

Redditch Borough Council Statement of Accounts 2006/07

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Independent Auditors' report to Redditch Borough Council

(To be add in due course)

Explanatory foreword

This foreword provides a brief summary of the financial aspects of the council's activities during the year.

Revenue Expenditure

Revenue expenditure covers the operational cost of services provided during the year including capital charges and contributions to or from reserve accounts. Most revenue expenditure is paid for from the General Fund while council housing is accounted for separately within the Housing Revenue Account.

The General Fund

General Fund net revenue expenditure (after allowing for fees and charges to services and the use of reserves) is financed from Government grants (Revenue Support Grant and redistributed Non-Domestic Rates) and Council Tax income.

The table below gives a comparison between General Fund actual and budgeted expenditure and income for the year.

2005/06 Actual £'000		2006/07 Original Budget £'000	2006/07 Actual £'000	2006/07 Difference £'000
11,707	Net expenditure on services	11,965	11,956	(9)
187	Contributions to/ (from) reserves	4	246	242
(740)	Interest received	(750)	(699)	51
11,154	Net General Fund expenditure	11,219	11,503	284
	<i>Financed by income from government grants and local taxpayers</i>			
(3,254)	Central Government Grants	(1,266)	(1,767)	(501)
(2,288)	NDR contribution	(5,110)	(5,110)	-
(4,655)	Council Taxpayers	(4,814)	(4,814)	-
(18)	Collection Fund surplus	11	11	-
939	Deficit/(Surplus) for the year funded from General Fund reserves	40	(177)	(217)

The amount receivable from government grants and council tax income is fixed for the year, so any difference in actual net expenditure from the budget must be balanced by a contribution to or from General Fund reserves. The difference for 2006/07 was a surplus of £177,330. The original forecast was for a deficit of £39,736 to be funded from revenue balances. The surplus of £217,066 has arisen from a net increase in government grants of £501,146 and a decrease in interest received of £51,000. An additional £242,000 was transferred to reserves, most to capital reserves to fund capital expenditure.

The Local Authority Business Growth Incentive (LABGI) grant yielded £416,290 and additional Planning Delivery Grant of £6,384 was received. Crematorium income was £89,000 greater than the original budget. £60,000 of this additional income has been transferred to a reserve to fund the work required to the cremators by 2010 to reduce mercury emissions. Savings were achieved in support costs through staff vacancies and delayed recruitment and in administrative overheads. These savings and other efficiency savings in services have enabled the council to deliver to budget on the cost of services.

General Fund reserves amounted to £1.432 million at the year end. These reserves, apart from a contingency provision of £300,000, are required to support future revenue budgets.

The Housing Revenue Account (HRA)

Revenue expenditure relating to council housing is accounted for separately in the Housing Revenue Account. The expenditure is financed from rents and charges to tenants, interest received and retained balances.

The table below gives a comparison between Housing Revenue Account actual and budgeted expenditure and income for the year.

2005/06 Actual		2006/07 Original Budget	2006/07 Actual	2006/07 Difference
£'000		£'000	£'000	£'000
8,277	Maintenance & management services	8,587	8,476	(111)
169	Rent rebates	-	-	-
1,500	Revenue contribution to capital	1,500	1,250	(250)
3,823	Negative Subsidy Transfer	4,488	4,462	(26)
-	Capital Financing Costs	-	144	144
113	Provision for bad debts	150	160	10
3,587	Depreciation	3,530	3,530	-
17,469	Housing Revenue Account expenditure	18,255	18,022	(233)
	<i>Financed by income from rents and government subsidies</i>			
(17,505)	Rents and charges to tenants	(17,995)	(17,976)	19
(13)	Other contributions	-	(11)	(11)
(288)	Interest	(297)	(119)	178
(337)	Deficit/(surplus) for the year funded from HRA reserves	(37)	(84)	(47)

The actual surplus for the year was £84,392 compared to the original budget surplus of £36,560. £1.25 million was transferred to reserves and earmarked for capital expenditure. There was a reduction in interest received and additional costs associated with the need to borrow to fund capital expenditure. Housing Revenue Account reserves were £667,600 at the year-end. These reserves, apart from a contingency provision of £300,000, are required to support future revenue budgets.

Capital expenditure

Capital expenditure relates to the acquisition or construction of fixed assets, or the renewal and enhancement of fixed assets that will benefit the council for more than one year. Fixed assets include sports centres and other public buildings, council housing, equipment, vehicles and plant. The Council's capital expenditure in 2006/07 totalled £13.8 million compared to an initial estimate of £15.9 million.

	2006/07 Original Budget	2006/07 Actual	2006/07 Difference
	£'000	£'000	£'000
Housing	10,670	9,022	(1,648)
General Fund	5,244	4,795	(449)
Total capital expenditure	15,914	13,817	(2,097)

The main items of capital expenditure were improvements to council and private sector housing; improvements to play areas, Palace Theatre and other leisure and cultural assets; landscape improvements; recycling equipment; and new IT systems. The actual expenditure

was lower than the original estimate due to slippage on the estate enhancement programme, the vehicle replacement programme and revisions to the programme during the year.

The council has previously paid for a significant proportion of the capital programme from capital receipts. The introduction of pooling for Right to Buy (RTB) reduced the proportion any disposal due to the council to just 25%. In 2006/07 the council disposed of just 40 dwelling via the RTB process. In 2006/07 the council borrowed £5.7 million to fund capital expenditure the balance of the required funding coming from housing revenue account major repairs reserve, government and other grants, and developers' contributions.

Spending plans in 2007/08

General Fund

Budgeted expenditure for 2007/08 and the way it is financed are shown below.

	2007/08 Original Budget £'000
Net General Fund expenditure	12.069
<i>Financed by income from government grants and local taxpayers</i>	
Government Grants	(1,183)
NDR contribution	(5,383)
Council Taxpayers	(5,064)
Collection Fund deficit	(20)
Deficit for the year funded from General Fund reserves	419

Net expenditure is estimated to be £853,570 more than the original budget for 2006/07. The budget includes increases of 3% in employee remuneration, increased superannuation costs, increased energy costs, and an estimated increase in general prices of 3%. Funding from General Fund reserves required to support this expenditure is £379,644 more than in 2006/07.

The Housing Revenue Account

The 2007/08 budget for the Housing Revenue Account is shown below.

	2007/08 Original Budget £'000
Maintenance & management services	8,688
Sums transferred under Section 80(2)	5,203
Rent rebate subsidy limitation	0
Revenue contribution to capital	2,000
Provision for bad debts	200
Depreciation	3,570
Housing Revenue Account expenditure	19,661
Rents and charges to tenants	(19,100)
Other contributions	(2)
Interest	(331)
Deficit for the year transferred from Housing Revenue Account reserves	228

Capital expenditure

Capital expenditure for 2007/08 is an estimated £12.371 million.

Work programmed for the year includes improvements to council and private housing, landscaping works, improvements to public buildings, purchase of new vehicles and estate enhancements.

Pensions

The authority participates in a defined benefit scheme administered by Worcestershire County Council. The Council's share of the assets and liabilities of the pension fund is a £30.4 million liability (2005/06 £34.4 million). The net pensions liability is a position taken at a point in time. Market prices tend to move up or down in the short term, and it is not possible to quantify what long term effect movement in market prices will have on the Pension Fund. The inclusion of pension assets and liabilities has reduced the net worth of the authority by 11% and increased net operating expenditure by 7.5%.

Changes to the accounting statements

The accounts have been prepared in keeping with the revised Code of Practice on Local Authority Accounting in the United Kingdom 2006 issued by the Chartered Institute of Public Finance and Accountancy which was published in June 2006. For 2006/07 the accounting statements represent a substantial change from the statements produced in 2005/06 and earlier years. The focus of the Statement of Accounts was the Consolidated Revenue Account, which had the dual role of setting out the council's financial performance as measured in accordance with proper accounting practices and determining the net expenditure to be charged against council tax in the year.

The new statements disaggregate the Consolidated Revenue Account (and the old Statement of Total Movements on Reserves) to produce a set of statements each with a clear objective.

- Income and Expenditure Account – summary of the resources generated and consumed by the council for the year.
- Statement of the Movement on the General Fund Balances – a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirements for raising Council Tax.
- Statement of Total Recognised Gains and Losses – a demonstration of how the movement in net worth in the Balance Sheet is identified to the Income and Expenditure Account surplus/deficit and to other unrealised gains and losses.

Coincidentally with the change in accounting statements the notional interest charges element of the capital financing charge has been abolished for the 2006/07 accounts.

Where necessary the comparative figures for 2005/06 have been changed to include these changes.

Statutory functions

There has been no change in the council's statutory functions during the year.

Further information

Further information about the accounts is available from the Financial Services Section, Town Hall, Walter Stranz Square, Alcester Street, Redditch B98 8AH. It is the council's policy to provide full information about the council's affairs. Interested members of the public have a statutory right to inspect the accounts before the audit is completed. Availability of the accounts for inspection is advertised in the local press.

The accounts have been audited and the auditor's certificate is on page 2.

Statement of accounting policies

1. General

Local authorities are required to keep their accounts in accordance with “proper practices”. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting (the code of practice) prepared by the CIPFA/LASAAC Joint Committee. The code of practice is recognised by the Accounting Standards Board as a Statement of Recommended Practice (SORP). The SORP is reviewed continuously and is normally updated annually. The accounting statements have been prepared in accordance with the 2006 edition of the SORP.

2. Fixed assets

• Recognition

The council recognises the following expenditure as fixed assets:

- acquisition, reclamation, enhancement or laying out of land;
- acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures;
- acquisition, installation or replacement of moveable or immovable plant, machinery, apparatus, vehicles and vessels.

• Valuation

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors (RICS) 5th Edition.

Fixed assets have been classified into groupings required by the SORP and are included in the balance sheet, net of depreciation where applicable, on the following basis:

- i. Land and operational assets – open market value for their existing use.
- ii. Specialised operational assets where there is no established market have been valued on a depreciated replacement cost value.
- iii. Infrastructure and community assets are included at historical cost.
- iv. non-operational assets have been valued at open market value.

The sources of information and assumptions made in producing the various valuations are set out in the valuation reports. The valuation figures incorporated in the accounts are the aggregate of the separate valuations of parts of the portfolio.

Revaluation of the Council’s fixed assets is undertaken using a five year rolling programme.

Surpluses on revaluations are credited and impairment amounts are debited to the Fixed Asset Restatement Account when they are identified.

Council dwellings were revalued at 1 April 2005. The valuation was made in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors (RICS) 5th Edition. The valuation was carried out by the council’s internal valuer, Mr J Prendergrast, and valuers who conform to the requirements of these Practice Statements. The valuation was based on Existing Use Value for Social Housing. The housing stock was valued at £270 million (the balance sheet valuation prior to revaluation was £145.4 million). The valuation does not include the notional directly attributable acquisition costs that have been determined to be £5.4 million. The vacant possession value of the properties has been calculated to be £547 million.

• Intangible fixed assets

Intangible fixed assets are recorded at cost and amortised to the revenue account over the estimated life of the asset.

• Impairment

The value at which each category of assets is included in the balance sheet is reviewed at the end of the year. Where the value has changed materially the valuation is adjusted accordingly.

• Disposals

Income from the disposal of fixed assets is credited to the usable capital receipts reserve and accounted for on an accruals basis. Where applicable the proportion reserved for repayment of external loans is credited to the capital financing reserve.

Upon disposal the net book value of the asset disposed of is written off against the fixed asset restatement reserve.

- **Depreciation**

Depreciation is provided for on all fixed assets with a finite useful life which can be determined at the time of acquisition or revaluation. Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. The valuations have been split into land and building elements to calculate depreciation. Depreciation has not been provided for freehold land or for non-operational investment properties.

Where depreciation is provided for the straight-line method of depreciation has been used.

The Joint Committee has accepted that the Major Repairs Allowance is likely to constitute a reasonable estimate of depreciation for housing revenue account properties. An amount equivalent to the Major Repairs Allowance has been used as the annual depreciation charge for HRA assets.

The useful economic life of the assets has been determined by the Council's valuers and surveyors. Council dwellings have an economic useful life of 60 years. Other land and buildings assets and investment properties have a useful life of between 15 and 100 years. Vehicles and plant assets and software licences have a useful life of between 5 to 10 years.

3. Interest charges

Payments of external interest on loans outstanding are debited directly to the asset management revenue account and are not allocated to individual services.

4. Deferred charges

Deferred charges are payments of a capital nature where no asset is created but which may properly be financed over a number of years. Deferred charges are written off to revenue over an appropriate period so that the value of assets carried in the Balance Sheet is not overstated. Expenditure on improvement grants, assets not owned by the council and grants for capital expenditure is written off in the year it is incurred. Any unamortized deferred charges carried in the balance sheet are disclosed in the recognised asset categories.

5. Debtors and creditors

The council's revenue accounts are maintained on an accruals basis in accordance with the Code of Practice and SSAP2. Sums due to or from the council are included in the accounting statements whether or not they have actually been received or paid in the year. An exception to this principle relates to utilities and similar quarterly payments which are charged at the date of meter readings rather than being apportioned between financial years. This policy is consistently applied each year and does not have a material effect on the year's accounts.

6. Stocks and stores

Stocks are valued in the balance sheet at the latest price paid. Some minor stocks are not valued and are charged to services in the year of purchase. This is not in accordance with the accounting standard relating to stocks, SSAP 9, which states that stocks should be included in financial statements at the lower of cost or net realisable value.

7. Costs of support services

All costs of management and administration, except for corporate and democratic costs and certain unapportionable central overheads, have been fully allocated to services in accordance with the Best Value Code of Accounting Practice. The basis of allocation used for the main elements of management and administration are outlined below.

Cost	Basis of allocation
Support services and service management	Actual time spent by staff
Administrative buildings	Area occupied {Actual time spent by staff
Information technology services	{Terminal utilisation {Actual software costs
Corporate and democratic core	Not apportioned to other expenditure heads

8. Revenue funds

The council maintains balances for both the general fund and the housing revenue account to meet future general expenditure. Specific funds exist to meet future potential and contingent liabilities for insurance claims (see '**Insurance provision**' below), capital expenditure and other specific services.

9. Investments

Investments are shown in the balance sheet at cost.

10. Leases

Rental payments under finance leases are apportioned between interest and the reduction in the leasing obligation, with the interest allocated and charged to revenue over the term of the lease. Rentals payable under operating leases are charged to revenue on a straight-line basis over the term of the lease.

11. Insurance provision

The council operates a self insurance fund for third party liability claims up to £27,000 and has created a reserve for this purpose. External insurers provide other insurance.

12. Government Grants

Revenue grants are accrued and credited to income in the same period in which the related expenditure was charged. Grants related to capital expenditure are credited to revenue over the expected useful life of the assets. The capital grant is credited to the Government Grants Deferred Account and written off to the Asset Management Account over the life of the asset, thereby matching the depreciation of the asset.

13. Pensions

The authority participates in a defined benefit scheme administered by Worcestershire County Council. In accordance with the requirements of 'FRS 17 Retirements Benefits', the accounts recognise pensions liabilities when they become due even though the actual even though the actual pension payment will be made many years in the future.

14. Post balance sheet events

Events arising after the balance sheet date are reflected in the statement of accounts if they provide additional evidence of conditions that existed at the balance sheet date and materially affect the amounts to be included. No such events are included in this years accounts.

Income & Expenditure Account

2005/06			2006/07	2006/07	2006/07
Net			Gross	Gross	Net
Expenditure	Note		Expenditure	income	Expenditure
£'000			£'000	£'000	£'000
877	1	Central services to the public	6,605	(5,416)	1,189
9,648	1	Cultural, environmental and planning services	14,283	(5,590)	8,693
1,293	1	Highways, roads and transport services	1,518	(208)	1,310
(2,188)		Local authority housing (HRA)	16,008	(17,987)	(1,979)
638	1	Other housing services	7,810	(7,255)	555
1,635		Corporate and democratic core	1,763	(24)	1,739
(1,140)	2	Non distributed costs	531	(114)	417
86		Other services	-	-	-
10,849		Net cost of services	48,518	(36,594)	11,924
5		Precept paid to Feckenham Parish Council			5
(164)	3	Surplus on trading undertakings			(576)
(740)		Interest receivable			(699)
1,848		Contribution of housing capital receipts to Government Pool			1,553
4,077	5	Pensions interest costs			4,421
(2,823)	5	Expected return on pensions assets			(3,453)
234		Interest Payable			509
11	4	Provision for bad debts			50
13,297		Net operating expenditure			13,734
(4,673)	10	Demand on the Collection Fund			(4,803)
(3,254)		General government grants			(1,767)
(2,288)		Non domestic rates redistribution			(5,111)
3,082		Deficit for the year			2,053

Statement of Movement on the General Fund Balance

2005/06		2006/07
£'000		£'000
3,082	Deficit for the year on the Income and Expenditure Account	2,053
(2,143)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(2,230)
939	(Increase)/Decrease in General Fund Balance for the year	(177)

T. Kristunas C.P.F.A. 25 June 2007
Head of Financial Services

D. Hunt 25 June 2007
Mayor

Reconciling items for the Statement of Movement on the General Fund Balance

2005/06 £'000		2006/07 £'000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(2,210)	Depreciation of fixed assets	(1,282)
79	Government grants deferred amortisation	125
(478)	Write down of deferred charges to be financed from capital resources	(376)
(2,164)	Net charges made for retirement benefits in accordance with FRS17	(3,344)
(4,773)		(4,877)
	Amounts not included in the Income and Expenditure Account but required by statute when determining the Movement on the General Fund Balance for the year	
	Statutory provision for repayment of debt	
22	Capital expenditure charged in year to the General Fund Balance	5
(1,848)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,553)
2,432	Employers contributions payable to the Worcestershire Pension Fund	2,615
606		1,067
	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	
337	Housing Revenue Account Balance	84
1,500	Voluntary revenue provision for capital financing	1,250
187	Net transfer to or from earmarked reserves	246
2,024		1,580
(2,143)	Net additional amount required to be credited to the General Fund balance for the year	(2,230)

Statement of Total Recognised Gains and Losses

2005/06 £'000		2006/07 £'000
3,082	Deficit for the year on the Income and Expenditure Account	2,053
(115,374)	Surplus/deficit arising on revaluation of fixed assets	8,290
(144)	(Surplus)/deficit on Collection Fund	130
320	Actuarial (gain)/loss on pension fund assets and liabilities	(4,693)
(112,116)	Total recognised (gain)/loss for the year	5,780

Notes to the Income and Expenditure Account

1. Service analysis

The service classifications used in the Income and Expenditure Account follow the services set out in the Best Value Accounting Code of Practice. A more detailed breakdown of the services included in each classification is given below.

2005/06 Net Expenditure £'000	2006/07 Gross Expenditure £'000	2006/07 Gross income £'000	2006/07 Net Expenditure £'000
Central services to the public			
371 Tax collection- including council tax benefits	5,812	(5,183)	629
45 Registration of electors	89	(1)	88
65 Conducting elections	66	(3)	63
30 Emergency planning	29	-	29
(111) Local land charges	107	(225)	(118)
477 General grants	502	(4)	498
877	6,605	(5,416)	1,189
Cultural, environmental and planning services			
1,216 Culture and heritage- including Forge Mill Museum and Palace Theatre	1,129	(534)	595
1,791 Recreation and sport	2,952	(1,279)	1,673
1,176 Open spaces	1,604	(334)	1,270
414 Community centres	502	(145)	357
74 Tourism	69	(4)	65
(104) Cemeteries and crematorium	444	(635)	(191)
640 Environmental health	851	(213)	638
474 Community safety	628	(36)	592
92 Land drainage	93	(14)	79
714 Street cleansing	1,221	(471)	750
1,711 Waste collection-now includes recycling costs	2,233	(451)	1,782
124 Building control	271	(133)	138
566 Planning policy	720	(268)	452
22 Environmental initiatives	49	-	49
413 Economic development	689	(315)	374
- Sure Start projects	758	(758)	-
325 Community development	70	-	70
9,648	14,283	(5,590)	8,693
Highways, roads and transport			
13 Lighting	38	-	38
1,243 Public transport- incl. concessionary fares	1,455	(207)	1,248
37 Parking	25	(1)	24
1,293	1,518	(208)	1,310
Housing services			
739 Housing services- general fund	2,282	(2,015)	267
336 Housing benefits	5,528	(5,240)	288
638	7,810	(7,255)	555

2. Non distributed costs

In compliance with the Best Value Code of Practice the following costs are not allocated to services:

2005/06 £'000	Service	2006/07 £'000
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245	Pensions past service costs	292
(1,184)	Pensions past service gain due to change in scheme benefits	-
	Redundancy and tribunal costs	141
(220)	Refund of business rates on Town Hall offices	23
19	Other unallocated costs	(39)
(1,140)		417

3. Surplus on trading undertakings

Trading undertakings are activities of a commercial nature which are financed substantially by charges made to the recipients of the service. Commercial properties, business centres and the outdoor market are operated on this basis.

2005/06 £'000	Service	2006/07 £'000
(212)	Land and property holdings	(618)
27	Business centres	(24)
4	Civic suite hire	6
17	Market	60
(164)		(576)

Turnover and expenditure details for significant trading undertakings are as follows:-

Undertaking		2006/07	
		£'000	£'000
The council manages and lets industrial and commercial units located in various parts of the borough – trading objective is to maximise the surplus.	Turnover	(869)	
	Expenditure	250	
	Surplus		(618)
	<i>(Surplus 2005/06 £212,000)</i>		
The council operates three business centres which provide affordable premises for new and small businesses- trading objective is to break even after excluding capital charges.	Turnover	(436)	
	Expenditure	412	
	Surplus		(24)
	<i>(Surplus 2005/06 £ 27,000)</i>		
The council operates an outdoor market generating rental income from stallholders -the trading objective is to maximise the surplus.	Turnover	(111)	
	Expenditure	171	
	Deficit		60
	<i>(Deficit 2005/06 £25,000)</i>		

4. Provision for bad debts

A general provision has been made against future losses or non recovery of general fund income. An increased provision of £160,000 has been made for housing debtors.

5. Pension fund transactions

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

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

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions.

However the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure after Net Operating Expenditure. The following transactions have been made in the Expenditure and Income Account during the year:

2005/06 £'000		2006/07 £'000
	<i>Net cost of services</i>	
(2,094)	• Current service cost	(2,375)
1,184	• Past service costs	-
	<i>Net operating expenditure</i>	
(4,077)	• Interest cost	(4,421)
2,823	• Expected return on assets in the scheme	3,453
	<i>Amounts to be met from government grants and local taxation</i>	
(268)	• Movement on pensions reserve	728
	<i>Actual amount charged against council tax for pensions in year</i>	
(2,432)	• Employer's contributions payable to scheme	(2,615)

Note 14 (page 31) to the Balance Sheet contains details of the assumptions made in estimating the figures included in this note.

10. Demand on the collection fund

Further details of the movements on the Collection Fund can be found on pages 23 -25.

11. Publicity

In accordance with Section 5 of the Local Government Act 1986 the council is required to disclose total spending on publicity during the year. In 2006/07 the council spent £291,920 on publicity (£269,745 in 2005/06) of which £65,024 related to staff advertising costs (£81,172 in 2005/06).

2005/06 £'000	Expenditure	2006/07 £'000
81	Recruitment advertising	65
83	Promotions and publicity	143
106	Other advertising	84
270		292

12. Employees' costs

The council employed an average of 671 full time equivalent staff during the year. In addition temporary staff were employed during the year to cover vacant posts and for seasonal activities.

Staff costs were incurred as follows:

2005/06 £'000	Expenditure	2006/07 £'000
14,875	Salaries and wages	15,107
1,055	Social security costs	1,066
2,528	Pension costs	2,882
18,458		19,055

The number of staff whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 was:

2005/06 Number	Remuneration band	2006/07 Number
3	Between £50,000 and £59,999	3
1	Between £60,000 and £69,999	1

1	Between £70,000 and £79,999	-
-	Between £80,000 and £89,999	1

13. Members allowances

Member's allowances paid in the year were £107,081 (£106,962 in 2005/06). The scheme for member's allowances was introduced in 2002/03. An independent panel has been formed to evaluate the remuneration to be made to members for the duties they perform.

14. Related party transactions

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or be controlled or influenced by the council. Disclosure of these transactions allows the reader to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

- **Central government** has effective control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the form of many of the transactions that the council has with other parties. Details of transactions with government departments are set out in a note to the Cash Flow Statement.
- **Members of the Council** have direct control over the council's financial and operating policies. During 2006/07 no material works and services were commissioned from companies in which members had an interest. Grants totalling £173,500 were paid to voluntary organisations in which 5 members had an interest. These organisations were:
 - Citizens Advice Bureau (£90,000)*
 - Age Concern (£7,500)*
 - Redditch Play Council (£53,000)*
 - All Women's House (£20,000)*
 - Redditch Arts Council (£3,000)*

Most of these members were acting as council nominated members of the boards of these organisations. The grants were made with proper consideration of declarations of interest. Where required the relevant members did not take part in any discussion or decision relating to the grants. Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection at the Town Hall, Alcester Street, Redditch.

A contribution of £27,000 was made to Redditch Community Commonwealth towards the employment costs of a voluntary sector funding coordinator. A member of Redditch Borough Council was employed in this role.

- **Officers** (no disclosures)
- **Other public bodies** (no disclosures)
- **Assisted organisations.** The council provides financial assistance to a number of organisations, however it does not impose terms or conditions that give it control over their operations
- **Management contracts** (no disclosures)
- **Companies and joint ventures** (no disclosures)

15. Fees payable to the Audit Commission and appointed auditor

Fees of £102,798 were paid for external audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998.

Statutory inspection fees of £11,987 were paid to the Audit Commission under section 10 of the Local Government Act 1999.

Fees of £17,720 were paid for the certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998.

16. Building Control trading account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – 'details of scheme for setting charges'. However, certain activities performed by the building control unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Building regulations charging account 2006/07						
	Chargeable		Non-chargeable		Total building control	
	2005/06 £'000	2006/07 £'000	2005/06 £'000	2006/07 £'000	2005/06 £'000	2006/07 £'000
Expenditure						
Employee expenses	72	101	95	75	167	176
Premises	8	7	10	5	18	12
Transport	2	3	3	2	5	5
Supplies and services	5	10	5	3	10	13
Central and support service charges	13	17	17	13	30	30
TOTAL EXPENDITURE	100	138	130	98	230	239
Income						
Building regulation charges	134	132	-		134	132
Miscellaneous income	-		2	1	2	1
TOTAL INCOME	134	132	2	1	136	133
Surplus/(deficit) for year	34	(6)	(128)	(97)	(94)	(104)

Statement of Total Recognised Gains and Losses

2005/06 £'000		2006/07 £'000
3,082	Deficit for the year on the Income and Expenditure Account	2,053
(115,374)	Surplus/deficit arising on revaluation of fixed assets	8,290
(144)	(Surplus)/deficit on Collection Fund	130
320	Actuarial (gain)/loss on pension fund assets and liabilities	(4,693)
(112,116)	Total recognised (gain)/loss for the year	5,780

HOUSING REVENUE ACCOUNT

HRA Income and Expenditure Account

2005/06 £'000	Note		2006/07 £'000
		Income	
16,687	1	Dwelling rents(gross)	17,229
672		Non dwelling rents (gross)	571
146		Charges for services and facilities	176
13		Contributions towards expenditure	11
17,518		Total income	17,987
		Expenditure	
3,399	4	Repairs and maintenance	3,490
4,098		Supervision and management	4,149
141		Rent, rates, taxes, and other charges	212
169		Rent rebates	-
113	11	Increase in provision for bad or doubtful debts	160
3,587	7	Depreciation of fixed assets	3,530
-		Debt management costs	5
3,823	8	Negative subsidy transferable to DCLG	4,462
15,330		Total expenditure	16,008
(2,188)		Net cost of HRA Services per authority Income and Expenditure Account	(1,979)
566		HRA services share of Corporate and Democratic Core	625
(1,622)		Net cost of HRA Services	(1,354)
15	9	Pensions interest cost and expected return on assets	200
-		Interest payable and similar charges	139
(288)		Interest and Investment income	(119)
(1,895)		(Surplus) or deficit for year on HRA Services	(1,134)

Statement of Movement on the HRA Balance

2005/06 £'000		2005/06 £'000
(1,895)	Surplus for the year on the HRA Income and Expenditure Account	(1,134)
1,558	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA Balance for the year	1,050
(337)	Increase in Housing Revenue Account balance	(84)
(246)	Housing Revenue Account surplus brought forward	(583)
(583)	Housing Revenue Account surplus carried forward	(667)

Note to the Statement of Movement on the HRA Balance

2005/06

2006/07

£'000		£'000
	Items included in the HRA Income and Expenditure Account but excluded in the Movement on the HRA Balance for the year	
(470)	Net charges made for retirement benefits in accordance with FRS17	(740)
(470)		(740)
	Items not included in the HRA Income and Expenditure Account but included in the movement on the HRA Balance for the year	
1,500	Capital expenditure funded by the HRA	1,250
528	Employers contributions payable to the Worcestershire Pension Fund	540
2,028		1,790
1,558	Net additional amount required to be credited to the HRA balance for the year	1,050

Notes to the HRA Income and Expenditure Account

1. Dwelling rent income

This is the total rent income due for the year after allowance is made for voids etc. During the year 1.15% properties were vacant (1.10% in 2005/06). Average rents were £54.59 a week (52 week basis) in 2006/07, an increase of £2.41 or 4.62% over the previous year.

2. Housing stock

The council was responsible for managing an average stock of 6,147 dwellings during 2006/07. The change in the number of properties is shown below.

2005/06		2006/07
Number of Properties		Number of Properties
6,259	Owned on April 1	6,167
(92) <i>Less</i>	Sales in year	(40)
6,167	Owned on March 31	6,127

The dwelling stock is made up of the following types of properties

2005/06	<i>Property type</i>	2006/07
Number of Properties		Number of Properties
1,627	One bedroom flats	1,622
588	Two bedroom flats	585
28	Three or more bedroom flats	28
662	One bedroom houses	662
966	Two bedroom houses	955
2,066	Three bedroom houses	2,046
176	Four or more bedroom houses	175
45	Non permanent dwellings	45
9	Multi-occupied dwellings	9
6,167	Total number of properties	6,127

The balance sheet value of the land, houses and other property within the housing revenue account at 31 March 2007 was £257 million. Council dwellings were revalued at 1 April 2005. The valuation was made in accordance with the Practice Statements in the Royal Institution of Chartered Surveyors Appraisal and Valuation Manual, published by the Royal Institution of Chartered Surveyors (RICS) 5th Edition. The valuation was carried out by the council's internal valuer, Mr J Prendergrast, and valuers who conform to the requirements of these Practice Statements. The valuation was based on Existing Use Value for Social

Housing. The housing stock was valued at £270 million (the balance sheet valuation prior to revaluation was £145.4 million). The valuation did not include the notional directly attributable acquisition costs that have been determined to be £5.4 million.

	Dwellings, garages, other land and buildings £'000
Value at 1 April 2006	262,654
Additions in year	-
Reclassified as investment property	(103)
Disposals in year	(2,896)
Revaluations	1,168
Gross balance sheet value at 31 March 2007	260,823
Depreciation for year	(3,531)
Net balance sheet value at 31 March 2007	257,292

The vacant possession value of dwellings within the housing revenue account as at 1 April 2006 was £542.9 million.

The vacant possession value and the balance sheet value of dwellings within the housing revenue account show the economic cost to Government of providing council housing at less than open market rents.

3. Major repairs reserve

The council is required to maintain a major repairs reserve. The main credit to the major repairs reserve is an amount equivalent to the depreciation charge on housing revenue account assets. The reserve can be used only for capital expenditure on housing revenue account assets.

	Major repairs reserve £'000
Balance at 1 April 2006	-
Transfer from capital financing reserve	3,531
Capital expenditure funded by major repairs reserve	3,000
Balance at 31 March 2007	531

4. Housing repairs account

The movements on the housing repairs account are summarised below: -

2005/06 £'000		2006/07 £'000
3,099	Expenditure in year	3,144
300	Administration costs	300
(3,399)	Contribution from housing revenue account	(3,444)
-	Transfer from/ (to) specific reserve	-

5. Capital expenditure

During the year a total of £9.022 million capital expenditure was incurred on land, houses and other property within the housing revenue account.

Financing source	£'000
Housing Major Repairs Reserve	3,000
Borrowing	5,712

Grant	179
Capital receipts	131
Total capital expenditure	9,022

6. Capital receipts

The council received £2.95 million capital receipts including income from the sale of 40 houses under the Right to Buy scheme.

7. Depreciation

The council is required to charge depreciation on all housing revenue account properties calculated in accordance with proper practices. For housing revenue account dwellings these proper practices need to be considered in the context of the major repairs allowance which the government has introduced. It represents the estimated average annual cost of maintaining the condition of the housing stock over a 30 year period, based on the council's own mix of dwelling types. It is accepted that the major repairs allowance is likely to constitute a reasonable estimate of depreciation. Accordingly, the major repairs allowance has been used as an estimate of depreciation charges in respect of housing revenue account dwellings in these accounts. Use of the major repairs allowance (MRA) is still considered an appropriate depreciation policy for the revalued housing assets. The cost of maintaining the condition of the housing stock represented by the MRA has not increased in line with the increase in the housing stock valuation. The total charge for depreciation on operational assets for 2006/07 is £3,530,240.

8. Housing revenue account subsidy

The amount of subsidy payable for 2006/07 was calculated in accordance with the formula set out in paragraph 3.1 of the General Determination of Housing Subsidy for 2006/07.

Subsidy element	£'000
Allowance for management and maintenance	8,590
Allowance for major repairs	3,530
Rental constraint allowance	26
	<hr/>
	12,146
Less:	
Rent	(16,329)
Interest	(279)
Negative subsidy repaid to DCLG	(4,462)

9. HRA share of contributions to or from the Pensions Reserve

Contributions to or from the Pensions Reserve have been apportioned to the Housing Revenue account pro rata pensionable pay.

FRS17 accounting adjustments	£'000
Net cost current service pensions cost adjustment	(50)
Pensions interest cost	914
Expected return on pensions assets	(714)
	<hr/>
	150
Housing Revenue Account share of contributions to/from Pensions Reserve	
Sum of FRS17 movements	(691)
Employers contributions	541
Net effect on Housing Revenue Account	nil

10. Rent arrears

During the year 2006/07 gross rent arrears as a proportion of gross rent income have increased from 6.8% to 7.5%. Arrears at 31 March 2007 were £1,302,086 (31 March 2006 £1,154,095). Arrears written off during the year amounted to £160,341 (£63,229 in 2005/06).

11. Provision for bad debts

2005/06 £'000		2006/07 £'000
450	Balance at 1 April	500
113	Increase in provision	160
(63)	Written off in year	(110)
500	Balance at 31 March	550

The Collection Fund

2005/06 £'000	Note		2006/07 £'000
		Income	
(28,433)	2	Income from council tax (net of benefits)	(30,017)
(4,403)		Transfers from general fund	
		• council tax benefits	(4,673)
(28,476)	3	Income collectable from business ratepayers	(30,038)

4	Contributions			
-	• adjustment of previous years' community charges			-
	6 • towards previous year's estimated collection fund deficit			(77)
(61,308)				(64,805)
	Expenditure			
32,814	4 Precepts and demands			34,477
	3 Business rates			
28,358	• payment to national pool	29,920		
118	• costs of collection	118		30,038
	5 Bad and doubtful debts			
13	• increased provision			420
	Contributions			
149	6 • towards previous year's estimated collection fund surplus			-
144	Movement on fund balance			130
(171)	Fund (surplus)/deficit brought forward			(27)
(27)	7 Fund (surplus)/deficit carried forward			103

Notes to the Collection Fund

1. General

This account reflects the statutory requirement for billing authorities to maintain a separate collection fund, which shows transactions relating to non-domestic rates and council tax. It illustrates the way these have been distributed to preceptors and the general fund.

2. Income from council tax - the council tax base

Council tax income derives from charges raised according to the residential properties, which have been classified into eight valuation bands estimating 1 April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the collection fund by Worcestershire County Council, Redditch Borough Council, the West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority for the forthcoming year and dividing this by the tax base (the total number of properties in each band adjusted by a proportion to convert the number to a band D equivalent). The council tax base for 2006/07 was 26,685.92 (26,582.13 for 2005/06). This basic amount of council tax for a band D property (£1,291.76 for 2006/07) is multiplied by the proportion specified for the particular band to give the amount due for each band.

Council tax bills were based on the following proportions for bands A to H: -

Tax band	Number of properties	Adjusted for discounts	Proportion of band D	Band D equivalent	Council tax £
A(disabled)	10	9.00	5/9	5.00	£717.65
A	7,018	5,853.00	6/9	3,902.00	£861.18
B	11,048	10,017.75	7/9	7,791.58	£1,004.71
C	6,925	6,402.50	8/9	5,691.11	£1,148.23
D	4,067	3,835.50	1	3,835.50	£1,291.76
E	2,958	2,848.00	11/9	3,480.89	£1,578.82
F	1,097	1,058.25	13/9	1,528.58	£1,865.88
G	392	376.75	15/9	627.92	£2,152.94
H	13	12.5	18/9	25.00	£2,583.52

Total	33,528	30,413.25	26,887.58
	Multiply by assumed collection rate		99.25%
	Tax base		26,685.92

3. Business rates

Business rating is organised on a national basis. The government specifies an amount (43.3p and 42.6p for small businesses in 2006/07 and 42.2p and 41.5p for small businesses in 2005/06) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a Non Domestic Rate Pool administered by the government. The government redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population.

The total non-domestic rateable value at 31 March 2007 was £79,748,482 (£79,347,172 at 31 March 2006).

4. Precepts and demands

The following authorities made a precept or demand on the collection fund:

2005/06 £'000	Authority	2006/07 £'000
22,782	Worcestershire County Council	24,001
4,656	Redditch Borough Council	4,814
3,806	West Mercia Police Authority	4,009
1,570	Hereford & Worcester Fire & Rescue Authority	1,653
32,814		34,477

5. Bad and doubtful debts

The following provisions and write offs were made for council tax in the year:-

2005/06 £'000	Provision for bad debts - Council Tax	2006/07 £'000
787	Balance at 1 April	782
13	Increase in provision	420
(18)	Written off in year	(22)
782	Balance at 31 March	1,180

Provisions and write offs for business rates were made as follows:-

2005/06 £'000	Provision for bad debts – Business rates	2006/07 £'000
568	Balance at 1 April	506
13	Increase/(decrease) in provision	87
(75)	Written off in year	(31)
506	Balance at 31 March	562

6. Collection fund surpluses and deficits

The deficit on the collection fund at 31 March 2007 will be recovered from Worcestershire County Council, Redditch Borough Council, the West Mercia Police Authority and Hereford and Worcester Fire and Rescue Authority in proportion to the respective precepts or demands made by those authorities on the collection fund.

The Balance Sheet

31 March 2006			31 March 2007	
£'000	Notes		£'000	£'000
190		Intangible assets		
		• Software licences		911
		Tangible fixed assets		
	1.	Operational assets		
262,654		• Council dwellings	257,292	
13,197		• Other land and buildings	13,158	
30		• Infrastructure	62	
625		• Community assets	613	
4,684		• Vehicles, plant, furniture, equipment	4,539	275,664
		Non operational assets		
9,026		• Investment properties		9,265
290,406		Total fixed assets		285,840
10,530	3.	Long term investments		10,530
318	4.	Long term debtors		398
301,254		Total long term assets		296,768
		Current assets		
248	5.	Stocks and stores	226	
8,020	6.	Debtors	6,087	
5,000		Investments	5,200	
33		Cash in hand and at bank	32	11,545
314,555		Total assets		308,313
		Current liabilities		
(6,049)	7.	Creditors	(5,439)	
(13,025)		Short term borrowing	(17,050)	
(458)		Bank overdraft	(269)	(22,758)
295,023		Total assets less current liabilities		285,555
(34,421)	13.	Pensions liability	(30,456)	
(692)	16.	Government grants deferred account	(1,077)	
(1,245)	9.	Deferred credits	(1,109)	
(131)	10.	Deferred capital receipts	(120)	
(270)	14.	Provisions	(309)	(33,071)
258,264	11.	Total assets less liabilities		252,484
		Financed by		
145,911	20.	Capital financing account		147,421
138,602	19.	Fixed asset restatement account		126,510
3,312	18.	Usable capital receipts reserve		1,993
(34,421)	15.	Pensions reserve		(30,456)
-		Major repairs reserve		530
2,996	17.	Specific reserves		4,491
	12.	Revenue balances		
1,254		• General fund		1,431
583		• Housing revenue account		667
27		• Collection fund		(103)
258,264		Total net worth		252,484

T. Kristunas C.P.F.A. **25 June 2007**
Head of Financial Services

D Hunt **25 June 2007**
Mayor

Notes to the Balance Sheet

1. Fixed assets

- Fixed assets movements

	Council Dwellings	Other Land and buildings	Infra- Structure	Community Assets	Vehicles And plant	Investment Properties	Intangible assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Historic cost or valuation								
Value at 1 April 2006	266,241	15,686	43	688	6,250	9,026	246	298,180
Additions	9,022	1,775	52	345	812	-	779	12,785
Disposals	(2,896)	-	-	-	-	(909)	-	(3,805)
Impairments	-	-	-	-	-	-	-	-
Revaluations	1,168	89	-	-	-	1,045	-	2,302
Non enhancement of asset values	(9,022)	(1,775)	(19)	(345)	(204)	-	-	(11,365)
Other movements	(103)	-	-	-	-	103	-	-
Value at 31 March 2007	264,410	15,775	76	688	6,858	9,265	1,025	298,097
Depreciation								
At 1 April 2006	3,587	2,489	13	63	1,566	-	56	7,774
Charge for the year	3,531	387	1	12	753	-	58	4,742
Disposals	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Revaluations	-	(259)	-	-	-	-	-	(259)
Other movements	-	-	-	-	-	-	-	-
Depreciation at 31 March 2007	7,118	6,617	14	75	2,319	-	114	12,257
Net book value at 31 March 2007	257,292	13,158	62	613	4,539	9,265	911	285,840
Net book value at 1 April 2006	262,654	13,219	30	625	4,684	9,026	190	290,406

- Impairment

The annual review of assets did not identify any assets where the value had changed materially in the period.

- **Fixed asset valuations**

The freehold and leasehold properties which comprise the Council's operational portfolio have been valued by the Council's in house valuers in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. Revaluations of fixed assets are undertaken using a five year rolling programme. Fixed plant and equipment is included in the valuation of buildings.

The following statement shows the dates of valuation of each category of fixed assets.

	Council Dwellings	Other land and buildings	Infra-Structure	Community assets	Vehicles And plant	Investment Properties	Intangible Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Valued at historic cost		-	76	688	6,858	-		7,622
Valued at current value in:								
1994/95	-	1,855	-	-	-	229	-	2,084
1998/99	-	1,000	-	-	-	-	-	1,000
1999/2000	-	11,260	-	-	-	-	-	11,260
2001/02	-	109	-	-	-	-	-	109
2002/03	-	100	-	-	-	-	-	100
2004/05	-	168	-	-	-	475	164	807
2005/06	264,410	-	-	-	-	103	82	264,595
2006/07	-	1,283	-	-	-	8,458	779	10,520
Gross value	264,410	15,775	76	688	6,858	9,265	1,025	298,098
Cumulative depreciation	7,118	6,617	14	75	2,319	-	-	12,257
Net book value at 31 March 2007	257,292	13,158	62	613	4,539	9,264	1,025	285,840

Where valuations are not 'as at' the balance sheet date the council is not aware of any material change and therefore valuations have not been updated.

- **Depreciation**

All assets other than housing revenue account, freehold land and non-operational investment properties have been depreciated using the straight line method. An amount equivalent to the Major Repairs Allowance (MRA) has been used as the annual depreciation charge for housing revenue account assets. The MRA represents the estimated average annual cost of maintaining the condition of the housing stock over a 30 year period. It is considered that this constitutes a reasonable estimate of depreciation. Depreciation has not been provided for freehold land or for non-operational investment properties.

- **Intangible assets**

These represent the purchase of software and are charged to the revenue account on the basis of cost and estimated life (5 years).

- **Financing of capital expenditure**

Capital expenditure, including capital grants and de minimus expenditure, was financed from the following sources:

Financing source	£'000
Housing Major Repairs Reserve	3,000
Capital receipts	3,624
Government grant and contributions	1,476
Borrowing	5,712
Revenue contributions	5
	13,817

- **Commitments under capital contracts**

Capital commitments under capital contracts amounted to £79,000.

- **Leasing**

The council does not currently finance capital expenditure through credit arrangements. The council holds various assets, principally vehicles, under operating leases. No capital assets were acquired under operating leases during the year (2005/06 £nil). Lease payments for the year amounted to £25,450.

Undischarged options at 31 March 2007 amounted to £36,270.

	£'000
Amounts falling due within 1 year	6,800
Amounts falling due within 2-5 years	29,470
	36,270

2. Deferred charges

	Expenditure	Funded by grant	Written off In year	Balance at 1 April 2007
	£'000	£'000	£'000	£'000
Improvement grants	366	(196)	(170)	-
Capital grants to other organisations	404	(198)	(206)	-
	770	(394)	(376)	-

Deferred charges that represent revenue expenditure which qualifies as capital for controls purposes, such as improvement grants and non repayable grants to third parties, are written out of the balance sheet to service revenue accounts on the basis of benefit obtained by the service.

3. Investments

Balance at 31 March 2006	Investment	Balance at 31 March 2007
£'000		£'000
10,530	Capital receipts/revenue balances	10,530

The capital receipts at 31 March 2007 were invested in an externally managed investment fund. The market value of this investment at 31 March 2007 was £10.97 million (£11.02 million at 31 March 2006).

4. Long term debtors

This figure includes all debtors whose amounts fall due after one year or more.

Balance at 31 March 2006 £'000	Long term debtor	Balance at 31 March 2007 £'000
131	Mortgages – Sale of council houses	120
127	Housing associations	125
-	Lifetime grants	90
36	Employee car loans	40
24	Other	23
318		398

5. Stocks and stores

Balance at 31 March 2006 £'000	Stock	Balance at 31 March 2007 £'000
189	Depot stores	156
59	Other miscellaneous stores	70
248		226

6. Debtors

This balance includes amounts falling due within one year.

Balance at 31 March 2006 £'000	Debtor type	Balance at 31 March 2007 £'000
1,509	Government departments	608
3,319	Collection fund (council tax, business rates etc.)	3,023
424	Interest on investments	583
963	Housing rents	1,200
3,945	Sundry debtors	3,365
10,160		8,779
(2,140)	Less – provision for doubtful debts	(2,692)
8,020		6,087

7. Creditors

Balance at 31 March 2006 £'000	Creditor	Balance at 31 March 2007 £'000
636	Government departments	646
21	Interest on borrowing	32
182	Housing rents prepaid	271
1,273	Collection fund (council tax, business rates etc.)	1,167
3,937	Sundry creditors	3,323
6,049		5,439

8. Long term borrowing

The council has no money outstanding by way of long term borrowing at the end of the year.

9. Deferred credits

Balance at 31 March 2006 £'000		Balance at 31 March 2007 £'000
1,057	Contractors' contributions unapplied	999
188	Capital grants and contributions unapplied	110
1,245		1,109

10. Deferred capital receipts

Deferred capital receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on sales of council houses (£113,000), which form the main part of mortgages under long-term debtors. The balance (£7,000) relates to disposals of council houses under the 'Rent to Mortgage' scheme.

11. Analysis of net assets employed

Balance at 31 March 2006 £'000		Balance at 31 March 2007 £'000
26,491	General fund	25,648
266,886	Housing revenue account	257,292
(34,421)	Pension fund	(30,456)
258,956	Total net assets employed	252,484

12. Revenue Funds

	Balance at 31 March 2006 £'000	Contribution In year £'000	Used in year £'000	Balance at 31 March 2007 £'000
General fund	1,254	177	-	1,431
Housing revenue account	583	84	-	667
Collection fund	27	-	(130)	(103)
	1,864	233	(130)	1,997

The collection fund balance has been consolidated into the balance sheet in accordance with the revised code of practice.

13. Disclosure of net pensions asset/liability

Note 7 to the Income and Expenditure Account contains details of the Authority's participation in the Local Government Pensions Scheme (administered by Worcestershire County Council). The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

Worcestershire County Council Pension Fund			Redditch Borough Council	
£million 2005/06			£million 2006/07	
55.7	Market value of assets		59.6	
(90.1)	Liabilities		(90.1)	
(34.4)	Net liability		(30.5)	

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits.

The affect of including these assets and liabilities on the Balance Sheet net assets value is as shown below:

	£'000
Total net worth excluding Pension Fund assets and liabilities	282,877
Pension Fund Assets	59,680
Pension Fund Liabilities	(90,163)
Total net worth including Pension Fund assets and liabilities	252,394

The deficit on the scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuaries.

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 dependent upon assumptions about mortality rates, salary levels, etc.

The liabilities have been assessed by Mercer Human Resources Consulting Ltd, Liverpool L2 2QH, an independent firm of actuaries. The main assumptions used in their calculations are:

Worcestershire County Council Pension Fund		
Redditch Borough Council		
Actuarial assumptions		
	Beginning of year	End of year
Financial assumptions		
Rate of inflation	2.90%	3.1%
Rate of increase in salaries	4.40%	4.6%
Rate of increase in pensions	2.90%	3.1%
Rate for discounting scheme liabilities	4.90%	5.4%
Expected rate of return on assets		
Equities	7.00%	7.5%
Government Bonds	4.30%	4.7%
Other bonds	4.90%	5.4%
Property	6.00%	6.5%
Cash/liquidity	4.50%	5.25%
Split of assets between investment categories		
Equities	81.70%	90.3%
Government Bonds	12.40%	5.0%
Other bonds	4.40%	3.6%
Property	0.0%	0.0%
Cash/liquidity	1.50%	1.1%
Market value of total fund assets (£ millions)	1,154	1,245

The actuarial assumptions used in the calculation of the year end balance sheet liabilities are based on the 2004 actuarial valuation assumptions, other than the financial assumptions which are shown above.

The above expected returns are gross of expenses. A deduction of 0.36% in respect of expenses is made in calculating the expected return for the year.

**Worcestershire County Council Pension Fund
Redditch Borough Council
Disclosure items – 31 March 2007 year end**

BALANCE SHEET ITEMS AS AT 31 MARCH 2007

	£'000
Market value of assets	59,680
Liabilities	<u>(90,136)</u>
Surplus/ (Deficit)	<u>(30,456)</u>

MOVEMENT IN SURPLUS DURING 2006/07

Surplus/(deficit) at beginning of year	(34,421)
Current service cost	(2,375)
Employer contributions	2,615
Past service cost/ curtailment cost	0
Net interest/ return on assets	(968)
Actuarial gain or (loss)	<u>4,693</u>
Surplus/ (Deficit) at end of year	<u>(30,456)</u>

REVENUE ITEMS FOR 2006/07

Operating		
Current service costs	(2,375)	<i>18.7% of pensionable payroll</i>
Past service costs	0	<i>Due to change in Scheme benefits</i>
Curtailment cost	0	
Settlement gain	<u>0</u>	
Total cost	<u>(2,375)</u>	
Finance		
Expected return on assets	3,453	
Interest on pension liabilities	<u>(4,421)</u>	
Net gain/ cost	<u>(968)</u>	

STATEMENT OF ACTUARIAL GAINS AND (LOSSES)

Asset gain (loss)	132	(0.2% of assets)
Liability gain (loss)	0	(0.0% of liabilities)
Change in assumptions	<u>4,561</u>	(5.1% of liabilities)
Net gain/ (loss)	<u>4,693</u>	(5.2% of liabilities)

ASSET VALUES BY CATEGORY

	Assets at 31 March 2006		Assets at 31 March 2007	
	£'000	%	£'000	%
Equities	45,541	81.7%	53,892	90.3%
Government bonds	6,912	12.4%	2,984	5.0%
Other bonds	2,453	4.4%	2,148	3.6%
Property	0	0.0%	0	0.0%
Cash/liquidity	836	1.5%	656	1.1%
Other	<u>0</u>	0.0%	<u>0</u>	0.0%
Total	<u>55,742</u>		<u>59,680</u>	

14. Other information

- **Trust funds**

The council acts as sole trustee for four trust funds established to provide benefits to the needy from legacies left by individuals. All funds are invested in bank deposit accounts. The funds do not represent assets of the council and are not included in the consolidated balance sheet. The aggregated movement on the trusts is summarised below –

Balance at 1 April 2006 £	Expenditure in year £	Receipts in year £	Balance at 31 March 2007 £
8,100	-	22	8122

- **Self insurance provision**

The council operates a self insurance provision for third party claims up to £27,000. The movements are summarised below:

Balance at 1 April 2006 £'000	Contribution in year £'000	Claims paid in year £'000	Balance at 31 March 2007 £'000
270	162	(123)	309

15. Movement on the pensions reserve

	Pensions Reserve £'000
Actuarial gain in year	4,693
FRS17 adjustments to Income and Expenditure Account	(728)
Net movement in year	3,965
Balance brought forward at 1 April 2006	(34,421)
Balance at 31 March 2007	(30,456)

	2005/06		2006/07	
	£'000	%	£'000	%
Difference between expected and actual return on assets	1,631	2.9	n/a	
Gain on liabilities	(1,503)	1.7	0	0.0
Effect of changes in demographic and financial assumptions	(7,128)	7.9	4,561	5.1

16. Government grants deferred

	Government grants deferred £'000
Amounts credited to asset management revenue account in 2006/07	(124)
Government grants deferred in year	509
Movement on government grants deferred	385
Balance brought forward at 1 April 2006	692
Balance at 31 March 2007	1,077

Grants received towards the cost of closed circuit television equipment, recycling plant, updated information technology, revenues and benefit software and Dial a Ride vehicles are being used over the life of the assets to offset provisions made for depreciation.

17. Movements in specific reserves

	Balance at	Contribution	Used in	Balance at
--	------------	--------------	---------	------------

	1 April 2006 £'000	in year £'000	Year £'000	31 March 2007 £'000
Housing major repairs	-	3,530	(3,000)	530
Earmarked reserves:-				
Third party insurance	61	-	-	61
Community development	39	-	(5)	34
Car loan scheme	7	-	-	7
Heming Road Enterprise Centre	45	-	-	45
Environmental Health	2	1	-	3
Taxi licensing	10	17	(5)	22
Public donations	71	16	-	87
Trade waste	-	89	-	89
Mercury emissions	-	60	-	60
Capital expenditure (General fund)	261	72	-	333
Capital expenditure(HRA)	2,500	1,250	-	3,750
	2,996	1,505	(10)	4,491

The contribution to the major repairs reserve is an amount equivalent to the depreciation charge on housing revenue account (HRA) assets. The contribution is funded within the HRA by the Major Repairs Allowance (MRA) which forms part of the housing subsidy received from the government. Capital expenditure on housing properties is financed from the major repairs reserve.

18. Movements in realised capital resources

	Usable capital receipts £'000
Amounts receivable in year	(2,294)
Amounts applied to finance new capital investment	3,613
Total decrease in realised capital resources	1,319
Balance brought forward at 1 April 2006	(3,312)
Balance at 31 March 2007	(1,993)

A proportion of capital receipts from the sale of council owned assets may be used to finance new expenditure for capital purposes. The proportion that may be used is regulated by the Secretary of State and may be a value between 0% and 100% and may vary according to the source or nature of the receipts or the circumstances of the authority.

The council received £2.9 million of useable capital receipts from council house sales during the year. Regulations introduced in 2004/05 require receipts from house sales to be paid into a central pool. This requirement is being phased in over 4 years, and £1.6 million of capital receipts were paid into the pool in 2006/07.

A further £0.9 million was received from the sale of non housing assets.

£3.6 millions of usable capital receipts were used to finance capital expenditure during 2006/07.

19. Movement on fixed asset restatement account

Fixed asset restatement

	account £'000
Movements in unrealised value of fixed assets	
Gain on revaluation of fixed assets in 2006/07-Housing Revenue Account	(8,286)
Loss on revaluation of fixed assets in 2006/07-General Fund	(8,286)
Total increase in unrealised capital resources	(8,286)
Value of assets sold, disposed of or decommissioned	
Amounts written off balance sheet for disposals in 2006/07	(3,806)
Total movement on reserve in 2006/07	(12,092)
Balance brought forward at 1 April 2006	138,602
Balance at 31 March 2007	126,510

The system of capital accounting introduced in 1994/95 required the establishment of the fixed asset restatement account. The balance represents the difference between the valuation of assets under the previous system of capital accounting and subsequent revaluations, adjustments and disposals. The account is written down each year by the net book value of assets as they are disposed of and debited or credited with deficits or surpluses arising on revaluations.

During the year 40 council houses with a balance sheet value of £2.9 million were sold.

20. Movement in amounts set aside to finance capital investment

	Capital financing account £'000
Major repairs reserve applied	3,000
Usable capital receipts applied	3,613
Total capital receipts set aside	6,613
Capital expenditure financed from revenue	5
Reconciling amount for provision for loan repayment	(5,108)
Total revenue resources set aside	(5,103)
Increase in amounts set aside to finance capital investment	1,510
Balance brought forward at 1 April 2006	145,911
Balance at 31 March 2007	147,421

The capital financing account contains the amounts which were required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

Cash flow statement

2005/06 £'000	Note	£'000	2006/07 £'000
REVENUE ACTIVITIES			

	Cash outflows		
18,757	• Cash paid to and on behalf of employees	19,302	
10,752	• Other operating cash payments	10,443	
4,267	• Housing benefit paid out	5,004	
28,289	• Precept payments	29,596	
28,488	• Non domestic rates payments to national pool	29,150	
1,320	• Payments to the Housing Capital Receipts Pool	2,084	
3,823	• Negative subsidy transfer	4,462	
95,696			100,041
	Cash inflows		
(9,370)	• Rents	(9,335)	
(28,309)	• Council tax receipts	(29,463)	
(4)	• Community charge receipts	-	
(2,288)	• Non domestic rates payments from national pool	(5,111)	
(28,666)	• Non domestic rates receipts	(29,877)	
(3,107)	• Revenue support grant	(978)	
(17,093)	• DWP grants for rebates	(19,652)	
(2,054)	1 • Other government grants	(2,525)	
(6,374)	• Cash received for goods and services	(7,544)	
(97,265)			(104,485)
(1,569)	2 Net cash flow from revenue activities		(4,444)
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Cash outflows		
223	• Interest paid		498
	Cash inflows		
(833)	• Interest received		(540)
	CAPITAL ACTIVITIES		
	Cash outflows		
18,004	• Expenditure on fixed assets	14,167	
0	• Purchase of investments	200	
0	• Other capital cash payments	19	14,386
	Cash inflows		
(6,585)	• Sale of fixed assets	(3,945)	
0	• Sale of investments	0	
(2,265)	3 • Capital grants received	(2,017)	
(520)	• Other capital cash receipts	(101)	(6,063)
6,455	Net cash (inflow)/outflow before financing		3,837
	MANAGEMENT OF LIQUID RESOURCES		
-	4 • Net increase/decrease in short term deposits		
	FINANCING		
	Cash outflows		
85,800	5 • Repayments of amounts borrowed		141,840
	• New loans raised		
(92,325)	• New short term loans		(145,865)
(70)	6 (Increase)/decrease in cash		(188)

Notes to the cash flow statement

1. Government grants

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

Grant	£'000
-------	-------

Sure Start	751
Benefits administration	649
Local Authority Business Growth Incentive	416
Planning Delivery Grant	286
Waste minimisation	206
PSA Reward Grant	87
Homelessness	59
Safer Communities	41
Housing defects	13
Environmental health	12
Bus operators grant	5
	2,525

2. Reconciliation of surplus to net revenue cash flow

	£'000
Deficit for year (per Income and Expenditure Account on page 11)	2,143
<ul style="list-style-type: none"> • Contributions to HRA Major Repairs Reserve • Interest receivable • Interest payable • Non cash transactions • Contributions to other provisions and reserves 	(3,531) 699 (509) (2,172) 130
Changes in debtors, creditors and stocks:	
<ul style="list-style-type: none"> • Increase in debtors • Increase in creditors • Increase in stocks 	(1,198) 16 (22)
Net cash flow from revenue activities	(4,444)

3. Capital Grants

Grant	£'000
Sport England	49
Sure Start	164
Disabled Facilities	193
Heritage Lottery Fund	664
Department of Works and Pensions	400
Liveability Project	295
British Gas	179
Other	73
	2,017

4 Liquid resources

The liquid resources of the council are short term investments.

	1st April 2006 £'000	31 March 2007 £'000	Movement in year £'000
Short term investments	5,000	5,200	200

5 Repayments of amounts borrowed

The council has no outstanding long-term debt. The repayments are loans taken out on a short term basis as part of treasury management activities.

6 Increase/ decrease in cash

	1st April	31 March	Increase in
--	------------------	-----------------	--------------------

	2006 £'000	2007 £'000	year £'000
Cash in hand and at bank	(33)	(32)	1
Bank overdraft	458	269	(189)
	425	237	(188)

Statement of responsibilities for the statement of accounts

The authority'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 authority that officer is the Head of Financial Services (Chief Finance Officer);

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the Statement of Accounts.

The Chief Finance Officer’s responsibilities

The Chief Finance Officer is responsible for the preparation of the council’s statement of accounts in accordance with proper practices as set out in the CIPFA/ LASAAC *Code of Practice on Local Authority Accounting in Great Britain* (the SORP).

In preparing this statement of accounts, the Chief Finance Officer has:

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

The Chief Finance 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.

In accordance with the Accounts and Audit Regulations 10(2) I certify that the Statement of Accounts 2006/07 represents fairly the financial position of the Council at 31 March 2007 and its income and expenditure for the year.

.....**25 June 2007**
 Teresa Kristunas C.P.F.A.
 Head of Financial Services

Council Approval

In accordance with Regulation 10 (3) (b) of the Accounts and Audit Regulations 2003 I certify that the Statement of Accounts for 2006/07 were approved at Council on 25 June 2007.

.....**25 June 2007**
 D Hunt
 Mayor

Statement on Internal Control

1. Scope of Responsibility

Introduction

- 1.1. Redditch Borough 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. 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.

- 1.2. In discharging this overall responsibility, Redditch Borough Council is responsible for ensuring that there is a sound system of internal financial control which facilitates the effective exercise of Redditch Borough Council's functions and which includes arrangements for the management of risk.
- 1.3. The Code of Practice for Internal Audit in Local Government in the United Kingdom requires the Head of Internal Audit to report to the authority an opinion on the overall adequacy and effectiveness of the authority's internal control environment. The opinion of the Head of Internal Audit is included in this statement.

2. *The Purpose of the System on Internal Control*

- 2.1. The system of internal financial control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal financial control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Redditch Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.
- 2.2. The system of internal financial control is based on a framework of regular management information; financial regulations; administrative procedures, including the segregation of duties; management supervision; and a scheme of delegation and accountability. Development and maintenance of the system is undertaken by heads of service within the Council. In particular, the system includes:
 - Preparation of regular reports of actual expenditure and income against forecasts
 - Revised estimates process which allows unplanned changes to be reflected in the current year's budget
 - The maintenance of an internal audit service
 - Service planning
 - Maintenance of corporate and directorate risk registers
 - A system of commitment accounting, and
 - A register of authorised signatories
- 2.3. Redditch Borough Council has during the year ended 31 March 2007 continued to maintain a sound system of internal financial control. The system is constantly being reviewed and updated.

3. *The Internal Control Environment*

Policy Framework

- 3.1. Redditch Borough Council has a policy framework which is defined in its Constitution. The Policy Framework comprises a number of plans and strategies that are designed to be consistent with one another. Monitoring of performance against the plans and strategies takes place on a regular basis. The Policy Framework is subject to periodic review and update.
- 3.2. The Constitution also establishes the Executive as the elected body responsible for all of the local authority's functions which are not the responsibility of any other part of the local authority, by law or under the Council's Constitution. The Responsibilities for Functions section of the Constitution identifies the functions that the Council reserves to itself. These include the making, approving and adopting all policies, strategies and plans.

Scheme of Delegation

- 3.3. The Council and the Executive delegate the responsibility for specific activities of the authority to individual officers through its Scheme of Delegation to Officers. The Constitution further provides for the delegation to officers the responsibility for ensuring that the Council's policies, practices and procedures are carried out in a corporate, consistent and co-ordinated manner, with specific defined responsibilities assigned to the Borough Director and other Directors and Heads of Service. In addition appointments are made to the posts of the Head of the Paid Service, Monitoring Officer and Chief Finance Officer. Each of these officers has statutory responsibilities in relation to the governance of the authority.

Scrutiny by Members

- 3.4. The Council has established a number of Overview and Scrutiny Committees with the responsibility for reviewing and/or scrutinising the decisions made or actions taken in connection with the discharge of any of the Council's functions. They are also responsible for assisting the Council and the Executive in the review and development of its budget and policy framework.
- 3.5. The Council has also established a number of regulatory and other committees in order to discharge certain functions. These include an Audit Committee to promote proper internal financial control, properly focus audit resources and independently monitor audit performance.
- 3.6. A Member Development Programme has been devised to support the implementation of the Modernisation Process. This will assist Members in their expanding role and Portfolio Holders and members of overview and scrutiny committees.

Risk Management

- 3.7. The Council's Risk Management Strategy was approved in October 2003. The Council continues to develop and review its authority-wide Risk Register incorporating both corporate and service related risks. It also continues to work

on establishing a culture where risk management is embedded throughout the organisation.

Performance Management

- 3.8. Redditch Borough Council works within a Performance Management Framework. The Framework includes a process for regular reporting to both the Corporate Management Team and to members.

Financial Management

- 3.9. The Constitution sets out the framework for the financial management of the authority. Budgetary control is delegated to the Council's Directors who receive regular monitoring reports. The reporting arrangements to members are set out in the Council's Financial Regulations. The financial and accounting arrangements are under the supervision of the Borough Director. The framework for the financial management of the authority is subject to regular review and monitoring.

4. Review of Effectiveness

- 4.1. Redditch Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal financial control. The review is informed by the work of the internal auditors and the service managers within the authority who have responsibility for the development and maintenance of the internal financial control environment, and also by comments made by the external auditors and other review agencies and inspectors.

Internal Audit

- 4.2. The Council directly employs a team of auditors to provide an internal audit service. The Head of Internal Audit reports directly to the Borough Director. He also reports on a regular basis to members via the Council's Audit Committee.
- 4.3. Internal Audit prepare an Annual Audit Plan based on a risk profile of the Council's activities, areas identified for review by heads of services and which meets the `managed audit` requirements of external audit. The Plan is approved by the Borough Director and presented to the Audit Committee.
- 4.4. External audit expect the internal audit service to undertake an annual review of all key financial systems. The outcomes of the reviews are examined by the Council's external auditors prior to the commencement of the annual Final Accounts audit.
- 4.5. Internal audit report the outcomes of their routine work to the Audit Committee and review the implementation of their recommendations by service managers.

Internal Audit Reporting Arrangements

- 4.5. At the conclusion of each audit the Head of Internal Audit reports the outcomes of the audit to the responsible Head of Service and any other relevant officer. Following agreement on the content of the report and its recommendations the report is finalised. A responsible officer and an implementation timescale are agreed for each recommendation. The implementation of agreed action is then monitored by Internal Audit. The outcomes of audits undertaken are reported on a regular basis to the Audit Committee.

Review of Internal Financial Controls

- 4.6. On an annual basis all heads of service and other responsible officers are required to confirm in writing that the internal financial controls within their area of responsibility are in place and that their operation is monitored. This process is overseen by the Head of Internal Audit.
- 4.7. The Council's Internal Audit Section in its review of internal financial controls, compliance with Standing Order 46 and Financial Regulations, during 2006/07 financial year has not reported any major weaknesses in the Council's system of internal controls.
- 4.8. The Council's Financial Services Section has produced regular monitoring reports for budget holders during the year and the expenditure is within budget. In addition the officers (the Head of the Paid Service, the Monitoring Officer and the Chief Financial Officer) with statutory responsibilities to report improper practices and financial imprudence have no issues to report.
- 4.9. The work on embedding risk management continues. An analysis of risks is included in all services plans and Risk Registers are reviewed regularly by the Corporate and Directorate Management Teams.

CPA and other external inspections

- 4.10. In December 2004 the Council was assessed as 'fair' following the Audit Commission's inspection of the authority in the previous September. The Commission concluded that, based on current plans, the Council is likely to improve as it recognises it needs to change and is aware of the issues it needs to address. In response the Council drafted an Action Plan for improvement.
- 4.11. Last year the Council had to prepare a CPA Direction of Travel Statement. The Statement is intended to provide public assurance that councils are complying with their duty to secure continuous improvement. The 2005 Statement examines the progress made since the 2004 CPA inspection. The outcome of the Direction of Travel review is included in the Audit Commission Annual Audit and Inspection Letter 2005/06.
- 4.12. The Council was also subject to a CPA Use of Resources examination undertaken by KPMG on behalf of the Audit Commission. The Use of Resources judgement covers Financial Reporting; Financial Management; Financial Standing; Internal Control and Value for Money. The Council was

assessed to be 'performing well' in respect and Financial Reporting and to have an adequate level of performance against the remaining criteria.

5. Statement by the Head of Internal Audit

- 5.1. Part of the ongoing work of internal audit is to examine the overall adequacy and effectiveness of the internal control environment and to identify any weaknesses and to bring these to the attention of the senior management.
- 5.2. I can confirm that there are no significant internal control weaknesses arising from the review processes.

.....
Bob Haycock
Head of Internal Audit

.....
Chris Smith
Borough Director

.....
Phil Mould
Leader of the Council
Leader of the Council

Glossary

Accounting Period

The period of time covered by the accounts. This is the twelve months starting on 1 April 2006. The end of the accounting period is the balance sheet date.

Accounting policies

The policies and concepts used in the preparation of the accounts.

Accruals

Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

Audit of accounts

An examination by an independent accountant of the Council's financial affairs to check the relevant legal obligations and codes of practice have been followed.

Balance sheet

A summary of the Council's assets, liabilities and other reserves at the end of the Accounting Period.

Best value accounting code of practice

Standard definitions of services and total cost which enables spending comparisons to be made with other local authorities.

Budget

A statement defining the Council's policies over a period of time in terms of finance.

Capital charge

A charge to services to reflect the cost of fixed assets used in the provision of services.

Capital expenditure

Expenditure on the acquisition or construction of assets which have a value to the Council for more than a year e.g. vehicles, land and buildings.

Capital financing

The sources of money used to pay for capital expenditure. The sources include capital receipts, capital grants, contributions from revenue and reserves.

Capital receipts

Income from the sale of capital assets such as land and buildings.

CIPFA

The Chartered Institute of Public Finance and Accountancy – the professional body that defines the way the Council's accounts are prepared.

Collection Fund

A separate fund for recording the expenditure and income relating to council tax and non domestic rates.

Creditors

The amounts owed by the Council for goods and services provided for which payment has not been made by the end of the accounting period.

Current Asset

Something owned by the authority that has a monetary value that will be used by the end of the financial year.

Debtors

Amounts due to the Council but unpaid by the end of the accounting period.

Deferred charges

Capital expenditure for which no tangible fixed asset exists.

Depreciation

The fall in value of an asset due to wear and tear, age and obsolescence.

Fixed assets

A tangible asset which is intended to be used for several years such as a vehicle or a building.

Fixed asset restatement account

This account holds the balance of surpluses or deficits arising on the revaluation of fixed assets.

Housing Benefits

The national system for giving financial assistance to individuals towards certain housing costs.

Impairment

A reduction in the value of a fixed asset below its value in the balance sheet.

Liability

A liability is an amount owed by the Council to others.

Non Domestic Rates

The contribution collected from businesses towards the cost of local government services.

Operating lease

A lease where the ownership of the asset leased remains with the leasing company.

Precept

A charge made by the County Council, the Police and the Fire and Rescue Services for the cost of providing their services. The Council collects this from council taxpayers on their behalf.

Provisions

Money set aside to meet any liabilities or losses which are likely to occur, but the amounts and date on which they will arise is uncertain.

Reserves

Money set aside to meet the cost of specific future expenditure.

Revenue Contributions to Capital

Capital expenditure met from the annual revenue budget.

Revenue expenditure

The day to day expenditure associated with the provision of services.

Revenue Support Grant

A general grant paid by the Government in support of annual revenue expenditure.

Statement of Recommended Practice (SORP)

The code of practice used in the preparation of the accounting statements.

Temporary borrowing

Money borrowed for a period of less than one year.