

TAMWORTH BOROUGH COUNCIL

Statement of Accounts 2006/07



STATEMENT OF ACCOUNTS

2006/07

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THE EXPLANATORY FOREWORD

The statement of accounts presents the financial position and performance of the Council for the year ended 31st March 2007. 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 2007 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 2006/07 are set out on pages 18 to 53 and consist of the following:

- **Core Financial Statements:**
 - **Income & Expenditure Account:** reports the net cost for the year of all the functions for which the authority is responsible. It also shows how that cost was financed from government grants and income from council taxpayers.
 - **Statement of Movement on General Fund Balance:** reconciles the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. While the Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months, the authority is required to raise council tax on a different accounting basis in line with statute.
 - **Statement of Total Recognised Gains and Losses:** brings together all recognised gains and losses to the Authority during the year identifying those which have and have not been recognised in the income & expenditure account. The statement separates the movements between revenue and capital reserves.
 - **Balance Sheet:** sets out the overall financial position of the Council as at 31st March 2007. It shows the council's balances & reserves and it's long-term indebtedness, and the fixed and net current assets held.
 - **Cash Flow Statement:** complements the income & expenditure account and balance sheet by disclosing the inflows and outflows of cash to and from the Council in the course of the year.
- **Supplementary Statements:**
 - **Housing Revenue Account:** reflects the statutory requirement to maintain a separate account for Council housing.
 - **The Collection Fund:** shows the non-domestic rates and council tax income collected on behalf of Staffordshire County Council, the Police Authority, the Fire & Rescue Authority and this Council's General Fund.

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

CHANGES TO THE ACCOUNTS FOR 2006/07

In order to bring Local Government Financial Accounts more in line with practices in the private sector the Chartered Institute of Public Finance and Accountancy (CIPFA) have made major changes in 2006/07 to the Code of Practice on Local Authority accounting in the UK: a Statement of Recommended Practice (SORP) especially how financial performance is reported and how fixed assets and capital expenditure are accounted for.

This has meant significant changes in the preparation of the 2006/07 Statement of Accounts, including the re-statement of the previous year's financial accounts for 2005/06 into the new format.

These changes include:

- Replacement of the consolidated revenue account with an income and expenditure account and a Statement of the Movement on the general fund balance – this means that this statement will now conform with UK Generally Accepted Accounting Practice (GAAP).
- Replacement of the statement of total movements in reserves with a Statement of Total Recognised Gains and Losses (STRGL) is intended to make this statement more relevant to the movements in the year on the balance sheet.
- Removal of the requirement for capital charges / abolition of notional interest. The removal of the requirement to make a capital financing charge (also known as notional interest) which means that a large number of service accounts will no longer have to charge notional interest on the balance sheet valuation of the assets used by that service.
- There is no longer a requirement to have an AMRA (Asset Management Revenue Account), resulting in the charges previously shown within this account being shown on the face of the income and expenditure account and reconciliation to the general fund.
- Changes are also required to the format of the Housing Revenue Account to bring it into line with the overall Income and Expenditure Account for the authority as a whole. The Housing Revenue Account will now comprise – Housing Revenue Account Income and Expenditure Account and Statement of Movement on the Housing Revenue Account Balance.
- Ordering of Financial Statements - There is a new requirement to group the core financial statements together (i.e. Income and Expenditure Account, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash flow Statement) followed by the notes of the core statements and then further followed by "Supplementary" Statements (Housing Revenue Account and Collection Fund) with the notes to each supplementary statement following that supplementary statement.

Therefore, in the 2006/07 Statement of Accounts, the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account.

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts.
- Credits for Government Grants Deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate item.
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

These changes have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts:

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000s	Transfer Housing Revenue Account £000s	Impact of Removing Capital Financing Charges £000s	Relocation of Government Grants Deferred Credits £000s	Recognition of Gains & Losses on Disposal of Fixed Assets £000s	Other Movements £000s	Restated Income & Expenditure Account 2005/06 £000s
Central Services to the Public	377	-	(11)	-	-	-	366
Cultural, Environmental & Planning Services	8,550	-	(714)	(49)	-	(595)	7,192
Highways, Roads & Transport Services	(115)	-	(259)	(51)	-	-	(425)
Housing Services	5,459	(4,276)	(29)	-	-	(122)	1,032
Housing Revenue Account	-	4,276	(6,318)	-	-	9	(2,033)
Corporate & Democratic Core	1,470	-	(56)	-	-	-	1,414
Non Distributed Costs	187	-	(37)	-	-	(71)	79
Discontinued Operations	-	-	-	-	-	595	595
Net Cost of Services	15,928	-	(7,424)	(100)	-	(184)	8,220
Housing Pooled Capital Receipts	3,649	-	-	-	-	-	3,649
Trading Undertakings	(241)	-	(854)	-	-	-	(1,095)
Asset Management Revenue Account <i>(incl' (Gains)/ Losses on Repurchase of Borrowing)</i> [Interest Payable & Similar Charges in 2006/07]	(6,496)	-	8,278	100	-	-	1,882
(Gain)/ Loss on Disposal of Fixed Assets	-	-	-	-	8	-	8
Pension Interest Cost & Expected Return on Pension Assets	252	-	-	-	-	-	252
Interest & Investment Income	(1,527)	-	-	-	-	(9)	(1,536)
Net Operating Expenditure	11,565	-	-	-	8	(193)	11,380

FINANCIAL PERFORMANCE

Overall Revenue Position

The Statement of Movement of the General Fund Balance on page 19 shows a net General Fund surplus of £480k for the year. This was £1.088m higher than planned at the start of the year and has been added to General Fund balances of £3.179m (with the minimum approved level being £500k) brought forward from 2005/06, to produce a cumulative surplus of £3.659m carried forward to 2007/08.

The overall revenue financial position relating to Council Housing as given on page 45 shows a surplus for the year of £532k. This equates to an under-spend of £75k when compared to the approved budget for the year. This has resulted in an increase in balances from £1.571m to £2.103m to be carried forward to 2007/08.

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 £8.628m, representing an under-spend of £794k. Major differences between the budget and the outturn are as follows:-

	£000s	£000s
<ul style="list-style-type: none"> • Increase in Income <ul style="list-style-type: none"> ➢ Miscellaneous Interest and Dividends – As a result of higher levels of investment funds and an upturn in investment rates. ➢ Windfall grant income re the Local Authority Business Growth Incentive Scheme (£387k - net of £200k transfer to reserves) ➢ Recycling – Additional income levels achieved due to higher volume of recycling ➢ Changes in regulation relating to Minimum Revenue Provision calculations mean a saving against budget ➢ SCC/STW Developers Deposits – write back ➢ Council Tax – Additional income from Court Costs 	(273)	
	(187)	
	(138)	
	(131)	
	(60)	
	(47)	(836)
<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 ➢ Building Regulations income net under-recovery 	189	
	101	
	68	358
<ul style="list-style-type: none"> • Un-Budgeted Expenditure / Overspends <ul style="list-style-type: none"> ➢ Actuarial Strain/Redundancy cost following Realignment of Services review for Culture and Community 	150	150
<ul style="list-style-type: none"> • Savings / Underspends <ul style="list-style-type: none"> ➢ Information Systems – Net savings mainly due to vacancies and lower maintenance costs ➢ Planning Delivery – Government Grant income not spent ➢ Net savings on Leisure Futures Project budgets ➢ Saving after termination of Joint User Agreement with SCC re Wilnecote Sports Centre ➢ Other variances 	(178)	
	(41)	
	(33)	
	(32)	(284)
		(182)
Total		(794)

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

	Expenditure/ (Income) Actual [a] £000s	Expenditure/ (Income) Budget [b] £000s	Variance [c] (a-b) £000s
Chief Executive			
Chief Executive	164	156	8
Assistant Director Efficiency	83	83	0
Assistant Director Performance	398	412	(14)
Assistant Director Service Development	1,423	1,587	(164)
Director for Corporate Governance			
Audit Manager	109	116	(7)
Democratic Services	487	463	24
Mayoralty	74	65	9
Solicitor to the Council	156	156	0
Director of Finance			
Accountancy/Payroll	409	403	6
Benefits Manager	161	71	90
Financial Operations Manager	740	776	(36)
Director of Housing & Property Services			
Assistant Director Housing & Property Services	(149)	(36)	(113)
Assistant Director Strategy	849	917	(68)
Director for Community & Environment			
Corporate Director	169	163	6
Assistant Director Culture & Community	1,429	1,024	405
Assistant Director Environmental & Regulatory Services	1,798	2,030	(232)
Assistant Director Strategic Partnerships	947	932	15
Other Costs			
Other Corporate Costs	(619)	104	(723)
Subtotal	8,628	9,422	(794)
Transfer To/ (From) Balances	480	(314)	794
Total To Be Met By Government Grants & Taxpayers	9,108	9,108	0

In the above table, columns [a] and [b] show actual and budgeted net expenditure and income before management, support service costs and capital charges have been apportioned to front line services. This allows a comparison of the services performance against budget (variance shown in column [c]) for directly controllable costs.

Council Housing

A summary of the Housing Revenue Account for 2006/07, compared with the approved budget (including decisions made by Members during the financial year) is shown below:-

Council Housing Summary

Housing Revenue Account	Actual £000s	Approved Budget £000s	Variance £000s
Surplus for the Year Added to HRA	532	427	105

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

	£000s	£000s
<ul style="list-style-type: none"> • Significant overspends against approved budget <ul style="list-style-type: none"> ➢ Overspend on repairs ➢ Increase in consultants fees ➢ Increase in security costs for Righton House site 	228 41 51	320
<ul style="list-style-type: none"> • Significant underspends against approved budget <ul style="list-style-type: none"> ➢ A reduction in subsidy payable to DCLG ➢ A reduction in provision for bad debts ➢ Underspend on software maintenance and improvement costs – delay in recruiting IT support officer ➢ Underspend on legal costs – delay in securing legal support ➢ A reduction in anti social behaviour costs ➢ A reduction in costs at Thomas Hardy Court – agreement with Staffs County Council terminated ➢ A reduction in Staffing Costs – vacant manager post at East Area office ➢ A reduction in contribution to service charges reserve – reflects reduction in income highlighted below ➢ A reduction in rent charged for Amington Depot – Morrisons charged direct ➢ Underspend on tenant consultation – delay in recruiting TP officers ➢ A reduction in net management costs – General Operations 	(23) (35) (53) (32) (36) (25) (35) (61) (41) (46) (86)	(473)
<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 homelink charges – Supporting People Commission delayed reduction in charges till April 2007 	(10) (60)	(70)
<ul style="list-style-type: none"> • Significant income deficits against approved budget <ul style="list-style-type: none"> ➢ A reduction in Garage Rents ➢ A reduction in Service charges 	50 68	118
Total		(105)

Capital Expenditure

During 2006/07 the Council spent £9.18m on capital works. A breakdown by category and sources of finance is shown as Note 14.2 to the Core Financial Statements on page 28.

The majority of expenditure related to improvement, enhancement or ongoing construction works. Fixed asset acquisitions in the year include the purchase of IT equipment (software & hardware), costs associated with the build of the play area within the Castle Grounds and the new civic car. Significant disposals within the year were council dwellings under the Government Right to Buy scheme, land at Sandy Way and Peaks Leisure Centre.

A total of £0.50m spending originally planned for 2006/07, or earlier, has been deferred to 2007/08. Of this deferred expenditure £168k is earmarked for Private Sector Home Improvement Grants, £74k for Toilet Refurbishments (within Marmion House), £51k for Community Safety Works, £40k for IT related projects and £80k for potential improvement works to St Editha's Square.

Provisions, Reserves and Balances

The working balances at 31st March 2007 stand at £16.59m and comprise provisions, earmarked reserves, revenue balances and the unused element of capital receipts.

Of the working balances, £5.63m relate to capital (including the capital reserve at £1.73m). The £0.5m capital commitments from 2006/07 and previous years carried forward to 2007/08 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 2007 is provided below while further information can be found in the notes to the core financial statements.

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. Telephone : 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

General

The accounts have been drawn up in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice, which is recognised by statute as representing proper accounting practices.

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. All properties have been subject to a revaluation in the preceding 5 year period.

However, while the Council's register of assets has been reviewed and updated, no asset revaluations were undertaken in 2006/07 as the Council is currently conducting a comprehensive stock condition survey of all its Corporate Property. The survey is not yet complete and it would be premature to make alterations to the asset register until the outcome of the survey is known.

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 14.1 to the Core Financial Statements on page 27.

Fixed Assets - Disposals

Before 2006/07, the Council were able to treat separately the income from the sale of assets and the removal of the asset from the accounts. For 2006/07, the Council are now required to combine the effect of these two elements and take gains or losses on the disposal of assets to the income and expenditure account.

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.

Capital Charges

In previous years revenue accounts were charged for the use of all fixed assets used in the delivery of services.

The removal of the requirement to make a Capital Charge (also known as notional interest) means that a large number of service accounts will no longer have to charge 3.5% notional interest on the balance sheet valuation of the assets used by that service. 2005/06 information has been restated to allow like for like comparisons.

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.

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 £30.253k within the General Fund. Under the Act no MRP is chargeable to the Housing Revenue Account.

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 Note 20 to the Core Financial Statements on page 36.

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 Note 20 to the Core Financial Statements on page 36.

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.

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 19 to the Core Financial Statements on page 35.

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 2007.

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 2006/07 £1.53m was transferred to the DCLG (see the Income & Expenditure Account on page 18).

The remainder may be used to finance other capital expenditure and in 2006/07 £3.88m has thus been used (see Note 20.3 to the Core Financial Statements on page 37).

Interest

All interest earned is credited to the Income & Expenditure 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.

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.

Stocks and Stores

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

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 Notes 14.6 and 14.7 to the Core Financial Statements on page 31/32.

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 21 to the Core Financial Statements on page 39 refers.

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 2007. 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 and adopted by the Board of Actuarial Standards on 19 May 2006.

In order to assess the value of the Fund's liabilities as at 31 March 2007, 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 2006.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2007 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.

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 21 to the Core Financial Statements on page 40.

An allowance of 25% of members has been made in the calculations for the potential effect of employee or deferred pensioner members electing to take additional tax-free cash (up to HMRC limits) 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 2007. 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 2006/07 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 the 2006/07 financial year the discount rate derived from corporate bond yields as at 31 March 2007 was 5.4% 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 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 21 to the Core Financial Statements on page 40.

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 2007 include no figures relating to outstanding deferred charges.

Details of the movements in the deferred charges are given in Note 14.4 to the Core Financial Statements on page 30.

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.

Events after the Balance Sheet Date (FRS21)

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

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 2006/07.

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 2007.



J Wheatley FCCA
Director of Finance

Dated

12TH JUNE 2007.

Income and Expenditure Account

2005/06 Net Expenditure (restated) £000s		2006/07 Gross Expenditure £000s	2006/07 Gross Income £000s	2006/07 Net Expenditure £000s
366	Central Services to the Public	5,730	(5,666)	64
7,192	Cultural, Environmental & Planning Services	12,058	(4,025)	8,033
(425)	Highways, Roads & Transport Services	1,205	(1,331)	(126)
(2,033)	Local Authority Housing (HRA)	12,320	(14,686)	(2,366)
1,032	Other Housing Services	15,712	(14,088)	1,624
1,414	Corporate & Democratic Core	1,687	(30)	1,657
79	Non Distributed Costs	236	-	236
595	Discontinued Operations	1,184	(575)	609
	Note 1			
8,220	Net Cost of Services	50,132	(40,401)	9,731
8	(Gain)/ Loss on Disposal of Fixed Assets			(27)
(1,095)	(Surplus)/ Deficit on Trading Undertakings		Note 3	(1,039)
1,882	Interest Payable & Similar Charges			1,813
3,649	Contribution of Housing Capital Receipts to the Government Pool		Note 35	1,526
(1,536)	Interest & Investment Income			(1,185)
252	Pension Interest Costs & Expected Return on Pensions Assets		Note 20	(121)
11,380	Net Operating Expenditure			10,698
(2,747)	Demand on the Collection Fund			(2,872)
(3,383)	General Government Grants			(1,009)
(2,141)	Non-Domestic Rates Redistribution			(5,227)
3,109	(Surplus)/ Deficit for the Year			1,590

An appendix detailing the services contained within each section of "Net Cost of Services" can be found on page 70.

Statement of Movement of the General Fund Balance

The Income and Expenditure Account shows the council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2005/06 £000s			2006/07 £000s
3,109	(Surplus)/ Deficit for the year on the Income and Expenditure Account		1,590
(5,129)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	Note 13	(2,070)
(2,020)	(Increase)/ Decrease in the General Fund Balance for the Year		(480)
1,159	General Fund Balance brought forward		3,179
3,179	General Fund Balance carried forward		3,659

Statement of Total Recognised Gains and Losses

2005/06 £000s			2006/07 £000s
3,109	(Surplus)/ Deficit for the year on the Income & Expenditure Account		1,590
(17,874)	(Surplus)/ Deficit arising on revaluation of fixed assets		(9,889)
538	Actuarial (Gains)/ Losses on pension fund assets & liabilities		(3,475)
13	Movement on the Collection Fund Balance		(24)
(14,214)	Total Recognised (Gains)/ Losses for the year		(11,798)

Balance Sheet

31st March 2006 £000s		31st March 2007 £000s £000s	
	Fixed Assets		
76	Intangible Fixed Assets	Note 14.1	127
	Tangible Fixed Assets		
	Operational Assets:		
183,393	Council dwellings	Note 14.1	200,650
50,076	Other land and buildings	Note 14.1	44,177
654	Vehicles, plant and equipment	Note 14.1	697
673	Infrastructure assets	Note 14.1	643
1,004	Community assets	Note 14.1	999
	Non-operational Assets:		
142	Assets under construction	Note 14.1	-
4,083	Surplus assets held for disposal	Note 14.1	1,423
240,101	Total Fixed Assets		248,716
2,053	Long term investments		3,049
282	Long term debtors		247
517	Deferred premiums on the early repayment of debt		375
242,953	Total Long Term Assets		252,387
	Current Assets		
57	Stocks and work in progress		29
3,455	Debtors	Note 15	4,351
19,605	Investments		15,181
10	Cash and bank		6
266,080	Total Assets		19,567
	Current Liabilities		
-	Short term borrowing		(2,000)
(8,402)	Creditors	Note 16	(5,921)
(1,286)	Bank overdraft		(500)
256,392	Total Assets less Current Liabilities		(8,421)
	Long Term Liabilities		
(22,442)	Long term borrowing	Note 18	(20,442)
(120)	Provisions	Note 19	(134)
(3,265)	Government grants deferred		(3,461)
(16,210)	Liability related to defined benefit pension scheme	Note 21	(13,343)
214,355	Total Assets less Liabilities		226,153
	Financed by:		
142,041	Fixed Asset Restatement Account	Note 20.1	146,285
73,043	Capital Financing Account	Note 20.2	76,769
3,605	Usable Capital Receipts Reserve	Note 20.3	3,897
99	Deferred Capital Receipts		70
(16,210)	Pensions Reserve	Note 21	(13,343)
3,179	General Fund Balance		3,659
1,571	Housing Revenue Account Balance		2,103
4	Collection Fund		28
-	Major Repairs Reserve	Note HRA 3	-
7,023	Earmarked Reserves	Note 20.4	6,685
214,355	Total Net Worth		226,153

Cashflow Statement

2005/06 £000s		2006/07 £000s	2006/07 £000s	2006/07 £000s
	Revenue Activities			
	Cash Outflows:			
12,177	Cash paid to and on behalf of employees	12,793		
22,475	Other operating cash payments	22,782		
4,624	Housing Benefit paid out	5,277		
24,298	National non-domestic payments to national pool	28,913		
24,141	Precepts paid	25,248		
3,624	Payments to the capital receipts pool	2,088		
91,339			97,101	
	Cash Inflows:			
8,394	Rents (after rebates)	8,880		
23,130	Council Tax receipts	24,184		
2,141	National non-domestic rate receipts from national pool	5,227		
25,765	Non-domestic rate receipts	26,415		
3,383	Revenue Support Grant	1,009		
15,835	DWP Grant for Benefits	16,866		
1,805	Other Government Grants - Note 25	1,829		
6,345	Cash Received for Goods and Services	5,649		
11,824	Other operating cash receipts	7,475		
98,622			97,534	
7,283				433
	Returns on Investments and Servicing of Finance			
	Cash Outflows:			
1,797	Interest Paid	1,670		
-	Interest element of finance lease rental payments	-	1,670	
	Less Cash Inflows:			
1,338	Interest Received		1,123	(547)
6,824	Net Cash Inflow/(Outflow) from Revenue Activities - Note 22			(114)
	Capital Activities			
	Cash Outflows:			
	Purchase of Fixed assets		851	
9,698	Other Capital cash payments		8,815	
	Cash Inflows:			
6,066	Sale of Fixed Assets	5,849		
1,177	Capital Grants Received	254		
(139)	Other Capital cash receipts	35	6,138	(3,528)
4,230	Net Cash Inflow/(Outflow) before Financing			(3,642)
	Management of Liquid Resources - Note 24			
(3,605)	Net (Increase)/Decrease in Short Term Deposits			4,424
	Financing - Note 23			
	Cash Outflows:			
(2,000)	Repayments of Amounts Borrowed		-	
	Cash Inflows:			
1,000	New Loans Raised		-	-
(375)	Increase/(decrease) in Cash			782
	Movements in Cash			
(901)	Cash/ Bank 1st April			(1,276)
(1,276)	Cash/ Bank 31st March			(494)
(375)	Movement in Year			782

Notes to the Core Financial Statements

1. Acquired/ Discontinued Operations

There were no acquired services for the Council in 2006/07, but with effect from 1st December 2006 the Council ceased to provide leisure facilities at the Peaks Leisure Centre.

2. Operational Exceptional Items

Included within Other Housing Services on the Income and Expenditure Account, is an amount of £478,376 for the costs incurred in undertaking the "Housing Stock Transfer Project".

3. Trading Operations

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:

2005/06 (Surplus)/ Deficit to General Fund £000s		2006/07 Expenditure £000s	2006/07 Income £000s	2006/07 (Surplus)/ Deficit to General Fund £000s
5	Market	285	(267)	18
(363)	Industrial Estates	577	(777)	(200)
(712)	Other Land & Property	596	(1,446)	(850)
(25)	Building Control	121	(128)	(7)
(1,095)		1,579	(2,618)	(1,039)

4. S137 Expenditure (S137 1972 Act)

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 £5.44 per head of population. The Council was permitted to spend £404k under this power in 2006/07 (£392k in 2005/06) and its actual expenditure was £148.47k mainly on donations to voluntary bodies working in the local area (£141.54k in 2005/06).

5. Publicity Expenditure

Per the requirements of Section 5(1) of the Local Government Act 1986, the council's spending on publicity was:

2005/06 £000s		2006/07 £000s
98	Recruitment Advertising	71
61	Other Advertising	60
114	Publicity and Promotions	67
273		198

6. Building Control Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Charges are set for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non-chargeable activities.

	Non Chargeable 2006/07 £000s	Chargeable 2006/07 £000s	Total 2006/07 £000s
Expenditure			
Employee expenses	37	56	93
Premises	-	-	-
Transport	2	4	6
Supplies & services	1	23	24
Central & support service charges	24	38	62
TOTAL EXPENDITURE	64	121	185
Income			
Building regulation charges	-	(127)	(127)
Miscellaneous income	-	(1)	(1)
TOTAL INCOME	-	(128)	(128)
(Surplus)/ Deficit for Year	64	(7)	57
Comparatives for 2005/06			
Expenditure	53	134	187
Income	-	(159)	(159)
(Surplus)/ Deficit for Year	53	(25)	28

7. Agency Income & Expenditure

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

8. Local Authority (Goods & 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.

9. Members Allowances

The total of Allowances paid to Members in the financial year were made up as follows:

2005/06 £000s		2006/07 £000s
135	Basic Allowance	137
67	Special Responsibility	71
202		208

10. Officers Remuneration

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

Remuneration Band	2005/06	2006/07	
	Number of Employees	Number of Employees	Left during Year
£50,000 - £59,999	4	6	0
£60,000 - £69,999	3	3	0
£70,000 - £79,999	1	1	0
£80,000 - £89,999	1	0	1
£90,000 and above	1	1	0

11. Related Party Transactions

Members and Chief Officers.

During the financial year ended 31st March 2007, 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 9 and 10.

• 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:

	£000s
Redistributed Non-Domestic Rates	5,227
Revenue Support Grant	1,009
Benefit Grant	17,631

Amounts payable to central government include the following:

	£000s
Housing Subsidy	1,067

• **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.

	£000s
Staffordshire County Council	20,426
Staffordshire Police Authority	3,451
Stoke on Trent & Staffs Fire & Rescue Authority	1,299

• **Staffordshire County Council**

The County Council administers and issues Supporting People Grant to local authorities in the Staffordshire area. Tamworth Borough Council received £68k during 2006/07. Tamworth Borough Council also received £73k under the Local Public Service Agreement scheme.

Under the Recycling Credit Scheme, Tamworth Borough Council received £458k 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 21.

• **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 £56k grant in 2006/07.

12. Audit Fees

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

2005/06 £000s		2006/07 £000s
88	• Fees payable with regard to external audit services carried out:	88
10	• Fees payable in respect of statutory inspection:	12
14	• Fees payable for the certification of grant claims and returns (estimate):	16
0	• Fees payable in respect of any other services provided by the appointed auditor:	0
112		116

13. Reconciling Items for the Statement of Movement on the General Fund Balance

2005/06 £000s		2006/07 £000s
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.	
(38)	Amortisation of intangible fixed assets	(82)
(1,731)	Depreciation and impairment of fixed assets	(1,770)
(55)	The excess of depreciation charged to HRA services over the Major Repairs Allowance	(55)
100	Government Grants Deferred amortisation	139
(240)	Write down of deferred charges to be financed from capital resources	(295)
(8)	Net gain or loss on sale of fixed assets	27
(673)	Net charges made for retirement benefits in accordance with FRS17	(608)
(2,645)		(2,644)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.	
163	Minimum revenue provision for capital financing	30
301	Capital expenditure charged in-year to the General Fund Balance	1,876
(3,649)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,526)
(3,185)		380
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.	
771	Housing Revenue Account balance	532
(70)	Net transfer to or from earmarked reserves	(338)
701		194
(5,129)	Net additional amount required to be credited or debited to the General Fund Balance for the year.	(2,070)

14. Fixed Assets & Capital Expenditure

14.1. Movement on Fixed Assets

Operational Assets:

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant, Equip £000s	Infra-structure £000s	Community Assets £000s	Total £000s
Certified valuation at 31st March 2006	191,418	54,014	981	920	1,030	248,363
Accumulated depreciation & impairment	(8,025)	(3,938)	(327)	(247)	(26)	(12,563)
Net Book Value of Assets at 31st March 06	183,393	50,076	654	673	1,004	235,800
Movement in 2006/07:						
Additions	7,651	535	456	-	8	8,650
Disposals	(1,801)	(1,156)	(26)	-	-	(2,983)
Revaluations	14,016	(3,908)	(206)	-	(8)	9,894
Reclassification	-	-	236	-	-	236
Depreciation	(2,609)	(1,370)	(417)	(30)	(5)	(4,431)
Impairments	-	-	-	-	-	-
Net Book Value of Assets at 31st March 07	200,650	44,177	697	643	999	247,166

Non-operational Assets:

	Surplus Assets £000s	Assets under Construction £000s	Total £000s
Net Book Value of Assets at 31st March 06	4,083	142	4,225
Movement in 2006/07:			
Additions	-	99	99
Disposals	(2,660)	-	(2,660)
Revaluations	-	(5)	(5)
Reclassification	-	(236)	(236)
Depreciation	-	-	-
Impairments	-	-	-
Net Book Value of Assets at 31st March 07	1,423	-	1,423

Intangible Assets:

	Software £000s	Total £000s
Original Cost	114	114
Amortisations to 1st April 06	(38)	(38)
Balance at 1st April 06	76	76
Movement in 2006/07:		
Additions	135	135
Disposals	(2)	(2)
Revaluations	-	-
Amortisation to Revenue	(82)	(82)
Impairments	-	-
Carrying Value of Assets at 31st March 07	127	127

14.2. Capital Expenditure & Financing

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 2006/07 the Council did not undertake any unsupported borrowing and therefore all capital expenditure financed by borrowing is supported by the Government.

2005/06 £000s		2006/07 £000s
21,300	Opening Capital Financing Requirement	21,751
	Capital investment:	
10,039	Operational assets	8,650
142	Non-operational assets	99
366	Deferred charges	295
142	Intangible assets	135
	Sources of finance	
(4,542)	Capital receipts	(3,883)
(1,369)	Government grants and other contributions	(534)
(4,327)	Sums set aside from revenue (revenue financing & MRP)	(4,312)
21,751	Closing Capital Financing Requirement	22,201

2005/06 £000s		2006/07 £000s
	Explanation of movements in year	
	Increase in underlying need to borrow:	
614	Supported by Government financial assistance	480
-	Unsupported by Government financial assistance	-
(163)	Minimum Revenue Provision	(30)
451	Increase/ (decrease) in Capital Financing Requirement	450

2005/06 £000s
4,542
1,195
174
4,164
614
-
10,689

Summary of Financing

4,542	Capital receipts
1,195	Government grants
174	Other contributions
4,164	Revenue/ reserves
614	Supported borrowing
-	Unsupported borrowing

2006/07 %	2006/07 £000s
42%	3,883
5%	424
1%	110
47%	4,282
5%	480
0%	-
100%	9,179

14.3. Commitments under Capital Contracts

The Council has future obligations for capital contracts that it has already entered into. The commitments detailed below 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 2007.

Private Sector Housing – Disabled Facilities Grants
Replacement Car Park Machines
Toilet Refurbishments – Marmion House
Tamworth Castle Works
IT Projects (Equipment/ Website/ EDRM)
Environmental & Community Safety Improvements
Kettlebrook CCTV
Lighting Works – Crowden Road MUPA
Lift Refurbishment – High Rise Flats

31 March 2007 £000s
68.6
8.0
74.3
24.1
40.5
7.4
22.0
4.0
26.5
275.4

14.4. Summary of Deferred Charges

Expenditure within the definition of deferred charges does not create a fixed asset for the Council. This expenditure is therefore charged to revenue in the year it is incurred, having a nil effect on the balance sheet. The items of deferred expenditure are detailed below:

	Expenditure in 2006/07 £000s	Charged to Revenue £000s	Balance at 31st March £000s
Private Sector Improvement Grants	273	(273)	-
Play Area (SureStart)	22	(22)	-
	295	(295)	-

14.5. Information on Tangible Fixed Assets Held

Numbers of major fixed assets owned and/or operated by the Council at 31st March 2007 were as follows:

Council Dwellings		
Council Dwellings		4,614
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
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

14.6. Assets held under leases (lessees)

- 14.6.1.** The Council currently uses vehicles, plant and equipment financed under terms of an operating lease. The amounts paid under these arrangements in 2006/07 was £193.47k (£189.87k in 2005/06).

The Council was committed at 31st March 2007 to making payments of £175.67k during 2007/08 under Operating Leases, comprising the following elements:

2005/06 Vehicles, Plant and Equipment £000s			2006/07 Vehicles, Plant and Equipment £000s	
17	Leases expiring within 1 year		4	
4	Leases expiring 1 to 5 years		6	
166	Leases expiring after 5 years		166	

- 14.6.2.** 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:

2005/06 Other Land and Buildings £000s			2006/07 Other Land and Buildings £000s	
822	Value at 1 st April		774	
0	Additions		0	
0	Revaluation's		0	
(48)	Depreciation		(48)	
0	Disposals		0	
774	Value at 31st March		726	

- 14.6.3.** There are no outstanding obligations to make payments under these finance leases as their primary rental has been fulfilled.
- 14.6.4.** In the year 2006/07 rentals payable under finance leases in respect of Vehicles and Plant was nil (2005/06: £0k).

14.7. Assets held for leases (lessors)

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, golf course and clubhouse, 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 were as follows:

2005/06 £000s		2006/07 £000s	
	Operational Assets		
33	Community Assets	32	
2,198	Other Land and Buildings	2,148	
2,231	Total	2,180	

The gross value of assets held for use in operating leases was £31.4m at 31st March 2007 (£28.1m at 31st March 2006) and subject to £3.2m depreciation at that date, (£2.2m at 31st March 2006). A table containing valuations and depreciation applied by classification of assets is shown below:

2005/06		2006/07	
Asset Valuation £000s	Depreciation Applied £000s	Asset Valuation £000s	Depreciation Applied £000s
1,629	496	3,070	951
26,491	1,736	28,369	2,289
28,120	2,232	31,439	3,240

Operational Assets:
Community Assets
Other Land and Buildings
Total

14.8. Fixed Asset Valuations Analysis

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by the Councils Property Surveyor, Mr P Evans MRICS, IRRV. The basis for valuation is set out in the statement of accounting policies.

	Council Dwellings £000s	Other Land & Buildings £000s	Vehicles, Plant etc £000s	Infra-structure £000s	Community Assets £000s	Total £000s
valued at historical cost	-	-	-	643	984	1,627
Valued at current cost in:						
2006/07	41,456	2,127	383	-	-	43,966
2005/06	42,558	9,613	314	-	-	52,485
2004/05	41,483	1,584	-	-	15	43,082
2003/04	36,345	6,934	-	-	-	43,279
2002/03	38,808	23,919	-	-	-	62,727
Total	200,650	44,177	697	643	999	247,166

14.9. Depreciation & Amortisation Methodologies

Tangible Fixed Assets:

Council Housing Stock - Annual depreciation applied to council dwellings equates to the Major Repairs Allowance received in the year as determined by DCLG.

Other Buildings & Vehicles - Depreciated is calculated on a straight line basis to a nil residual value over the expected useful life of the asset.

Computer Hardware - Computer hardware is depreciated over a period of 3 years on a straight line basis to a nil residual value.

Intangible Fixed Assets:

Software - Computer software licences are amortised to revenue over a period of 3 years.

15. Analysis of Debtors

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

31st March 2006 £000s		31st March 2007 £000s
583	Government Departments	1,319
744	Business Ratepayers	555
1,071	Council Taxpayers	1,083
1,005	Housing Rents	964
1,143	Accruals	1,484
1,215	Other	1,078
5,761		6,483
2,306	Less Provision for Bad Debts	2,132
3,455		4,351

16. Analysis of Creditors

31st March 2006 £000s		31st March 2007 £000s
2,403	Government Departments	608
903	Business Ratepayers	392
449	Council Taxpayers	406
289	Housing Rents	278
34	Precepting Authorities	248
415	Capital Contributions not yet utilised	185
99	Creditors for Goods & Services	224
3,810	Accruals	3,580
8,402		5,921

17. Analysis of Net Assets Employed

31st March 2006 £000s		31st March 2007 £000s
18,416	General Fund	21,018
165,932	Housing Revenue	179,558
4	Collection Fund	28
30,003	Other Trading Services	25,549
214,355		226,153

18. Analysis of Long Term Borrowing

31st March 2006 £000s		Range of interest rates payable	31st March 2007 £000s
20,442	Public Works Loans Board (Fixed Rate)	4.25% to 11.875%	20,442
2,000	Market Loan (Fixed Rate)		-
22,442			20,442

31st March 2006 £000s		31st March 2007 £000s
	Analysis by Maturity	
	Maturing in:	
2,000	1 - 2 years	-
2,750	2 - 5 years	2,750
3,000	5 - 10 years	5,000
2,000	10 - 20 years	-
12,692	over 20 years	12,692
22,442		20,442

19. Provisions

31st March 2006 £000s		Transfer to £000s	Transfer from £000s	31st March 2007 £000s
109	Pension Costs (Actuarial Strain liability)	-	109	-
1	Housing Repairs Contract	-	1	-
9	Tamworth Bond Scheme	-	9	-
-	Consultancy (Stock Condition Survey)	12	-	12
-	NNDR - Refunds Provision	122	-	122
119		134	119	134

20. Movements in Reserves

	Balance 1st April 2006 £000s	Net Movement in Year £000s	Balance 31st March 2007 £000s	Purpose of Reserve	Further Details of Movements
Fixed Asset Restatement Account	142,041	4,244	146,285	- Store of gains on revaluation of fixed assets.	20.1 below
Capital Financing Account	73,043	3,726	76,769	- Store of capital resources set aside to meet past expenditure	20.2 below
Usable Capital Receipts Reserve	3,605	292	3,897	- Proceeds of fixed asset sales available to meet future capital investment	20.3 below
Deferred Capital Receipts	99	(29)	70	- Capital income still to be received when disposals have taken place and deferred payments have been agreed. (Sale of Council House	-
Pensions Reserve	(16,210)	2,867	(13,343)	- Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 21 to the core financial statements page 37
General Fund Balance	3,179	480	3,659	- Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance, page 17
Housing Revenue Account Balance	1,571	532	2,103	- Resources available to meet future running costs for council houses	HRA Statements page 43
Collection Fund	4	24	28	- Tamworth Borough Councils share of the Collection Fund Surplus available to meet future General Fund spending needs.	Collection Fund Statements page 49
Major Repairs Reserve	-	-	-	- Resources available to meet capital investment in council housing	HRA Statements Note HRA 3 page 45
Earmarked Reserves	7,023	(338)	6,685	- Resources earmarked to meet specific future spending needs	20.4 below
Total	214,355	11,798	226,153		

20.1. 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.

2005/06 £000s		2006/07 £000s
130,151	Balance brought forward at 1st April	142,041
28,531	Gains on revaluation of fixed assets	21,766
(719)	Losses on revaluation of fixed assets	(3,373)
(9,938)	Non-enhancing capital expenditure	(8,504)
(5,984)	Amounts written off for disposals in year	(5,645)
142,041	Balance carried forward at 31st March	146,285

20.2. 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.

2005/06 £000s		2006/07 £000s
68,682	Balance brought forward at 1st April	73,043
4,542	Capital investment	
4,285	usable receipts applied	3,883
	capital expenditure financed from other resources	4,481
(4,389)	Depreciation applied	(4,373)
163	Minimum Revenue Provision	30
(240)	Deferred charges	(295)
73,043	Balance carried forward at 31st March	76,769

20.3. Usable Capital Receipts Reserve

2005/06 £000s		2006/07 £000s
5,820	Balance brought forward at 1st April	3,605
5,976	Receipts in year (net of permitted deductions)	5,701
(3,649)	Amount pooled to Government	(1,526)
8,147	Total usable capital receipts available	7,780
(4,542)	Amounts applied to capital financing	(3,883)
3,605	Balance carried forward at 31st March	3,897

20.4. Earmarked Reserves

Balance 31st March 2006 £000s		Transfer (to)/ from other reserves £000s	Transfer (to)/ from revenue £000s	Balance 31st March 2007 £000s
2,807	Future capital expenditure	104	(1,183)	1,728
682	Temporary	-	157	839
994	Retained funds	-	589	1,583
719	Repairs & renewals	(29)	1	691
1,412	Commuted sums	(75)	118	1,455
13	Insurance	-	-	13
396	Other reserves	-	(20)	376
7,023	Total Earmarked Reserves	-	(338)	6,685

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, IT Service Development, Homelessness & Community Health).

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 2007 there is an amount of £63k set aside (£79k at 31st March 2006) in respect of the Indoor Bowls Club guarantee, a commitment for the council until 2015.

21. Defined Benefit Pension Scheme

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

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

Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually 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 in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

2005/06 £000s		2006/07 £000s
	Income & Expenditure Account	
	Net Cost of Services:	
1,374	current service cost	1,752
-	past service costs	16
(71)	contributions in respect of unfunded benefits	(70)
	Net Operating Expenditure:	
2,962	interest cost	3,136
(2,710)	expected return on assets in the scheme	(3,257)
10	impact of settlements & curtailments	-
1,565	Net Charge to the Income & Expenditure Account	1,577
	Statement of Movement in the General Fund Balance	
(673)	Reversal of net charges made for retirement benefits in accordance with FRS17	(608)
	Actual amount charged against the General Fund Balance for pensions in the year	
892	Employers' contributions payable to the scheme	969

Assets & Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31st March are as follows:

2005/06 £000s		2006/07 £000s
(63,915)	Estimated liabilities in scheme	(63,426)
47,705	Estimated assets in scheme	50,083
(16,210)	Net Asset/ (Liability)	(13,343)

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £13.3m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. Hymans Robertson, an independent firm of actuaries, have assessed the liabilities as at 31st March based on the latest full valuation of the scheme as at 31st March 2004.

The main assumptions used in their calculations have been:

2005/06		2006/07
3.1%	Rate of inflation	3.2%
4.6%	Rate of increase in salaries	4.7%
3.1%	Rate of increase in pensions	3.2%
4.9%	Rate for discounting scheme liabilities	5.4%
0.0%	Take-up of option to convert annual pension into retirement grant	25.0%

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

2005/06			2006/07		Long Term Return % per annum	Expected Annual Return £000s
Value £000s	%		Value £000s	%		
37,528	79%	Equity Investments	37,968	76%	7.8%	2,962
4,917	10%	Bonds	5,597	11%	4.9%	274
3,317	7%	Property	4,061	8%	5.8%	236
1,943	4%	Cash	2,457	5%	4.9%	120
47,705	100%		50,083	100%	7.2%	3,592

Actuarial Gains & Losses

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

	2002/03 £000s	2003/04 £000s	2004/05 £000s	2005/06 £000s	2006/07 £000s
Difference between expected and actual return on assets	(9,424)	5,294	2,330	7,871	(335)
Value of assets	28,906 (32.6%)	35,928 14.7%	39,913 5.8%	47,705 16.5%	50,083 (0.7%)
Differences between actuarial assumptions about liabilities and actual experience	72	(18)	2,993	(1,143)	(5)
Value of liabilities	43,056 0.2%	45,831 (0.0%)	54,912 5.5%	63,915 (1.8%)	63,426 (0.0%)
Changes in the demographic and financial assumptions used to estimate liabilities	-	-	(9,963)	(7,266)	3,815
Actuarial Gains/ (Losses)	(9,352)	5,276	(4,640)	(538)	3,475

22. Reconciliation between the net surplus/ deficit on the I&E to the revenue activities net cash flow in the cash flow statement

2005/06 £000s		2006/07 £000s	2006/07 £000s
(3,109)	Net Surplus/(Deficit) for year Income on Expenditure Account		(1,590)
(125)	Net Surplus/(Deficit) for year on Collection Fund		237
	Non-cash Transactions		
	Add:		
4,488	Provision for Depreciation	4,513	
(67)	Use of Provisions	14	
2,995	Long Term Investments	(996)	
(100)	Write Down of Government Grants	(139)	
	Deferred		
143	Deferred Premiums on early repayment of Debt	142	
673	Employers Contributions to Pension Fund (FRS17)	608	
8	Net (Gain) / Loss on Fixed Assets	(27)	
240	Write Down of Deferred Charges	295	4,410
	Items on an Accruals Basis		
	Add:		
9	Reduction in Stocks	28	
582	Reduction in Revenue Debtors	(896)	
1,087	Increase in Creditors	(2,303)	(3,171)
6,824	Net Cash Income from Revenue Activities		(114)

23. Reconciliation of items shown within “financing & management of liquid resources” section of the cashflow statement to the related items in the opening & closing balance sheets

	2006/07 £000s	2006/07 £000s
Investments at 1 st April 2006	19,605	
Investments at 31 st March 2007	15,181	4,424
Long Term Borrowing at 1 st April 2006	22,442	
Long Term Borrowing at 31 st March 2007	20,442	(2,000)
Short Term Borrowing at 1 st April 2006	0	
Short Term Borrowing at 31 st March 2007	2,000	2,000
		4,424

24. Explanation of what the authority includes in liquid resources

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

25. Analysis of Government Grants shown in the cashflow statement

2005/06 £000s		2006/07 £000s
455	DWP Admin. / Verification Framework Grant	538
97	NNDR Cost of Collection	97
106	Benefits Fraud Incentive Grant	0
6	Discretionary Housing Payment	6
188	Planning Delivery Grant	148
60	Homelessness Strategy	42
180	Safer Stronger Communities/ Domestic Violence Co-ordinator	148
47	Children's Fund / Healthy Lifestyle	59
0	Communities for Health	100
108	Elections	6
112	Defra/Wrap	87
284	Local Authority Business Growth Incentive Scheme	387
5	ODPM & LGA Capacity Building Programme	0
0	Local Government Financing Report 2004/05 & 2005/06	29
0	Implementation of Smoke Free Legislation	6
0	Contaminated Land Section 31 Grant	1
0	'e-innovations' Marketing Grant	50
157	Supporting People Grant	125
1,805		1,829

Approval of Accounts

I confirm that these accounts were approved by the Council at the meeting held on 26th June 2007

Signed on behalf of Tamworth Borough Council

A handwritten signature in blue ink, consisting of a stylized, cursive 'M' shape.

Chair of the Council meeting

Dated 26th June 2007

Housing Revenue Account Income and Expenditure Account

2005/06 (restated) £000s		2006/07 £000s
	Income	
(12,469)	Dwelling rents	(13,095)
(479)	Non-dwelling rents	(507)
(657)	Charges for services and facilities	(667)
-	Leaseholders' Charges for Services and Facilities	(49)
(151)	Contributions towards expenditure	(368)
(5)	Reduction in provision for bad and doubtful debts	-
(13,761)	Total Income	(14,686)
	Expenditure	
4,035	Repairs and maintenance	4,337
4,011	Supervision and management	4,143
76	Rents, rates, taxes and other charges	82
112	Transitional Rent Rebates to General Fund	-
761	Housing revenue account subsidy payable	1,067
2,719	Depreciation and impairment of fixed assets	2,660
14	Debt management costs	14
-	Increase in provision for bad and doubtful debts	17
11,728	Total Expenditure	12,320
(2,033)	Net cost of HRA services per Authority Income and Expenditure	(2,366)
367	(Gain)/ loss on sale of HRA fixed assets	(258)
1,525	Interest payable and similar charges	1,520
143	Amortised premiums and discounts	142
(106)	Interest and investment income	(102)
52	Pensions interest cost and expected return on pensions assets	(25)
(52)	(Surplus) or deficit for the year on HRA services	(1,089)

Statement of Movement on the HRA Balance

2005/06 (restated) £000s		2006/07 £000s
(52)	(Surplus)/ Deficit for the year on the HRA Income and Expenditure Account	(1,089)
(720)	Net additional amount required by statute to be debited or credited to the HRA Balance for the year	557
(772)	(Increase)/ Decrease in the Housing Revenue Account Balance for the Year	(532)
799	Housing Revenue Account surplus brought forward	1,571
1,571	Housing Revenue Account surplus carried forward	2,103

NOTES TO THE HRA

HRA 1. Number & Type of Dwelling

HRA 1a. Housing Stock

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

2005/06		2006/07
2,932	Houses / Bungalows	2,907
776	High/Medium Rise Flats	769
937	Low Rise Flats	938
4,645		4,614

2005/06		2006/07
4,729	Stock at 1 April	4,645
(85)	Less: Sales / Demolitions	(28)
1	Add: Reclassification of Asset	(3)
4,645	Stock at 31 March	4,614

HRA 1b. Fixed Assets

2005/06 £000s		2006/07 £000s
183,393	Operational Assets	200,650
937	Council Dwellings	918
	Other Property	
184,330	Net Book Value	201,568

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.

HRA 2. Vacant possession value of dwellings

The Vacant Possession Valuation as at 1st April 2007 is £373.74m.

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.

HRA 3. Movement on the MRR

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 £2.605m and non council dwellings (e.g. garages) of £55k 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 st March 2006 £000s		Contribution from HRA £000s	Transferred to HRA £000s	Capital Expenditure £000s	31 st March 2007 £000s
0	Major Repairs Reserve	2,660	55	2,605	0

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

HRA 4. Capital Expenditure Summary

The following table details how £7.679m capital expenditure was financed during the year.

	Total Expenditure £000s	Supported Capital Expenditure £000s	Useable Capital Receipts £000s	Capital Reserve £000s	Major Repairs Allowance £000s
Dwellings	7,289	480	2,685	1,519	2,605
Non Dwellings	390	0	390	0	0
	7,679	480	3,075	1,519	2,605

During the year capital receipts totalling £2.110m were received in respect of dwellings sold, of which £1.526m was repaid to ODPM under the pooling regime. The un-pooled element of capital receipts are retained for financing housing capital investment and regeneration works.

HRA 5. Depreciation Charges

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 £2.605m equates to the Major Repairs Allowance as determined by the ODPM. The charge for depreciation of £55k on non council dwellings has been calculated on a straight line basis over the period of their useful economic life.

HRA 6. 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:

2005/06 £000s		2006/07 £000s
5,963	Allowance for Management and Maintenance	6,490
2,664	Major repairs allowance	2,605
2,550	Charges for capital	2,524
16	Admissible Allowance	8
1	Anti Social Behaviour Allowance	0
(11,949)	Guideline rent income	(12,685)
(11)	Interest receivable	(9)
(766)	Housing Subsidy Entitlement	(1,067)
5	Adjustment re prior year	0
(761)	Housing Subsidy Receivable/(Payable)	(1,067)

HRA 7. HRA Pensions Reserve

2005/06 £000s		2006/07 £000s
	HRA Income & Expenditure Account	
	Net Cost of Services:	
310	current service cost	395
610	Net Operating Expenditure:	
(558)	interest cost	646
	expected return on assets in the scheme	(671)
362	Net Charge to the Income & Expenditure Account	370
	Statement of Movement in the HRA Balance	
(184)	Reversal of net charges made for retirement benefits in accordance with FRS17	(171)
	Actual amount charged against the Housing Revenue Account for pensions in the year	
178	Employers' contributions payable to the scheme	199

HRA 8. Rent Arrears

2005/06 £000s	Rent Arrears	2006/07 £000s
761	Gross Rent Arrears at 31 st March	726

Approximately 36% of rent arrears refer to former tenants.

2005/06 £000s	Provision for Bad Debts:	Contribution from/ (to) HRA In Year £000s	Written Off In Year £000s	2006/07 £000s
568	HRA Rent Arrears	90	142	516
279	HRA Sundry Debtors	(73)	8	198
847		17	150	714

HRA 9. Reconciling Items for the Statement of Movement on the Housing Revenue Account Balance

2005/06 (restated) £000s		2006/07 £000s
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year.	
(367)	Gain or loss on sale of HRA fixed assets	258
(184)	Net charges made for retirement benefits in accordance with FRS17	(171)
(551)		87
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year.	
(55)	Transfer to/(from) Major Repairs Reserve	(55)
(114)	Transfer to/(from) Earmarked Reserves	(994)
-	Capital expenditure funded by the HRA	1,519
(169)		470
(720)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year.	557

The Collection Fund Income and Expenditure Account

2005/06 £000s		2006/07 £000s	2006/07 £000s
	Income		
(22,979)	Council Tax	(24,288)	
(3,865)	Transfer from the General Fund - Council Tax Benefits	(4,137)	(28,425)
(25,597)	Business Ratepayers		(27,281)
(52,441)	Total Income		(55,706)
	Expenditure		
	Precepts & Demands:		
19,444	Staffordshire County Council	20,426	
3,284	Staffordshire Police Authority	3,451	
1,236	Stoke-on-Trent & Staffordshire Fire & Rescue Authority	1,299	
2,728	Tamworth Borough Council	2,864	28,040
	Business Rates:		
25,500	Payment to the National Pool	26,815	
97	Costs of Collection	97	
-	Transfer to General fund	336	27,248
	Provision for Bad & Doubtful Debts		
275	Provision	150	
(195)	Write Off	(50)	100
	Contributions towards previous year's estimated Collection Fund Surplus		
144	Staffordshire County Council	59	
24	Staffordshire Police Authority	10	
9	Stoke-on-Trent & Staffordshire Fire & Rescue Authority	4	
20	Tamworth Borough Council	8	81
52,566	Total Expenditure		55,469
125	(Surplus)/ Deficit for Year		(237)
(163)	Balance Brought Forward (Surplus)/ Deficit		(38)
(38)	Balance as at 31st March (Surplus)/ Deficit carried forward		(275)

NOTES TO THE COLLECTION FUND

CF 1. NDR Rateable Value

The rateable value of Non Domestic properties in the Borough as at 31st March 2007 was £70,614,446 (£70.785m at 31st March 2006).

The NNDR multiplier for 2006/07 was 43.3p in the pound (2005/06 42.2p). The qualifying small business multiplier for 2006/07 was 42.6p in the pound (2005/06 41.5p).

CF 2. Council Tax Base Calculation

The Council base was as follows:

2005/06	[-----2006/07-----]			
No. of Band "D" Equivalent Properties	Band	No. of Chargeable Properties	Ratio	No. of Band "D" Equivalent Properties
5,284	A	7,883	6/9	5,255
7,843	B	10,144	7/9	7,890
4,173	C	4,679	8/9	4,159
3,153	D	3,180	1	3,180
1,825	E	1,501	11/9	1,835
530	F	356	13/9	514
137	G	81	15/9	135
1	H	0.5	18/9	1
22,946				22,969
98.5%	Multiplied by anticipated collection rate of			98.5%
22,602	Equals Council Tax Base			22,624

CF 3. Name of each authority which made precept or demand on the fund & amount

Authority	£
Staffordshire County Council	20,426,173
Staffordshire Police Authority	3,450,839
Stoke-on-Trent & Staffs Fire & Rescue Authority	1,298,695
Tamworth Borough Council	2,863,749

CF 4. NNDR credits

National Non-Domestic Rates (NNDR) - Credits Transferred to the General Fund

Following, an exercise to review all NNDR credit accounts (credit balances that remained in the collection fund but could not be repaid to the businesses concerned as they cannot be traced, have not responded to efforts made to repay funds or no longer exist) a sum of £335,855.12 has been identified as meeting the appropriate criteria to be transferred back to General Fund balances, of which, as a prudent measure, £121,848.57 has been transferred to a provision to meet the cost of any refunds requested in the future.

CF 5. Bad & Doubtful Debts

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

2005/06 £000s	Provision for bad debts - Council Tax	2006/07 £000s
574	Balance at 1 April	459
(195)	Written off in year	(49)
80	Increase/(decrease) in Provision	67
459	Balance as at 31 March	477

2005/06 £000	Provision for Bad Debts - Business Rates	2006/07 £000
752	Balance at 1 April	531
(91)	Written off in year	(207)
(130)	Increase/(decrease) in Provision	32
531	Balance as at 31 March	356

CF 6. Reconciling to the Balance Sheet

The opening balance for the Collection Fund for 2006/07 was £38k surplus. At the end of the year this has increased to £275k due to a higher rate of collection than anticipated. On the basis that surpluses and deficits are shared with the other precepting authorities (as shown in note 3) at a level based on their demand (Staffordshire County Council 73%, Staffordshire Police Authority 12%, Stoke-on-Trent & Staffs Fire & Rescue Authority 5% and the Borough Council 10%) the Council has accounted for the Collection Fund balance in its 2006/07 Statement of Accounts as follows:

- In the Balance Sheet at 31 March 2007, the council included a £248k surplus on a disaggregated basis as debtors for the County Council £201k, Police £34k, Fire £13k and a £28k attributable surplus on the Collection Fund balance alongside the General Fund balance.
- In the STRGL, the council inserted a new line for the attributable movement on the Collection Fund balance to record a £24k surplus ((£38k surplus + £237k surplus) x 10%) = £276k x 10%).

STATEMENT ON INTERNAL CONTROL 2006-07

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 (as amended) (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 2007 and up to the date of approval of the annual report and accounts and, except for the details of significant control issues at section 5, accords with proper practice.

3. THE INTERNAL CONTROL ENVIRONMENT

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

- The clear statement and monitoring of achievement of corporate objectives.
- The effective operation of, and compliance with, policies and decision-making processes including Cabinet and Scrutiny Committees, 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 Corporate, Directorate and service business plans and the regular formal review of performance against those plans and identified performance measures as part of the performance management framework and as required by duties of continuous improvement;
- The operation of statutory officer roles, ie Head of Paid Service (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, as evidenced by the Annual Audit Letter.
- 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 or 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 Council has in place a framework for setting vision and objectives, and identifying and monitoring performance targets and actions to work towards the objectives.
- The management of financial and other resources eg budgetary control, asset management, personnel management, in accordance with appropriate professional standards;
- The operation of management review of services and functions and the extent of their economy, efficiency and effectiveness;
- The 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 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 members and sex or race discrimination.
- The Council has achieved British Standards Institute accreditation for its Information Security (in scoped areas) and Information Technology Service Management arrangements.
- The Council has learned from experience in previous years on management of the capital programme, in that CMT and Cabinet review on a monthly basis during the year progress on delivery and spending on capital projects.
- 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 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 better 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, and these are subject to ongoing development.

- Further work has been undertaken to develop the Council's arrangements to safeguard the continuity of its business and critical services in the event of an emergency.
- There has been investment in a corporate e-tendering package (Intend) which aims to improve management information, security and control over tendering processes.
- The framework for managing performance has been further developed during the year through the introduction of an IT system (Covalent) through which actions and targets can be more easily monitored.

4. REVIEW OF EFFECTIVENESS

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

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

- 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 2006/07 a group of leading members from both ruling and opposition parties has 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 deployment of this process has been enhanced through the introduction of risk management software (Grace) during the year, and services are due to use this facility from the end of 2006/07;
- 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 Audit are responsible for monitoring the quality and effectiveness of systems of internal control. A risk model is used to formulate an 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; now the 'Audit and Governance 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, and has during the year also commissioned a separate peer review to consider the effectiveness of internal audit in light of updated CIPFA Code requirements.
- 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 an independent Chairperson and independent co-opted members) has a responsibility to review the constitution.
- 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 2006/07, and their outcomes, are discussed further below.
- The ongoing operation of an Improvement Board (including external representation) 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/SMT on implementation methods
 - Share learning, ideas and information and assist in their dissemination
 - Review and, where necessary, challenge proposals
 - Provide basic 'quality assurance' function ie. 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 previous SICs
- d) Key areas arising from Internal Audit work during the year
- e) Any key areas highlighted in assurance statements completed by managers or through other assurance and control processes.

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, together with improvement areas that have been identified since those reviews. 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 Councils 'Direction of Travel' since the previous CPA assessment and of the effectiveness of the Councils arrangements for 'Use of Resources'). 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), with an indication that arrangements had further improved since the previous year, particularly in the area of Internal Control.

The *Annual Audit & Inspection Letter* also raised potential areas for improvement in the following areas:

- Ensuring a strengthened and sustained level of performance on key performance indicators and speedier progress on identified areas for improvement, such that performance and the rate of improvement is closer to good practice levels for district councils;
- The need to speed up progress on embedding the new performance management framework, to support the above and;
- The need to develop and strengthen the arrangements for ensuring the quality of key data used by the organisation eg in performance reporting.

During the year the Audit Commission undertook and reported on an "Environment" inspection, which looked at relevant Council policies, services and performance. This awarded the Council a "Good" rating – with two (out of three) stars - with promising prospects for improvement, which was considered by the Council to be a very positive outcome. It highlighted a large range of strengths within the relevant areas, together with some areas for improvement, which the Council has considered further within its action plans.

c) Updates on those areas raised in previous year's SICs

Certain areas raised in previous years' SICs have been fully addressed, and these are not repeated here. Where work is still underway to address other issues these are set out below.

Improving the Scrutiny function – the function was reorganised for 2006/07 into overview, external and internal scrutiny, 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. It is accepted that while there has been improvement, this needs to develop further, and the approach to scrutiny is currently under review by leading members and senior management.

Work on embedding the corporate risk framework within the organisation has progressed during the year. Risk is still often managed through informal processes; while 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, however the use of risk management software has started, and this should help ensure this is the case in future.

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 were more consistently accurate. These processes have been in operation since then. Further progress has been made in this area, and efforts are made to highlight and address any relevant cases. CMT reviewed 2005/06 outturn reports to inform budget review processes for the 2007/08 budget. For 2006/07, an overall General Fund 'underspend' of £766k equates to -8.1% of the net budget, however this was largely constituted of 'windfall' items (for which it is either not possible or not prudent to budget). The remaining £104k net underspend was made up of a number of smaller items, and represents only -1.10% of the net budget, well within the +/-5% target. Similarly, while there was an increase from the projected 'underspend' identified at period 11 (£511k) to the final underspend, this again included certain 'windfall' items and a number of more minor changes. It is considered that corporate processes to identify projected out-turns are sound.

End-of-year (2004/05) financial processes highlighted some cases, both capital and revenue, in which sums had been accrued into 2005/2006 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 were made. An update on this position is discussed at e) below.

In 2005/06 Internal Audit work identified that 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. Subsequent audit review of the separate responsive housing repairs partnering arrangement late in that year highlighted similar issues, and an action plan was being developed by management to address these. This latter audit also highlighted an issue regarding the correct treatment of expenditure as capital or revenue and its appropriate recording.

Further to the above, budget monitoring through the year identified a potentially significant and growing forecast overspend in relation to housing responsive repairs. An investigation was undertaken to identify the reasons for the situation, including the position with regard to the previous outstanding audit report, and management action – including a new regime of management controls - was taken to reduce the projected overspend to a tolerable level. While the budget for the service has been significantly overspent, the action taken has been very successful in greatly reducing this compared to the initial overspend projections. Work to redefine the repairs policy is underway, and the management controls regime will be maintained to ensure the situation does not recur. A further Internal Audit review is underway to provide an appropriate level of assurance to management on the operation of enhanced controls.

With regard to the capital partnering contracts, a review of the implementation by management of the actions they agreed to take has been carried out by Internal Audit. This is discussed further below (section d).

Work by Internal Audit in 2005 on Programme Management highlighted the need for imminent review of the organisational effects of the e-Enabled Service Improvement (e-Esi) Project. This matter was further discussed and the 'end vision' for the successor "Service Transformation" project clarified. Subsequently a further review has set a new vision regarding organisational transformation. It is important that this new vision, and the strategy to deliver it, are clearly communicated to those who need to know, and to help deliver the strategy.

The continuing need for more formal member consultation and reporting on the Council's commitments under the Community Plan, and progress against them has previously been highlighted. This issue was to be 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 (LAAs) and the approach taken within Staffordshire. The development of the LAA and other pressures on key staff have prevented this issue from being fully addressed previously, although the Business Plans of services do recognise some relevant Community Plan obligations. Plans are in place however, for the Council's performance in respect of LAA Delivery Plans to be included within Cabinet's quarterly monitoring, which will go some way to addressing this issue.

d) Key areas arising from Internal Audit work during the year

The following issue was highlighted in Internal Audit's quarterly opinion statement in quarter 2 of the financial year (and is further discussed above). The text set out below provides an updated position:

An Internal Audit review on Housing responsive repairs highlighted a number of apparent significant concerns regarding controls for managing the contract. These concerns were reported to relevant managers at the earliest opportunity to enable further discussions and prompt action where necessary. An Internal Audit report was subsequently issued and meetings held with service managers to help them consider improvements. Following the identification of a potential overspend on the service during the autumn, Internal Audit also assisted management with regard to necessary budget management controls and actions. Further detail on this is referred to above.

The following issue was highlighted in Internal Audit's quarterly opinion statement in quarter 2 of the financial year (and is also further discussed earlier):

As part of an implementation review within Property Services, Internal Audit advised management of the continuing need to ensure sound controls are in place to verify the satisfactory completion of works charged for in relation to housing capital partnering schemes. Management advised as a result, that revised processes to ensure such verification were being put in place. It has been identified, however, that progress in implementing these processes has been limited, and the matter has been referred to senior management for further action. Management has committed to review the situation prior to the commencement of new contracts in June 2007.

e) Key areas highlighted in assurance statements completed by managers or through other assurance and control processes.

Management recognise the importance of appropriate assurance and control processes, and it is reassuring that such processes have served to highlight issues in the following areas during the year:

- Need to have mechanisms in place to ensure compliance by directorates with European Union (EU) regulations and TBC financial regulations/ contract standing orders relating to procurement of works, goods and services, and utilities (including requirement to notify Procurement Team six months in advance of major procurement activities).
- Need to ensure that Prior Indicative Notice (PIN) is placed with the Official Journal of the European Union (OJEU) at the start of the current and subsequent financial years.
- Need to ensure that an appropriate full e-procurement solution is introduced so the Council can assess and analyse spend by category, and ensure that this accords with agreed procedures, using corporate contracts as appropriate and reducing/ eliminating levels of 'off contract' spending where this is found to be occurring without good reason.

Action Plans have been identified to deal with these issues.

- Housing responsive repairs – this issue is discussed above.

Significant variations in relation to budgets for the following services have also been highlighted through the budget monitoring process:

- Peaks Leisure Centre – due to the delay in the sale of the centre and income levels falling below that budgeted in the run-up to the sale.
- Golf Course – due to income levels falling significantly below that planned. Plans have been underway during the year to ensure the transfer of the facility by the end of the financial year.
- Homelessness – bed and breakfast costs – due to the requirement to house an increasing number of young homeless people, the level of rent unrecoverable from those having been accommodated in bed and breakfast, and the restriction on the level of subsidy the Council can obtain to cover the costs of housing benefit payments it must make to support the rent payments to bed and breakfast accommodation. Steps are underway to seek to reduce homeless levels through active prevention work.

End of year accounts closedown monitoring processes highlighted some cases of sums being accrued into 2007/08 financial year inappropriately (ie without adequate supporting evidence), and these have been reversed to ensure the robustness of the accounts. Further effort will be made to try to ensure this matter is addressed, including planned financial management training for all budget managers during 2007/08.

Signed:

A handwritten signature in blue ink, appearing to be 'David Weatherley', written over a horizontal line.A handwritten signature in black ink, appearing to be 'J. Oates', written over a horizontal line.

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

Date: 26 June 2007

Code of Corporate Governance – Statement of Assurance 2006-07

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 arrangements set out within the Code
- reviewing the operation of the code's arrangements in practice
- reporting annually to the Cabinet on compliance with the code (through this Statement) 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, including through the continued operation 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 and delivered a Business Plan with specific actions planned in order to achieve this. The Council in practice operates a range of processes and functions which serve to maintain and strengthen the governance of the organisation.

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 robustly.

We propose over the coming year to continue to maintain and enhance our corporate governance arrangements through, for instance, further developing our arrangements for managing risk and performance. The Code of Corporate Governance will be reviewed during 2007 to take account of the revised *CIPFA/SOLACE Framework on Corporate Governance*.

Signed:

A blue ink signature, likely belonging to J Oates, written over a horizontal line.A blue ink signature, likely belonging to D Weatherley, written over a horizontal line.

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

Date: 26 June 2007

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.

Balances

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

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.

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 its 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.

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 Income & Expenditure 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

Local Authority Housing (HRA)

- Costs associated with management of Council Dwellings
- Welfare Services

Other Housing Services

- Housing Strategy
- Housing Advice
- Housing Advances
- Private Sector Housing Renewal
- Homelessness
- Housing Benefit Payments and Administration
- Other Council Property
- 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

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 (the Authority) for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Income and Expenditure Account, the Statement of Movement on the Housing Revenue Account Balance, the Collection Fund, and the related notes. These 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 2006 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 the financial position of Tamworth Borough Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

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 in 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.

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

In our 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 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

A handwritten signature in blue ink that reads 'KPMG LLP'.

KPMG LLP
Chartered Accountants
Birmingham
27 September 2007

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

Authority's Responsibilities

The Council 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 Council is required to prepare and publish a Best Value Performance Plan summarising the Council'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 Council'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 performance improvement observations 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, 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 2007.

Best Value Performance Plan

We issued our statutory report on the audit of the Council's Best Value Performance Plan for the financial year 2006/07 on 24 November 2006. We did not identify any matters to be reported to the authority and did not make any performance improvement observations 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.

A handwritten signature in blue ink that reads 'KPMG-LLP'.

KPMG LLP
Chartered Accountants
Birmingham
27 September 2007