers and instigate training in risk identification, control and monitoring.

A significant amount of work has been completed on updating the Council's risk management process and collating new risk registers. The strategy will be implemented across the Council during 2007/08 with departmental and corporate risk registers being produced and reviewed by the Audit Board on a quarterly basis.

Risk assessments are also 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 Comprehensive Performance Assessment (CPA)

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. Therefore in June 2004, the Council requested voluntary engagement from the ODPM and

a deferral of the CPA planned for September 2004. These requests were accepted. As part of this agreement the Council was given, and accepted, the CPA category of a “poor” council in September 2004

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. This was subsequently replaced with the Improvement Plan covering the period July 2006 to June 2007 being approved at Council in September 2006.

The Monitoring Board has monthly meetings to assess the Council's progress against its Improvement Plan. Progress is also reported monthly to the Performance Management Board.

The Council requested an early CPA against the new 2006 Framework in order to validate the Improvement Plan and identify areas of improvement which will be added to our next Improvement Plan update. The Council underwent a full CPA Inspection in Feb/March 2007. As preparation to that the Council undertook a CPA Self Assessment in January 2007. The Corporate Assessment Report was published on 12th June 2007 and gave the CPA Category as poor which was in line expectations.

The report highlighted four areas for improvement, namely are:-

- Place the customer at the heart of Council activity.
- Develop and enhance councillor capacity in order that they can contribute effectively to the development of a high performing Council.
- Ensure that there are sufficient resources and capacity to deliver the breadth and pace of change required by the Council in order to deliver high quality services for local residents.
- Ensure that performance management consistently leads to performance improvement.

(d) Financial Management

The Council's financial management framework for 2006/07 is summarised as follows:

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

Financial 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 Integrated Financial and Performance monitoring report to Members including identification and explanation of variances and actions required to ensure total actual expenditure remains within budget.

(e) Performance Management

The fundamentals of performance management are becoming increasingly embedded in the way the Council operates. A performance management framework is in place and can be summarised as follows

- a. Setting targets within service business plans and within individual team members PDR.
- b. Data collection and calculation of local and national Performance Indicators
- c. Monthly monitoring at Departmental and Corporate Management Teams
- d. Monthly reporting to Members
- e. Quarterly Integrated Financial and Performance monitoring report to Members including explanation of instances of not meeting target and actions required to improve performance.
- f. Reporting of annual results to Council

Throughout 2006/07 Members and Officers became increasingly focused on the management of performance which resulted in improvements in the performance indicators compared to 2005/06.

(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.</p> <p>The Chief Executive, Corporate Director (Services) and Heads of Service have signed a statement acknowledging their responsibilities in achieving reasonable levels of internal control in the services and systems within their remit.</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 (as amended 2006), the Council has a responsibility for maintaining an effective Internal Audit function. This responsibility is delegated to the Council's Section 151 Officer. The Internal Audit Section reports to the Section 151 Officer through 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>The Section 151 Officer is supported by the Audit Board, which is responsible for monitoring and reviewing the Council's risk, control and governance processes. The Audit Board provides an independent perspective and a process of constructive challenge. The Audit Board operates within their agreed Procedure Rules and Terms of Reference, which were both reviewed and updated during February 2007.</p> <p>Internal Audit's work is directed by a risk based Annual Audit Plan, which is approved by the Council's Audit Board. 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>

Control	Review of Effectiveness
	<p>The Audit Board approved the 2006/07 Audit Plan on the 28th March 2006. The Audit Plan progress was reported at each Audit Board meeting during 2006/07.</p> <p>For 2006/07, the section delivered 90% of the planned audit work. This included all eleven key financial system audits and a further eleven operational reviews.</p> <p>The section was subject to an annual review by the Council's external auditors during March and April 2007. The aim of the review was to establish the effectiveness of the Internal Audit function.</p> <p>The external auditors are able to place reliance on the work of the section, as detailed in the 2005/06 Interim Memorandum.</p>
<p>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.</p>	<p>The Council's Internal Control arrangements are assessed as one of the five areas in the Use of Resources for 2006. The Council received a score of 2 out of 4. This is an improvement from the previous score. The external auditor noted the arrangements for risk management, a fully resourced internal audit operating with relevant codes of practice and the Audit Board. A number of recommendations were made including embedding risk management throughout the organisation, monitoring compliance with financial regulations and providing ethics training to Members and officers. The Council has responded to these and developed or amended action plans to address the issues.</p>
<p>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</p>	<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 2006/07 the Council completed a full</p>

Control	Review of Effectiveness
Cabinet.	<p>review of its risk management arrangements. This included:</p> <ul style="list-style-type: none"> • Updating the Council's Risk Management Strategy, which was approved by the Executive Cabinet on the 7th March 2007. • Redesigning the risk management process, documentation and reporting arrangements. • Reviewing the Risk Management Steering Group membership and function to ensure it added value to the new process. <p>During the beginning of 2007, all Council service areas had reviewed and updated their risk register and work on the updated Corporate Risk Register was nearing completion.</p> <p>The Council has also held the first of several Risk Management training sessions for staff. The training will cover general risk management principles and the Council's new approach.</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"> • Anti Fraud & Corruption Strategy. • Confidential Reporting Code. • Quarterly Fraud Newsletters. • Contract Procedure Rules. • Financial Regulations and Internal Control Framework. • Internal Audit section. • Benefit Fraud Investigators • Money Laundering Policy. • NFI data matching exercise.
Provision of effective, efficient and responsive systems of financial management.	The Council's external auditor issued an unqualified opinion within the statutory deadline on the Statement of Accounts for

Control	Review of Effectiveness
	<p>2005/06 confirming that it fairly presented the financial position of the Council as at 31st March 2006</p> <p>The Council achieved an overall score of 2 out of 4 in the annual use of resources assessment. This was an improvement from the previous years score of 1 out of 4 and is external recognition of improvements made within financial systems and the financial standing of the Council</p> <p>Internal Audit has completed eleven key financial system reviews during 2006/07:</p> <ul style="list-style-type: none"> • Asset Management. • Budgetary Control & Strategy. • General Ledger & Bank Reconciliations. • Treasury Management. • Creditors. • Payroll. • Debtors. • Council Tax. • NNDR. • Benefits. • Customer Service Centre. <p>Internal Audit's opinion is that the overall systems of financial management are basically sound. This is based on:</p> <ul style="list-style-type: none"> • One system operating effectively. • Six systems being basically sound. • Four systems having identified weaknesses. <p>The main systems that need improvements are:</p> <ul style="list-style-type: none"> • NNDR. • Debtors. • Treasury Management. • Creditors. <p>Action plans have been agreed to improve</p>

Control	Review of Effectiveness
<p>Codes of practice are issued by external bodies in respect of Council services and processes with which the Council is expected to comply.</p>	<p>controls in all eleven key financial systems.</p> <p>The Council has complied with the 2003 CIPFA Code relating to Capital Finance & Treasury Management and a report was presented to Cabinet on 13th June 2007</p> <p>The Council's accounts have been prepared in line with various legislation and guidance documents including the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2006 A Statement of Recommended Practice (the 2006 SORP), the CIPFA Best Value Accounting Code of Practice and applicable Financial Reporting Standards (FRS).</p>
<p>Ensuring the economical, effective and efficient use of resources</p>	<p>The Council's Value for Money arrangements are assessed as one of the five areas in the Use of Resources for 2006. The Council received a score of 1 out of 4. This was unchanged for the previous score however the Council considers that it has made progress in the following areas</p> <ul style="list-style-type: none"> • Development of a VFM strategy to present how the Council aims to embrace VFM • Development of departmental action plans within business plans to be monitored quarterly by Corporate Management Team • Raising the profile of VFM through member training and workshops
<p>The Council's Overview and Scrutiny Arrangements</p>	<p>The Council has appointed a Scrutiny Steering Board to discharge the functions conferred by Section 21 of the Local Government Act 2000 i.e. to perform all overview and scrutiny functions on behalf of the Council.</p> <p>In addition two other Boards have been set up: Performance Management Board to have overall responsibility for monitoring</p>

Control	Review of Effectiveness
	<p>and driving the performance improvement of the Council and an Audit Board which is responsible for monitoring the good stewardship of the Authority's resources through the work of the Internal Audit function.</p>
<p>Performance monitoring processes are in place to measure progress against objectives and to provide for remedial action where appropriate.</p>	<p>The Council has in place a performance management framework. 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.</p> <p>During 2006/07, external auditors were required, for the first time, to review management arrangements over data quality. The Council received an overall score of one out of four and the external auditor made a number of recommendation which the Council s currently addressing.</p>
<p>Continued implementation of Best Value reviews and related improvement plans.</p>	<p>These reviews have not been undertaken due to the necessity to focus on the Improvement Plan.</p>
<p>Reports received from external agencies and inspectorates.</p>	<p>The Council has been classified as 'poor' under a CPA Inspection carried out in Feb/March 2007. This was in line with expectations as the review is retrospective.</p> <p>The Council undertook a Department for Work and Pensions (DWP) self assessment of policies and procedures in benefits. The result of the assessment improved our score rating from 1 to 3 i.e. a rating of "good"</p> <p>The Council Strategic Housing Service was assessed by the Audit Commission as "poor (0 stars) with uncertain prospects for improvement". The Council has developed</p>

Control	Review of Effectiveness
	an action plan to address the concerns identified.
Delivery of services by trained, skilled and experienced personnel.	<p>The Council has demonstrated its commitment to staff through the relaunch of its Performance and Development Review process in the year.</p> <p>The Council continue to follow its action plan to address the weakness highlighted by the recent Investors in People (IIP) inspection and is working to achieve reaccreditation in 2008.</p> <p>The Council has launched its Bromsgrove Way Management Charter and Modern Manger Framework which sets out clearly for all managers what to do and how to do it. This is underpinned by a range of training open to all staff.</p>

5. Significant Internal Control Issues

- 5.1 On the basis of this statement compiled by officers following a review of the Council Processes and reviewed by the Council's Corporate Management Team, we are satisfied that the Council considers that there are sufficient mechanisms in place to ensure a reasonable assurance of effectiveness of the system of internal control. The Council will continue to develop the controls in place to secure the system to be embedded in the fabric of the organisation.
- 5.2 The Council is committed to ensuring that all necessary measures are taken to further develop controls that are currently in place. The key activities for the Council during subsequent months to enhance the control environment will be:-
- To address the areas for improvement highlighted in the CPA report and incorporate these into the Council improvement plan for 2007/08
 - To implement the action plans in relation to Value for Money and to demonstrate the Councils achievement of VFM in the delivery of services.

- To continue to enhance the risk management awareness and focus within the Council with regular review and monitoring of departmental and corporate risk registers.
- To continue to embed performance management across the Council so as to improve its performance in all areas. To undertake performance “clinics” with Heads of Service to identify areas of declining performance and to plan for improvements.
- To improve the arrangements for data quality as identified in the KLOE assessment. This includes preparation of a data quality strategy to support the Councils commitment to improving the quality of data. In addition managers will focus on the need to provide data quality checks within their policies and procedures and there is to be an Internal Audit Review of data quality and performance indicators during 2007/08.

We are satisfied that these steps will address improvements and we will review their implementation and operation as part of our next annual review.

Jayne Pickering
Head of Financial Services

Councillor Roger Hollingworth
Leader of the Council

Date

Date

GLOSSARY OF TERMS

ABBREVIATIONS

The symbol “k” following a figure represents thousand.

The symbol “m” following a figure represents million.

ACCRUALS

This is the accounting concept that income and expenditure are shown in the financial year they are earned or incurred, not as money is received or paid.

ADDED YEARS

Additional years of service awarded to increase benefits of employees taking early retirement.

BUDGET

The Council’s statement of spending plans for both revenue and capital for a financial year, expressed in financial terms.

CAPITAL EXPENDITURE

Capital expenditure is expenditure on acquisition or construction of assets which have a value to the Council for more than one year. Examples are land, buildings, vehicle, plant and equipment and computer software. Capital Expenditure can also be used to enhance 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

Income received from the sale of the Council’s fixed assets such as land and buildings. This money is available, subject to rules laid down by Central Government to finance new capital expenditure or to repay debt.

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.

COUNCIL TAX

The Council Tax is the main form of local taxation in England, Scotland and Wales and is used to fund the service provided by local Council's and Police and Fire Authorities. The base for the tax is residential property. Each dwelling is allocated to one of eight bands coded by letters A through H on the basis of its assumed capital value as of 1st April 1991. The basic amount of Council tax, expressed as the annual levy on a Band D property, is calculated by dividing the revenue expenditure requirement by the Council tax base. The Council tax amounts of properties in other bands are calculated by applying ratios set by central Government to the basic amount of Council tax.

CREDITORS

This is monies owed by the Council to others for goods and services that have been supplied but not paid for by the end of the financial year.

DEBTORS

This is sums owing to the Council from others for goods and services that they have received but have not been paid for by the end of the financial year.

DEFERRED CAPITAL RECIEPTS

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 are capital expenditure which does not create a tangible asset for the Council. An example would be a grant made to another organisation for them to use for capital expenditure.

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 Council housing and the management and maintenance of that housing.

INTANGIBLE ASSETS

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

LEASING

This is a method of financing capital expenditure where a rental charge for an asset is paid for a specific period. There are two forms of lease, 'finance leases' which transfer substantially all the risks and rewards of ownership to the lessee and other leases which are known as 'operating leases'.

NATIONAL NON-DOMESTIC RATE (NNDR)

Businesses pay national non domestic rates instead of Council Tax. It is a levy calculated by multiplying the national rate in the pound set by central Government by the rateable value of the property the business occupies. It is also often referred to as business rates. Non domestic rates are collected from businesses by billing authorities and paid over to the national pool. These monies are then redistributed back to the Council and other authorities based on a standard amount per head of 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 Fire and Rescue Authority. The local precepting authorities, which precept directly on the Council's General Fund, are the 20 Parish Councils within the Bromsgrove area.

PROVISIONS

These are sums of money set aside to meet specific expenses which are likely or certain to be incurred, but where the amounts cannot be accurately determined or dates on which they will arise.

RESERVES

These are sums of money set aside to net the cost of specific future expenditure.

REVENUE SUPPORT GRANT

This is the Government Grant provided by the Department of Communities and Local Government (DCLG), 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 DCLG 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.