



Annual Statement of Accounts

2003 - 2004



STATEMENT OF ACCOUNTS

2003/04

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EXPLANATORY FOREWORD

The statement of accounts presents the financial position and performance of the Council for the year to 31st March 2004. This foreword describes the nature and purpose of each of the statements which follow and the principal items of interest or note which are contained within the accounts.

THE FINANCIAL STATEMENTS

The Annual Statement of Accounts for the year ended 31st March 2004 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in Great Britain.

The Council's accounts for 2003/04 are set out on pages 13 to 48 and consist of the following:

Consolidated Revenue Account: brings together all the Council's income and expenditure in a single statement. This statement also shows how expenditure was funded, together with the year end balance on the General Fund.

Housing Revenue Account: reflects the statutory requirement to maintain a separate account for Council housing.

The Collection Fund: shows the business rate and council tax income collected on behalf of Staffordshire County Council, the Police Authority, and this Council's General Fund.

Consolidated Balance Sheet: sets out the overall financial position of the Council as at 31st March 2004.

Statement of Total Movements in Reserves: brings together all recognised gains and losses to the authority during the year identifying those which have and have not been recognised in the consolidated revenue account. The statement separates the movements between revenue and capital reserves.

Cash Flow Statement: complements the consolidated revenue account and balance sheet by disclosing the inflows and outflows of cash to and from the Council in the course of the year.

These accounting statements are supported by the Statement of Accounting Policies which follow this Foreword, and appropriate notes to the accounts.

FINANCIAL PERFORMANCE

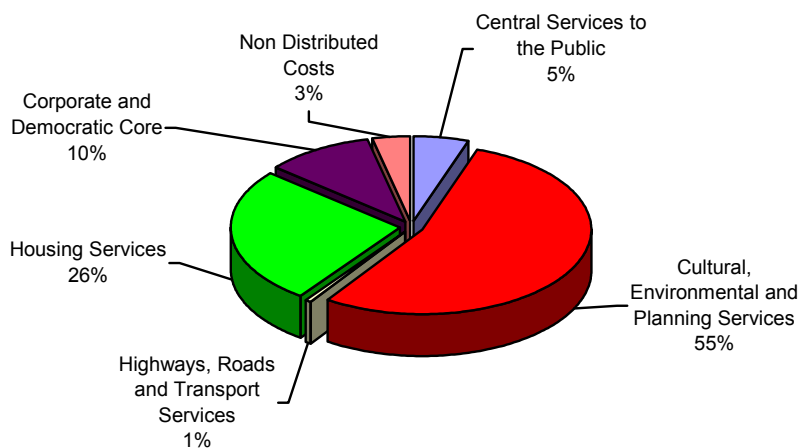
Overall Revenue Position

The consolidated revenue account on [page 13](#) shows a break-even position for the year. General fund balances of £503k (with the minimum approved level being £500k) brought forward from 2002/03 therefore remain unchanged.

The overall revenue financial position relating to council housing as given on [page 23](#) shows a deficit for the year of £249k. This equated to an overspend of £585k when compared to the approved budget for the year. This has resulted in a reduction in balances from £687k to £438k to be carried forward to 2004/05.

Services Provided

(Consolidated Revenue Account -
Cost of Continuing Operations £14.545 million)



The 2003/04 Budget

General Fund

The main components of the General Fund approved budget and how these compare with actual income and expenditure are set out below.

The net expenditure of the Council was £7.3 million, representing an underspend of £267k. Major differences between the budget and the outturn were as follows:

	£000
• Increase in Income	
• Increased charge to the Housing Revenue Account and Staffordshire County Council regarding use of General Fund facilities.	102
• Shortfalls in Income	
• Industrial Rents – higher level of voids than anticipated.	105
• Overspends	
• Bad debt provision regarding homelessness properties.	105
• Net overspend on rent allowances, rent rebates & recovery of overpayments due to significant amount of uncashed benefit cheques at year end reducing grant due and predicted caseload increase for pension credits being less than expected.	120
• Savings/ Underspends	
• Savings on general insurance premiums.	84
• Unused contingency and Best Value/ CPA budgets.	200
• Reduced salary costs (mainly due to vacancies) and consultancy expenses.	171

Tamworth Borough Council

A summary of the General Fund expenditure, compared to budget (including decisions made by Members during the financial year) is shown below:

	Actual Net Expenditure £	Budget £	Variance £
Corporate Management Costs			
Chief Executive	4,544	3,640	904
Solicitor	1,728	42,770	(41,042)
Corporate Services			
Corporate Director	(1,494)	(1,900)	406
Procurement	(6)	0	(6)
Internal Audit	76	110	(34)
Chief Finance Officer	553,573	568,280	(14,707)
Chief Information Officer	1,517	68,200	(66,683)
Democratic Services	573,586	574,890	(1,304)
Human Resources & Improvement	2,306	(1,410)	3,716
Mayoralty	83,943	83,679	264
Housing & Property Services			
Business Services	714,105	656,340	57,765
Property Services	322,138	136,400	185,738
Strategy	805,942	619,590	186,352
Community & Environment			
Corporate Director	419	32,270	(31,851)
Culture & Community	2,345,874	2,395,950	(50,076)
Environmental Management	4,029,633	4,063,980	(34,347)
Planning & Regeneration	1,370,843	1,446,350	(75,507)
Total Cost Of Services	10,808,727	10,689,139	119,588
Other Costs			
Interest Payable/ Receivable & Reversal Of Capital Charges Included Above	(2,236,516)	(2,230,700)	(5,816)
Other Corporate Costs	(1,267,253)	(886,169)	(381,084)
Subtotal	7,304,958	7,572,270	(267,312)
Transfer To/ (From) Specific Contingency Reserve	498,000	0	498,000
Transfer To/ (From) Balances	(18)	230,670	(230,688)
Total To Be Met By Government Grants & Taxpayers	7,802,940	7,802,940	0

(The above budget figures have been adjusted to reflect the year end adjustments required regarding FRS17, fixed asset revaluations and deferred charges. It should be noted that these adjustments do not affect the total to be met by government grants and taxpayers.)

Tamworth Borough Council

Council Housing

A summary of the Housing Revenue Account for 2003/04, compared with the approved budget (including decisions made by Members during the financial year) is shown below:

Council Housing Summary

Housing Revenue Account	Approved Budget £	Actual £	Variance £
Surplus for the Year added to HRA balances	335,630	(249,496)	(585,126)

The major overspends between approved budget and actual spend were as follows:

- Reduced subsidy due to a reduction in benefit activity and increase in debt management expenses £247k.
- Reduced rental income following an increase in house sales under the "Right to Buy" scheme £464k.
- Increase in debt management expenses £98k
- Increase in provision for bad debts £81k
- Increase in the overall costs of housing repairs £416k

Significant underspending against approved budget is detailed below:

- Reduced housing benefits claims £310k.
- An overall reduction in the net management costs £144k.
- Reduction in Item 8 costs £242k.

Capital Expenditure

During 2003/04 the Council spent £6.0 million on capital works. A breakdown by service and source of finance is shown as [notes 1.d.ii and 1.d.iii](#) to the consolidated balance sheet on page 35. The sources of finance are divided into external and internal sources. The internal sources are mainly reserves built up in previous years and capital receipts.

No major assets were acquired by the Council during 2003/04. All expenditure related to improvement, enhancement or ongoing construction works. The only significant disposals of assets during 2003/04 were right-to-buy sales on Council houses.

A total of £1.03 million spending originally planned for 2003/04, or earlier, has been deferred to 2004/05. Of this, £757k related to projects that have in whole been deferred until the new financial year (including Structural Works to Town Centre Blocks, Ankerside Car Park Structural Works, Amington Industrial Estate - Phase 1, Non-Highway Paved Assets Works, Dosthill Park Play Scheme and CRM Project). The remaining £273k is due to delays in completion of capital projects (including High Rise Lift Refurbishment and Riverside Estate Car Park Works).

Provisions, Reserves and Balances

The working balances at 31st March 2004 stand at £13.6 million and comprise provisions, earmarked reserves (including general capital reserve) and revenue balances. This includes the £1.03 million capital commitments from 2003/04 and previous years carried forward to 2004/05.

Tamworth Borough Council

Borrowing Facilities

The Council borrows funds where necessary to meet both long-term capital expenditure commitments and short-term cash flow demands. Funds are borrowed from the Government (Public Works Loan Board) and from the commercial money market (banks, building societies and other lenders). A summary of the Council's borrowing at 31st March 2004 is provided below while further information can be found in the notes to the consolidated balance sheet.

Borrowing Facilities

Fixed Rate Debt	£ million
Public Works Loan Board	17.4
Commercial Money Market	6.0
Variable Rate Debt	
Public Works Loan Board	0
	23.4

NEW ACCOUNTING STANDARDS

Accounting for pension costs has undergone substantial changes in order to comply with Financial Reporting Standard 17. A major change for 2003/04 is the full implementation and compliance with the standard requiring full recognition of the pensions liability (& the movement of its constituent parts) in the Consolidated Revenue Account and Balance Sheet of the Council. In addition, [note 19](#) to the balance sheet discloses details of pension fund performance in the year, in relation to the council, and the net liability relative to retirement benefits.

Further information about the Statement of Accounts is available from the Chief Finance Officer, Tamworth Borough Council, Marmion House, Lichfield Street, Tamworth, Staffs. B79 7BZ Tel : 01827 709252.
Email: john-wheatley@tamworth.gov.uk

This is part of the Council's policy of providing full information about the Council's affairs. In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press and on the Council's website at www.tamworth.gov.uk

Statement of Accounting Policies

1 General

The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2003: A Statement of Recommended Practice, which is recognised by statute as representing proper accounting practices.

2 Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. This includes assets acquired under finance leases which have been capitalised and included in the balance sheet on the basis of the outstanding obligation to make future rental payments.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors.

The assets were valued on the following basis:

- Properties regarded by the authority as operational are valued on the basis of open market value for the existing use. Where this cannot be assessed because there is no market for the asset, the valuation is at depreciated replacement cost.
- Fixture and Fittings are included in the valuation of the building.
- The assets included in Vehicle, Plant & Equipment refer to Information Systems, both hardware and software, and these are reflected in the balance sheet at historical cost net of depreciation.
- Infrastructure and community assets are included at historical cost.

Not all properties are inspected, as this is neither practicable nor considered by the valuer to be necessary for the purpose of the valuation. A de-minimus level of £10k is applied to all properties.

The value of all capital assets included in the Council's balance sheet, is assessed as part of the 5-Year Rolling Programme of revaluations undertaken by the Council's Property Surveyor.

3 Depreciation

All Fixed Assets to which depreciation is applied, except those defined as Council Dwellings, are depreciated on a straight line basis over the period of their useful economic life.

Council Dwellings depreciation is based upon an amount equal to the major repairs allowance, calculated in line with ODPM guidance. This represents an average repair cost multiplied by the number of dwellings.

Furniture and equipment owned by the council, excluding individual items of I.S. equipment valued over £5k is charged to revenue in the year of acquisition and is not capitalised in the accounts. A charge for depreciation is made for significant items of I. S. equipment, calculated using the straight- line method over a period of three years.

Depreciation, in the form of the capital element of finance leases is charged to the Revenue Accounts in cases where the asset was acquired by way of a finance lease.

4 Capital Charges

Revenue accounts are charged for the use of all fixed assets used in the delivery of services. Capital charges comprises an asset rent, reflecting the cost of capital tied up in the asset and a depreciation charge. In addition, revenue accounts may be charged with the cost of regular repair and maintenance (in order to protect the value of the asset).

The asset rents for 2003/04 equate to an interest charge, based on the net amount at which the fixed asset is included in the balance sheet at 31st March 2004. The rate of interest used is 3.5% (6% for 2002/03) for those fixed assets included at current value and 4.625% (6% for 2002/03) for infrastructure and community assets which are included in the balance sheet at historic cost. Capital charges made to the Housing Revenue Account are made in accordance with rules under Housing legislation and fully comply with the requirements of resource accounting. The rate of interest used for the Housing Revenue Account for 2003/04 is 3.5% (6% for 2002/03).

Amounts set aside from revenue for the repayment of external loans and to finance capital expenditure are disclosed separately as appropriations in the Consolidated Revenue Account, below net operating expenditure.

5 Government Grants and Other Contributions

Government grants and other contributions are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants and contributions, to the Grants Deferred Account.

6 The Redemption of Debt

Under the Local Government and Housing Act 1989, revenue accounts must be charged a minimum revenue provision for the repayment of outstanding debt. This is calculated as 4% of debt for General Fund services and 2% of debt for the Housing Revenue Account. The Council has complied by charging £153,867 and £555,470 respectively. Should depreciation not equal this amount, then a transfer to or from the Capital Financing Reserve is required for the difference. This is reflected in [note 5](#) to the Consolidated Revenue Account.

7 Reserves

Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources available for purposes such as general contingencies and cash flow management. Details are given in [Notes 13 and 14](#) to the Consolidated Balance Sheet on pages 40 and 41.

The Council's capital reserves, made up of Fixed Asset Restatement Reserve, Usable Capital Receipts Reserve and the Capital Financing Reserve, are not available for revenue purposes. The Fixed Asset Restatement Reserve and Capital Financing Reserve can be used for specific statutory purposes and are not therefore backed by cash at any point in time. The Usable Capital Receipts Reserve is available to part finance capital expenditure. Further details can be found in [Notes 9,10 and 12](#) to the Consolidated Balance Sheet on pages 38 and 39.

8 Debtors and Creditors

The Council operates an income and expenditure system for revenue transactions in accordance with the Code of Practice and FRS18; therefore sums due to the Council are credited in the year of account. Amounts payable by the Council for goods and services received up to 31st March are charged either on an actual or estimated basis.

9 Provisions

The Council sets aside provisions for specific future expenses, which are likely or certain to be incurred, but the amount of which cannot yet be determined accurately. The main provisions are described in [Note 8](#) to the Consolidated Balance Sheet on page 38.

10 Investments

Investments are shown in the Balance Sheet at a current valuation based on the market rates as at 31st March 2004. [Note 2](#) to the Balance Sheet also shows the original, nominal value (cost).

11 Capital Receipts

The Local Authorities (Capital Finance) Regulations 1998 prescribe that 75% of the receipt from the sale of council houses and 50% of the receipt from the sale of other HRA assets must be set aside for the repayment of loan debt. No set aside is required for the disposal of most non-HRA assets.

Those set aside amounts still prescribed are retained within the Capital Financing Reserve. The remainder may be used to finance other capital expenditure and in 2003/04 £1,511,534 has thus been used (see [note 12](#) to the Consolidated Balance Sheet on page 39 and the [Statement of Total Movements in Reserves](#) on page 45).

12 Interest

All interest earned is credited to the Consolidated Revenue Account via the General Fund. A proportion of this is credited to the Housing Revenue Account in accordance with the Local Government and Housing Act 1989.

13 Overheads

Support service overheads are charged or apportioned to their users on the following basis:

- Central staffing costs - Time spent on service
- Information and Communication System costs - Percentage use of system
- Administrative buildings - Floor space occupied

14 Stocks and Stores

Stocks and stores consist mainly of building and maintenance supplies held at the Stores unit for use by the Housing Maintenance Team. Goods received into stock and goods issued are valued at the latest buy-in price.

15 Leases

The treatment of the cost of leases is in accordance with best practice:

- Finance Leases - Rental payments are apportioned between the finance charge (interest) and the reduction in the outstanding obligation (principal) with the interest being charged to revenue over the term of the lease.
- Operating Leases - Rental payments are charged to revenue on a straight-line basis.

16 Pensions

The employees of the council may participate in the Local Government Pension Scheme administered by Staffordshire County Council, which provides defined benefits related to pay and service.

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The pension costs included in these accounts have been determined in accordance with government regulations. A major change for 2003/04 is the full implementation and compliance with the requirements of FRS17, Retirement Benefits. The standard requires the full recognition of the pensions liability (and the movement of its constituent parts) in the Consolidated Revenue Account. These new requirements are included within the accounts in accordance with CIPFA recommended practice. [Note 10](#) to the Consolidated Revenue Account on page 18 and [note 19](#) to the Consolidated Balance Sheet on pages 42 and 43 refer.

17 Pension Estimation Techniques

Staffordshire County Council, the Administering Authority to the Staffordshire County Council Pension Fund instructed Hymans Robertson, an independent firm of actuaries, to undertake pension expense calculations on behalf of Tamworth Borough Council as at 31st March 2004. The calculations have been carried out in accordance with Guidance Note : Accounting for Retirement Benefits under FRS17 issued by the Institute and the Faculty of Actuaries.

In order to assess the value of the Fund's liabilities as at 31 March 2004, the value of the Employer's liabilities reported as at the latest formal valuation has been rolled forward, allowing for the different financial assumptions required under FRS 17. In calculating the asset share, the assets allowing for investment returns (estimated where necessary), the effect of contributions paid into, and estimated benefits paid from, the Fund by the Employer and its employees have been rolled forward. The liabilities have also been adjusted for active members to take account of any change in the payroll of active members since 1 April 2003.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2004 without conducting a full valuation. The estimated liability will not reflect any differences in demographic experience from that assumed (e.g. ill-health early retirements), the impact of differences between changes in salary and pension increases and changes for specific individuals, and the effect of any changes in the age and length of service structure of the liabilities. In particular, it would not allow for the effect of transfers of liabilities effected since the formal valuation date (e.g. bulk transfers of past service).

A set of demographic assumptions have been adopted that are consistent with those used for the formal funding valuation as at 31 March 2001. As required under FRS17, the projected unit method of valuation has been used to calculate the service cost. The financial assumptions used for the purposes of the FRS17 calculations are detailed in [note 19](#) to the Consolidated Balance Sheet.

The inflation assumption has been derived by considering the difference in gross redemption yields of traditional and index-linked gilt-edged securities as at 31 March 2004. Salary increases are assumed to be 1.5% more than price increases, in line with the assumption used in the latest formal valuation of the Fund.

The accounts are prepared in accordance with CIPFA guidance. Therefore, the discount rate employed is the assumed long-term real rate of return on a portfolio of long-dated gilts, as determined by the Government Actuary's Department. The current real rate is 3.5% per annum.

The expected return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 31 March 2004 for the year to 31 March 2005).

FRS17 requires that the expected return on assets is to be set by the Employer having taken actuarial advice. The expected returns are detailed in [note 19](#) to the Consolidated Balance Sheet.

Full implementation of FRS17 was originally scheduled for accounting periods ending on or after 22 June 2003. The Accounting Standards Board has now delayed full implementation until accounting periods beginning on or after 1 January 2005 although earlier adoption is still encouraged. However, as the council follows CIPFA's guidance, it is required to adopt FRS17 in line with the original timetable. As a result, for the financial year ended 31 March 2004, the Council is required to disclose the FRS17 figures in the primary statements of its accounts.

18 Deferred Charges

Deferred Charges are payments of a capital nature where no fixed asset is created. They would be written down as the equivalent loan debt is repaid and would be valued in the Balance Sheet at the total debt outstanding.

The Council's accounts at 31st March 2004 include no figures relating to outstanding deferred charges.

Details of the movements in the deferred charges are given in [Note 18](#) to the Consolidated Balance Sheet on page 42.

19 Best Value Accounting Code of Practice (BVACOP)

BVACOP sets out "proper practice" with regard to consistent financial reporting in order to ensure that the requirement to obtain and demonstrate best value is met.

The statement of accounts have been prepared on this basis.

20 Post Balance Sheet Events

At the time of closing these accounts, there were no amendments requiring post balance sheet adjustment.

Tamworth Borough Council

**Consolidated Revenue Account
for the year ended 31st March 2004**

2002/03 Net Expenditure £'000		2003/04 Expenditure £'000	2003/04 Income £'000	2003/04 Net Expenditure £'000
	Cost of Services Continuing Operations			
869	Central Services to the Public	1,573	819	754
7,304	Cultural, Environmental and Planning Services	11,501	3,627	7,874
865	Highways, Roads and Transport Services	1,508	1,406	102
7,215	Housing Services	32,374	28,571	3,803
1,708	Corporate and Democratic Core	1,799	295	1,504
490	Non Distributed Costs	508	0	508
18,451	Total cost of continuing operations	49,263	34,718	14,545
462	Discontinued Operations Note 16	152	13	139
0	Exceptional Items Note 17	661	0	661
18,913	Net Cost of Services	50,076	34,731	15,345
	Corporate Income and Expenditure			
137	DSO Deficits/(Surpluses)			0
517	Deficit/(Surplus) from Trading		Note 1	(223)
(6,956)	Asset Management Revenue Account		Note 2,3&4	(2,444)
59	Pension Interest Cost & Expected Return on Pension Assets		Note 10	565
(777)	Interest and Investment Income		Note 3	(736)
11,893	Net Operating Expenditure			12,507
	Appropriations			
346	Transfer to/(from) Housing Revenue Account balances			(249)
193	Contributions to/(from) Earmarked Reserves			113
(698)	Contributions to/(from) Pensions Reserve		Note 10	(1,104)
92	Financing of Capital Expenditure			908
769	Minimum Revenue Provision		Note 5	709
(4,827)	Depreciation		Note 5 & 8	(4,661)
0	Government Grants Deferred			27
(619)	Deferred Charges			(446)
7,149	Amount to be met from Government Grants and Local Taxpayers			7,804
	Sources of Finance			
(2,219)	Collection Fund demand			(2,384)
(6)	Transfer from the Collection Fund			(8)
(1,824)	Revenue Support Grant			(2,809)
(3,100)	Contribution from National Non-Domestic Rate pool			(2,603)
0	Net General Fund (Surplus)/Deficit			0
(503)	Balance on General Fund at 1 st April			(503)
0	Deficit/(Surplus) for the year			0
(503)	Balance on General Fund at 31 March			(503)

The above figures are presented in accordance with Best Value Accounting Code of Practice. A full analysis of activities included within each heading under "Cost of Services" is shown as an [appendix to the consolidated revenue account on page 52](#).

Notes to the Consolidated Revenue Account

1 Trading Services

The Council operates a retail market, together with a number of industrial estates, and manages other land and property. The financial results of these were as follows:

2002/03 (Surplus)/ Deficit to General Fund £'000		2003/04 Income £'000	2003/04 Expenditure £'000	2003/04 (Surplus)/ Deficit to General Fund £'000
(15)	Market	296	288	(8)
334	Industrial Estates	823	939	116
226	Other Land & Property	1,400	1,120	(280)
(6)	Building Control	160	136	(24)
(22)	Assembly Rooms Bar	65	38	(27)
517		2,744	2,521	(223)

In accordance with note 3 of the Statement of Accounting Policies, the figures for 2003/04 include depreciation charges of £465k and £265k for "Industrial Estates" and "Other Land and Property" respectively.

2 Asset Management Revenue Account

This account compares the capital charges made in the year, with external interest payable. The transactions in the year were as follows:

2002/03 £'000		2003/04 £'000
(5,357)	Capital Charges - General Fund	(3,809)
(9,275)	- Housing Revenue Account	(5,542)
0	Government Grants Deferred	(27)
(14,632)		(9,378)
2,849	External interest payable (see note 3)	2,273
4,827	Provision for Depreciation	4,661
(6,956)	Balance to Consolidated Revenue Account	(2,444)

3 Interest and Investment Income

Interest receivable in the year totals £736,263 and includes accruals for interest receivable of £203,267.

Interest payable in the year totals £2,273,409 including accruals for interest payable of £509,846 and is netted off against the Asset Management Revenue Account (Note 2).

Tamworth Borough Council

4 Gains/Losses on Repurchase of Borrowing

Gains and losses on the repurchase of borrowing are recognised in the general fund's Asset Management Revenue Account and are accounted for in the year in which they are realised, in accordance with FRS4.

	2003/04 £
Saving on interest payable as a result of repurchase of borrowing	2,649,655
Less: Early Redemption Premium	958,578
Gain on Repurchase of Borrowing	1,691,077

Write Off of Premium on Repurchase of Borrowing

	2003/04 £
Premium write off to PCL (see Balance Sheet Note 15)	124,317
Premium write off to Housing Revenue Account *	834,261
	958,578

* Premium to be written off over the unexpired period of the loan (up to a maximum of 10 years) within the appropriate financial year as follows:

	£
2003/04	89,927
2004/05	135,076
2005/06	135,076
2006/07	135,076
2007/08	135,076
2008/09	114,786
2009/10	58,402
2010/11	25,718
2011/12	2,562
2012/13	2,562
	834,261

5 Minimum Revenue Provision (MRP)

Under the Local Government and Housing Act 1989, the Council must set aside an amount from revenue, the Minimum Revenue Provision (MRP), for the repayment of external debt. However, the Code of Practice requires that the provision for depreciation should be regarded as part of the MRP, with the difference being transferred to or from the Capital Financing Reserve (see [Note 10](#) to the Consolidated Balance Sheet):

2002/03 £'000		2003/04 £'000
161	General Fund Revenue Account - 4% of Credit Ceiling	166
670	Housing Revenue Account - 2% of Credit Ceiling	555
(62)	Less: MRP Commutation Adjustment	(12)
769		709
(4,827)	Less: Amount charged as Depreciation	(4,661)
(4,058)	Excess of Depreciation over MRP	(3,952)

6 Section 137 of the Local Government Act 1972 applied to Principal Authorities

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The expenditure is limited to £5.00 per head of population. The council was permitted to spend £373k under this power in 2003/04 (£369k in 2002/03) and its actual expenditure was £128,255 mainly on donations to voluntary bodies working in the local area (£120,288 in 2002/03).

Tamworth Borough Council

7 Leases

Operating and Finance lease rentals paid and outstanding were as follows:

2002/03 £		2003/04 £
31,735	Paid during year: Operating Leases - Vehicles and Equipment	32,028
302	Finance Leases - Vehicles and Equipment	302
32,037		32,330

2002/03 £		2003/04 £
23,442	Outstanding undischarged obligations : Operating Leases - Vehicles and Equipment	44,698
23,442		44,698

The Authority is committed to making payments of £44,698 under these leases, comprising the following elements:

	£
Leases expiring in 2006/07	41,791
Leases expiring in 2008/09	2,907
	44,698

8 Depreciation Charges

The Council charges depreciation on I.S. equipment and property identified in the Asset Register (see [note 1](#) to the consolidated balance sheet on page 32).

9 Agency Services

As at 31st March 2003 the Agency agreement between the Council and Staffordshire County Council (SCC) for the provision of Highways Maintenance was terminated, at which time these areas of works reverted to the responsibility of SCC.

Tamworth Borough Council

10 Pensions

The Council paid an employer's contribution into Staffordshire County Council's Superannuation Fund as follows:-

2002/03 £		2003/04 £
765,961	Employer's contribution paid by the Council	737,996
9.9%	Percentage of Employees' Pensionable Pay	10.4%

The Superannuation Fund, part of the Local Government Pension Scheme, provides members with defined benefits related to pay and service. [Note 19](#) to the Consolidated Balance Sheet at page 42, details further information regarding pension liabilities. Details of the Pension Fund Reserve can be found in the [Statement of Total Movement in Reserves](#) at page 45.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being 31st March 2001. Under Superannuation Regulations, contribution rates are now set to meet 100% of the overall liabilities of the Fund.

In addition, the Council is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases. These payments were as follows:

2002/03 £		2003/04 £
73,286	Pension payments relating to added years	72,518
0.95%	Percentage of Pensionable Pay	1.02%

The Council's estimated future costs related to discretionary increases in pension payments are as follows:

2002/03 £		2003/04 £
355,378	Agreements made in year	271,662
1,319,151	Agreements made in previous years	1,305,324

The funds actuary has advised that the pension costs that it would be necessary to provide for in the year according to UKGAAP are £1.828m, representing 25.8% of pensionable pay.

The cost of retirement benefits in the Net Cost of Services are recognised when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure.

Tamworth Borough Council

The following transactions have been made in the CRA during the year:

2002/03 £'000		2003/04 £'000
996	<i>Net Cost of Services:</i>	
0	Current Service Cost	877
	Past Service Costs	13
	<i>Net Operating Expenditure:</i>	
2,589	Interest Cost	2,630
(2,530)	Expected Return on Assets in the Scheme	(2,065)
416	Impact of Settlements & Curtailments	373
	<i>Amounts to be met from Government Grants and Local Taxation:</i>	
(698)	Movement on Pensions Reserve	(1,104)
	<i>Actual Amount Charged against Council Tax for Pensions in the year:</i>	
(773)	Employers Contributions Payable to the Scheme	(724)

Further information can be found in Staffordshire County Council's Superannuation Fund's Annual Report which is available upon request from the County Treasurer's Department, Eastgate Street, Stafford, ST16 2NF.

11 Building Control Trading Account

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the Building Control Function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaison 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 2003/04

	Chargeable £	Non Chargeable £	Total £
Expenditure			
Employees	50,805	28,706	79,511
Premises Related Expenses	0	0	0
Transport	3,389	1,907	5,296
Supplies and Services	26,133	4,703	30,836
Central Support Services	55,573	28,454	84,027
Total Expenditure	135,900	63,770	199,670
Income			
Building Regulation Fees	(158,999)	0	(158,999)
Miscellaneous Income	(601)	0	(601)
Total income	(159,600)	0	(159,600)
(Surplus)/Deficit	(23,700)	63,770	40,070

The Total Chargeable Income figure of £160k can be seen in [Note 1](#) for Trading Services below the Consolidated Revenue Account.

Tamworth Borough Council

12 Members Allowances

The total of Allowances paid to Members in the financial year amounted to £191,387. This is made up as follows:

2002/03 £		2003/04 £
110,583	Basic Allowance	128,952
55,899	Special Responsibility	62,435
166,482		191,387

13 Publicity

Section 5 of the Local Government Act 1986 requires the Council to keep a separate memorandum account of expenditure on publicity. In 2003/04 £230,390 was incurred for this purpose and is analysed below:

2002/03 £		2003/04 £
78,241	Recruitment Advertising	107,276
34,724	Other Advertising	61,624
21,036	Publicity and Promotions	61,490
134,001		230,390

14 Related Party Transactions

- **Members and Chief Officers.**

During the financial year ended 31st March 2004, there were no material transactions between the borough council and its members and chief officers, other than the payment of officer salaries etc. and member allowances. Further details are disclosed in [notes 12](#) and [18](#).

- **Central Government.**

Details of transactions with central government are given throughout the Statement of Accounts, the more material items include the following income received from various government agencies;

	£'000
Revenue Support Grant	2,809
Benefit Grant	7,114
Housing Subsidy	5,603
Single Regeneration Budget	348

- **Staffordshire County Council and Police Authority Precepts.**

Staffordshire County Council and Police Authority issue precepts on the council.

	£'000
Staffordshire County Council	18,283
Staffordshire Police Authority	2,830

- **Staffordshire County Council.**

The County Council administers and issues Supporting People Grant to local authorities in the Staffordshire area. Tamworth Borough Council received £238k during 2003/04.

The County Council is also the administering authority for the Pension Fund and details of the employer's contributions paid by this council are detailed in [note 10](#).

15 Local Authority (Goods and Services) Act 1970

Section 1 of the Local Authority (Goods and Services) Act authorises local authorities to supply goods and services to other public bodies. There is no significant income or expenditure relating to these activities included in these accounts.

16 Acquired /Discontinued Operations

There were no acquired operations for the Council in 2003/04, but the Council decided, during the year to 31st March 2004, to:

- Transfer the use of both Belgrave and Glascote community centres to the County Council in conjunction with the Sure Start Scheme.
- Close and demolish Righton House and transfer land to a registered social landlord for the building of general needs accommodation on the site.

As at 31st March 2003 the Agency agreement between the Council and Staffordshire County Council (SCC) for the provision of Highways Maintenance was terminated, at which time these areas of works reverted to the responsibility of SCC. Outstanding claims in the sum of £250k are reflected in Debtors and detailed in [note 4](#) to the Consolidated Balance Sheet on page 37.

There are no other significant outstanding liabilities in respect of the discontinued operations.

17 Exceptional Items

There were no prior year adjustments recorded in the accounts in 2003/04.

However, during 2002/03 a two-phase council-wide staffing restructure took place. A reorganisation of the senior management structure of the Council (Phase 1) was followed by a detailed restructuring of how front line & support services are delivered to Customers (Phase 2). A number of redundancies resulted, totalling £317k in 2003/04, the cost of which is reflected within the accounts.

Also in 2003/4 internal control processes highlighted a significant matter in relation to Housing Maintenance stock, namely a material discrepancy between the value of stock purchased and that held, amounting to £344k. The matter has been investigated and a further review carried out by Internal Audit. We are assured that appropriate action has been taken by management to rectify the identified areas for improvement in internal control.

Tamworth Borough Council

18 Officer's Emoluments

The number of employees whose remuneration, including termination payments but excluding pension contributions, was £50,000 or more were:

Remuneration Band	2002/03	2003/04	
	Number of Employees	Number of Employees	Left during Year
£50,000 - £59,999	6	4	1
£60,000 - £69,999	2	4	1
£70,000 & Above	1	1	0

19 Audit Costs

Tamworth Borough Council incurred the following fees relating to external audit and inspection work undertaken by the appointed auditor:

	2003/04 £000	2002/03 £000
Fees payable with regard to external audit services carried out:	80	79
Fees payable in respect of statutory inspection:	16	15
Fees payable for the certification of grant claims and returns:	19	15
Fees payable in respect of other services provided:	0	5
	115	114

The fees for other services payable in 2002/03 related to works undertaken on the verification framework review.

20 Prior Year Adjustments

- FRS 17

With effect from 2003/04 FRS17 requires local authorities to show current service costs in respect of pension contributions in the Consolidated Revenue Account rather than actual contributions made. To ensure consistency, the 2002/03 comparatives have been adjusted to reflect this new requirement.

Any entries made in respect of FRS17 are reversed out (with a contribution from the Pensions Reserve) to ensure that there is no impact on council tax or housing rent.

Tamworth Borough Council

Housing Revenue Account

The Housing Revenue Account deals with the provision of Council houses and flats. There is a statutory obligation to keep this account separate, as defined in Schedule 4 of the Local Government and Housing Act 1989.

2002/03 £	Note	2003/04 £
	Gross Income	
12,879,923	Dwelling Rents <u>1</u>	12,364,578
318,162	Non-dwelling Rents <u>1</u>	358,752
1,687,702	Charges for Services and Facilities <u>2</u>	1,748,256
0	Contribution Towards Expenditure	238,051
67,093	Housing Benefit Transfers	57,437
6,405,260	Subsidy Receivable <u>3/3a</u>	5,602,597
21,358,140	Total Gross Income	20,369,671
	Gross Expenditure	
3,917,990	Repairs and Maintenance <u>4</u>	3,856,509
	Supervision and Management	
3,028,443	- General	3,050,205
1,263,426	- Special Services	1,330,717
22,201	Rents/Rates/Taxes and other charges	38,264
7,287,056	Rent Rebates	6,812,636
83,948	Provision for Bad or Doubtful Debts <u>5</u>	212,749
9,220,160	Cost of Capital Charge <u>6</u>	5,482,600
2,823,300	Depreciation <u>7</u>	2,786,801
168,749	Debt Management Costs	262,815
27,815,273	Total Gross Expenditure	23,833,296
	Net Cost of Services	
6,457,133	Transfer to/(from) AMRA <u>8</u>	3,463,625
(6,757,165)	Transfer to/(from) General Fund <u>9</u>	(3,548,904)
(123,550)	Investment Income	(123,550)
(107,076)		(107,556)
(530,658)	Net Operating Expenditure	(316,385)
669,975	Minimum Revenue Provision	555,470
(365,438)	Transfer to/(from) Reserves and Provisions	115,295
(64,306)	Contribution from Pensions Reserve	(48,213)
0	Revenue Contribution to Capital Outlay	2,800
(55,120)	Transfer to/(from) Major Repairs Reserve <u>10</u>	(59,471)
(345,547)	(Surplus) / Deficit for Year	249,496
(341,556)	Balance Brought Forward	(687,103)
(687,103)	Balance at 31st March	(437,607)

Notes to the Housing Revenue Account

1a. Housing Stock

The Council is responsible for managing a housing stock, made up as follows:

2002/03		2003/04
3,334	Houses / Bungalows	3,125
797	High/Medium Rise Flats	789
1,000	Low Rise Flats	978
5,131		4,892
2002/03		2003/04
5,356	Stock at 1 April	5,131
(225)	Less: Sales / Demolitions	(239)
5,131	Stock at 31 March	4,892

1b. Fixed Assets

2002/03 £'000		2003/04 £'000
Operational Assets		
0	Land	0
152,569	Council Dwellings	160,616
1,129	Other Property	1,122
153,698	Net Book Value	161,738

In order to comply with the requirements of Resource Accounting, garages are now identified within other property. Non-operational assets are those held by an authority but not directly occupied or used in the delivery of its services. There are no non-operational assets held by the Housing Revenue Account.

1c. Vacant Possession Value

The Vacant Possession Valuation as at 1st April 2004 is £288.9 million.

However, assets are valued on the balance sheet at their existing use reflecting the valuation of a property if it were to be disposed with sitting tenants enjoying sub-market rents. This reflects the economic cost to the Government of providing council housing at less than open market value.

1d. Gross Rent Income

The total rent income due for the year is £12.7 million after allowance is made for voids. At the end of 2003/04, 1.5% of the total stock was void, which is identical to 1.5% at the end of 2002/03. Rents were increased by 4.0% during 2003/04 and the average rent for all dwellings was £48.89 per week.

2. Charges for Services and Facilities

Charges for Services and Facilities includes payments for services falling outside the HRA ring fence, but which are provided by HRA resources, e.g. Homelessness, Housing Advice to Private Tenants, and are chargeable to other funds of the council.

3. HRA Subsidy

HRA subsidy is paid to meet any shortfall between expenditure and income based on central governments assumptions about the authority's need to spend and the income it can reasonably be expected to receive. The amount of Housing Revenue Account Subsidy payable is calculated as follows:

2002/03 £		2003/04 £
4,330,739	Allowance for Management and Maintenance	4,517,790
2,768,179	Major repairs allowance	2,727,330
3,677,846	Charges for capital	3,448,974
0	Other items of reckonable expenditure	0
(11,630,308)	Guideline rent income	(11,922,100)
(19,780)	Interest receivable	(16,480)
(873,324)	Housing Element Entitlement	(1,244,486)
7,268,929	Rent rebates	6,831,530
6,395,605	Housing Subsidy Entitlement	5,587,044
9,655	Adjustment re prior year (see note 3a)	15,553
6,405,260	Housing Subsidy Receivable	5,602,597

3a. Prior Year Adjustments

After the close of the 2002/03 accounts, final figures for DWP and ODPM subsidy were calculated confirming an increase of £15,553. This increase was not actioned in the 2002/03 accounts although the amount was disclosed. The increase however has been reflected in this years subsidy receivable figure.

Tamworth Borough Council

4. Housing Repairs Account

Day-to-day repair and maintenance costs take up approximately 16% of the expenditure of the Housing Revenue Account. The Repairs costs are now recorded directly in the Housing Revenue Account.

31/03/2003 £		Contribution From HRA £	Expenditure £	31/03/2004 £
83,162	Housing Repairs Account	0	83,162	0

5. Provision for Bad and Doubtful Debts

2002/03 £	Rent Arrears	2003/04 £
606,995	Gross Rent Arrears at 31 st March	850,167

2002/03 £	Provision for Bad Debts:	Contribution in Year £	Written Off In Year £	2003/04 £
394,736	HRA Rent Arrears	222,260	64,675	552,321
567,101	HRA Sundry Debtors	(9,511)	84,106	473,484
961,837		212,749	148,781	1,025,805

Approximately 36% of rent arrears refer to former tenants.

6. Cost of Capital Charge

Capital charges comprises an asset rent, reflecting the cost of capital tied up in the asset. The asset rent for 2003/04 of £5,482,600 equates to an interest charge, based on the net amount at which the fixed asset is included in the balance sheet at 31st March 2004. The rate of interest used is 3.5%.

7. Depreciation

The charge for depreciation has been calculated in accordance with proper accounting practices, as set out in the CIPFA Code of Practice. The depreciation charged for council dwellings of £2,727,330 equates to the Major Repairs Allowance as determined by the ODPM. The charge for depreciation of £59,471 on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

8. Transfer to AMRA

The Asset Management Revenue Account is a key part of the structure for accounting for capital assets. It is credited with the following notional capital charges included in the HRA net cost of services:

- A 3.5% interest charge based on the value of each asset as shown in the balance sheet
- Provision for depreciation charges detailed in note 7
- Impairment costs, where an asset has deteriorated, effectively lowering its balance sheet value
- Deferred charges, payments of a capital nature where no fixed asset is created in the balance sheet

The sum of all the notional capital charges made to the revenue account is then reversed out in AMRA and replaced by the actual external interest charges and actual charge for depreciation.

2002/03 £		2003/04 £
(9,220,160)	Cost of Capital	(5,482,600)
(2,823,300)	Provision for Depreciation	(2,786,801)
2,462,995	"Item 8" charge for interest (prescribed by LGHA 1989)	1,933,696
2,823,300	Depreciation charged	2,786,801
(6,757,165)		3,548,904

9. Interest on Balances

Interest is calculated using the average notional cash balance of the Housing Revenue Account and the Major Repairs Reserve. Interest earned on Housing Capital Receipts is credited to the General Fund.

10. Major Repairs Reserve

The Major repairs allowance represents the long-term average amount of capital spending required to maintain the stock in its current condition. The amount of MRA received is determined by the subsidy calculations and paid into the Housing Revenue Account. An amount of depreciation equal to the MRA is then transferred to the Major Repairs Reserve to finance capital spending.

Depreciation on council dwellings of £2,727,330 and non council dwellings (e.g. garages) of £59,471 is included in the net cost of HRA services.

Dwelling depreciation is directly funded within the HRA by the major repairs allowance. Non dwelling depreciation is not directly funded and to prevent the charge impacting on net HRA expenditure and therefore future rent levels, an appropriation is made from the major repairs reserve.

31/03/2003 £		Contribution From HRA £	Transferred to HRA £	Capital Expenditure £	31/03/2004 £
2,104,670	Major Repairs Reserve	2,786,801	59,471	2,885,000	1,947,000

The capital expenditure shown was spent in total on maintaining council dwellings.

11. Capital Expenditure

The following table details how £4.5 million capital expenditure was financed during the year.

	Total Expenditure	Basic Credit Approval	Capital Receipts	Capital Reserve	Major Repairs Allowance
	£	£	£	£	£
Dwellings	4,097,199	421,227	790,972	0	2,885,000
Non Dwellings	447,945	0	447,945	0	0
	4,545,144	421,227	1,238,917	0	2,885,000

12. Capital Receipts

During the year capital receipts totalling £10.3 million were received in respect of dwellings sold, of which £7.7 million was set aside to repay debts. No other capital receipts were received by the Housing Revenue Account.

13. Exceptional Items

During 2002/03 and 2003/04 a two-phase council-wide staffing restructure took place. A reorganisation of the senior management structure of the Council (Phase 1) was followed by a detailed restructuring of how front line & support services are delivered to Customers (Phase 2). A number of redundancies resulted, the cost £130,888 is reflected within the accounts for 2003/04.

In 2003/4 internal control processes highlighted a significant matter in relation to Housing Maintenance stock, namely a material discrepancy between the value of stock purchased and that held, amounting to £344,238. The matter has been investigated and a further review carried out by Internal Audit and we are assured that appropriate action has been taken by management to rectify the identified areas for improvement in internal control.

Tamworth Borough Council

The Collection Fund Income and Expenditure Account

2002/03 £'000		2003/04 £'000	2003/04 £'000
	Income		
17,641	Council Tax	20,603	
2,684	Transfer from General Fund - Council Tax Benefits	3,143	23,746
	Contributions		
21,632	Business Ratepayers		21,812
41,957	Total Income		45,558
	Expenditure		
	Precepts and Demands:		
15,829	Staffordshire County Council	18,283	
2,247	Staffordshire Police Authority	2,830	
2,219	Tamworth Borough Council	2,384	23,497
	Business Rate		
21,434	Payment to National Pool	21,609	
96	Costs of Collection	95	21,704
	Provision for Bad and Doubtful Debts		
1,049	Provision	443	
(910)	Write Off	(266)	177
	Contributions to General Fund in respect of Council Tax and residual Community Charge		8
41,970	Total Expenditure		45,386
13	(Surplus)/ Deficit for Year		(172)
(116)	Balance Brought Forward		(103)
(103)	Balance as at 31st March		(275)

Tamworth Borough Council

Notes to the Collection Fund Account

1. Non Domestic Rates

The rateable value of Non Domestic properties in the Borough as at 31st March 2004 was £54,806,017 (£55.138 million at 31st March 2003).

The NNDR multiplier for 2003/04 was 44.4p in the pound (2002/03 43.7p).

2. Council Tax

The Council base was as follows:

2002/03	[-----2003/04-----]			2002/03
No. of Band "D" Equivalent Properties	Band	No. of Chargeable Properties	Ratio	No. of Band "D" Equivalent Properties
5,286	A	7,827	6/9	5,218
7,576	B	9,909	7/9	7,707
4,085	C	4,592	8/9	4,082
3,146	D	3,151	1	3,151
1,762	E	1,478	11/9	1,806
537	F	371	13/9	536
144	G	85	15/9	142
0	H	1	18/9	1
22,536				22,643
98.5%	Multiplied by Anticipated collection			98.5%
22,198	Equals Council Tax Base			22,303

Tamworth Borough Council

Consolidated Balance Sheet

This summarises the financial position of the Council at 31st March 2004, providing a snapshot of the assets and liabilities on that date.

31st March 2003 £'000	Note	31st March 2004 £'000	31st March 2004 £'000
Fixed Assets			
Operational Assets:			
152,569	Council Dwellings	1	155,588
55,952	Other Land and Buildings	1	54,809
766	Infrastructure	1	735
71	Vehicles, Plant, Equipment	1	55
1,006	Community Assets	1	1,002
210,364	Total Fixed Assets		212,189
49	Long-term Investments	2	48
602	Long Term Debtors	3	1,102
211,015	Total Long-term Assets		213,339
Current Assets			
144	Stocks & Work-in-Progress		162
6,442	Debtors	4	4,049
13,742	Investments	5	16,803
7	Cash		9
20,335		21,023	
Less Current Liabilities			
(5,039)	Creditors	6	(5,619)
(1,180)	Bank Overdraft		(226)
(6,219)		(5,845)	
14,116	Net Current Assets		15,178
225,131	Total Assets less Current Liabilities		228,517
(30,840)	Long-term Borrowing	7	(23,442)
(124)	Provisions	8	0
(14,150)	Liability related to Defined Benefit Pension Scheme		(9,904)
180,017	Total Assets less Liabilities		195,171
Financed By			
121,305	Fixed Asset Restatement Reserve	9	122,233
59,308	Capital Financing Reserve	10	67,886
171	Deferred Credits	11	148
3,046	Usable Capital Receipts Reserve	12	4,276
(14,150)	Pensions Reserve		(9,904)
1,117	Government Grants-deferred Account		1,199
5,822	Earmarked Reserves	13	5,935
2,105	Major Repairs Reserve	13	1,947
0	Unapplied Capital Contributions		235
1,293	Revenue Balances	14	1,216
180,017			195,171

Notes to the Consolidated Balance Sheet

1 Fixed Assets

a) Movement in Values

	Council Dwellings	Other Land & Buildings	Infra-Structure	Vehicles, Plant & Equipment	Community Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 31st March 2003	157,358	59,429	920	1,713	1,019	220,439
Less Accumulated Depreciation/ Impairment	(4,789)	(3,477)	(154)	(1,642)	(13)	(10,075)
Net Book Value of Fixed Assets at 31st March 2003	152,569	55,952	766	71	1,006	210,364
Additions / New Assets	0	0	0	80	0	80
Disposals of Assets	(7,837)	(194)	0	0	0	(8,031)
Revaluation of Assets	13,545	892	0	0	0	14,437
Reclassification	42	(42)	0	0	0	0
Depreciation for Year	(2,731)	(1,799)	(31)	(96)	(4)	(4,661)
Net Book Value as at 31st March 2004	155,588	54,809	735	55	1,002	212,189

All the Council's fixed assets are owned by the General Fund, with the exception of Council Dwellings which are owned by the Housing Revenue Account. Where General Fund Assets are employed by the other funds e.g. HRA (Marmion House) a rental figure is charged.

Fixed assets have been valued as at 31st March 2004 by the *Councils Property Surveyor, P Evans MRICS, IRRV.*

The council operates a five-year rolling programme of revaluation, Approximately 1/5 of the fixed asset portfolio and all assets where any significant change might affect the total are re-valued each year.

The valuation bases are as below:

- Properties regarded as operational by the authority were valued on the basis of open market value for existing use, or, where this could not be assessed the depreciated replacement cost
- Fixtures and Fittings are included in the valuation of the buildings
- Properties regarded as non operational by the authority were valued on the basis of open market value

Tamworth Borough Council

b) Commitments

Significant commitments under capital contracts entered into during the year include the following:

	£'000
General Fund	
CRM Project (Phase 1)	80
Sandy Way Depot – Golf Netting	9
Non-Highway Paved Assets – Bridges, Essential & Capital Works	89
Structural Works to Ankerside Car Park	156
Riverside Car Park Works	77
Demolition of Phase 1 Amington Industrial Estate	100
Feasibility Study – Arts Provision	30
Peaks Leisure Centre – Sauna/ Steam Room	18
Play Equipment – Sure Start	21
Dosthill Park Play Scheme	114
Housing	
Structural Works to Town Centre High Rise Blocks	160
Upgrade of Electrical Wiring	16
High Rise Lift Refurbishment	106
Refurbishment Sheltered Schemes	13
	989

Tamworth Borough Council

c) Fixed Asset Analysis

Numbers of major fixed assets owned and/or operated by the Council at 31st March 2004 were as follows:

Council Dwellings	
Council Dwellings and Separately Rented Garages	6,837
Area Rent Offices	2
Homelink Control Centre	1
Operational Buildings	
Town Hall and Marmion House	2
Tourist Information Centre	1
Public Halls	10
Depot	1
Car Parks (No. of Spaces)	1,781
Leisure Centres and Pools	1
Anker Valley Changing Rooms	1
Media Centres	1
Assembly Rooms and Carnegie Centre	2
Community Services Building (Philip Dix Centre)	1
Ankerside Shopping Centre	1
Retail Shops	65
Industrial Properties (No. of Units)	101
Land Awaiting Development (hectares)	8.7
Community Assets	
Parks and Recreation Grounds (hectares)	159
Cemeteries	4
Castle Museum	1
Infrastructure Assets	
CCTV Cameras	70

d) Capital Expenditure

i) General

Local Authorities' capital expenditure is governed by the Local Government and Housing Act 1989 and subsequent capital regulations. These regulations define capital expenditure as expenditure incurred on the acquisition of land and buildings, and improvements to buildings and plant which enhances the useful life of these assets. It also includes expenditure incurred on the acquisition of plant and equipment, and grants and advances to outside bodies or persons for improvement purposes.

The amount which can be borrowed each year to finance capital expenditure is controlled by Credit Approvals issued by Central Government. These can be supplemented by specific proportions of Capital Receipts and by revenue contributions.

Tamworth Borough Council

ii) Analysis of Expenditure by Service

31/03/2003 £'000	Service	31/03/2004 £'000
3,276	Housing Development and Improvement	4,745
292	Private Housing Grants	236
466	Environmental and Highway Services	56
90	Leisure and Recreation Facilities	245
197	Glascote Heath Regeneration	159
596	Agency Expenditure	0
188	CCTV	0
57	Computer Systems/ Equipment	390
70	Miscellaneous Services	88
119	Community Safety	67
169	E Government	18
5,520		6,004

iii) Analysis of Expenditure by Source of Finance

31/03/2003 £'000	External Sources	%	31/03/2004 £'000
680	Borrowing	8%	489
525	Capital Grants	2%	141
197	SRB Funding	1%	69
596	Agency Funding	0%	0
	Internal Sources		
103	Revenue	2%	96
1,979	Reserves	62%	3,697
1,440	Capital Receipts	25%	1,512
5,520		100%	6,004

Tamworth Borough Council

iv) Assets held under Finance Leases

The gross amount of assets that are held under finance leases together with the related accumulated depreciation for each category of assets are as follows:

		£
Vehicles	Original Value	9,467
	Written Down Value	0
	Depreciation to Date	9,467
Land and Buildings	Original Value	540,458
	Written Down Value	0
	Depreciation to Date	540,458

Depreciation in the form of the capital element of finance leases is charged to revenue on the face of the consolidated revenue account and reflected within deferred liabilities & capital financing reserve on the consolidated balance sheet.

2 Long-term Investments

These are investments which are intended to be held for use on a continuing basis in the activities of the Authority, or where there are restrictions as to the Council's ability to dispose of the investment. They are no longer analysed between General Fund and Housing, but are aggregated as Authority assets.

Value at 31/03/2003 £		Original Cost £	Value at 31/03/2004 £
23,521	4.0% Consolidated Stock	28,434	22,733
300	2.5% Consolidated Stock	569	301
24,926	3.5% War Stock	32,689	24,589
515	3.5% Conversion Stock	650	498
49,262		62,342	48,121

3 Long Term Debtors

These are debts that fall due after a period of at least one year.

31/03/2003 £'000		31/03/2004 £'000
204	Mortgages	165
337	Car Loans/Lease Repayments	277
61	Debt Rescheduling Premiums	660
602		1,102

Tamworth Borough Council

4 Debtors

An analysis of debtors that fall due within one year is shown below:

31/03/2003 £'000		31/03/2004 £'000
1,170	Government Departments	341
900	Other Local Authorities	253
1,529	Business Ratepayers	1,340
1,459	Council Taxpayers	1,437
939	Housing Rents	1,146
1,759	Accruals	898
1,497	Other	1,519
9,253		6,934
2,811	Less : Provision for Bad Debts	2,885
6,442		4,049

5 Investments

The Council invests its day to day cash flow balances in order to generate income by earning interest.

Under the Local Authorities (Capital Finance)(Approved Investments) Regulations 1990, the Council's investments are held as temporary deposits of 364 days or less, since the Council is not debt free.

6 Creditors

31/03/2003 £'000		31/03/2004 £'000
65	Government Departments	202
625	Business Ratepayers	1,141
264	Council Taxpayers	99
139	Housing Rents	280
89	Creditors for Goods and Services	118
3,857	Accruals	3,779
5,039		5,619

Tamworth Borough Council

7 Long Term Borrowing

31/03/2003 £'000	Source of Loan	Range of Interest Rates Payable (%)	31/03/2004 £'000
21,840	Public Works Loans Board	4.5% to 11.875%	17,442
9,000	Market Loans - fixed	7.55% to 8.5%	6,000
30,840			23,442

31/03/2003 £'000	Analysis by Maturity	31/03/2004 £'000
4,148	Maturing within 1 Year	2,000
2,000	Maturing in 1 - 2 Years	2,000
4,000	Maturing in 2 - 5 Years	2,000
5,750	Maturing in 5 - 10 years	2,750
14,942	Maturing in over 10 Years	14,692
30,840		23,442

8 Provisions

The movement in year in the Council's provisions is as follows:

31/03/2003 £'000		Transfer to Reserves £'000	Receipts in Year £'000	Payments in Year £'000	31/03/2004 £'000
83	Repairs Fund - Housing	0	0	83	0
41	Tribunal Costs	0	0	41	0
124		0	0	124	0

9 Fixed Asset Restatement Reserve

Adjustment to the balance will occur on disposal of assets, revaluations of assets or capital expenditure occurring which does not add materially to the value of the asset.

2002/03 £'000		2003/04 £'000
115,383	Surplus on revaluation and restatement at 1 April	121,305
20,197	Acquisition of assets and revaluation upwards	14,650
(9,971)	Disposal of assets and revaluation downwards	(8,165)
(4,304)	Capital expenditure on assets	(5,557)
121,305	Balance at 31st March	122,233

Tamworth Borough Council

10 Capital Financing Reserve

This reserve exists for all transactions related to capital financing. It incorporates the balance of the former provision for credit liabilities (PCL) account, plus in-year adjustments from the set aside proportion of capital receipts, the charge to revenue for the repayment of debt (MRP) and the amount of capital expenditure financed from revenue and capital receipts.

2002/03 £'000		2003/04 £'000	2003/04 £'000
54,453	Balance at 1 st April		59,308
	Add:		
5,615	Capital receipts set aside	7,668	
(4,058)	Minimum Revenue Provision (MRP) (less Dep'n & Government Grants Deferred)	(3,926)	
3,917	Capital financing (revenue, capital receipts)	5,406	9,148
	Less:		
(619)	Deferred Charges written down	(446)	
0	Use of PCL for financing of General Fund Debt Repayment Premiums	(124)	(570)
59,308	Balance at 31st March		67,886

11 Deferred Credits

These represent income due to the Council in the future. They arise principally from the repayment of mortgages on Council Houses, which form part of long term debtors.

12 Usable Capital Receipts Reserve

2002/03 £'000		2003/04 £'000
846	Balance brought forward at 1 st April	3,046
3,640	Add: Usable Receipts from Sale of Assets	2,741
4,486		5,787
(1,440)	Less: Financing of Capital Expenditure	(1,511)
3,046	Balance carried forward at 31st March	4,276

Tamworth Borough Council

13 Earmarked Reserves/ Major Repairs Reserve

31/03/03 £'000		Transfer (to) / from Other Sources £'000	Transfer (to)/ from other Reserves £'000	Transfer from Revenue £'000	Transfer To Revenue £'000	31/03/04 £'000
2,709	Future Capital Expenditure	0	170	378	(1,235)	2,022
480	Temporary	0	0	951	(255)	1,176
225	Retained Funds	0	0	292	(96)	421
714	Repairs and Renewals	0	0	2	0	716
1,479	Commuted Sums	0	(170)	105	(48)	1,366
17	Insurance	0	0	0	(4)	13
198	Other Reserves	0	0	296	(273)	221
5,822	Total Earmarked Reserves	0	0	2,024	(1,911)	5,935
2,105	Major Repairs Reserve	(158)	0	0	0	1,947
7,927	Total Specific Reserves	(158)	0	2,024	(1,911)	7,882

Future Capital Expenditure: The Council maintains a Capital Reserve under the provisions of the Local Government (Miscellaneous Provisions) Act 1976. It is Council policy to make advances from this fund to various services.

Temporary Reserve: This has been established by the transfer of funds from revenue in order to finance individually identified schemes or potential needs.

Retained Funds: These have been established in order to finance recurring irregular expenditure for a specific purpose.

Repairs and Renewal Account: This was set up under the provisions of the Local Government (Miscellaneous Provisions) Act 1976 and is maintained for the purchase of vehicles and plant and is funded through notional depreciation charges on purchases.

Commuted Sums: These are monies deposited by contractors to finance future maintenance expenditure incurred as a result of the various developments.

Insurance: This earmarked reserve was previously shown as a provision. It is currently retained for risk management purposes.

Other Reserves: The largest of these is the Building Repairs Fund that is held for the maintenance of Municipal buildings, including commercial properties. Also, there is an amount set aside in respect of the Indoor Bowls Club guarantee that is classified as a contingent liability.

Major Repairs Reserve: The Council is required to maintain a Major Repairs Reserve to fund capital spending on housing stock.

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14 Revenue Balances

31/03/2003 £'000		Movement in year £'000	31/03/2004 £'000
503	General Fund	0	503
687	Housing Revenue	(249)	438
103	Collection Fund – Council Tax	172	275
1,293		(77)	1,216

15 Provision for Credit Liabilities (Memorandum Account)

In accordance with statutory requirements the Council is required to set aside sums as a provision to repay external loans. The Council does not keep an account within its accounting records for the PCL as there is no need to do so, but maintains a memorandum account which is set out below :-

2002/03 £'000		2003/04 £'000
0	Balance at 1 st April	0
5,615	Capital Receipts - Set Aside during Year	7,668
769	Minimum Revenue Provision	709
6,384		8,377
(6,384)	Less : Net Reduction in External Loans	(7,764)
0	Less : Use of PCL in lieu of borrowing	(613)
0	Balance at 31st March	0

The balance is now shown as zero as, in January 2001, the Council resolved to "write off" the balance held on its PCL Account. This reflects the situation where, had the Council fully applied its PCL balance by the gross amount of debt repaid in the past, the PCL balance would have been reduced to zero.

16 Related Companies

The Council's Balance Sheet contains no assets, liabilities or any other financial values in respect of subsidiary, associated or related local authority companies.

17 Analysis of Net Assets Employed

31/03/2003 £'000		31/03/2004 £'000
22,300	General Fund	26,435
128,074	Housing Revenue	139,729
29,540	Other Trading Services	28,732
103	Collection Fund	275
180,017		195,171

Tamworth Borough Council

18 Movement in Deferred Charges

Expenditure within the definition of deferred charges does not create a tangible fixed asset for the Council. This expenditure is therefore charged to revenue as follows, having a nil effect on the Balance Sheet:

Balance at 31/03/2003 £'000		Expenditure in Year £'000	Charge to Revenue £'000	Balance at 31/03/2004 £'000
	Grants:			
0	Glascote Heath SRB / Matched Funding	159	159	0
0	Improvement Grants	242	242	0
0	Sports/ Play Facilities	45	45	0
0		446	446	0

19 Retirement Benefits

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 at the time that employees earn their future entitlement.

The employees of the authority may participate in the Staffordshire County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme.

Staffordshire County Council, in accordance with the Local Government Pension Scheme Regulations 1997 administers the fund.

In accordance with Financial Reporting Standard 17, the authority is required to disclose its share of assets and liabilities related to pension schemes for its employees.

In 2003/04, pension costs have been charged to the consolidated revenue account on the basis of current service costs payable to the Staffordshire County Council pension scheme, based upon a formal actuarial valuation at 31st March 2001, and pensions payable to retired officers.

At the 31st March 2004, the authority had the following overall assets and liabilities for pensions included in the balance sheet;

2002/03 £'000		2003/04 £'000
43,056	Estimated Liabilities in Scheme	45,832
28,906	Estimated Assets in Scheme	35,928
(14,150)	Net Asset / (Liability)	(9,904)

Liabilities have been valued using the projected unit method, an estimate of the pensions that will be payable in the future, dependent on assumptions about mortality rates, salary levels, etc.

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Hymans Robertson, an independent firm of actuaries, have assessed the fund liabilities as at 31st March 2004. The main assumptions used in their calculations are:

2002/03			2003/04	
2.5%		Rate of Inflation	2.9%	
4.0%		Rate of Increase in Salaries	4.4%	
2.5%		Rate of Increase in Pensions	2.9%	
6.1%		Discount Rate	6.5%	

Assets in the Staffordshire County Council Pension Fund are valued at fair value and consist of the following:

2002/03			2003/04		Long Term	Expected
Value	%		Value	%	Return	Annual
£'000			£'000		% Per	Return
					annum	£'000
20,364	70	Equity Investments	27,545	77	7.7	2,121
4,575	16	Bonds	4,614	13	5.1	235
3,488	12	Property	3,305	9	6.5	215
479	2	Cash	464	1	4.0	19
28,906	100		35,928	100	7.2	2,590

The movement in net pension liability is as follows:

2002/03			2003/03	
£'000			£'000	
(4,100)		Net Pension surplus/(liability) at 1 April	(14,150)	
(996)		Current Service Cost	(877)	
773		Employer contributions payable to scheme	724	
0		Contributions in respect of Unfunded Benefits	74	
0		Past Service Costs	(13)	
(416)		Impact of settlements and curtailments	(373)	
(59)		Net return on assets	(565)	
(9,352)		Actuarial gains/(losses)	5,276	
(14,150)		Net Pension surplus/(liability) at 31 March	(9,904)	

The actuarial losses can be analysed into the following categories, measured as both amounts and a percentage of assets or liabilities at 31 March:

Year to		Year to
31/03/2003		31/03/2004
£'000		£'000
(9,424)	Difference between the expected & actual return on assets	5,294
28,906	Value of Assets	35,928
(32.6%)	Percentage of Assets	14.7%
72	Experience gains/ (losses) on liabilities	(18)
43,056	Present value of liabilities	45,832
0.2%	Percentage of the Present Value of Liabilities	(0.0%)
(9,352)	Actuarial gains/ (losses)	5,276
43,056	Present value of liabilities	45,832
(21.7%)	Percentage of the Present Value of Liabilities	11.5%

As a result of the valuation of current liabilities compared to current assets in the pension fund, the figures would have the effect of reducing the overall reserves of the authority by £9.904 million.

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Statement of Total Movements in Reserves

This statement summarises the movements in Capital and Revenue reserves and is in addition to the analysis given in the notes to the Consolidated Balance Sheet.

Notes to Balance Sheet : -	CAPITAL RESERVES			
	Fixed Asset Restatement Reserve	Capital Financing Reserve	Capital Grants & Contributions Unapplied	Usable Capital Receipts
	(9) £'000	(10) £'000	£'000	(12) £'000
Balance as at 01/04/2003	121,305	59,308	0	3,046
Net surplus/ (deficit) for year	0	(3,926)	0	0
Unrealised gains from revaluation of fixed assets	14,570	0	0	0
Value of Assets acquired	80	0	0	0
Unrealised (losses) from revaluation of fixed assets	(134)	0	0	0
Effects of disposal of fixed assets:				
Value of Assets disposed of	(8,031)	0	0	0
Proceeds of disposals	0	7,668	0	2,741
Net surplus/(deficit)on disposals	(8,031)	7,668	0	2,741
Deferred Charges w/off to Revenue/ Use of PCL for debt premiums	0	(570)	0	0
Receipts in year	0	0	275	0
Grants applied in year	0	0	0	0
Financing of Fixed Assets	(5,557)	5,406	(40)	(1,511)
Balance as at 31/03/2004	122,233	67,886	235	4,276

Notes to Balance Sheet : -	REVENUE RESERVES				
	Pensions Reserve	Specific Reserves	General Fund Balances	H.R.A. Balances	Collection Fund -Council Tax
	£'000	(13) £'000	£'000	£'000	£'000
Balance as at 01/04/2003	(14,150)	7,927	503	687	103
Net surplus/ (deficit) for year	0	0	0	(249)	172
Appropriations (to)/ from Revenue	(1,104)	113	0	0	0
Transfer (to)/ from other sources	0	(158)	0	0	0
Contributions in respect of unfunded benefits relation to Pensions	74	0	0	0	0
Actuarial Gains & (Losses) relating to Pensions	5,276	0	0	0	0
Balance as at 31/03/2004	(9,904)	7,882	503	438	275

The actuarial gains / (losses) identified as movements on the pension reserve are analysed within [note 19](#) to the Consolidated Balance sheet on page 42.

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising

2002/03 £'000		2003/04 £'000	2003/04 £'000	2003/04 £'000
	Revenue Activities			
	Cash Outflows:			
10,871	Cash paid to and on behalf of employees	11,964		
17,205	Other operating cash payments	17,283		
3,975	Housing Benefit paid out	3,948		
22,997	National non-domestic rates paid to pool	21,783		
18,076	Precepts paid	21,113	76,091	
	Cash Inflows:			
8,576	Rents (after rebates)	8,688		
17,776	Council Tax income	20,369		
4,005	National non-domestic rates from pool	2,878		
21,712	Non-domestic rate receipts	22,328		
1,824	Revenue Support Grant	2,722		
4,999	DWP Grant for Benefits	7,248		
7,617	Other Government Grants (Note 1)	7,465		
5,495	Cash Received for Goods and Services	6,375		
5,044	Other operating cash receipts	5,779	83,852	
3,924				7,761
	Returns on Investments and Servicing of Finance			
	Cash Outflows:			
3,057	Interest Paid		2,463	
	Cash Inflows:			
650	Interest Received		808	(1,655)
1,517	Net Cash Income from Revenue Activities (Note 2)			6,106
	Capital Activities			
	Cash Outflows:			
4,213	Other Capital cash payments		4,591	
	Cash Inflows:			
7,055	Sale of Fixed Assets	9,180		
2,865	Capital Grants Received	1,664		
(484)	Other Capital cash receipts	(946)	9,898	5307
6,740	Net Cash Inflow/(Outflow) before Financing (c/fwd)			11,413

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2002/03 £'000		2003/04 £'000	2003/04 £'000
6,740	Net Cash Inflow/(Outflow) before Financing (b/fwd)		11,413
	Management of Liquid Resources (Note 3)		
358	Net (Increase)/Decrease in Short Term Deposits		(3,061)
	Financing (Note 4)		
	Cash Outflows:		
8,478	Repayments of Amounts Borrowed	7,898	
	Cash Inflows:		
1,320	New Loans Raised	500	(7,398)
(60)	Increase/(decrease) in Cash		954
	Movements in Cash		
(1,113)	Cash/Bank 1 st April	(1,173)	
(1,173)	Cash/Bank 31 st March	(219)	954
(60)	Movement in Year		954

Notes

1 Other Government Grants comprise:

2002/03 £'000		2003/04 £'000
6,312	Housing Subsidy	5,814
195	DWP Admin. Grant	404
95	NNDR Cost of Collection	95
189	Homeless Grant	78
21	Benefits Fraud Grant	33
7	Transitional H.B.	3
789	SRB	380
9	Discretionary Housing Payment	7
0	Planning Delivery Grant	100
0	Homelessness Strategy	22
0	Community Safety	286
0	Audit Commission CPA Grant	5
0	Supporting People Grant	238
7,617		7,465

Tamworth Borough Council

2 Reconciliation to Revenue Accounts

2002/03 £'000		2003/04 £'000	2003/04 £'000
333	Net Surplus/(Deficit) for year (page 41, Note 14)		(77)
	Non-cash Transactions		
	Add:		
4,827	Provision for Depreciation	4,661	
(4,058)	Minimum Revenue Provision	(3,926)	
971	Contribution to Reserves	(45)	
(271)	Use of Provisions	(124)	
2,082	Financing of Capital Expenditure	3,793	
(6)	Long Term Investments	1	
0	Write Down of Government Grants Deferred	(27)	4333
	Items on an Accruals Basis		
	Add:		
(15)	Reduction in Stocks	(18)	
(1,124)	Reduction in Revenue Debtors	2,393	
(1,222)	Increase in Creditors	(525)	1,850
1,517	Net Cash Income from Revenue Activities		6,106

3 Management of Liquid Resources

Liquid resources result from short-term investments, those less than 365 days, placed in accordance with Treasury Management Policy.

4 Movements in Financing and Management of Liquid Resources

	2003/04 £'000	2003/04 £'000
Investments at 1 st April 2003	13,742	
Investments at 31 st March 2004	16,803	(3,061)
Long Term Borrowing at 1 st April 2003	(30,840)	
Long Term Borrowing at 31 st March 2004	(23,442)	7,398
Short Term Borrowing at 1 st April 2003	0	
Short Term Borrowing at 31 st March 2004	0	0
Deferred Liabilities at 1 st April 2003	0	
Deferred Liabilities at 31 st March 2004	0	0
		4,337

GLOSSARY

Accrual

A sum included in the final accounts to cover income or expenditure attributable to the previous financial year for goods or work done, but for which payment has not been received / made, by the end of that financial year.

Agency Services

The provision of services by one bodies (the agent) on behalf of, and generally reimbursed by, the responsible body.

Asset Management Revenue Account

This is a holding account introduced as a result of the new system of capital accounting, which allows authorities to offset the impact of capital charges on the net cost of services. It also receives interest from investments and charges for interest outstanding on loans.

Balances

The total sum available to the Council, including the accumulated surplus of income over expenditure. Balances form part of the Councils reserves.

Capital Charge

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

Capital Expenditure

Expenditure on the acquisition and enhancement of significant fixed assets that will be of use or benefit to the authority in providing its services beyond the year of the account e.g. land and buildings.

Capital Financing Reserve

This reserve represents the amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets, or for the repayment of external loans and certain other capital financing transactions.

Capital Receipts

Proceeds from the sale of assets e.g. land or buildings, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rates set by Central Government.

CIPFA

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the professional body for accountants working in the public service.

Code of Practice

The Code of Practice on Local Authority Accounting in Great Britain is produced by CIPFA and complied with by local authorities in the production of the financial statements.

Collection Fund

A fund administered by the Borough Council into which council tax monies are paid.

Contingency

The sum of money set aside to meet unforeseen expenditure.

Contingent Liabilities

A potential liability at the balance sheet date when the accounts are submitted for approval. The liability will be included in the balance sheet if it can be estimated reasonably accurately. Otherwise the liability will be disclosed as a note to the accounts.

Credit Approvals

Authorisations given by the Government to local authorities which enable them to finance capital expenditure by borrowing or other credit arrangements such as leasing.

Credit Ceiling

The difference between the Councils capital expenditure financed by credit and the provision made to meet this debt.

Creditors

Amounts owed by the Council for work done, goods received or services rendered which have not been paid for by the end of the financial year.

Debtors

Amounts due to the Council for work done or services supplied which have not been paid for by the end of the financial year.

Deferred Charges

An item in a balance sheet where there is no tangible asset. It also represents outstanding borrowing in respect of a capital asset which has been disposed of but where the proceeds have been insufficient to clear the outstanding debt.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset, whether arising from use, effluxion of time or obsolescence through technical or other changes.

Fixed Asset Restatement Reserve

This represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.

Fixed Assets

Tangible assets that yield benefits to the Council for a period of more than one year.

Formula Spending Shares (FSS's)

These are the Government's way of dividing up Total Assumed Spending (not including ring fenced or targeted grants) between local authorities. The formulae used to work out Formula Spending Shares are set out in Section 4 of the Local Government Finance Report. From 1990/91 to 2002/03, this job was done by *Standard Spending Assessments*.

Leasing

A method of financing capital expenditure where rental charges are paid over a specified period of time. There are two main types of leasing arrangements:

- (a) finance leases which transfer all the risks and rewards of ownership of a fixed asset to the lessee and such assets are included within the fixed assets in the balance sheet:
- (b) operating leases where the ownership of the asset remains with the leasing company and annual rental is charged direct to the revenue account.

Major Repairs Allowance

The Major Repairs Allowance was introduced in 2001/2 and represents the estimated long-term average amount of capital spending required to maintain the local authority's housing stock in its current condition.

Minimum Revenue Provision

The minimum amount which must be charged to a revenue account each year and set aside to repay debt, presently 4% and 2% of the credit ceiling for General Fund and Housing Revenue Account, respectively.

National Non-Domestic Rate (NNDR)

The tax paid on non-domestic properties. It is the same for all businesses in England and is set annually by government, on whose behalf it is collected by billing authorities. The Council receives a share of the national pool as part of its resources used to meet the total net expenditure.

Precept

This is a demand for payment made by Staffordshire County Council and Staffordshire Police Authority as a means of obtaining income. The payment is met from the Councils collection fund and is based on the council tax bases.

Provision

An amount set aside to meet a liability that is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

Public Works Loans Board (PWLB)

A government agency that provides longer-term loans to local authorities, at interest rates below market rate. It also acts as a lender of last resort (at a higher rate of interest).

Reserves

Earmarked Reserves are amounts set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

General reserves are accumulated balances generally available to support revenue or capital spending.

Revenue Expenditure

The day to day expenditure incurred by an authority in providing services. It is financed by government grants, non-domestic rates, council tax and fees and charges.

Revenue Support Grant (RSG)

A general government grant in support of local authority expenditure, and fixed each year in relation to SSA.

Specific Grants

Government Grants to local authorities in aid of particular projects or services.

Standard Spending Assessment (SSA)

The amount of net expenditure (after allowing for specific grants) which the government considered appropriate for each local authority to incur in providing a common level of service. The Standard Spending Assessment was the key factor in determining the amount of Revenue Support Grant paid to each authority until 2002/03.

Appendix to the Consolidated Revenue Account

Central Services to the Public

- Local Tax Collection
- Elections
- Emergency Planning
- Local Land Charges

Cultural, Environmental and Planning Services

- **Cultural**
- Culture and Heritage
- Recreation and Sport
- Open Spaces
- Tourism
- Service Management and Support Services
- **Environmental**
- Cemetery, Cremation and Mortuary Services
- Environmental Health
- Community Safety
- Flood Defence and Land Drainage
- Agricultural and Fisheries Services
- Consumer Protection
- Street Cleansing
- Waste Collection
- Waste Disposal
- Service Management and Support Services
- **Planning**
- Building Control
- Development Control
- Planning Policy
- Environmental Initiatives
- Economic Development
- Community Development
- Service Management and Support Services

Highways, Roads and Transport Services

- Transport, Planning, Policy and Strategy
- Highways/Roads (Structural)
- Highways/Roads (Routine)
- Street Lighting
- Traffic Management
- Parking Services
- Public Transport
- Service Management and Support Services

Appendix to the Consolidated Revenue Account

Housing Services

- Housing Strategy
- Registered Social Landlords
- Housing Advice
- Housing Advances
- Private Sector Housing Renewal
- Homelessness
- Housing Benefit Payments and Administration
- Contribution to the HRA re items shared by the whole community
- Other Council Property
- Welfare Services
- Housing Management and Support Services

Corporate and Democratic Core Costs

- Democratic Representation and Management
- Corporate Management

Non Distributed Costs

- Pension Costs Relating to Added Years and Early Retirement

Code of Corporate Governance – Statement of Assurance 2003-04

Tamworth 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, and used economically, efficiently and effectively. In discharging this accountability, members and senior officers are responsible for putting in place proper arrangements for the governance of the authority's affairs and the stewardship of the resources at its disposal. To this end, the authority has approved and adopted a code of corporate governance, which is consistent with the principles and reflects the requirements of the CIPFA/SOLACE *Framework Corporate Governance in Local Government: a Keystone for Community Governance*. A copy of the code is on our website at www.tamworth.gov.uk or can be obtained from reception at Marmion House, Lichfield Street, Tamworth, Staffordshire.

During the year, the authority has operated appropriate management and reporting arrangements to enable it to satisfy itself that its approach to corporate governance is both adequate and effective in practice. The authority's Corporate Management Team is:

- overseeing the implementation and monitoring the operation of the code
- reviewing the operation of the code in practice
- reporting annually to the Cabinet on compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

In addition, a working party of officers led by the authority's monitoring officer has been given the responsibility to review independently and report to the Corporate Management Team, to provide assurance on the adequacy and effectiveness of the code and the extent of compliance with it. The corporate governance arrangements put in place by the authority are more fully described in their assessment which is available for inspection on the authority's web site www.tamworth.gov.uk or in reception at Marmion House, Lichfield Street, Tamworth, Staffordshire.

On the basis of the reports of the Corporate Management Team and the team led by the monitoring officer arising from their reviews of the authority's corporate governance arrangements, we are satisfied that they are adequate and are operating effectively.

We propose over the coming year to enhance our corporate governance arrangements by ensuring work in hand is completed and that work planned is commenced and progressed.

Signed:



Cllr. R.Cook, Leader & D.Weatherley, Chief Executive
on behalf of the members and senior officers of Tamworth Borough Council

Date: 12th July 2004

STATEMENT ON INTERNAL CONTROL 2003-04

1. SCOPE OF RESPONSIBILITY

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

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

This Statement demonstrates the arrangements in place in these respects and serves to meet the relevant requirements of the Accounts and Audit Regulations 2003 (and supporting guidance).

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. Systems of internal control are based on ongoing processes designed to identify and prioritise the risks to the achievement of 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

The system of internal control as referred to below has been in place at the authority for the year ended 31st March 2004 and up to the date of approval of the annual report and accounts and, except for the details of significant control issues at section 5, accords with proper practice.

3. THE INTERNAL CONTROL ENVIRONMENT

The authority operates a number of processes that constitute, or contribute to the operation of, the internal control environment, including:

- The clear statement and monitoring of achievement of corporate objectives;
- The effective operation of, and compliance with, policies and decision-making processes including Cabinet and Scrutiny Committees and delegated decision powers;
- The establishing of Directorate and service business plans and the regular formal review of performance against those plans and identified performance measures as part of the performance management framework and as required by duties of continuous improvement;

- The operation of statutory officer roles, ie Head of Paid Service, Chief Finance Officer and Monitoring Officer to ensure compliance with laws and regulations;
- The establishment of a formalised strategic approach to the identification, assessment and management of risks to the authority's objectives.;
- The management of financial and other resources eg budgetary control, asset management, personnel management, in accordance with appropriate professional standards;
- The operation of management review of services and functions and the extent of their economy, efficiency and effectiveness;
- The operation of personal development reviews and appropriate training for employees to ensure objectives and targets are clear and agreed, and necessary skills obtained.

4. **REVIEW OF EFFECTIVENESS**

The authority has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. This is informed by the work of Internal Audit and managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates in their annual audit letter and other reports.

In reality this review is an ongoing process, and during the year various activities, including the following, have been undertaken as part of this review.

- Review of certain existing policies, production and approval of new or revised policies and procedures;
- Review of the committee structure with Cabinet and revised Scrutiny Committee roles established to ensure clear policy and decision making member structures;
- The establishment of a formalised strategic approach to the identification, assessment and management of risks to the authority's objectives. While arrangements to identify and control risk were already in existence in different contexts this approach aims to further formalise and establish a corporate approach in accordance with current good practice;
- The establishment of a member and officer body (Budget Review Group) which provides a clear vehicle for independently reviewing financial performance;
- The development of management review processes (eg Vanguard) by which the effectiveness of processes, resource use, and necessary improvement, is considered;
- The instigation of internal officer review of corporate governance arrangements;
- The operation of independent Internal Audit review of services and functions and the consequent reporting of the level of assurance to management and members.
- The introduction of statements of assurance from managers with regard to the adequacy of internal controls in their areas of responsibility.
- Standards Committee (which includes 2 independent co-opted members) has a responsibility to review the role of internal and external audit and to review the constitution

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We have been advised, through relevant reporting arrangements, of the implications of the result of the ongoing review of the effectiveness of the system of internal control through the above and other ongoing processes, and arrangements to address weaknesses and ensure continuous improvement of the system is in place.


5. **SIGNIFICANT INTERNAL CONTROL ISSUES**

Within the year as outlined above a strategic approach to risk management has been approved and plans are being formulated to progress this in the coming months. At this stage the formal strategic approach is not sufficiently advanced to provide assurance for the purposes of this Statement. There are in practice however risk management approaches operated in various contexts to ensure significant risks are identified and controlled. We consider that for the 2004/5 Statement on Internal Control, assurance will be provided by the approved strategic risk management approach.

In 2003/4 internal control processes highlighted a significant matter in relation to Housing Maintenance stock, namely a discrepancy between the value of stock purchased and that held. The matter has been fully investigated and we are assured that appropriate action has been taken to rectify the identified areas for improvement in internal control.

Where any other areas for improvement in internal controls have been highlighted we are assured that management has addressed these or has in place plans to ensure these are addressed.

Signed:



Cllr. R. Cook, Leader, and D. Weatherley, Chief Executive on behalf of the members and senior officers of Tamworth Borough Council

Date: 12th July 2004

Approval of Accounts

I confirm that these accounts were approved by the Council at the meeting held on
31st August 2004

Signed on behalf of Tamworth Borough Council

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

Chair of the Council meeting

Dated 31st August 2004

Statement of Responsibilities

The Authority's Responsibilities

The Authority 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 Chief Finance Officer;
- 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 responsibilities

The Chief Finance Officer is responsible for the preparation of the Authority's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code of Practice") is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year.

In preparing this statement of accounts for the year ended 31st March 2004, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

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.

This statement of accounts presents fairly the financial position of the Borough Council and its income and expenditure for the year ended 31st March 2004.



J Wheatley FCCA
Chief Finance Officer

Dated 8TH SEPTEMBER 2004



Independent Auditors' Report to Tamworth Borough Council

We have audited the statement of accounts on pages 2 to 48 and pages 57 to 64 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 7 to 12.

This report is made solely to Tamworth Borough Council in accordance with Section 2 of the Audit Commission Act 1998. Our work has been undertaken so that we might state to Tamworth Borough Council those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Tamworth Borough Council for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Chief Finance Officer and Auditors

As described in page 63 the Council's Chief Finance Officer is responsible for the preparation of the financial statements in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities, as independent auditors are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly the financial position of the Council and its income and expenditure for the year.

We review whether the statement on internal control on page 57 to 60 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements.

We are not required to consider, nor have we considered whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of Audit Opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

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An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the statement of accounts present fairly the financial position of Tamworth Borough Council as at 31st March 2004 and its income and expenditure for the year then ended.

KPMG LLP

KPMG LLP
Chartered Accountants
Birmingham

Date: 17 September 2004