

STATEMENT OF ACCOUNTS

2005/06

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EXPLANATORY FOREWORD

The statement of accounts presents the financial position and performance of the Council for the year ended 31st March 2006. 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 2006 has been prepared in accordance with the guidelines contained within the latest Code of Practice on Local Authority Accounting in the United Kingdom.

The Council's accounts for 2005/06 are set out on pages 15 to 55 and consist of the following:

Consolidated Revenue Account: brings together all the Council's income and expenditure (General Fund and Housing Revenue Account) 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, the Fire & Rescue Authority and this Council's General Fund.

Consolidated Balance Sheet: sets out the overall financial position of the Council as at 31st March 2006.

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 15 shows a net General Fund surplus of £2.020m for the year. This was £1.782m higher than planned at the start of the year and has been added to General Fund balances of £1.159m (with the minimum approved level being £500k) brought forward from 2004/05, to produce a cumulative surplus of £3.179m carried forward to 2006/07.

The overall revenue financial position relating to council housing as given on page 25 shows a surplus for the year of £771k. This equates to an underspend of £335k when compared to the approved budget for the year. This has resulted in an increase in balances from £799k to £1.571m to be carried forward to 2006/07.

The 2005/06 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 £6.251m, representing an under-spend of £1.113m. Major differences between the budget and the outturn are as follows:

	£'000	£'000
<ul style="list-style-type: none"> • Increase in Income <ul style="list-style-type: none"> ➢ Miscellaneous Interest and Dividends – As a result of slower than predicted payments on capital projects and upturn in deposit rates. ➢ Windfall grant income re the Local Authority Business Growth Incentive Scheme ➢ Recycling – Additional income levels achieved due to higher volume of recycling ➢ Benefits – Fraud Incentive Scheme/Administration Grant Income ➢ Council Tax – Additional income from Court Costs 	(353)	
	(284)	
	(197)	
	(124)	
	(33)	(991)
<ul style="list-style-type: none"> • Shortfalls in Income <ul style="list-style-type: none"> ➢ Peaks Leisure Centre – Shortfall in fees and charges ➢ Golf Course – Shortfall in fees and charges ➢ Land Charges Search Fees – Income reduction linked with competition from private search companies 	165	
	117	
	98	380
<ul style="list-style-type: none"> • Savings/ Underspends <ul style="list-style-type: none"> ➢ Information Systems Employee Costs – Savings due to vacancies and lower levels of agency staff ➢ Local Plan Consultation/Production – Saving on the final anticipated costs of consultation ➢ Street Wardens – Savings in employee costs due to vacancies ➢ Concessionary Fares – Reduced payments to Operators ➢ Other insignificant variances 	(107)	
	(79)	
	(55)	
	(32)	(273)
		(229)
Total		(1,113)

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

	Net Expenditure /(Income) Actual £	Net Expenditure/ (Income) Budget £	Variance £
Corporate Services			
Chief Executive	(251)	(1,341)	1,090
Solicitor	(4)	32,693	(32,697)
Corporate Director	(260)	(100,240)	99,980
Procurement	254	2,756	(2,502)
Internal Audit	427	(68)	495
Chief Finance Officer	929,756	1,192,695	(262,939)
Chief Information Officer	189,524	432,670	(243,146)
Democratic Services	680,688	676,369	4,319
Human Resources & Improvement	114	59,901	(59,787)
Mayoralty	91,438	88,134	3,304
Housing & Property Services			
Property Services	2,443,579	2,512,657	(69,078)
Strategy	1,082,581	1,039,851	42,730
Community & Environment			
Corporate Director	143	24,308	(24,165)
Culture & Community	2,161,689	1,829,066	332,623
Environmental Management	2,295,294	2,454,288	(158,994)
Planning & Regeneration	988,582	1,063,997	(75,415)
Total Cost Of Services	10,863,554	11,307,736	(444,182)
Other Costs			
Interest Payable/ Receivable & Reversal Of Capital Charges Included Above	(3,101,417)	(2,803,209)	(298,208)
Other Corporate Costs	(1,510,814)	(1,140,227)	(370,587)
Subtotal	6,251,323	7,364,300	(1,112,977)
Transfer To/ (From) Balances	2,019,737	906,760	1,112,977
Total To Be Met By Government Grants & Taxpayers	8,271,060	8,271,060	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.)

Council Housing

A summary of the Housing Revenue Account for 2005/06, compared with the approved budget (including decisions made by Members during the financial year) is shown below:

Council Housing Summary

Housing Revenue Account	Actual £	Approved Budget £	Variance £
Surplus for the Year added to HRA balances	771,151	436,510	334,641

Major differences between the budget and the outturn were as follows:

	£'000	£'000
<ul style="list-style-type: none"> • Major overspends between approved budget and actual spend <ul style="list-style-type: none"> ➢ Service Charges – Shortfall in income due to deferral in invoicing following tribunal ruling ➢ A reduction in Supporting People Grant 	67	143
	76	
<ul style="list-style-type: none"> • Significant underspending against approved budget <ul style="list-style-type: none"> ➢ A reduction in Revenue Contribution to Capital Outlay ➢ A reduction in the costs of housing repairs ➢ A reduction in provision for bad debts ➢ A reduction in the cost of investigating stock options ➢ A reduction in net management costs – General Operations 	(50)	(357)
	(57)	
	(57)	
	(76)	
	(117)	
<ul style="list-style-type: none"> • Significant income surpluses against approved budget <ul style="list-style-type: none"> ➢ An increase in interest on internal balances ➢ An increase in rental income following a reduction in house sales under the Right to Buy scheme 	(47)	(121)
	(74)	
Total		(335)

Capital Expenditure

During 2005/06 the Council spent £10.69m on capital works. A breakdown by service and source of finance is shown as Note 1.d.ii to the Consolidated Balance Sheet on page 39.

The majority of expenditure related to improvement, enhancement or ongoing construction works. Acquisitions included in fixed assets for 2005/06 relate to the purchase of IT equipment (software & hardware) and costs associated with the build of the play area within the Castle Grounds. Significant disposals within the year were council dwellings under the government right to buy scheme, the Media Centre and land purchased from the council concerning the A5 bypass works.

A total of £1.34m spending originally planned for 2005/06, or earlier, has been deferred to 2006/07. Of this deferred expenditure £98k is earmarked for the completion of the Castle Grounds play area, £629k to complete IT projects relating to e-Government and e-Innovations initiatives, £73k to complete external insulation works to council dwellings and £54k for community safety works.

Provisions, Reserves and Balances

The working balances at 31st March 2006 stand at £15.95m and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts and contributions.

Of the working balances, £6.83m relate to capital (which includes the capital reserve at £2.81m). The £1.34m capital commitments from 2005/06 and previous years carried forward to 2006/07 will be required to be financed from these balances.

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 2006 is provided below while further information can be found in the notes to the consolidated balance sheet.

Borrowing Facilities

Fixed Rate Debt	£m
Public Works Loan Board	20.4
Commercial Money Market	2.0
Variable Rate Debt	
Public Works Loan Board	0.0
	22.4

Further information about the Statement of Accounts is available from the Director of Finance, 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 2005: 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 Council 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.
- Intangible assets are included at 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 although de-minimus items of expenditure on computer equipment and software is capitalised under the concept of 'Grouped Assets' where the value of such items is material.

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.

In accordance with the SORP, fixed assets are categorised between operational and non-operational tangible fixed assets (surplus land and buildings & assets under construction), and intangible fixed assets (software). These are detailed in Note 1a of the Consolidated Balance Sheet.

3 Depreciation and Amortisation

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 is charged to revenue in the year of acquisition and is not capitalised in the accounts.

De-minimus items of expenditure on computer equipment and software is capitalised under the concept of 'Grouped Assets' where the value of such items is material. A charge is made for these assets (depreciation for equipment and amortisation for software), 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 2005/06 equate to an interest charge, based on the net amount at which the fixed asset is included in the balance sheet at 31st March 2006. The rate of interest used is 3.5% (3.5% for 2004/05) for those fixed assets included at current value and 4.95% (4.8% for 2004/05) 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 2005/06 is 3.5% (3.5% for 2004/05).

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 Government Grants Deferred Account and written off over the useful life of any asset created.

6 The Redemption of Debt

Under the Local Government Act 2003, the General Fund Revenue Account must be charged a Minimum Revenue Provision (MRP) for the repayment of outstanding debt. This is calculated as 4% of the Capital Financing Requirement for General Fund services. The Council has complied by charging £162,782 within the General Fund. Under the Act no MRP is chargeable to the Housing 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 44 and 45.

The Council's capital reserves, made up of Fixed Asset Restatement Account, Usable Capital Receipts Reserve and the Capital Financing Account, are not available for revenue purposes. The Fixed Asset Restatement Account and Capital Financing Account 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 page 43.

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 42.

10 Investments

Investments (short and long term) are shown in the Balance Sheet at a current valuation based on the market rates as at 31st March 2006. Notes 2 and 5 to the Balance Sheet refers (Pages 41 and 42 respectively).

11 Capital Receipts

The Local Government Act 2003 prescribes 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 paid to the Office of the Deputy Prime Minister (ODPM) – Housing Capital Receipts Pool. No transfer is required for the disposal of non-HRA assets. For 2005/06 £3.65m was transferred to the ODPM (see the Consolidated Revenue Account on page 15).

The remainder may be used to finance other capital expenditure and in 2005/06 £4.54m has thus been used (see Note 12 to the Consolidated Balance Sheet on page 43).

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/
Licensed users.
- Administrative buildings - Floor space occupied.

14 Stocks and Stores

Goods received into stock are valued at the lower of cost or net realisable value.

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. Rental income is recognised within revenue on a straight-line basis over the period of the lease.

Further details can be found in Note 7 to the Consolidated Revenue Account on page 18 and Note 1e to the Consolidated Balance Sheet on page 40.

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 included in these accounts have been determined in accordance with government regulations. The standard requires the full recognition of the pensions liability (and the movement of its constituent parts) in the Consolidated Revenue Account. These requirements are included within the accounts in accordance with CIPFA recommended practice. Note 10 to the Consolidated Revenue Account on page 19 and Note 18 to the Consolidated Balance Sheet on pages 46 and 47 refer.

The Local Government Pension Scheme (Amendment) Regulations 2006, SI 2006/966, makes a number of changes to Local Government Pension Scheme benefits with effect from 1 April 2006, including the right of scheme members to elect to take an enhanced tax free lump sum in return for a reduced annual pension.

In light of the considerable uncertainty surrounding future behaviour and the extent to which any savings from commutation will in practice flow through to employers, it is considered premature to anticipate any potential savings in the 2005/06 accounts.

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 2006. The calculations have been carried out in accordance with Guidance Note 36: 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 2006, the value of the Employer's liabilities calculated 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 2005.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2006 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.

An adjustment has been made to the assets and liabilities to reflect the transfer of staff from the Housing Repairs Service to Morrison Facilities Services with effect from April 2005.

A set of demographic assumptions have been adopted that are consistent with those used for the formal funding valuation as at 31 March 2004. 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 18 to the Consolidated Balance Sheet on page 46.

No allowance has been made in the calculations for the potential effect of employee or deferred pensioner members electing to take additional tax-free cash at retirement, as is permitted from April 2006.

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 2006. 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 for the 2005/06 financial year is the yield available on long-dated, high quality corporate bonds (as measured by the yield on iBoxx Sterling Corporates Index, AA over 15 years), at the FRS17 valuation date. For accounting periods prior to 2004/05, authorities adopted a real discount rate of 3.5%. The Revenue Account figures for the year to 31 March 2006 are calculated based on a discount rate derived from corporate bond yields as at 31 March 2006 (which was 4.9% p.a.), as required by CIPFA.

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 2006 for the year to 31 March 2007).

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 18 to the Consolidated Balance Sheet on page 46.

18 Deferred Charges

Deferred Charges are payments of a capital nature where no fixed asset is created. Due to their nature, these costs are written off to revenue in the year the expenditure is incurred. Therefore, the Council's accounts at 31st March 2006 include no figures relating to outstanding deferred charges.

Details of the movements in the deferred charges are given in Note 17 to the Consolidated Balance Sheet on page 45.

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 Events after the Balance Sheet Date (FRS21)

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

21 Group Accounts

In accordance with the requirements of the SORP, the Council has reviewed its relationship with organisations in which it may have an interest. The review has highlighted that the Council has no material interest in subsidiaries, associates or joint ventures which would require the preparation of Group Accounts for 2005/06.

Consolidated Revenue Account for the year ended 31st March 2006

2004/05 Net Expenditure £'000		2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net Expenditure £'000
	Cost of Services			
591	Central Services to the Public	5,364	(4,987)	377
8,533	Cultural, Environmental and Planning Services	13,226	(4,676)	8,550
132	Highways, Roads and Transport Services	1,435	(1,550)	(115)
3,577	Housing Services	32,494	(27,035)	5,459
1,497	Corporate and Democratic Core	1,485	(15)	1,470
290	Non Distributed Costs	187	0	187
14,620	Net Cost of Services	54,191	(38,263)	15,928
	Corporate Income and Expenditure			
5,230	Contributions to Housing Pooled Capital Receipts			3,649
(184)	Deficit/(Surplus) from Trading Undertakings		Note 1	(241)
(5,946)	Asset Management Revenue Account		Note 2	(6,639)
145	Gains/ Losses on Repurchase of Borrowing		Note 4	143
14	Pension Interest Cost & Expected Return on Pension Assets		Note 10	252
(1,103)	Interest and Investment Income		Note 3	(1,527)
12,776	Net Operating Expenditure			11,565
	Appropriations			
362	Transfer to/(from) Housing Revenue Account balances			771
(5,230)	Transfer from Usable Capital Receipts equal to contribution to Housing Pooled Capital Receipts			(3,649)
1,158	Contributions to/(from) Earmarked Reserves			(70)
(527)	Contributions to/(from) Pensions Reserve		Note 10	(744)
474	Financing of Capital Expenditure			179
169	Minimum Revenue Provision		Note 5	163
(1,639)	Depreciation		Note 5	(1,824)
49	Government Grants Deferred			100
(428)	Deferred Charges			(240)
7,164	Amount to be met from Government Grants and Local Taxpayers			6,251
	Sources of Finance			
(2,568)	Collection Fund			(2,727)
(12)	Transfer from the Collection Fund			(20)
(3,208)	Revenue Support Grant			(3,383)
(2,032)	Contribution from National Non-Domestic Rate pool			(2,141)
(656)	Net General Fund (Surplus)/Deficit			(2,020)
(503)	Balance on General Fund at 1 st April			(1,159)
(1,159)	Balance on General Fund at 31 March			(3,179)

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 on page 61.

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:

2004/05 (Surplus)/ Deficit to General Fund £'000		2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 (Surplus)/ Deficit to General Fund £'000
(28)	Market	269	(264)	5
117	Industrial Estates	658	(752)	(94)
(222)	Other Land & Property	1,244	(1,361)	(117)
(11)	Building Control	134	(159)	(25)
(40)	Assembly Rooms Bar	86	(96)	(10)
(184)		2,391	(2,632)	(241)

In accordance with Note 3 of the Statement of Accounting Policies, the figures for 2005/06 include depreciation charges of £295k and £308k 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:

2004/05 £'000		2005/06 £'000
(3,390)	Capital Charges – General Fund	(3,596)
(8,567)	- Housing Revenue Account	(9,172)
(49)	Government Grants Deferred	(100)
(12,006)		(12,868)
1,813	External interest payable (see Note 3)	1,739
4,247	Provision for Depreciation/ Amortisation	4,488
0	Support Service Costs	2
(5,946)	Balance to Consolidated Revenue Account	(6,639)

3 Interest and Investment Income

Interest receivable in the year totals £1,527,292 and includes accruals for interest receivable of £623,181.

Interest payable in the year totals £1,739,005 including accruals for interest payable of £431,743 and is netted off against the Asset Management Revenue Account (Note 2).

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.

No Repurchase of Borrowing was undertaken however, £143,275 was charged to the Housing Revenue Account in respect of previous years repurchasing premiums.

5 Minimum Revenue Provision (MRP)

Under the Local Government Act 2003 (Previously – 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. The Act prescribes the minimum value to be set aside from the General Fund as 4% of the General Fund Capital Financing Requirement (being the underlying need to borrow for capital purposes). There is no longer the requirement to provide from the Housing Revenue Account. 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 Account (see Note 10 to the Consolidated Balance Sheet):

2004/05 £'000		2005/06 £'000
169	General Fund Revenue Account	163
169 (1,639)	Less: Amount charged as Depreciation	163 (1,824)
(1,470)	Excess of Depreciation over MRP	(1,661)

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 sum appropriate to Tamworth Borough Council for the financial year in which Section 118 of the Local Government Act 2003 comes into force is £5.30 per head of population. The Council was permitted to spend £392k under this power in 2005/06 (£381k in 2004/05) and its actual expenditure was £141,539 mainly on donations to voluntary bodies working in the local area (£142,558 in 2004/05).

7 Leases

- Authority as Lessee

The Council currently uses plant and equipment financed under terms of an operating lease, including Machinery and Plant, Car Parking equipment, Radios and Fitness equipment. The amounts paid under these arrangements in 2005/06 was £189,869 (£40,636 in 2004/05).

In the year 2005/06 rentals payable under finance leases in respect of Vehicles and Plant was zero (2004/05 £604).

- Authority as Lessor

The Council has granted the following classes of leases that generate income, these arrangements are accounted for as operating leases which run for anything up to 125 years. They include the letting of Community Centres to local community associations, Rental of Industrial, Commercial and Retail units, along with Ground Rents for areas such as Ankerside Shopping Centre, Lichfield Road and Amington Industrial estates.

Operating lease rentals receivable during 2005/06 were as follows:

2004/05 £'000		2005/06 £'000
	Operational Assets	
106	Community Assets	33
2,089	Other Land and Buildings	2,198
2,195	Total	2,231

8 Depreciation and Amortisation Charges

The Council amortises costs for computer software and charges depreciation on computer equipment and property identified in the Asset Register (see Note 1a to the consolidated balance sheet on page 36).

9 Agency Services

Staffordshire County Council is currently carrying out Highways Maintenance works on behalf of the Council under a management agreement.

10 Pensions

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

2004/05		2005/06
£818,912	Employer's contribution paid by the Council	£882,742
10.9%	Percentage of Employees' Pensionable Pay	12.1 %

The Superannuation Fund, part of the Local Government Pension Scheme, provides members with defined benefits related to pay and service. Note 18 to the Consolidated Balance Sheet at page 46, 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 49.

The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being 31st March 2004. 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:

2004/05		2005/06
£71,334	Pension payments relating to added years	£75,402
0.95%	Percentage of Pensionable Pay	1.03 %

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

2004/05		2005/06
£99,613	Agreements made in year	£12,877
£1,284,015	Agreements made in previous years	£1,357,237

The funds actuary has advised that the pension costs that it would be necessary to provide for in the year according to UK GAAP are £1.636m, representing 22.4% 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.

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

2004/05 £'000		2005/06 £'000
1,307	<i>Net Cost of Services:</i> Current Service Cost	1,374
2,516	<i>Net Operating Expenditure:</i> Interest Cost	2,962
(2,502)	Expected Return on Assets in the Scheme	(2,710)
25	Impact of Settlements & Curtailments	10
1,346	Pension Cost Charged within Revenue Accounts	1,636
(527)	<i>Amounts to be met from Government Grants and Local Taxation:</i> Movement on Pensions Reserve	(744)
819	<i>Actual Amount Charged against Council Tax for Pensions in the year:</i> Employers Contributions Payable to the Scheme (Actuary's assumption)	892

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 1998 require the disclosure of information regarding the setting of charges for the administration of the Building Control Function. Charges for work are set with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and 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 2005/06

	Chargeable £	Non Chargeable £	Total £
Expenditure			
Employees	69,266	38,399	107,665
Transport	3,977	2,532	6,509
Supplies and Services	34,496	2,497	36,993
Central Support Services	26,342	9,512	35,854
Total Expenditure	134,081	52,940	187,021
Income			
Building Regulation Fees	(158,693)	0	(158,693)
Miscellaneous Income	(489)	0	(489)
Total income	(159,182)	0	(159,182)
(Surplus)/Deficit for Year	(25,101)	52,940	27,839
Comparatives for 2004/05			
Expenditure	178,798	72,160	250,958
Income	(189,480)	0	(189,480)
(Surplus)/Deficit for Year	(10,682)	72,160	61,478

The Total Chargeable Income figure of £159k can be seen in Note 1 for Trading Services (page 16) below the Consolidated Revenue Account.

12 Members Allowances

The total of Allowances paid to Members in the financial year amounted to £202,344. This is made up as follows:

2004/05 £		2005/06 £
135,894	Basic Allowance	135,435
63,373	Special Responsibility	66,909
199,267		202,344

13 Publicity

Section 5 of the Local Government Act 1986 requires the Council to keep a separate memorandum account of expenditure on publicity. In 2005/06 £272,629 was incurred for this purpose and is analysed below:

2004/05 £		2005/06 £
44,399	Recruitment Advertising	97,591
52,493	Other Advertising	61,173
139,650	Publicity and Promotions	113,865
236,542		272,629

14 Related Party Transactions

- **Members and Chief Officers.**

During the financial year ended 31st March 2006, there were no material transactions between the 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	3,383
Benefit Grant	16,271
e-Innovations Grant in support of Data Self-Administration pilot	681

Amounts payable to central government include the following:

	£'000
Housing Subsidy	761

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

Staffordshire County Council and Police Authority, and Stoke on Trent and Staffordshire Fire and Rescue Authority, issue precepts on the Council.

	£'000
Staffordshire County Council	19,444
Staffordshire Police Authority	3,284
Stoke on Trent & Staffs Fire & Rescue Authority	1,236

- **Staffordshire County Council**

The County Council administers and issues Supporting People Grant to local authorities in the Staffordshire area. Tamworth Borough Council received £157k during 2005/06.

Under the Recycling Credit Scheme, Tamworth Borough Council received £412k in recycling credits from Staffordshire County Council.

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, on page 19.

- **Waste and Resources Action Programme (WRAP)**

WRAP is a not-for-profit company established in 2001 in response to the Government's Waste Strategy 2000, to promote sustainable waste management. Tamworth Borough Council received £80k grant in 2005/06.

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 Services

There were no acquired services for the Council in 2005/06, but the Council made a decision to withdraw the provision of leisure operations from Woodhouse Sports Dual-Use Centre. The centre had been run in partnership with Staffordshire L.E.A. (Woodhouse High School). The process of the handover of the operation of the centre to the Woodhouse High School was completed in June 2005. The net expenditure for this service (£41k for 2005/06) is included within the Consolidated Revenue Account under the heading Cultural, Environmental & Planning Services.

17 Operational Exceptional Items

Included within Housing Services on the Consolidated Revenue Account, is an amount of £248,289 (£140,813 for 2004/05) as the costs incurred in undertaking the "Housing Stock Options Appraisal".

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	2004/05	2005/06	
	Number of Employees	Number of Employees	Left during Year
£50,000 - £59,999	6	4	0
£60,000 - £69,999	1	3	0
£70,000 - £79,999	2	1	0
£80,000 - £89,999	0	1	0
£90,000 and 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:

2004/05 £'000		2005/06 £'000
139	Fees payable with regard to external audit Services carried out:	88
10	Fees payable in respect of statutory inspection:	10
17	Fees payable for the certification of grant claims and returns (estimate):	14
0	Fees payable in respect of any other services provided by the appointed auditor:	0
166		112

20 Prior Period Adjustments

There are no prior period adjustments recorded in the accounts in 2005/06.

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.

2004/05 £		Note	2005/06 £
	Gross Income		
12,328,197	Dwelling Rents	1	12,469,482
437,644	Non-dwelling Rents	1	478,814
1,429,312	Charges for Services and Facilities	2	1,330,809
273,355	Contribution Towards Expenditure		156,722
0	Bad Debts Provision	4	5,305
14,468,508	Total Gross Income		14,441,132
	Gross Expenditure		
3,455,990	Repairs and Maintenance		4,182,928
2,668,535	Supervision and Management		2,949,292
1,403,073	- General		1,781,215
62,001	- Special Services		76,138
223,899	Rents/Rates/Taxes and other charges		112,043
10,807	Rent Rebates		0
1,201,696	Provision for Bad or Doubtful Debts	4	760,794
5,898,578	Subsidy Payment	3	6,452,636
2,668,986	Cost of Capital Charge	5	2,718,911
52,621	Depreciation	6	13,638
	Debt Management Costs		
17,646,186	Total Gross Expenditure		19,047,595
3,177,678	Net Cost of Services		4,606,463
(4,362,787)	Transfer to/(from) AMRA	7	(4,927,454)
(123,550)	Transfer to/(from) General Fund		(197,550)
144,784	Amortised Premiums and Discounts		143,275
(123,026)	Investment Income	8	(106,133)
(1,286,901)	Net Operating Expenditure		(481,399)
818,720	Transfer to/(from) Reserves and Provisions		(102,964)
(145,017)	Contribution from Pensions Reserve		(131,837)
312,096	Revenue Contribution to Capital Outlay		0
(60,696)	Transfer to/(from) Major Repairs Reserve	9	(54,951)
(361,798)	(Surplus) / Deficit for Year		(771,151)
(437,607)	Balance Brought Forward		(799,405)
(799,405)	Balance at 31st March		(1,570,556)

Notes to the Housing Revenue Account

1a Housing Stock

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

2004/05		2005/06
3,002	Houses / Bungalows	2,932
783	High/Medium Rise Flats	776
944	Low Rise Flats	937
4,729		4,645
2004/05		2005/06
4,892	Stock at 1 April	4,729
(163)	Less: Sales / Demolitions	(85)
0	Add: Reclassification of Asset	1
4,729	Stock at 31 March	4,645

1b Fixed Assets

2004/05 £'000		2005/06 £'000
	Operational Assets	
167,507	Council Dwellings	183,393
1,024	Other Property	937
168,531	Net Book Value	184,330

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 2006 is £341.7m.

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 £12.9m after allowance is made for voids. At the end of 2005/06, 1.7% of the total stock was void, compared to 1.2% at the end of 2004/05. Rents were increased by 4.1% during 2005/06 and the average rent for all dwellings was £52.58 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 Council'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:

2004/05 £		2005/06 £	
5,531,730	Allowance for Management and Maintenance	5,963,010	
2,608,290	Major repairs allowance	2,663,960	
2,599,730	Charges for capital	2,550,460	
21,200	Admissible Allowance	15,580	
1,000	Anti Social Behaviour Allowance	1,000	
(11,969,250)	Guideline rent income	(11,949,550)	
(12,600)	Interest receivable	(10,590)	
(1,219,900)	Housing Subsidy Entitlement	(766,130)	
18,204	Adjustment re prior year	5,336	
(1,201,696)	Housing Subsidy Receivable/ (Payable)	(760,794)	

4 Provision for Bad and Doubtful Debts

2004/05 £	Rent Arrears	2005/06 £
800,120	Gross Rent Arrears at 31 st March	760,960

Approximately 39% of rent arrears refer to former tenants.

2004/05 £	Provision for Bad Debts:	Contribution from/ (to) the HRA In Year £	Written Off In Year £	2005/06 £
593,097	HRA Rent Arrears	72,140	97,457	567,780
378,785	HRA Sundry Debtors	(77,445)	22,248	279,092
971,882		(5,305)	119,705	846,872

5 Cost of Capital Charge

Capital charges comprises an asset rent, reflecting the cost of capital tied up in the asset. The asset rent for 2005/06 of £6,452,636 equates to an interest charge, based on the net amount at which the fixed asset is included in the balance sheet at 31st March 2006. The rate of interest used is 3.5%.

6 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 £2,663,960 equates to the Major Repairs Allowance as determined by the ODPM. The charge for depreciation of £54,951 on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

7 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 below
- 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.

2004/05 £		2005/06 £
(5,898,578)	Cost of Capital	(6,452,636)
(2,668,986)	Provision for Depreciation	(2,718,911)
1,535,791	"Item 8" charge for interest (prescribed by LGHA 1989)	1,525,182
2,668,986	Depreciation charged	2,718,911
(4,362,787)		(4,927,454)

8 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.

9 Major Repairs Reserve

The Major Repairs Allowance (MRA) 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 £2,663,960 and non council dwellings (e.g. garages) of £54,951 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.

31/03/2005 £		Contribution From HRA £	Transferred to HRA £	Capital Expenditure £	31/03/2006 £
1,320,641	Major Repairs Reserve	2,718,911	54,951	3,984,601	0

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

10 Capital Expenditure

The following table details how £7.214m capital expenditure was financed during the year.

	Total Expenditure £	Supported Capital Expenditure £	Capital Receipts £	Capital Reserve £	Major Repairs Allowance £
Dwellings	6,751,727	488,000	2,279,126	0	3,984,601
Non Dwellings	462,329	0	462,329	0	0
	7,214,056	488,000	2,741,455	0	3,984,601

11 Capital Receipts

During the year capital receipts totalling £5m were received in respect of dwellings sold, of which £3.64m was repaid to ODPM under the pooling regime. A further £353k was received in respect of receipts from the sale of housing land, of which £10k was repaid to ODPM under the pooling regime. The un-pooled element of capital receipts are retained for financing future housing capital investment and regeneration works.

The Collection Fund

Income and Expenditure Account

2004/05 £'000		2005/06 £'000	2005/06 £'000
	Income		
21,778	Council Tax	22,979	
3,549	Transfer from General Fund - Council Tax Benefits Contributions	3,865	26,844
22,179	Business Ratepayers		25,597
47,506	Total Income		52,441
	Expenditure		
	Precepts and Demands:		
18,403	Staffordshire County Council	19,444	
3,095	Staffordshire Police Authority	3,284	
1,167	Stoke-on-Trent & Staffs Fire & Rescue Authority	1,236	
2,568	Tamworth Borough Council	2,728	26,692
	Business Rate		
22,084	Payment to National Pool	25,500	
95	Costs of Collection	97	25,597
	Provision for Bad and Doubtful Debts		
222	Provision	275	
(135)	Write Off	(195)	80
	Contributions towards previous year's estimated Collection Fund Surplus		
93	Staffordshire County Council	144	
14	Staffordshire Police Authority	24	
0	Stoke-on-Trent & Staffs Fire & Rescue Authority	9	
12	Tamworth Borough Council	20	197
47,618	Total Expenditure		52,566
112	(Surplus)/ Deficit for Year		125
(275)	Balance Brought Forward (Surplus)/ Deficit		(163)
(163)	Balance as at 31st March (Surplus)/ Deficit		(38)

Notes to the Collection Fund Account

1 Non Domestic Rates

The rateable value of Non Domestic properties in the Borough as at 31st March 2006 was £70,784,546 (£55.283m at 31st March 2005).

The NNDR multiplier for 2005/06 was 42.2p in the pound (2004/05 45.6p) with a new qualifying small business multiplier of 41.5p in the pound.

2 Council Tax

The Council base was as follows:

2004/05	[-----2005/06-----]			
No. of Band "D" Equivalent Properties	Band	No. of Chargeable Properties	Ratio	No. of Band "D" Equivalent Properties
5,263	A	7,927	6/9	5,284
7,700	B	10,084	7/9	7,843
4,095	C	4,695	8/9	4,173
3,181	D	3,153	1	3,153
1,793	E	1,493	11/9	1,825
529	F	367	13/9	530
137	G	82	15/9	137
1	H	0.5	18/9	1
22,699				22,946
98.5%	Multiplied by anticipated collection rate of			98.5%
22,358	Equals Council Tax Base			22,602

3 Precepting Authorities

Authority	£
Staffordshire County Council	19,443,767
Staffordshire Police Authority	3,283,641
Stoke-on-Trent & Staffs Fire & Rescue Authority	1,236,333
Tamworth Borough Council	2,727,383

4 Bad and Doubtful debts

The following provisions and write offs were made in the year.

2004/05 £'000	Provision for bad debts - Council Tax	2005/06 £'000
622	Balance at 1 April	574
(135)	Written off in Year	(195)
87	Increase/(decrease) in Provision	80
574	Balance as at 31 March	459
	Provision for bad debts - Business Rates	
803	Balance at 1 April	752
(249)	Written off in Year	(91)
198	Increase/(decrease) in Provision	(130)
752	Balance as at 31 March	531

Notes to the Consolidated Balance Sheet

1 Fixed Assets a) Movement in Values

Intangible Assets	Software £000	Total Intangible Assets £000
Original Cost	0	0
Less Accumulated Amortisation	0	0
Balance at 31st March 2005	0	0
Expenditure in Year	114	114
Revaluation	0	0
Written off to Revenue in Year	(38)	(38)
Balance at 31st March 2006	76	76

Tangible Assets (operational)	Council Dwellings £'000	Other Land & Buildings £'000	Vehicles, Plant & Equipment £'000	Infra- Structure £'000	Community Assets £'000	Total Operational Assets £'000
Gross Book Value at 31st March 2005	174,713	54,962	1,794	920	1,029	233,418
Less Accumulated Depreciation/ Impairment	(7,206)	(4,529)	(1,767)	(216)	(21)	(13,739)
Net Book Value at 31st March 2005	167,507	50,433	27	704	1,008	219,679
Additions / New Assets	0	0	254	0	0	254
Disposals of Assets	(3,085)	(16)	0	0	0	(3,101)
Revaluation of Assets	21,618	1,100	700	0	0	23,418
Reclassification	21	(21)	0	0	0	0
Depreciation for Year	(2,668)	(1,420)	(327)	(31)	(4)	(4,450)
Net Book Value at 31st March 2006	183,393	50,076	654	673	1,004	235,800

Tangible Assets (non-operational)	Surplus Assets £'000	Assets Under Construction £'000	Total Non- Operational Assets £000
Net Book Value at 31st March 2005	2,572	0	2,572
Additions / New Assets	0	142	142
Disposals of Assets	(700)	0	(700)
Revaluation of Assets	2,211	0	2,211
Reclassification	0	0	0
Depreciation for Year	0	0	0
Net Book Value at 31st March 2006	4,083	142	4,225

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 2006 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 Council 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 Council were valued on the basis of open market value

b) Commitments

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

	£'000
General Fund	
Car Park Pay & Display Machine Replacements	28
Castle Grounds - Play Area	98
Castle Survey	10
Community Safety	54
DDA Compliance	41
Information Systems (Software, Hardware, E-Gov & E-Innovation Projects)	629
Resurface Tennis Courts	10
Housing	
External Insulation	73
Refurbishment/Conversion of Righton House	9
	952

Commitments are in respect of outstanding payments on schemes in progress and schemes for which either a tender has been invited or a legal commitment entered into by 31st March 2006.

c) Fixed Asset Analysis

Numbers of major fixed assets owned and/or operated by the Council at 31st March 2006 were as follows:

Council Dwellings	
Council Dwellings	4,645
Rented Garages	1,944
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
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)	81
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 Act 2003 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.

Central Government provide revenue support for an element of capital expenditure financed by borrowing, referred to as supported capital expenditure. Local Authorities are also able finance their capital programme through additional unsupported borrowing through the prudential regime contained within the Local Government Act 2003 as long as it is affordable, prudent and sustainable. For the financial year 2005/06 the Council did not undertake any unsupported borrowing and therefore all capital expenditure financed by borrowing is supported by the Government.

ii) Analysis of Capital Financing Requirement

2004/05		2005/06	
£'000		£'000	£'000
20,872	Opening Capital Financing Requirement		21,300
	Capital Investment		
32	Community Safety	200	
305	Computer Systems/ Equipment	1,561	
293	Corporate Properties	761	
1,578	Environmental & Highway Services	597	
4,160	Housing Development & Improvement	7,057	
208	Leisure & Recreation Services	172	
244	Private Housing Grants	341	
6,820			10,689
	Sources of Finance		
(1,456)	Capital Receipts	(4,542)	
(1,057)	Government Grants	(1,195)	
(312)	Other Contributions	(174)	
(3,397)	Revenue/ Reserves	(4,164)	
(6,222)			(10,075)
(170)	Minimum Revenue Provision		(163)
21,300	Closing Capital Financing Requirement		21,751

2004/05	Explanation of Movements in Year	2005/06
£'000		£'000
598	Increase in underlying need to borrow: Supported by Government Financial Assistance	614
0	Unsupported by Government Financial Assistance	0
(170)	Minimum Revenue Provision (<i>No Housing Revenue Account MRP under new prudential regime in 2004/05</i>)	(163)
428	Increase/ (Decrease) in Capital Financing Requirement	451

2004/05		2005/06	
£'000		£'000	%
1,456	Capital Receipts	4,542	42%
1,057	Government Grants	1,195	11%
312	Other Contributions	174	2%
3,397	Revenue/ Reserves	4,164	39%
598	Supported Borrowing	614	6%
0	Unsupported Borrowing	0	-
6,820		10,689	100%

e) Assets Held under Leases

Authority as Lessee

The following values of assets are held which were financed under finance leases by the Council and relate to the Tamworth Business Centre units at Amber Close, these are accounted for as part of Tangible Fixed Assets:

2004/05 Other Land and Buildings £'000			2005/06 Other Land and Buildings £'000	
870		Value at 1 st April	822	
0		Additions	0	
0		Revaluation's	0	
(48)		Depreciation	(48)	
0		Disposals	0	
822		Value at 31st March	774	

There are no outstanding obligations to make payments under these finance leases as their primary rental has been fulfilled.

The Council was committed at 31st March 2006 to making payments of £186,994 during 2006/07 under Operating Leases, comprising the following elements:

2004/05 Plant and Equipment £'000			2005/06 Plant and Equipment £'000	
18		Leases expiring within 1 year	17	
17		Leases expiring 1 to 5 years	4	
0		Leases expiring after 5 years	166	

Authority as Lessor

The gross value of assets held for use in operating leases was £28.1m at 31st March 2006 (£26.7m at 31/03/05) and subject to £2.2m depreciation at that date, (£1.7m at 31/03/05). A table containing valuations and depreciation applied by classification of assets is shown below:

2004/05			2005/06	
Asset Valuation £'000	Depreciation Applied £'000		Asset Valuation £'000	Depreciation Applied £'000
1,322	266	Operational Assets	1,629	496
25,380	1,386	Community Assets	26,491	1,736
		Other Land and Buildings		
26,702	1,652	Total	28,120	2,232

2 Long-term Investments

These are investments which are intended to be held for use on a continuing basis in the activities of the Council, or where there are restrictions as to the Council's ability to dispose of the investment. They are not analysed between General Fund and Housing, but are aggregated as Council assets.

Value at 31/03/2005 £		Original Cost £	Value at 31/03/2006 £
22,958	Government Stock:		
305	4.0% Consolidated Stock	28,434	25,272
24,851	2.5% Consolidated Stock	569	337
503	3.5% War Stock	32,689	27,567
	3.5% Conversion Stock	650	558
48,617		62,342	53,734
	Cash Deposits:		
4,000,000	Maturing in 1 – 2 years		1,000,000
1,000,000	Maturing in 2 – 5 years		1,000,000
5,048,617			2,053,734

3 Long Term Debtors

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

31/03/2005 £'000		31/03/2006 £'000
138	Mortgages	109
193	Car Loans/Lease Repayments	173
517	Debt Rescheduling Premiums	374
848		656

4 Debtors

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

31/03/2005 £'000		31/03/2006 £'000
857	Government Departments	583
1,051	Business Ratepayers	744
1,275	Council Taxpayers	1,071
1,177	Housing Rents	1,005
1,035	Accruals	1,143
1,699	Other	1,357
7,094		5,903
2,772	Less : Provision for Bad Debts	2,306
4,322		3,597

5 Investments

These balances are cash deposits with Banks and Building Societies with maturity dates of less than 365 days.

6 Creditors

31/03/2005 £'000		31/03/2006 £'000
939	Government Departments	2,403
1,042	Business Ratepayers	903
308	Council Taxpayers	449
283	Housing Rents	289
85	Creditors for Goods and Services	99
3,460	Accruals	3,810
6,117		7,953

7 Long Term Borrowing

31/03/2005 £'000	Source of Loan	Range of Interest Rates Payable (%)	31/03/2006 £'000
19,442	Public Works Loans Board	4.25% to 11.875%	20,442
2,000	Market Loans – fixed	7.55%	2,000
21,442			22,442

31/03/2005 £'000	Analysis by Maturity	31/03/2006 £'000
0	Maturing in 1 – 2 Years	2,000
2,750	Maturing in 2 – 5 Years	2,750
2,000	Maturing in 5 – 10 years	3,000
16,692	Maturing in over 10 Years	14,692
21,442		22,442

8 Provisions

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

31/03/2005 £'000		Transfers to £'000	Transfers from £'000	31/03/2006 £'000
45	Tribunal Costs	0	45	0
100	Pension Costs (Actuarial Strain liability up to 6 years)	13	4	109
31	Housing Repairs Contract	0	30	1
10	Tamworth Bond Scheme	0	1	9
186		13	80	119

9 Fixed Asset Restatement Account

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.

2004/05 £'000		2005/06 £'000
122,233	Surplus on revaluation and restatement at 1 April	130,151
21,176	Acquisition of assets and revaluation upwards	26,858
(6,867)	Disposal of assets and revaluation downwards	(4,521)
(6,391)	Capital expenditure on assets	(10,447)
130,151	Balance at 31st March	142,041

10 Capital Financing Account

This account 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 charge to revenue for the repayment of debt (MRP) and the amount of capital expenditure financed from revenue and capital receipts.

2004/05 £'000		2005/06 £'000	2005/06 £'000
67,886	Balance at 1 st April		68,682
	Add:		
(4,029)	Minimum Revenue Provision (MRP) (less Dep'n & Government Grants Deferred)	(4,226)	
5,253	Capital financing (revenue, capital receipts)	8,828	4,602
	Less:		
(428)	Deferred Charges written down		(240)
68,682	Balance at 31st March		73,044

11 Deferred Credits

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

12 Usable Capital Receipts Reserve

2004/05 £'000		2005/06 £'000
4,276	Balance brought forward at 1 st April	5,820
3,000	Add: Usable Receipts from Sale of Assets	2,327
7,276		8,147
(1,456)	Less: Financing of Capital Expenditure	(4,542)
5,820	Balance carried forward at 31st March	3,605

13 Earmarked Reserves/ Major Repairs Reserve

31/03/05 £'000		Transfer (to) / from Other Sources £'000	Transfer (to)/ from Other Reserves £'000	Transfer (to)/ from Revenue £'000	31/03/06 £'000
2,628	Future Capital Expenditure	0	0	179	2,807
1,360	Temporary	0	(300)	(378)	682
614	Retained Funds	0	300	80	994
717	Repairs and Renewals	0	0	2	719
1,491	Commuted Sums	0	0	(79)	1,412
13	Insurance	0	0	0	13
270	Other Reserves	0	0	126	396
7,093	Total Earmarked Reserves	0	0	(70)	7,023
1,321	Major Repairs Reserve	(1,321)	0	0	0
8,414	Total Specific Reserves	(1,321)	0	(70)	7,023

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 Reserves: These have been established by the transfer of funds from revenue in order to finance specific identified schemes or potential needs. (e.g. Housing Stock Transfer Project, E-Government & Private Sector Housing Stock Condition Survey).

Retained Funds: These have been established in order to finance recurring irregular expenditure for a specific purpose. (e.g. Job Evaluation Pay & Conditions Review, Insurance Third Party Excesses & Memorials Inspections).

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, as at 31st March 2006 there is an amount of £79k set aside in respect of the Indoor Bowls Club guarantee, a commitment for the council until 2015.

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

14 Revenue Balances

31/03/2005 £'000		Movement in year £'000	31/03/2006 £'000
1,159	General Fund	2,020	3,179
800	Housing Revenue	771	1,571
163	Collection Fund – Council Tax	(125)	38
2,122		2,666	4,788

15 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.

16 Analysis of Net Assets Employed

31/03/2005 £'000		31/03/2006 £'000
21,892	General Fund	22,096
152,553	Housing Revenue	165,932
28,283	Other Trading Services	30,004
163	Collection Fund	38
202,891		218,070

17 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 31/03/2005 £'000		Expenditure in Year £'000	Charge to Revenue £'000	Balance at 31/03/2006 £'000
0	Private Sector Improvement Grants	215	215	0
0	Crime Reduction Project	25	25	0
0		240	240	0

18 Retirement Benefits

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

The employees of the Council 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 Pension Fund.

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

In 2005/06, 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 2004, and pensions payable to retired officers.

At the 31st March 2006, the Council had the following overall assets and liabilities for pensions included in the balance sheet;

2004/05 £'000		2005/06 £'000
(54,912)	Estimated Liabilities in Scheme	(63,915)
39,913	Estimated Assets in Scheme	47,705
(14,999)	Net Asset / (Liability)	(16,210)

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.

Hymans Robertson, an independent firm of actuaries, have assessed the fund liabilities as at 31st March 2006. The main assumptions used in their calculations are:

2004/05		2005/06
2.9%	Rate of Inflation	3.1%
4.4%	Rate of Increase in Salaries	4.6%
2.9%	Rate of Increase in Pensions	3.1%
n/a	Proportion of Employees opting to take a commuted lump sum	0%
5.4%	Discount Rate	4.9%

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

2004/05			2005/06		Long Term Return % Per annum	Expected Annual Return £'000
Value £'000	%		Value £'000	%		
30,315	76	Equity Investments	37,528	79	7.4	2,777
4,975	13	Bonds	4,917	10	4.6	226
3,663	9	Property	3,317	7	5.5	182
960	2	Cash	1,943	4	4.6	89
39,913	100		47,705	100	6.9	3,274

The movement in net pension liability is as follows:

2004/05 £'000		2005/06 £'000
(9,904)	Net Pension surplus/(liability) at 1 April	(14,999)
(1,307)	Current Service Cost	(1,374)
819	Employer contributions payable to scheme	892
72	Contributions in respect of Unfunded Benefits	71
0	Past Service Costs	0
(25)	Impact of settlements and curtailments	(10)
(14)	Net return on assets	(252)
(4,640)	Actuarial gains/(losses)	(538)
(14,999)	Net Pension surplus/(liability) at 31 March	(16,210)

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 31/03/2006 £'000	Year to 31/03/2005 £'000	Year to 31/03/2004 £'000	Year to 31/03/2003 £'000
Difference between expected & actual return on assets	7,871	2,330	5,294	(9,424)
Value of Assets	47,705	39,913	35,928	28,906
Percentage of Assets	16.5%	5.8%	14.7%	(32.6%)
Experience gains/ (losses) on liabilities	(1,143)	2,993	(18)	72
Present value of liabilities	63,915	54,912	45,831	43,056
Percentage of the Present Value of Liabilities	(1.8%)	5.5%	(0.0%)	0.2%
Changes in the demographic and financial assumptions used to estimate liabilities	(7,266)	(9,963)	0	0
Actuarial gains/ (losses)	(538)	(4,640)	5,276	(9,352)
Present value of liabilities	63,915	54,912	45,831	43,056
Percentage of the Present Value of Liabilities	(0.8%)	(8.4%)	11.5%	(21.7%)

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 Council by £16.210m.

The Local Government Pension Scheme (Amendment) Regulations 2006, SI 2006/966, makes a number of changes to Local Government Pension Scheme benefits with effect from 1 April 2006, including the right of scheme members to elect to take an enhanced tax free lump sum in return for a reduced annual pension.

In light of the considerable uncertainty surrounding future behaviour and the extent to which any savings from commutation will in practice flow through to employers, it is premature to anticipate any potential savings in the 2005/06 accounts.

19 Government Grants Deferred

2004/05 £'000		2005/06 £'000
1,199	Opening Balance at 1 April	2,118
968	Applied in year	1,247
(49)	Transferred to AMRA	(100)
2,118	Balance at 31 March	3,265

20 Unapplied Capital Contributions

2004/05 £'000		2005/06 £'000
235	Opening Balance at 1 April	455
1,188	Receipts in year	1,207
(968)	Amounts applied to finance capital	(1,247)
455	Balance at 31 March	415

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.

2004/05 £'000		2005/06 £'000	2005/06 £'000	2005/06 £'000
	Surplus/(deficit) for the year:			
656	- General Fund	2,020		
362	- Housing Revenue Account	771		
(112)	- Collection Fund	(125)		
1,158	<i>Add back</i> Movements on earmarked revenue reserves	(70)		
			2,596	
(455)	<i>Deduct</i> Appropriation from pensions reserve	(673)		
(4,640)	Actuarial gains and losses relating to pensions	(538)		
			(1,211)	
(3,031)	Total increase/(decrease) in revenue resources (Note 1)			1,385
1,544	Increase/(decrease) in usable capital receipts		(2,215)	
220	Increase/(decrease) in unapplied capital grants and contributions		(40)	
1,764	Total increase/(decrease) in realised capital resources (Note 2)			(2,255)
13,932	Gains/(losses) on revaluation of fixed assets		15,691	
0	Impairment losses on fixed assets due to general changes in prices		0	
13,932	Total increase/(decrease) in unrealised value of fixed assets (Note 3)			15,691
(6,014)	Value of assets sold/ disposed of (Note 4)			(3,801)
1,456	Capital receipts set aside		4,542	
(660)	Revenue resources set aside		(180)	
919	Movement on Government Grants Deferred		1,147	
(626)	Movement on Major Repairs Reserve		(1,321)	
1,089	Total Increase/(decrease) in amounts set aside to finance capital investment (Note 5)			4,188
7,740	Total recognised gains / (losses)			15,208

Notes to the Statement of Total Movements in Reserves

	General Fund Balances £'000	HRA Balances £'000	Collection Fund £'000	Earmarked Revenue Reserves £'000	Pensions Reserve £'000
1. Movements in revenue resources					
Surplus/(deficit) for 2005/06	2,020	771	(125)	-	-
Appropriations to/from revenue	-	-	-	(70)	(673)
Actuarial gains and losses relating to pensions	-	-	-	-	(538)
	2,020	771	(125)	(70)	(1,211)
Balance brought forward at 1 April	1,159	800	163	7,093	(14,999)
Balance carried forward at 31 March	3,179	1,571	38	7,023	(16,210)

	Usable Capital Receipts £'000	Unapplied Capital Grants & Contributions £'000
2. Movements in realised capital resources		
Amounts receivable in 2005/06	2,327	1,207
Amounts applied to finance new capital investment	(4,542)	(1,247)
Total increase/(decrease) in realised capital resources	(2,215)	(40)
Balance brought forward at 1 April	5,820	455
Balance carried forward at 31 March	3,605	415

	Fixed Asset Restatement Account £'000
3. Movements in unrealised value of fixed assets	
Gains/(losses) on revaluation of fixed assets in 2005/06	15,691
Impairment losses on fixed assets due to general changes in prices in 2005/06	0
Total increase/(decrease) in unrealised capital resources	15,691
4. Value of assets sold, disposed of.	
Amounts written off to fixed asset balances for disposals in 2005/06	(3,801)
Total movement on reserve	11,890
Balance brought forward at 1 April	130,151
Balance carried forward at 31 March	142,041

	Capital Financing Account £'000	Government Grants Deferred £'000	Total £'000
5. Movements in amounts set aside to finance capital investment			
Capital receipts set aside in 2005/06:			
- receipts set aside to finance indebtedness	0	-	
- usable receipts applied	4,542	-	
Total capital receipts set aside in 2005/06	4,542	-	4,542
Revenue resources set aside in 2005/06:			
- capital expenditure financed from revenue	4,286	-	
- reconciling amount for provisions for loan repayment	(4,466)	-	
Total revenue resources set aside in 2005/06	(180)	-	(180)
Grants applied to capital investment	-	1,247	
Amounts credited to the Asset Management Revenue Account	-	(100)	
Movement on Government Grants Deferred	-	1,147	1,147
Movement on Major Repairs Reserve (Note 9 of the Housing Revenue Account refers – page 29)			(1,321)
Total increase/(decrease) in amounts set aside to finance capital investment			4,188
Total movement on reserve	4,362	1,147	
Balance brought forward at 1 April	68,682	2,118	
Balance carried forward at 31 March	73,044	3,265	

Cash Flow Statement

This consolidated statement summarises the inflows and outflows of cash arising.

2004/05 £'000		2005/06 £'000	2005/06 £'000	2005/06 £'000
	Revenue Activities			
	Cash Outflows:			
12,595	Cash paid to and on behalf of employees	12,177		
21,190	Other operating cash payments	23,474		
4,279	Housing Benefit paid out	4,624		
22,333	National non-domestic payments to national pool	24,298		
22,665	Precepts paid	24,141		
4,398	Payments to the capital receipts pool	3,624		
87,460			92,338	
	Cash Inflows:			
8,504	Rents (after rebates)	8,394		
21,907	Council Tax receipts	23,130		
2,320	National non-domestic rate receipts from national pool	2,141		
22,278	Non-domestic rate receipts	25,765		
3,208	Revenue Support Grant	3,383		
14,367	DWP Grant for Benefits	15,835		
1,870	Other Government Grants (Note 1)	1,805		
6,864	Cash Received for Goods and Services	7,018		
3,100	Other operating cash receipts	12,027		
84,418			99,498	
(3,042)				7,160
	Returns on Investments and Servicing of Finance			
	Cash Outflows:			
1,833	Interest Paid	1,797		
1	Interest element of finance lease rental payments	0	1,797	
	Less Cash Inflows:			
873	Interest Received		1,338	(459)
(4,003)	Net Cash Inflow/(Outflow) from Revenue Activities (Note 2)			6,701
	Capital Activities			
	Cash Outflows:			
6,801	Other Capital cash payments		9,698	
	Cash Inflows:			
8,351	Sale of Fixed Assets	6,066		
1,261	Capital Grants Received	1,300		
(295)	Other Capital cash receipts	(139)	7,227	(2,471)
(1,487)	Net Cash Inflow/(Outflow) before Financing (c/fwd)			4,230

2004/05 £'000		2005/06 £'000	2005/06 £'000
(1,487)	Net Cash Inflow/(Outflow) before Financing (b/fwd)		4,230
	Management of Liquid Resources (Note 3)		
803	Net (Increase)/Decrease in Short Term Deposits		(3,605)
	Financing (Note 4)		
	Cash Outflows:		
(3,500)	Repayments of Amounts Borrowed	(2,000)	
	Cash Inflows:		
3,500	New Loans Raised	1,000	(1,000)
(684)	Increase/(decrease) in Cash		(375)
	Movements in Cash		
(217)	Cash/Bank 1 st April		(901)
(901)	Cash/Bank 31 st March		(1,276)
(684)	Movement in Year		(375)

Notes

1 Other Government Grants comprise:

2004/05 £'000		2005/06 £'000
389	DWP Admin. / Verification Framework Grant	455
94	NNDR Cost of Collection	97
198	Homeless Grant	0
50	Benefits Fraud Incentive Grant	106
16	Single Regeneration Budget (SRB)	0
3	Discretionary Housing Payment	6
186	Planning Delivery Grant	188
50	Homelessness Strategy	60
311	Community Safety	227
50	Elections	108
60	Procurement – Centre of Excellence	0
190	Defra/Wrap	112
0	Local Authority Business Growth Incentive Scheme	284
0	ODPM & LGA Capacity Building Programme	5
273	Supporting People Grant	157
1,870		1,805

2 Reconciliation to Revenue Accounts

2004/05 £'000		2005/06 £'000	2005/06 £'000
906	Net Surplus/(Deficit) for year (page 45, Note 14)		2,666
	Non-cash Transactions		
	Add:		
4,247	Provision for Depreciation	4,488	
(4,029)	Minimum Revenue Provision	(4,226)	
532	Contribution to Reserves	(1,391)	
186	Use of Provisions	(67)	
3,709	Financing of Capital Expenditure	4,164	
(5,001)	Long Term Investments	2,995	
	Write Down of Government Grants		
(49)	Deferred	(100)	5,863
	Items on an Accruals Basis		
	Add:		
96	Reduction in Stocks	9	
(273)	Reduction in Revenue Debtors	725	
903	Increase in Creditors	1,087	1,821
(5,230)	Payments to the Capital Receipts Pool		(3,649)
(4,003)	Net Cash Income from Revenue Activities		6,701

3 Management of Liquid Resources

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

4 Movements in Financing and Management of Liquid Resources

	2005/06 £'000	2005/06 £'000
Investments at 1 st April 2005	16,000	
Investments at 31 st March 2006	19,605	(3,605)
Long Term Borrowing at 1 st April 2005	(21,442)	
Long Term Borrowing at 31 st March 2006	(22,442)	1,000
Short Term Borrowing at 1 st April 2005	(2,000)	
Short Term Borrowing at 31 st March 2006	0	(2,000)
		(4,605)

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 system of capital accounting, which allows Councils to offset the impact of capital charges on the net cost of services. It is also debited with any external interest payable, provisions for depreciation, impairment and any capital grants/contributions released from the Government Grants Deferred Account.

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 Council in providing its services beyond the year of the account e.g. land and buildings.

Capital Financing Account

This reserve represents the amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets and certain other capital financing transactions, the Minimum Revenue Provision (being the amount set aside for repayment of debt) and depreciation charged on fixed assets.

Capital Financing Requirement

This represents the Council's underlying need to borrow for capital purposes.

Capital Receipts

Proceeds from the sale of assets e.g. land or buildings, which may be used to finance new capital expenditure or are payable to the Central Government Housing Capital Receipts Pool.

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 the United Kingdom 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 Business Rates and 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.

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 Account

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.

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 lessor and annual rental is charged direct to the revenue account.

Liabilities

Amounts due to individuals or organisations which will have to be paid some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Liquid Resources

Current asset investments that are readily disposable by the Council without disrupting it's business and are either:-

- readily convertible to known amounts of cash at or close to the carrying amount; or
- traded in an active market.

Major Repairs Allowance

The Major Repairs Allowance was introduced in 2001/02 and represents the estimated long-term average amount of capital spending required to maintain the Council's housing stock in its current condition.

Materiality

An item is material if its omission, non-disclosure or misstatement could be expected to lead to a distortion of the view given by the financial statements.

Minimum Revenue Provision

The minimum amount which must be charged to a revenue account each year and set aside to repay debt, presently 4% of the General Fund Capital Financing Requirement. No MRP is required for the Housing Revenue Account.

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.

Post Balance Sheet Events

Those events, both favourable and unfavourable, that occur between the balance sheet date and the date on which the statement of accounts is signed by the responsible financial officer.

Prior Period Adjustments

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

Precept

This is a demand for payment made by Staffordshire County Council, Staffordshire Police Authority and the Stoke-on-Trent and Staffordshire Fire & Rescue 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 FSS.

Specific Grants

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

Supported Capital Expenditure

Authorisations given by the Government to local authorities which enable them to finance capital expenditure by either borrowing or government grant.

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
- Cemetery, Cremation and Mortuary Services
- Service Management and Support Services

Environmental Services

- Community Safety/ Crime Reduction
- Environmental Health
- Licensing
- 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

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
- Service 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

STATEMENT ON INTERNAL CONTROL 2005/06

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

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. Thus, the system of internal control helps to ensure that objectives are set and delivered and that defined levels of service are provided. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control as referred to below has been in place at the Authority for the year ended 31st March 2006 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. Processes to further refine this monitoring and help to ensure effective delivery through clearer linkage of corporate objectives and Directorate and service objectives, and clearer alignment of resources with priorities have been put in place;
- The effective operation of, and compliance with, policies and decision-making processes including Cabinet and Scrutiny Committees, the Council's Constitution and schemes of delegated decision making powers;

- The operation of scrutiny committees to provide opportunity for independent member review of Council services and decisions. Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority. The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, and its committees;
- 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, i.e. Head of Paid Service (the Chief Executive), Section 151 Officer (the Director of Finance) and Monitoring Officer (Director of Corporate Governance) to ensure compliance with laws and regulations. The Monitoring Officer's role is to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Section 151 Officer, the Monitoring Officer will report to the full Council if he considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered;
- The financial management of the Authority is conducted in accordance with the financial rules set out in Part 4 of the Constitution and with Financial Regulations and Guidance. The Council has designated the Director of Finance as the responsible financial officer in accordance with Section 151 of the Local Government Act 1972. The Council has in place a five-year Financial Plan, updated annually, to support the medium-term aims of the Corporate Plan;
- The Council maintains an Internal Audit Section, which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK';
- The Council has an objective and professional relationship with external auditors and statutory inspectors;
- The Council has adopted a "Local Code of Corporate Governance" in accordance with the CIPFA/SOLACE Framework for Corporate Governance. The local code contains appropriate monitoring and reporting procedures, and can be found on the Council's website at www.tamworth.gov.uk, together with a 'rough guide' to corporate governance;
- The development of a formalised approach to the identification, assessment and management of risks to the Authority's objectives, in compliance with a Risk Management Strategy approved by the Council. All services have completed a formal assessment of the risks to the achievement of their objectives and the controls in place required to properly deal with those risks. A corporate risk register has been compiled. Managers are expected to review and monitor risks to their objectives and take appropriate action. Support and guidance is available to managers to assist in these processes. These arrangements are being further developed;

- The management of financial and other resources e.g. 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 delivery of services by trained and experienced people. All posts have a detailed Job Description and Person Specification;
- The operation of personal development reviews and appropriate training for employees to ensure objectives and targets are clear and agreed, and necessary skills obtained;
- Reviews by Internal Audit, external auditors and other agencies to provide appropriate levels of assurance of the effectiveness of the internal control environment;
- The operation of a formalised project management approach, Prince 2, in relation to the management of key corporate projects;
- The Council operates the “Tell Us” scheme whereby the public can make complaints, comments or compliments about the Council’s services/functions and personnel matters including sex or race discrimination;
- The Council has achieved British Standards Institute accreditation for its Information Security and Information Technology Service Management arrangements;
- The Council has learned from experience in the previous year on management of the capital programme, in that Corporate Management Team (CMT) and Cabinet have reviewed on a weekly and monthly basis during the year progress on delivery and spending on capital projects. Proposals to further improve the process in 2006/07 have been identified;
- The Council has also recognised, given the scarcity of resources, the need to continually assess the adequacy of its capacity to deliver major changes to the business (ie corporate projects). As a result, CMT has taken on a strategic programme management role and a Corporate Projects Consultant post has been established. This officer overviews and reports to CMT on, risks, capacity issues and progress on such projects, so that CMT can take strategic decisions in the light of this information;
- The Council has recognised the importance of effective corporate governance and has established a Directorate (which draws together relevant service areas) to help to further strengthen the Council’s governance arrangements. The Directorate has established a Business Plan to ensure appropriate actions are taken;
- Processes have also been put in place to help ensure delivery of the Council’s Improvement Plan.

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 & Inspection 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:

- The Director of Corporate Governance (the 'Monitoring Officer') has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting; during 2005/06 a group of leading Members from both ruling and opposition parties have acted as a consultee in considering necessary changes and improvements to the Constitution to ensure its effectiveness;
- The local Code of Corporate Governance is reviewed on an annual basis, including Dimension 4 relating to risk management and internal control, and an Action Plan is adopted to deal with any issues;
- Review of existing policies as appropriate, production and approval of new or revised policies and procedures;
- The further development and embedding of a corporately defined approach to the identification, assessment, reporting and management of risks to the Authority's and specific services' objectives;
- The further extension of management review processes (eg reviews based on the Vanguard approach) by which the effectiveness of processes, resource use, and necessary improvement, is considered;
- Internal officer review of corporate governance arrangements, leading to publication of clear guidance in the form of a 'rough guide' on the Council's website;
- Internal Audit are responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate a strategic audit plan which is approved by Cabinet, and from which the annual workload is identified. The reporting process for Internal Audit requires a report on each audit to be submitted to the relevant service manager, Assistant Director and Director. The report includes recommendations for improvements that are included within an action plan and require agreement or rejection by service managers. The process includes follow-up within six months of the implementation of agreed actions to address recommendations;
- The Audit & Governance Manager meets Directors and the Chief Executive periodically to discuss delivery of the audit plan and any key issues arising including key risks;

- The Audit & Governance Manager provides a quarterly and annual opinion statement to the Members charged with governance; previously Cabinet, but during the year this has extended to the 'Audit Committee';
- The Internal Audit Section is subject to regular inspection by the Council's external auditors who place reliance on the work carried out by the section;
- Managers are required to provide statements of assurance with regard to the adequacy of internal controls in their areas of responsibility, which are reflected in this Statement where necessary;
- 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. During the year the remit of this Committee was extended to constitute an 'Audit Committee'; this is likely to be an interim arrangement, with a dedicated Audit Committee proposed to be established in 2006/07. This Committee's Terms of Reference are proposed to comply with those set out in good practice guidance, such that its purpose will be to provide "independent assurance of the adequacy of the risk management and governance frameworks and the associated control environment";
- The Authority receives reports from its external auditors and the Audit Commission in relation to its governance and internal control, and considers and takes action on their recommendations as appropriate. Reports received during 2005/06, and their outcomes, are discussed further below;
- The establishment of an Improvement Board with the objectives set out below, represents a significant commitment to ensuring the effective delivery of necessary improvements identified in the corporate Improvement Plan:
 - Oversee the delivery of the Improvement Plan and other planned improvements
 - Support and advise Cabinet/CMT/ Senior Management Team on implementation methods
 - Share learning, ideas and information and assist in their dissemination
 - Review and, where necessary, challenge proposals
 - Provide basic 'quality assurance' function i.e. test whether improvements work.

5. **SIGNIFICANT INTERNAL CONTROL ISSUES**

It is considered that there are issues to raise in the following areas:

- a) Those recognised in the current corporate Improvement Plan
- b) Key areas raised by the External Auditor or Audit Commission
- c) Updates on those areas raised in the 2004/05 SIC
- d) Key areas arising from Internal Audit work during the year
- e) Any key areas highlighted in assurance statements completed by managers.

a) Areas highlighted in the Corporate Improvement Plan

The Council has put in place an Improvement Plan to deal with the issues raised in the CPA review of the Authority during 2003/04, and the Council - commissioned Peer Review of its improvements in 2004/05. The Improvement Plan currently highlights actions in relation to the following as key corporate areas for improvement:

- Development of long term plans, re new vision;
- Development of a community consultation, communication and participation strategy to inform the Council's vision, priorities and service development;
- Ensuring the recognition of the importance of diversity and equality in the Council's visioning and service planning;
- Resources aligned to priorities and monitored;
- Local Strategic Partnership / Local Area Agreement, including:
 - Council's role as Community Leader;
 - 'Fit for Purpose' Structure;
 - Performance Management;
- Creating corporate capacity;
- Service standards communicated;
- Service Transformation;
- Performance management, including:
 - Alignment of performance to corporate objectives and communication;
 - Celebration of performance successes;
- Partnership Working;

The Improvement Plan itself provides further detail on these areas. CMT has put in place an Improvement Board which acts to provide quality assurance and 'scrutiny' of the planned improvements.

b) Key areas raised by the External Auditor or Audit Commission

At the end of March, the Council received the *Annual Audit and Inspection Letter* from its external auditor, (which included the assessment of the Council's '*Direction of Travel*' since the previous CPA assessment and of the effectiveness of the Council's arrangements for '*Use of Resources*'). Both assessments were very positive in relation to the improvements being put in place by the Council, and the Council was awarded a creditable rating of '3' in relation to the *Use of Resources* assessment (on a scale of 1 up to 4).

The two key areas for improvement highlighted in the *Direction of Travel* assessment related to housing repairs performance, which was covered in more detail in a specific inspection (see below) and levels of employee sickness absence. The Council has recognised the need to positively manage sickness absence. For example: a new attendance management system has been implemented & reviewed; there is close monitoring of sporadic & long term sickness; a new contract has been negotiated with Occupational Health; case management conferences have been introduced; and there is improved management reporting of sickness absence. Additionally, the Pay & Conditions Review has recognised that the current flexible working scheme is outdated and contributes to high levels of absence. Accordingly, therefore, the review is recommending the introduction of a modern flexible working procedure.

The *Annual Audit & Inspection Letter* also raised certain high priority recommendations as follows:

1. Performance management

The performance management framework at the Council should be further enhanced by:

- ensuring it encompasses the developing partnership arrangements, in order to understand and demonstrate the impact of partnership working and to ensure it represents value for money;
- developing and implementing the strategic approach to assessing and improving value for money across the organisation to ensure it is embedded at all levels; and reviewing its management processes to enable the clear link of how plans/strategies have contributed to corporate objectives.

2. Partnership Working

The Council should consider reviewing its partnerships to ensure there is a strong framework of accountability and corporate governance that is based on clear leadership, a culture of scrutiny and challenge and a focus on user's views and experiences. Together, these factors should positively influence the shape and delivery of the Council's strategic priorities.

3. Risk Management

The Council should develop further its risk management arrangements and in particular:

- write specific risk management responsibilities into the terms of reference for the new Audit & Governance Committee;
- ensure that the Audit & Governance Committee receives reports on risk management and that risk management is reported to full Council at least annually;
- consider providing risk management training to all staff; and ensuring that all Members attend risk management training/workshops.

4. Value for Money

The Council should consider the areas for development in relation to the Value for Money judgements and include them within its overall corporate improvement processes.

The Council will respond to these recommendations accordingly and put in place any further necessary action plans as appropriate.

An inspection by the Audit Commission of the Council's housing repair and maintenance service was also carried out during the year. This found the service to be a 'fair', one-star service that has promising prospects for improvement. A number of positive improvements were referred to in the report, which was welcomed by the Council. The Council has put in place an Improvement Plan to deal with the key areas raised in the report; delivery of this is underway.

c) Updates on those areas raised in the 2004/05 SIC

Issues raised in the 2004/05 Statement on Internal Control, where not referred to in the Improvement Plan (see above), have been addressed as follows:

Improving the Scrutiny function – the function has been focussed differently in 2005/06, with specific work programmes agreed, Members taking active roles in carrying out reviews and presenting reports to their Committee and to Cabinet, and each Committee has been assisted by an officer 'buddy' to help ensure work plans were effectively delivered.

Work on embedding the corporate risk framework within the organisation has progressed during the year. All services have in place a risk assessment, and work has progressed in assessing the risks and actions in relation to the corporate risk register by Corporate Management Team (CMT). CMT has recently committed to ensuring the corporate risk register is complete by the end of May 2006. Risk is often managed through informal processes; while it seems that managers do tend to consider risks in various ways (eg in projects), and have produced risk registers, managers generally are not reviewing and updating their risk registers and using them to help them make decisions or plan ahead. There is not yet an established systematic reporting framework to show how risks are managed effectively to ensure effective decision making and service delivery. The establishment and use of risk management software recently purchased by the Authority should help to ensure this is resolved in future years.

Following an Internal Audit in 2004/05, senior management reviewed the approach to identifying and managing health and safety risks to ensure these were dealt with in the most effective fashion, and accordingly a plan of necessary improvements has been put in place.

During 2004/05, previously unforeseen variations to the projected annual revenue out-turn including projected shortfalls in income were identified in certain service areas through the routine budget monitoring processes. Management put in place remedial measures as a result. At the request of the Director of Finance and CMT, a review of compliance with corporate revenue budget management processes was carried out by Internal Audit. The audit review identified areas for action to ensure consistent compliance, which were agreed by CMT. The Internal Audit review of the implementation of identified actions from the report was carried out during 2005/06, and assurance given that the key actions had been delivered.

At the end of the 2004/05 financial year budgets in some service areas were significantly underspent, and management put in place processes aiming to ensure projected out-turn figures are more consistently accurate in future. These processes were in operation throughout 2005/06. Further progress has been made in this area, and efforts are made to highlight and address any relevant cases.

CMT is to review 2005/06 outturn reports to inform the budget review processes for the 2007/08 budget. While the variance from the 2005/06 revenue budget is approx. £1.1m, the net variance from the 2005/06 revenue budget (excluding windfall income) is marginal (1%), which is a very significant improvement.

End-of-year (2004/05) financial processes highlighted some cases, both capital and revenue, in which sums had been accrued into 2005/06 financial year inappropriately, and these were investigated and corrected. Areas of improvement to capital project/budget monitoring and reporting were identified and action plans put in place to address these. These gave rise to significant improvements for 2005/06, and efforts to reduce this still further in future years will continue.

d) Key Areas arising from Internal Audit work during 2005/06:

In quarter 1 Internal Audit work identified potential areas for improvement in processes relating to identifying, highlighting and consulting on proposed key decisions, and management agreed actions to address this. These have progressed somewhat; further actions are proposed, for instance to increase public consultation and participation in key decisions.

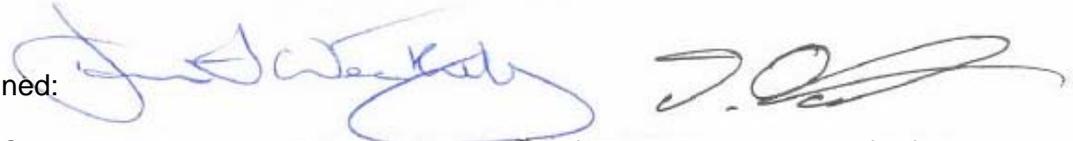
In quarter 2 Internal Audit work identified the following particularly significant areas for management action:

With regard to partnering contracts within Housing & Property Services there was a need to improve internal arrangements for verification of satisfactory completion of works by partner companies. Also commitment accounting needed to be more systematically used, to help with effective budget management. Suitable actions were agreed with management. These will be followed up by Internal Audit early in 2006/07. Subsequent audit review of the separate responsive housing repairs partnering arrangement has very recently highlighted similar issues, and an action plan is being developed to address these. This audit also highlighted an issue regarding the correct treatment of expenditure as capital or revenue and its appropriate recording. Steps will be taken to resolve the control issues highlighted.

Work on Programme Management highlighted the need for imminent review of the organisational effects of the e-Enabled Service Improvement (e-Esi) Project. This matter has been further discussed subsequently and the 'end vision' for the successor "Service Transformation" project is being clarified. It is important that this vision, and the strategy to deliver it, are clearly communicated to those who need to know, and to help deliver the strategy. The continuing reliance on the adequacy and sustainability of resourcing of corporate projects and key systems within Information Unit/ Corporate Information & Customer Services Department was also highlighted as a result of this work.

Follow-up work on the previous years audit on Performance Management highlighted the continuing need for more formal Member consultation and reporting on the Council's commitments under the Community Plan, and progress against them. It is understood that this issue is being further considered in the light of the Council's new performance management framework, the development of the Local Strategic Partnership's own performance management approach and, crucially, the governance implications of emerging national proposals with regard to Local Area Agreements and the approach taken within Staffordshire.

Signed:



J. Oates, Leader, and D. Weatherley, Chief Executive on behalf of the members and senior officers of Tamworth Borough Council

Date: 14th June 2006.

Code of Corporate Governance – Statement of Assurance 2005/06

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 on 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 responsible for:

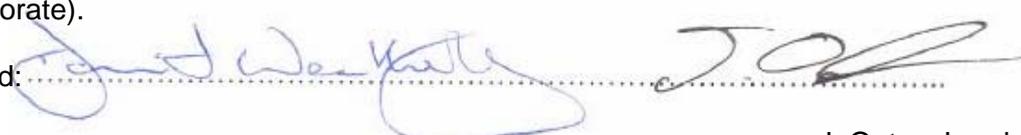
- overseeing the implementation and monitoring of the code's operation
- reviewing the operation of the code in practice
- reporting annually to the Cabinet on compliance with the code and any changes that may be necessary to maintain it and ensure its effectiveness in practice.

During the year the Council demonstrated its level of commitment to robust governance by the establishment of a Corporate Governance Directorate under the Directorship of the Council's statutory Monitoring Officer. This Directorate has the aim of further strengthening the Council's governance, and has established a Business Plan with specific actions planned in order to achieve this. Of specific relevance to this statement, the Directorate will review in 2006/07 the Council's compliance with the Code and with Audit Commission Key Lines of Enquiry on Corporate Governance and make recommendations on any key developments needed.

On the basis of the various sources of assurance on the adequacy of the arrangements for corporate governance (for further information see the Statement on Internal Control), 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 (particularly the plans of the Corporate Governance Directorate).

Signed:



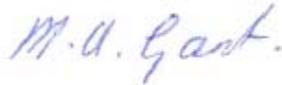
J. Oates, Leader
& D. Weatherley, Chief Executive
on behalf of the members and senior officers of Tamworth Borough Council

Date: 16th June 2006.

Approval of Accounts

I confirm that these accounts were approved by the Council at the meeting held on
20th June 2006

Signed on behalf of Tamworth Borough Council



M. A. East.

Chair of the Council meeting

Dated 20th June 2006

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 Director of Finance;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the statement of accounts.

The Director of Finance's responsibilities

The Director of Finance is responsible for the preparation of the Authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the SORP).

In preparing this statement of accounts, the Director of Finance has:

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

The Director of Finance 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 Tamworth Borough Council and its income and expenditure for the year ended 31st March 2006.



J. Wheatley FCCA
Director of Finance

Dated

12TH JUNE 2006.



Independent auditors' report to the Members of Tamworth Borough Council

Opinion on the financial statements

We have audited the financial statements of Tamworth Borough Council for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Consolidated Revenue Account, Consolidated Balance Sheet, the Statement of Total Movements in Reserves, Collection Fund, Housing Revenue Account, Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Tamworth Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to Tamworth Borough Council, as a body, those matters we are required to state to them 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, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority and its income and expenditure for the year.

We review whether the Statement on Internal Control 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.

We read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

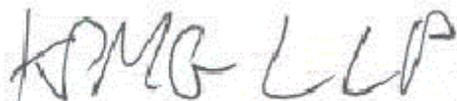
Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. 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 judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority'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 financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.



KPMG LLP
Chartered Accountants
Birmingham
26 September 2006

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the Authority is required to prepare and publish a best value performance plan summarising the Authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. We report if significant matters have come to our attention which prevent us from concluding that the Authority has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

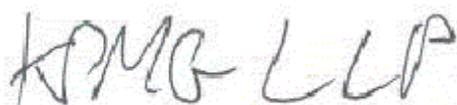
We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Tamworth Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006.

Best Value Performance Plan

We issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 5 December 2005. We did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.



KPMG LLP
Chartered Accountants
Birmingham
26 September 2006