

# GENERAL PURPOSES COMMITTEE AGENDA



**Friday 30<sup>th</sup> June 2006**

**at 10.00 am**

**in Committee Room C**

**MEMBERS: GENERAL PURPOSES COMMITTEE:**

Councillors Hall, Henery, Iseley, J Marshall, Shaw, Wallace, Wistow and Young.

**1. APOLOGIES FOR ABSENCE**

**2. TO RECEIVE ANY DECLARATIONS OF INTEREST BY MEMBERS**

**3. MINUTES**

3.1 To confirm the minutes of the meeting held on 19<sup>th</sup> June 2006 (attached).

**4. ITEMS REQUIRING DECISION**

4.1 Parish Council Election Recharges – Chief Solicitor

4.2 Appointment of Local Authority Representatives to serve on school Governing Bodies – Director of Children's Services

4.3 2005/06 Statement of Accounts – Chief Financial Officer

**5. ANY OTHER ITEMS WHICH THE CHAIRMAN CONSIDERS ARE URGENT**

**6. LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**CONFIDENTIAL ITEMS**

Under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it

involves the likely disclosure of exempt information as defined in the paragraphs referred to below of Part 1 of Schedule 12A of the Local Government Act 1972 as amended by the Local Government (Access to Information) Act 1985

**7. ITEMS REQUIRING DECISION**

7.1 Review of Local Authority Governor Appointment – Director of Children's Services

**8. ANY OTHER CONFIDENTIAL ITEMS WHICH THE CHAIRMAN CONSIDERS ARE URGENT**

# GENERAL PURPOSES COMMITTEE

## MINUTES AND DECISION RECORD

19th April 2006

### **Present:**

Councillors: Bob Flintoff, Gerard Hall Gordon Henery, John Marshall and Gerald Wistow

Officers: Tony Brown, Chief Solicitor  
Christine Armstrong, Central Services Manager  
Pat Watson, Democratic Services Officer

### **35. Appointment of Chairman**

Councillor Flintoff was appointed as Chairman for this meeting only.

### **36. Apologies for Absence**

Apologies for absences were submitted from Councillors Shaw, Wallace and Young.

### **37. Declarations of interest by members**

None

### **38. Confirmation of the minutes of the meeting held on 14th March 2006**

The minutes were confirmed with the addition of Councillor Wistow in the apologies.

Matters arising – Councillor J Marshall indicated that he was in disagreement with the minutes in that he had asked questions at the meeting on 14<sup>th</sup> March but they had been omitted from the minutes. One of the questions had been “where and when was it decided by Council that recharging election fees to the Parish Council would be undertaken?” The Chief Solicitor commented that, as stated at the last meeting, this was the first time an invoice had been issued to a Parish Council within the recollection of officers. Enquiries had been made of other local authorities and it was general practice for Parish Councils to be recharged. He said it had come to this Committee for consideration of the burden of expenses.

Councillor Marshall asked, if the decision was not made by full Council then where and when had it been delegated. The Chief Solicitor indicated that Council delegates its powers to this Committee and when action is necessary it is dealt with by this Committee.

Further discussion took place. Councillor Marshall indicated that he had a series of questions to which he required answers and it was agreed that Councillor Marshall would submit the outstanding questions to the Chief Solicitor within the necessary timescale for the Chief Solicitor to prepare a report for the first meeting of this Committee in the new Municipal Year. It was also agreed that the outstanding accounts would be held in abeyance until the issue is resolved.

### **39. Parish Council Election Recharges** (*Chief Solicitor*)

A report had been submitted by the Chief Solicitor providing background, indicating issues for consideration and outlining the financial implications. Although Members had received this report prior to the meeting its detail was not discussed, in view of the discussion, outlined above, relating to the previous minutes.

#### **Decision**

That a further report be presented to the first meeting of this Committee in the new Municipal Year.

### **40. Scale of Election Fees** (*Chief Solicitor*)

#### **Purpose of report**

To advise Members of the scale of election fees for 2006/07.

#### **Issue(s) considered by the Committee**

Members were reminded that at the meeting of the General Purposes Committee held on 14<sup>th</sup> May 2004, Members had requested that this Committee be advised of any changes in election fees. The fees had been revised with effect from 1<sup>st</sup> April 2006.

The report advised that the Government had standardised voting hours at 7am-10pm, increasing polling by 2 hours. The fees in respect of polling station staff had therefore been increased to take account of the extension of polling hours. In addition, a fee for travelling expenses had been included in respect of count staff. That fee would apply at evening counts only to take account of the later start and finish times. A list of fees was attached as Appendix A.

#### **Decision**

Members noted the report.

BOB FLINTOFF

CHAIRMAN

# GENERAL PURPOSES COMMITTEE

30 June 2006



**Report of:** Chief Solicitor

**Subject:** PARISH COUNCIL ELECTION RECHARGES

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**1. PURPOSE OF REPORT**

To inform the Committee of the position in respect of this issue

**2. BACKGROUND**

At their last meeting the Committee called for a further report on the issue to be brought to their next meeting. Appendix 1 is a report to the Portfolio holder for Performance Management from which members will note that examination of issues raised by Cr. Marshall has brought to my attention the fact that the matter in question is an executive matter for the portfolio holder, rather than a non-executive matter for the Committee.

**3. PROPOSALS**

That the contents of this report and the Appendix, be noted

**4. RECOMMENDATIONS**

That the contents of this report and the Appendix, and my apology for bringing the matter to the Committee initially, be noted.

**5. REASONS FOR RECOMMENDATIONS**

The matter is not within the remit of the Committee

**6. BACKGROUND PAPERS**

None

**7. CONTACT OFFICER**

Tony Brown, Chief Solicitor.

**PERFORMANCE MANAGEMENT PORTFOLIO**  
Report to Portfolio Holder  
26<sup>th</sup> JUNE 2006



**Report of:** Chief Solicitor

**Subject:** PARISH COUNCIL ELECTION RECHARGES

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**SUMMARY**

**1. PURPOSE OF REPORT**

To invite a decision on the recovery of election costs from Headland Parish Council.

**2. SUMMARY OF CONTENTS**

Legislation enables costs incurred by the district council in respect of parish council elections to be recovered from the parish council. The Headland Parish Council have been invoiced for the cost of by-elections and further costs are yet to be invoiced. The parish council request that the costs should not be recovered from the parish council.

**3. RELEVANCE TO PORTFOLIO MEMBER**

The power to recover parish election costs is an executive function.

**4. TYPE OF DECISION**

Non key.

**5. DECISION MAKING ROUTE**

Portfolio holder decision meeting 26<sup>th</sup> June 2006.

**6. DECISION(S) REQUIRED**

Whether the costs of Headland Parish by-elections should be recovered from the Parish Council.



**Report of:** Chief Solicitor

**Subject:** PARISH COUNCIL ELECTION RECHARGES

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**1. PURPOSE OF REPORT**

The purpose of this report is to invite the Portfolio holder to consider a request by Headland Parish Council that the borough council should not recover the cost of parish council elections from the parish council.

**2. BACKGROUND**

Legislation and Policy

- 2.1 Section 36(5) of the Representation Act 1983 (as amended by the Local Government Finance (Repeals and Consequential Amendments) Order 1991) states that -

*'All expenditure properly incurred by a returning officer in relation to the holding of an election of a parish councillor shall, ....., be paid by the district council, but any expenditure so incurred shall, if the district council so require, be repaid to that council by the council of the parish for which the election is held.'*

- 2.2 Following the 1991 amendment and in response to an enquiry from Dalton Piercy Parish Council, the borough council considered the issue of recovery of parish council election costs. The Policy and Resources Committee resolved that the costs of parish council elections should be recovered from the parishes (minutes of the meeting of the General Purposes Sub-Committee held on 19th March, 1993, approved and adopted by Council 15<sup>th</sup> April 1993). No change to that policy has been made.
- 2.3 The General Purposes Committee have previously approved the list and level of election costs generally and at the same time delegated to the Chief Solicitor and the Chief Financial Officer authority to approve variations in accordance with staff pay awards, changes being reported to the Committee for information.
- 2.4 The matter raised in this report has previously been referred to the General Purposes Committee for determination. However, in the course of research into issues raised at the committee, it became apparent that, by the operation of the Local Authorities (Functions and Responsibilities) Regulations 2000, the matter is an executive function

and thus falls to be determined by the Portfolio holder rather than the General Purposes Committee.

#### Headland elections

- 2.5 Over the last 20 months, 4 by-elections have been held in the Headland Parish. These took place in March, July and August 2004 with a further election being held in March 2005.

### **3.0 ISSUES FOR CONSIDERATION**

- 3.1 In 2005, the Headland Parish Council were issued with an invoice in respect of the first by election. Following receipt of the invoice the Chairman of the Headland Parish Council, Councillor Derek Allison, requested clarification on some of the items that were included and asked for further details on the costs that had been incurred. The Parish Council were provided with the information requested, following which a meeting was held with Councillor Allison.
- 3.2 At the meeting that was held in December last year, Councillor Allison raised the point that the Council had discretion as to whether election expenses were reclaimed. I advised him that it has always been Council practice to reclaim election expenses from parish councils (though, at that time, I failed to recall the resolution of 1993). Councillor Allison has asked whether the costs of a by-election can be met by the borough council rather than being recharged to the parish council. I agreed to refer the issue to the General Purposes Committee.

#### Financial Considerations

- 3.3 I attach a spreadsheet (**Appendix A**) providing details of the relevant costs. At the request of Cr. Marshall, details of the build-up of the costs have also been provided to the General Purposes Committee (**Appendix B**). The cost of holding a by-election is in the region of £1000 for a single ward or parish
- 3.4 The Chief Financial Officer advises that we do not have any budget provision for funding parish council elections. His view, as an accountant, is that the costs of democracy should be borne by the democratic body. He could accept an argument that were the size of the parish was so small that such a burden would fall disproportionately high then discretion would be appropriate. Given that the Headland is the largest of our parishes and would not therefore be deemed to be small, he does not think that this argument is appropriate. Therefore costs should be borne by the relevant democratic body.
- 3.5 The portfolio holder will note that, in addition to the expenses claimed in the invoice giving rise to this report, there are expenses, as yet unclaimed, relating to subsequent by-elections. Further, 2 vacancies

have arisen on the parish council for which be-elections are to be held on 8<sup>th</sup> June and on a date yet to be fixed.

#### Issues raised at the General Purposes Committee

- 3.6 At the meeting of the General Purposes Committee on 19<sup>th</sup> April, a member of the committee, Cr. Marshall, indicated that there were a number of questions which he wished to be answered. The committee indicated that the Councillor should submit his questions to me to enable me to address the questions in the next report to the committee. In view of the referral of the matter to the Portfolio holder as explained above, Cr. Marshall has been invited to submit his questions for the purposes of this report. The remainder of this report comments on issues raised at the General Purposes Committee. Any further questions raised by Cr. Marshall prior to the Portfolio holder meeting will be dealt with by appendix.
- 3.7 In the course of discussions at the General Purposes Committee it has been suggested by Cr. Marshall that the recovery of the costs of the election from the parish council is anti-democratic. In my view this is not so, as I consider it fair that the cost of elections should fall on the parish council itself, as an incidental cost of local democracy, which it is reasonable should be borne by the electorate involved. The parish council are able to provide for such costs in their precept.
- 3.8 Cr. Marshall has also called into question the facility available to parish councils to co-opt members when insufficient candidates are nominated to fill available seats. I do not consider that that practice has any relevance to the issue in question.
- 3.9 Cr. Marshall also raised concerns regarding my authority to issue the disputed invoice to the parish council. The earlier contents of this report explain the situation in that regard.

#### 4. **RECOMMENDATION**

It is recommended that in accordance with current Council policy the request of the Headland Parish Council be declined.

Parish Council Elections	25-Mar-04	15-Jul-04	12-Aug-04	17-Mar-05	
	2 Wards	1 Ward	1 Ward	1 Ward	
			2 vacancies	2 vacancies	
	£	£	£	£	
<b>STAFFING</b>					
Returning Officer Fee or DRO Fee	359.14	184.65	184.65	184.65	
Polling Station Supervisor Fee	160.65	0	0	0	
Count Supervisor Fee	64	0	0	0	
Presiding Officer Fee	224.64	115.9	115.9	115.9	
Poll Clerk Fee	134.4	69.05	69.05	69.05	
Counter Fee	169.6	65.76	87.14	87.14	
<b>DELIVERY</b>					
Delivery of Election Equipment	191	73.77	49.18	49.18	
Delivery of Poll Cards	267.4	158	120	144.7	
Post Notice of Election/Notice of Poll		98.36	73.77	85	
<b>PREMISES CHARGES</b>					
Constables Lounge	90	N/A	90	N/A	
St Helens	40.75	40.75	N/A	40.75	
<b>POSTAGES</b>					
*Postal Votes - Issued @ 28p each	29.96	11.76	16.8	23.8	
*Postal Votes - Returned @ 28.5p	17.1	3.99	4.85	7.69	
<b>PRINTING</b>					
Print Ballot Papers	145	64	50	71.62	
Print and Finish Poll Cards	44.16	51.69	40.2	22.64	
Print Count Sheets	3.48	N/A	N/A	N/A	
					Grand Total
<b>TOTAL</b>	<b>1941.28</b>	<b>937.68</b>	<b>901.54</b>	<b>902.12</b>	<b>4682.62</b>
* Items not included on original invoice	Invoice No CEOSID1/379 in the amount of £1935.62	Invoice to raise	Invoice to raise	Invoice to raise	

## Election Costs

Local Government Election	01-May-03 16 Wards	24-Feb-05 1 Ward
	£	£
<b>STAFFING</b>		
Returning Officer, Deputy & Admin Fees	4918.69	769.82
Polling Station Inspector Fee	642.60	165.25
Count Supervisor Fee	840.00	65.80
Presiding Officer Fee	6654.96	346.50
Poll Clerk Fee	4250.40	276.20
Counter Fee	1824.00	197.28
Postal Vote Issue	267.60	0.00
Employers' Pension	791.91	90.59
<b>DELIVERY</b>		
Preparation of Booths/Ballot Boxes	1400.00	Courier
Delivery of Election/Count Equipment	4790.00	Courier
Delivery of Poll Cards	6667.90	370.72
Advertise/Post Notice of Election/Notice of Poll	459.00	85.00
<b>PREMISES CHARGES</b>		
Polling Stations/Count/Civic Centre	2060.73	139.75
Portacabins	3440.00	0.00
<b>POSTAGES</b>		
Postal Votes - Issued	906.92	249.48
Postal Votes - Returned	543.50	137.66
General Postages - Candidates/Agents	39.35	n/a
<b>PRINTING</b>		
Print Ballot Papers	940.00	217.50
Print and Finish Poll Cards	420.00	66.24
Print - General	218.36	66.26
<b>TOTAL</b>	<b>42075.92</b>	<b>3244.05</b>

## GENERAL PURPOSES COMMITTEE

30 June 2006



**Report of:** Director of Children's Services

**Subject:** APPOINTMENT OF LOCAL AUTHORITY  
REPRESENTATIVES TO SERVE ON SCHOOL  
GOVERNING BODIES

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### 1. PURPOSE OF REPORT

- 1.1 To request members of the General Purposes Committee to make recommendations to the Children's Services Portfolio Holder, in respect of the appointment of LA representative governors to serve on school governing bodies, where vacancies currently exist and on the expiry of terms of offices of governors in August 2006.

### 2. BACKGROUND

- 2.1 Applications are invited from members of the general public, elected members and those governors whose term of office is about to expire and who are, interested in serving or wish to continue to serve as a LA representative governor on school governing bodies.
- 2.2 The following criteria were agreed by the Borough Council for the recruitment of LA representative governors in 2000. LA governors should be able to show:
- demonstrable interest in and commitment to education;
  - a desire to support the school concerned;
  - a commitment to attend regular meetings of the governing body (and committees as appropriate) and school functions generally;
  - good communication/interpersonal skills;
  - ability to work as part of a team;
  - a clearly expressed willingness to participate in the governor training programme.
- 2.3.1 A schedule (**Appendix A**) is attached setting out details of vacancies which currently exist for LA representative governors and those vacancies occurring in August 2006, together with applications

received in respect of the vacancies (**Appendix B**), **this item contains exempt information under Schedule 12A of the Local Government Act 1972, (as amended by the Local Government (Access to Information)(Variation) Order 2006) namely, information relating to any individual (para 1)**

### **3. RECOMMENDATIONS**

- 3.1 That the recommendations for the appointments set out in the confidential section of the minutes, of LA Representative governors be referred to the Children's Services Portfolio Holder for approval.



**HARTLEPOOL**  
BOROUGH COUNCIL

**VACANCIES FOR**  
**LOCAL AUTHORITY REPRESENTATIVES**  
**JUNE, 2006**

**Contact Officer: Ann Turner**  
**Tel. 523766**

**Children's Services Department**



## VACANCIES FOR LOCAL AUTHORITY REPRESENTATIVES ON GOVERNING BODIES

SCHOOL INCLUDING LA GOVERNORS	VACANCIES	POSSIBLE INTEREST	APPOINTMENTS
<b>Barnard Grove Primary School</b>	Vice – Mrs. D. Stonehouse	Mrs. D. Stonehouse	
Mr. J. M. Kay	Term of office expire 31.8.06		
Mrs. D. Stonehouse	Vacancy		
Vacancy (Since September, 2004)			
<b>Brierton Community School</b>			
Councillor Ms. M. James	Councillor M. James and	Councillor M. James	
Mrs. A. Lilley	Mrs. A. Lilley – terms of office expire	Mrs. A. Lilley	
Mr. H. D. Smith	31.8.06		
<b>Brougham Primary School</b>			
Mrs. J. Thompson	Mr. R. Atkinson	No interest expressed	
Mr. R. Atkinson	Term of office expires 31.8.06		
Mr. A. Walker			
<b>Catcote School</b>			
Mrs. I. Hodgman	Mr. J. Proud	No interest expressed	
Dr. M Banim	Term of office expires 31.8.06		
Mr. J. Proud			
<b>Clavering Primary School</b>			
Councillor Mrs. S. Griffin	Councillor Mrs. S. Griffin	Councillor Mrs. S. Griffin	
Councillor R. Cook	Term of office expires 31.8.06		
<b>Fens Primary School</b>			
Mrs. A. Lilley	Councillor Mrs. P. Rayner	Councillor Mrs. P. Rayner	
Councillor A. Preece	Term of office expires 31.8.06		
Councillor Mrs. P. Rayner			

SCHOOL INCLUDING LA GOVERNORS	VACANCIES	POSSIBLE INTEREST	APPOINTMENTS
<b>Golden Flatts Primary School</b>			
Mrs. K. Hird	Mrs. K. Hird	Mrs. K. Hird	
Councillor Mrs. K. Hill	Term of office expires 31.8.06		
Councillor M. W. Turner			
<b>Grange Primary School</b>			
Mrs. J. Hamilton	Mrs. Hamilton and		
Mr. H. D. Smith	Mr. H.D. Smith – terms of office expire	Mr. H. D. Smith	
Mr. R. Flintoff	31.8.06		
<b>Greatham C.E Primary School</b>			
Vacancy	Mrs. P. Brotherton – term of office expires	Mrs. P. Brotherton	
Mrs. P. Brotherton	31.8.06	Miss G. Pout	
<b>Hart Primary School</b>			
Mrs. D. Adamson	Mr. W. Know les – term of office expires	No interest expressed	
Mr. W. Know les	31.8.06		
<b>Holy Trinity C.E Aided Primary School</b>			
Councillor M. W. Turner	Councillor M. W. Turner – term of office	Councillor M. W. Turner	
	Expires 31.8.06		
<b>Jesmond Road Primary School</b>			
Councillor Mrs. J. Shaw	Vacancy Vice	No interest expressed	
Mrs. D. Adamson	Mr. R. Addison		
Mr. M. H. Ward			
Vacancy			

SCHOOL INCLUDING LA GOVERNORS	VACANCIES	POSSIBLE INTEREST	APPOINTMENTS
<b>Manor College of Technology</b>			
Councillor A. Preece	Mrs. J. Hamilton – term of office	No interest expressed	
Mrs. E. Blakey	expires 31.8.06		
Mrs. J. Hamilton			
Mr. F. Reid			
<b>Rift House Primary School</b>			
Mrs. M. Coser	Mrs. M. Coser		
Councillor D. Young	Councillor D. Young and	Councillor D. Young	
Mr. J. Proud	Mr. J. Proud terms of office expire 31.8.06		
<b>Rossmere Primary School</b>			
Mrs. D. Stonehouse	Vacancy Vice	No interest expressed	
Mrs. M. Smith	Mrs. L. Hodgson		
Vacancy			
<b>Springwell School</b>			
Mrs. E. Parkinson	Vacancy Vice	No interest expressed	
Vacancy	Mr. C. Row ntree		
<b>St. Helen's Primary School</b>			
Mrs. J. Armstrong	Miss C. Lamb	Miss C. Lamb	
Miss C. Lamb	Term of office expires 31.8.06		
Councillor D. Allison			
Mrs. S. Sotheran			
<b>St. Joseph's R.C. Primary School</b>			
Mrs. J. Ganzerla	Mrs. J. Ganzerla – term of office expires	No interest expressed	
	31.8.06		

SCHOOL INCLUDING LA GOVERNORS	VACANCIES	POSSIBLE INTEREST	APPOINTMENTS
<b>Stranton Primary School</b>			
Councillor J. Lauderdale	Councillor J. Lauderdale	Councillor J. Lauderdale	
Mr. B. Hanna	Term of office expires 31.8.06		
Mr. R. P. Gleeson			
<b>Throston Primary School</b>			
Councillor H. Clouth	Vacancy Vice	No interest expressed	
Miss J. Norman	Councillor P. Jackson		
	Removed non-attendance		
<b>Ward Jackson Primary School</b>			
Mr. M. Ruddock	Vacancy Vice	No interest expressed	
Vacancy	Councillor R. Payne (removed non-attendance)		
Vacancy	Mr. M. Ruddock – term of office expires		
	31.8.06		
<b>West Park Primary School</b>			
Mrs. L. Mulcahy	Mrs. L. A. Mulcahy – term of office	Mrs. L.A. Mulcahy	
Mr. M. W. Ward	expires 31.8.06		
Mrs. S. Sotheran			

# GENERAL PURPOSES COMMITTEE

30<sup>th</sup> June, 2006



**Report of:** Chief Financial Officer

**Subject:** 2005/2006 STATEMENT OF ACCOUNTS

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## 1. PURPOSE OF REPORT

To enable Members to approve the Council's 2005/2006 Statement of Accounts.

## 2. BACKGROUND

The Council is required by statute to produce the 2005/2006 Statement of Accounts in a specified format within three months of the year-end i.e. by 30<sup>th</sup> June. The accounts are subject to audit prior to publication by 30<sup>th</sup> September.

The Statement of Accounts has been prepared in accordance with the approved closure strategy.

## 3. FINANCIAL IMPLICATIONS

None.

## 4. RECOMMENDATIONS

It is recommended that Members approve the 2005/2006 Statement of Accounts.

**Report of:** Chief Financial Officer

**Subject:** 2005/2006 STATEMENT OF ACCOUNTS

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## 1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to enable Members to approve the Council's 2005/2006 Statement of Accounts in accordance with the requirements of the Accounts and Audit Regulations 2003.
- 1.2 This will be achieved by considering the following: -
- i) Background
  - ii) The 2005/2006 Draft Statement of Accounts
  - iii) Recommendations

## 2. BACKGROUND

- 2.1 The Accounts and Audit Regulations 2003 require all Local Authorities to produce an annual Statement of Accounts. These regulations have required Councils to bring forward the date for completing and approving the Annual Statement on a phased basis as follows:

<b>Abstract of Accounts</b>	<b>Deadline</b>
2002/2003	30 <sup>th</sup> September, 2003
2003/2004	31 <sup>st</sup> August, 2004
2004/2005	31 <sup>st</sup> July, 2005
2005/2006	30 <sup>th</sup> June, 2006

- 2.2 In order to meet the 30<sup>th</sup> June deadline and the statutory publication requirements for Council reports the Statement of Accounts were actually completed on 19th June 2006. These details are now submitted to this Committee for approval to enable the Authority to achieve the statutory deadline.
- 2.3 The achievement of this deadline has been extremely challenging owing to vacancies within the corporate finance team and the Children's Service finance team. In addition, finance officer across the authority have been involved in the implementation of the new financial system.
- 2.4 The Accounts have been prepared on the basis of the outturn strategy previously approved by Council.

- 2.5 The draft Statement of Accounts will now be subject to a detail review by the Audit Commission. If it should be necessary to amend the accounts during the course of the audit any major amendments will be reported to Members.
- 2.5 The Council is also required to comply with the requirements of the Audit Commission Act 1998 and to make the accounts available for public inspection by electors and advertise when electors may exercise their rights. The appropriate arrangements have been made and the key dates are detailed below:
- |  |   |
|--|---|
| 3 <sup>rd</sup> July to 28 <sup>th</sup> July, 2006<br>(inclusive) | - accounts will be made available for inspection by electors for twenty working days. |
| 31 <sup>st</sup> July, 2006  | - District Auditor available to answer questions/accept objections from electors.     |

### 3. THE 2005/2006 DRAFT STATEMENT OF ACCOUNTS

- 3.1 The 2005/2006 Draft Statement of Accounts has been prepared on the basis of the provisional and final closure strategies approved by Council on 16<sup>th</sup> February 2006 and 12<sup>th</sup> April 2006, respectively. These strategies provided details of the outturns for the Council's General Fund and Capital Programme and detailed various proposals to protect revenue services and to strengthen the Council's financial position.
- 3.2 The key aspect of the overall General Fund strategy related to the allocation of the underspend on corporate non departmental expenditure, predominately arising from the impact of investment income, savings in borrowing costs and the 2003/04 back-dated population grant adjustment. The 2005/2006 underspend has been allocated to meet a number of one-off commitments. The major commitment related to the previously unfunded phase 2 Equal Pay costs. Further details are provided latter in the report at paragraph 3.3 (vi).
- 3.3 The draft Statement of Accounts is attached to this report and the key issues are summarised below:-
- i) Chief Financial Officer's Foreword

The foreword provides an overview of how the Council is funded and gives details of the main financial factors affecting the Council in 2005/2006.
  - ii) Auditor's Report

The Auditor's Report shown is an example of the statement that will be included once the District Auditor has completed the audit of the 2005/2006 Accounts.

iii) Statement of Responsibilities

This sets out the responsibilities of the Authority and the Chief Financial Officer.

iv) Statement of Internal Control (SIC)

The statement sets out the Council's responsibilities for ensuring the Authority has an appropriate system of internal control. The procedures for preparing the SIC have been reviewed by the Audit Committee and they approved the 2005/06 SIC on 22<sup>nd</sup> May 2005. This statement has been included in the 2005/2006 accounts.

v) Statement of Accounting Policies

This states that the accounts have been prepared, with certain exceptions to which specific reference is made in the Abstract of Accounts, in accordance with proper accounting practices as defined in legislation and the appropriate Accounting Code of Practice.

The Statement of Accounting Policies describes the basis upon which the accounts have been prepared and certain items included in the accounts.

vi) Consolidated Revenue Account

The Consolidated Revenue Account (CRA) provides an overall summary of the Council's revenue activities for the year. The CRA presents financial information in a specified format, which must be followed by all authorities to ensure a standard approach to external financial reporting across English local authorities. The CRA shows the following key information:

- Net Cost of Service

This section of the CRA provides a high level analysis of the aggregate value of the "net cost" of defined services. In this context net cost consists of actual cash expenditure on services plus a capital charge for the assets (buildings, vehicles or equipment) used to provide services. The capital charges are reversed out in the next section of the CRA to avoid these "charges" affecting the level of Council Tax.

- Amount to be Met from Government Grant and Local Taxpayers

This line shows the total value of the Council's net expenditure for the year after reflecting various technical adjustments to the "Net Cost of Services" and "Net Operating Expenditure" lines to bring these items back to a cash basis. For 2005/2006 the CRA shows a



surplus for the year of £19,000. The surplus reflects the statutory accounting requirements which the Council must follow. These requirements present financial information in a different format to the Council's own budget monitoring reports. Therefore, the statutory accounts show a different surplus to that reported in the Council's budget monitoring reports. This difference arises as a result of the specific accounting requirements which must be followed in relation to the presentation of contributions to, or from, specific reserves, which must be deducted, or added, before arriving at the net surplus for the year.

In the Council's own budget monitoring reports no adjustment is made to the reported surplus for contributions to, or from, specific reserves. This presentation ensured that Members were aware of the value of the gross underspend for 2005/06. Details of the forecast underspend and the proposed strategy for using this amount was reported to Council on 16<sup>th</sup> February 2006 and final figures were reported to Council on 12<sup>th</sup> April 2006. These reports advised Members that the 2005/06 gross underspend was £1.85m, which predominantly related to lower interest costs, higher investment income and the one-off 2003/04 backdated population grant adjustment. The report also advised Members that these resources were needed to fund a number of one-off commitments and Council agreed to meet these items from this underspend. The major commitment related to the previously unfunded phase 2 Equal Pay costs which will be payable in 2006/07 and 2007/08. £1.271m has been set aside from the 2005/06 underspend for these commitments. Based on current estimates a further £0.5m will be required, although these costs will not become payable until 2007/08. Therefore, a strategy to address this shortfall will need to be developed as part of the Budget and Policy Framework proposals for 2007/08, which will include details of the 2006/07 Outturn Strategy.

The final part of the CRA is an analysis of the Council's balances at 31<sup>st</sup> March, 2006. Detailed comments on the level of balances are included later in this report at item (viii).

vii) The Collection Fund

This is a separate fund that records all transactions relating to Council Tax, Non Domestic Rates and residual Poll Tax. In total it shows a surplus at 31<sup>st</sup> March, 2006, of £0.178m, which is broadly in line with expectations. This amount was previously anticipated and has been included in the approved budget strategy for 2006/07.

viii) Consolidated Balance Sheet as at 31<sup>st</sup> March, 2006

The Consolidated Balance Sheet shows the value of the Council's assets, liabilities and other balances as at 31<sup>st</sup> March, 2006. The key issues are as follows: -

a) Value of Net Borrowing

During 2006/2007, in accordance with the approved Treasury Management Strategy, action was taken to manage the Council's Loans and Investment Portfolio to minimise exposure to interest rate changes. The strategy also provided the framework to lock into low long-term interest rates to finance the Council's capital programme for 2005/06 and the next three years when the appropriate market situation arose. This strategy reflected my view, which is supported by our external Treasury Management advisors, that long term rates are at historically low, and unsustainable, levels. This action has resulted in a significant change in the mix of the Council's loans and investments and the key changes are:

- A decrease in temporary short term borrowing;
- an increase of long term fixed interest rate borrowing;
- a temporary increase in cash investments.

In overall terms the Council's overall net debt (temporary loans, bank overdraft and long term loans, less investments) has increased by £4.005m. This increase in borrowing has been used to fund the 2005/2006 Capital Programme and is in accordance with the approved Prudential Limit for the Council's overall level of debt.

b) Specific Reserves and Balances

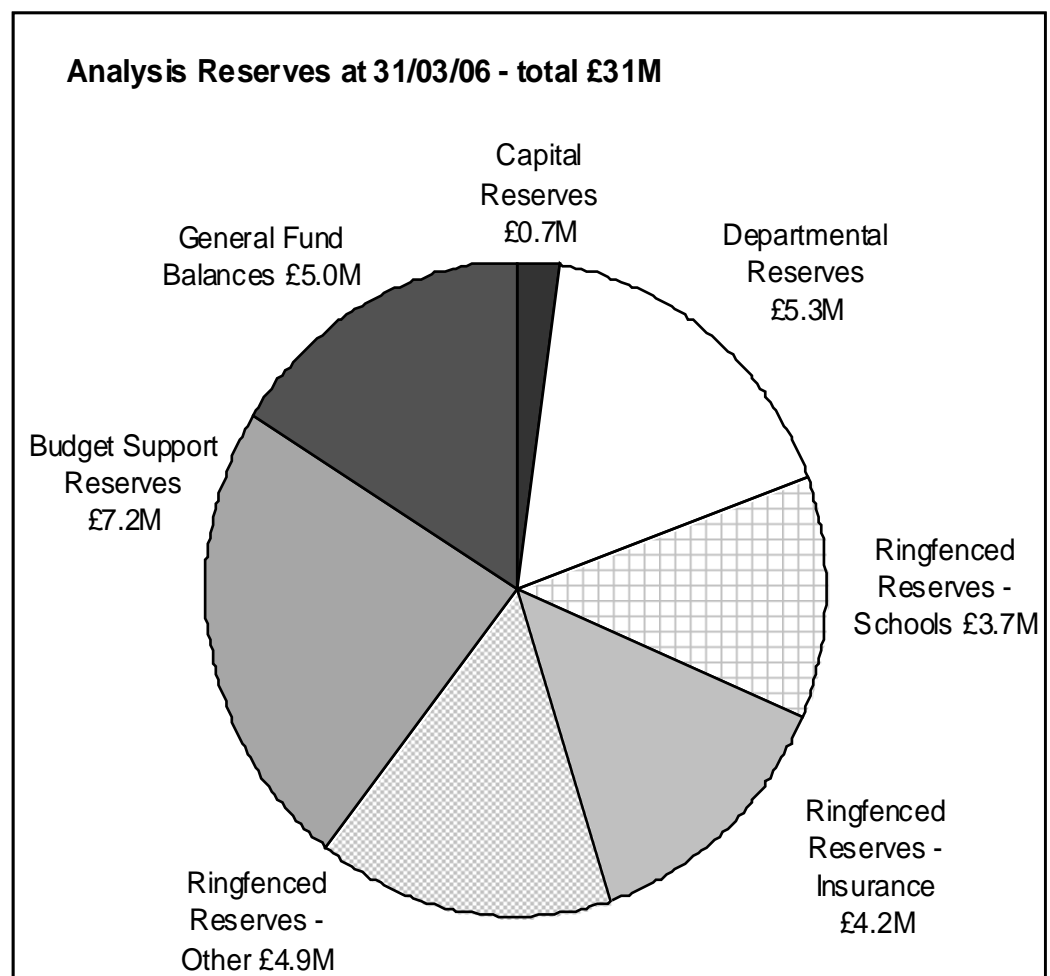
The value of the Council's specific reserves and balances at 31<sup>st</sup> March, 2006, excluding Investment Reserves in respect of the Airport and Cleveland Waste, amount to £31.2m (£35.05m at 31<sup>st</sup> March, 2005). The notes included in the Balance Sheet provide a detailed analysis of the movement in Specific Reserves and Balances. The main reasons of the decrease arise from:

- the use of reserves to pay for revenue and capital expenditure commitments which reserves were established to meet; or
- transfers from reserves to establish an Equal Pay Provision to meet the cost of unavoidable liabilities which will be paid in 2006/07 and 2007/08.

In considering the level of reserves and balances at 31<sup>st</sup> March, 2006, Members need to remember that significant commitments have already been identified against these

resources. A detailed schedule of reserves and balances was included in the Budget and Policy Framework report submitted to Council on 16<sup>th</sup> February 2006. This report outlined the planned use of balances for the period 2005/06 to 2008/09, which includes the use of reserves to support the revenue budget. The schedule also identified that the aggregate value of reserves and balances is forecast to reduce over the next three years as resources are used to meet commitments and support the revenue budget.

The position at 31<sup>st</sup> March 2006 is summarised below:



**Budget Support Fund** - This reserve consists of the Budget Support Fund and the Fundamental Budget Review reserves, which have previously been allocated to support the budget over a number of years. The outturn for these reserves is more favourable than expected owing to the continued receipt of income from the RTB sharing agreement with Housing Hartlepool

and the continuation of grant regimes that had been anticipated to terminate. The increase in this reserve will enable the Council to consider maintaining the current level of temporary support for the revenue budget for a further year i.e. through to 2008/09.

- Capital Reserves - The main items included in this reserve are the unused Local Public Service Agreement (LPSA) capital reward grant (£0.4m) and the 2006/07 Neighbourhood Forum Minor works funding (£0.156m).
- Ring Fenced Reserves - Other and Department Reserves - These reserves are earmarked for specific departmental service developments or known budget risks/commitments.
- General Fund Balances - This reserve has increased following the review of reserves last year by Scrutiny Co-ordinating Committee. Following this review Council determined to transfer a number of “surplus” earmarked reserves into General Fund balances. The first call on these reserves is the cost of any Equal Pay costs arising from cases which are currently being pursued through Industrial Tribunals. These potential costs cannot be estimated. However, should they exceed £2.5m then the excess cannot be funded from General Fund Balances as the Council needs to maintain uncommitted General Fund Balance of 2% of the General Fund budget. This is the minimum prudent level.

#### ix) Cash Flow Statement

The Cash Flow Statement shows the receipt and payment of cash arising from transactions with third parties for revenue and capital purposes.

xii) Group Accounts

The Group Accounts consolidate the financial activities of the Council and companies the Council has a direct financial interest in, which for this purpose are CADCAM and Connexions. The Group Accounts consist of:

- Group Consolidated Revenue Account
- Group Balance Sheet
- Group Cashflow Statement

There are no specific issues to bring to Members attention in relation to the Group Accounts. On a practical basis detailed management arrangements exist to ensure the companies included in the Group Accounts are effectively managed and the Council's overall financial position is protected.

xiii) Glossary of Terms

This is not part of the statutory requirements. Nevertheless, it is included to assist readers in understanding the meaning of the various financial phrases included in the accounts.

#### **4. RECOMMENDATIONS**

4.1 It is recommended that Members: -

- i) Note the report.
- ii) Approve the 2005/2006 Statement of Accounts.

**DRAFT STATEMENT OF ACCOUNTS**

**2005/2006**

**M W WARD B.Sc, C.P.F.A.**  
**CHIEF FINANCIAL OFFICER**  
**FINANCE DIVISION**

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## CHIEF FINANCIAL OFFICER'S FOREWORD

### 1. INTRODUCTION

The purpose of this foreword is to: -

- Outline the significant financial and operational arrangements affecting the Council in 2005/2006;
- Provide a brief explanation of the Council's financial position at 31<sup>st</sup> March, 2006;
- Provide an overview of the Council's Borrowing and Investment Strategy;
- Provide an explanation of the detailed statements included in this document.

### 2. SIGNIFICANT FINANCIAL AND OPERATIONAL ARRANGEMENTS 2005/2006

#### FINANCIAL ISSUES

In advance of the start of the 2005/2006 financial year, the Council rolled forward its multi-year budget strategy to cover the three years 2005/2006 to 2007/2008. A balanced budget was set for 2005/2006 and this consisted of the following main factors:

- The Education budget was increased by £3.324m (6.2%) and the Council continued to spend at its Education Formula Spending Share (FSS) level, following the full passporting of the local FSS increase;
- The Social Services budget was increased by £3.42m (13.6%). This reflects the full passporting of the local FSS increase (£2.39m) and funding of local pressures (£1.03m);
- Other budget were increased by 3%, together with additional resources for specific pressures identified in the budget review;
- Savings of £1.65m were implemented, inclusive of savings of £1m achieved from debt rescheduling;
- Reserves of £1.9m were used to minimise the increase in Council Tax and protect services;
- Council Tax was increased by 4.9%.

Details of the Council's actual financial position for 2005/2006 are set out in Section 3 below.

The budget forecasts for future years are subject to significant uncertainty from factors outside of the Council's control. The main issues affecting the Council's budget position for these years will be:

- The outcome of the Government's Spending Review;
- The development of and changes to the Government grant system;
- The level of interest rates and pay awards from 1<sup>st</sup> April, 2006.

These factors make medium-term budgeting more difficult. An assessment of the impact of these factors was made. These forecasts indicate that the Council faces significant budget deficits in 2006/2007 and in future years. These deficits will need to be bridged by reducing services, or increasing Council Tax or a combination of service reductions and Council Tax increases. The Council continued its detailed review of its activities and is developing a strategy to address these deficits.

### OPERATIONAL ISSUES

Details of the Authority's achievements during 2005/2006 and our longer term ambitions are detailed in the Corporate Plan. A copy of this plan can be obtained from the Council's website, or by contacting Kerry Trenchard, Policy Team, [Kerry.trenchard@hartlepool.gov.uk](mailto:Kerry.trenchard@hartlepool.gov.uk), telephone number 01429 284057.

The key operational issue affecting the Council during 2005/2006 was the development of the Council's response to challenges laid down by the Government, particularly in relation to Children's Services. In response to this challenge, the Council developed a new management structure for the Authority. The new structure reduced the number of service departments from five to four, including a newly established "Children's Services" Department, which brings together all services for children into a single department. The new structure became operational during 2005/2006 and Directors for Children's Services and Neighbourhood Services were appointed in June, 2005. A new Director of Adult and Community Services was appointed in November, 2005.

The other major operational issue facing the Council relates to the implementation of the national Single Status Agreement and the settlement of Equal Pay claims. Under the terms of the Single Status Agreement the Authority will complete a detailed evaluation of all jobs and implement a new pay and grading structure from 1<sup>st</sup> April, 2007. Pending the implementation of a new pay and grading structure the Authority has negotiated equal pay settlements with the majority of the work force for the period to 31<sup>st</sup> March 2007. Payments to individual employees will be phased over three financial years commencing 2005/2006. A provision of £2.319m has been established to meet the unpaid liabilities and the associated tax and National Insurance cost. This provision has partly been funded from an underspend against the current years budget and partly from a review of the Authority's reserves. It is estimated that a further £0.5m will need to be identified to fully fund these commitments and this shortfall will be addressed during 2006/2007.

The Authority also potentially faces a number of Equal Pay Tribunals and any costs arising from such cases will be funded from General Fund Balances.

### 3. FINANCIAL POSITION AT 31<sup>ST</sup> MARCH, 2006

This section details the financial position at 31<sup>st</sup> March, 2006, for the following areas:

- General Fund
- Capital Programme
- Collection Fund

#### GENERAL FUND

The General Fund accounts for all services provided by the Council. The main General Fund services are Education, Social Services, Libraries, Leisure Services and Refuse Collection and Disposal. In 2005/2006 the Council planned to spend £125.550m on these services. Part of this planned expenditure, £1.9m, was funded from the Council's balances and the remaining amount from Government Grant and Council Tax.

Actual net expenditure in 2005/2006 was £19,000 less than expected which was the net effect of several factors. The main items are summarised below: -

- Income received from Housing Hartlepool from the sale of former Council houses was received earlier than anticipated. 113 houses were sold resulting in the Council

receiving income of £791,000. In accordance with the agreement reached with Housing Hartlepool the Council will receive a total of £7m. The timing of this income depends on when individual tenants decide to buy their house from Housing Hartlepool. The Council has determined to earmark £4m of this income to support General Fund expenditure of £1m per year over the four years commencing 2005/2006. A strategy for using the remaining amount will be developed as part of the ongoing development of the Council's Medium Term Budget and Policy Strategy.

- With the exception of Neighbourhood Services, after transfers to and from reserves, actual expenditure on services was less than expected. In accordance with the Council's policy for providing services with greater financial flexibility and responsibility departments used net contributions from Strategic Change Reserves of £0.1m. These reserves are earmarked to meet known future commitments and help departments manage services over more than one financial year. Departments also made net use of Managed Revenue Underspend reserves of £0.1m. These resources enabled departments to fund expenditure commitments that had been delayed or to fund one off service improvements.
- Interest paid on the Council's loans was less than expected when the 2005/2006 budget was set. These savings were achieved as a result of the Council's decision to restructure its Loans Portfolio and the replacement of short-term loans with long-term fixed interest loans at historically low levels of between 3.7% and 4.6%. In addition, investment income was greater than budget, as a result of interest earned on the Council's balances which were higher than expected. These items produced an underspend of £988,000.
- £1.271m of the above underspends, has been earmarked for Equal Pay commitments which will be payable in 2006/2007 and 2007/2008. A further £1.513m has been set aside within the Fundamental Budget Review reserve to support the budget in 2009/2010 when existing temporary support begins to reduce. The remaining underspend has been earmarked for other one-off high priority expenditure commitments.

The overall financial position for 2005/2006 is summarised below: -

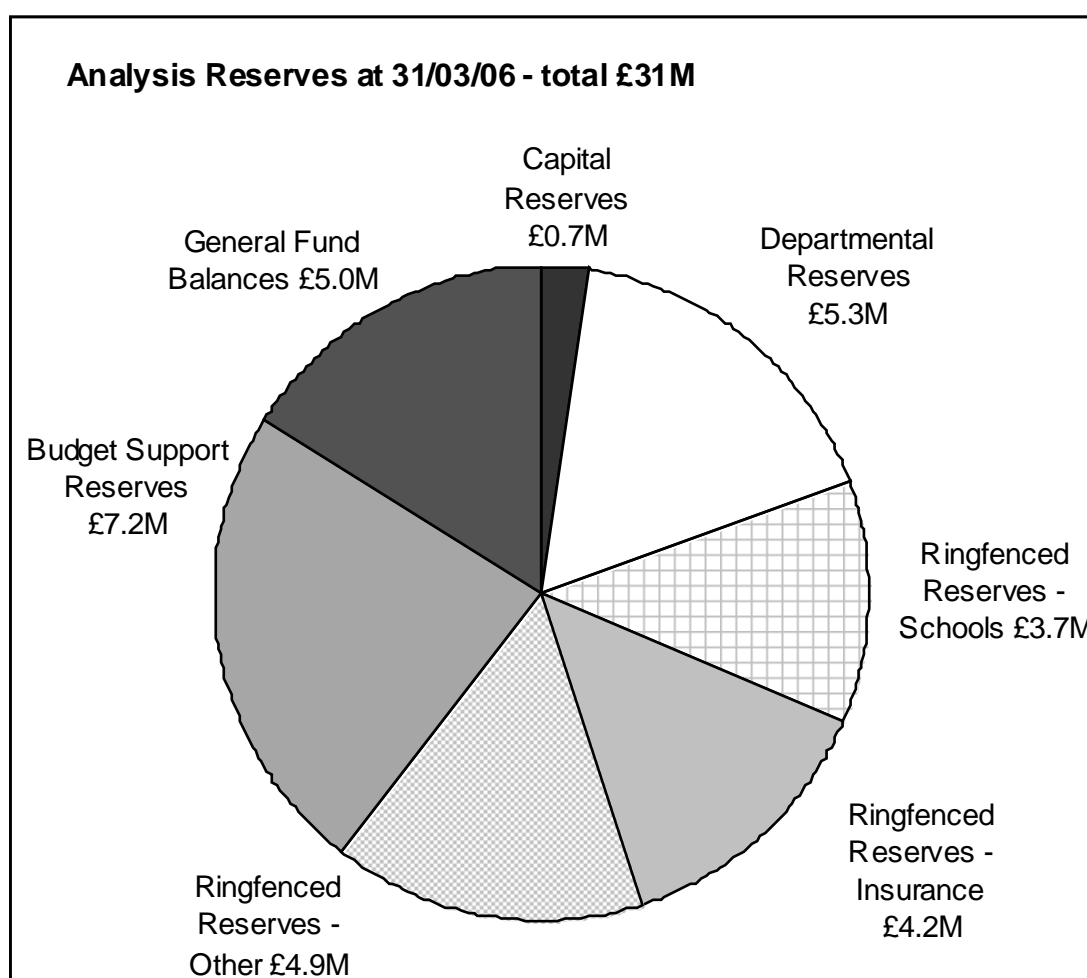
Service Budgets	2005/2006 Approved Budget £'000	2005/2006 Actual Expenditure/ Income £'000	2005/2006 Variance Adverse/ (Favourable) £'000
Adult & Community Services	25,721	25,721	0
Childrens Services	67,611	67,611	0
Neighbourhood Services	14,072	14,157	85
Regeneration & Planning	4,105	4,090	(15)
Resources	3,669	3,503	(166)
Corporate Costs	1,850	1,130	(720)
Capital Financing costs and Investment Income	5,622	4,634	(988)
Contribution to Equal Pay Reserve	0	2,119	2,119
General Government Grants - Prior Year Adjustment	0	(334)	(334)
<b>Total General Fund Expenditure</b>	<b>122,650</b>	<b>122,631</b>	<b>(19)</b>

The Council's General Fund expenditure was funded from the following sources: -

	£000	%
Revenue Support Grant	60,511	49.3%
Share of National Non-Domestic Pool	30,046	24.5%
HBC Charge on Collection Fund (including Parish Precepts)	31,653	25.8%
Estimated Share of Collection Fund Surplus @31.3.06	440	0.4%
	<b>122,650</b>	<b>100.0%</b>

At the 31<sup>ST</sup> March 2006, the Authority's overall financial reserves (Earmarked Reserves and General Fund balances, excluding Durham Tees Valley Airport and Cleveland Waste Investment Reserves) reduced to £31m (£35m at 31<sup>st</sup> March, 2005).

These reserves consist of five main components:



Ringfenced Reserves – earmarked for specific purposes/commitments. The 'Other' reserves include the following:

- Way Forward Reserve (£0.8m) to cover investment which will produce savings
- Stock Transfer Warranty Reserve (£1.0m) to cover potential liabilities arising from the transfer of the Council's housing stock to Housing Hartlepool in 2003/2004
- Lotteries Reserve (£0.4m) to cover grants and donations to local organisations
- Youth Offending Reserve (£0.4m) consisting of amounts ring fenced for this service
- Building Schools for the Future Reserve (£0.3m) to cover the cost of applications for funding.

Budget Support Reserves – earmarked to support the revenue budget over four years, commencing 2005/2006.

Departmental Reserves – earmarked for specific departmental expenditure commitments or service improvements.

Capital Reserves – earmarked for capital expenditure commitments.

General Fund Balances – earmarked for unforeseen commitments.

Further details of the Authority's specific reserves and General Fund Balances are detailed on pages 51 to 55.

### CAPITAL PROGRAMME

In 2005/2006 the Council had a total Capital Programme of £36.392m. An analysis of this expenditure is shown below, together with an analysis of how this expenditure was financed.

Expenditure	£000	%
School Improvements	6,100	16.8
Housing Investment Programme	7,072	19.4
SRB – North Hartlepool Partnership	4,200	11.5
New Deal for Communities Partnership	5,833	16.0
Highway Maintenance and Construction	2,612	7.2
Single Programme Initiatives	614	1.7
Other Schemes	9,961	27.4
	<b>36,392</b>	<b>100.0</b>
Capital Financing		
Grants	22,899	62.9
Borrowing	8,462	23.3
Other	5,031	13.8
	<b>36,392</b>	<b>100.0%</b>

At 31<sup>st</sup> March, 2006, the Council had capital commitments arising from slippage of programmed capital spending into 2006/2007 of £13.500m. These commitments can be funded from the following resources, which can be rephased to 2006/2007.

	<u>£'000</u>
Government Grants	2,940
Borrowing	7,744
Capital Funding Reserves	<u>2,816</u>
	<u>13,500</u>

The Council received £0.286m from the sale of assets during 2005/2006 (see Note 1.2 Page 43).

### COLLECTION FUND

The Collection Fund is a "ring-fenced" account which means that payments to, or from, the General Fund are not permitted. The Fund includes all transactions relating to the Council Tax, Community Charge and National Non-Domestic Rates. Any balance on the account at

31<sup>st</sup> March is shared amongst the Council and other major precepting authorities on the basis of Council Tax levels. The Council's share of the accumulated surplus as at 31<sup>st</sup> March, 2006, is committed to be used to limit the increase in Council Tax in 2006/2007.

The Council set a Council Tax for the year of £1,360.09 for Band D properties, excluding parish precepts where these applied. This comprised £1,165.36 for the Council's own services, £143.68 for the Cleveland Police Authority and £51.05 for the Cleveland Fire Authority. Each Authority determined its own tax and made a precept on the Collection Fund.

The tax for the Council's services was determined on the basis of an equated number of 27,146 Band D properties. When setting the charge a 1.5% allowance for non-collection was made.

Further details on the income and expenditure of the Fund are shown on pages 38 to 40 and summarised below.

	£000	%
<u>Expenditure</u>		
Cleveland Police Authority Precept	3,900	6.3%
HBC Precept	31,653	2.2%
Cleveland Fire Authority Precept	1,386	51.1%
Payment to NNDR Pool	24,296	39.3%
Other	667	1.1%
	<b>61,902</b>	<b>100.0%</b>
<u>Income</u>		
Council Tax	37,263	60.4%
NNDR from Ratepayers	24,375	39.5%
Other	36	0.1%
	<b>61,674</b>	<b>100.0%</b>
Net Deficit/(Surplus) in year	<b>228</b>	

#### BORROWING FACILITIES AND INVESTMENT STRATEGY

The Council's arrangement for borrowing accord with the Council's Treasury Management Strategy, which was drawn up to comply with the Code of Practice for Treasury Management in Local Authorities published by the Chartered Institute of Public Finance and Accountancy.

The Council's capital borrowing strategy is to raise new long term fixed interest loans when long term rates are judged to be low and to borrow at short term or variable rates when these rates are expected to remain below long term rates.

In accordance with the approved 2005/2006 Treasury Management Strategy, the Council restructured its Loans Portfolio and replaced short-term loans with long-term fixed rates interest loans at between 3.7% and 4.6%. This strategy was based on the Authority's view, supported by the Council's professional advisors, that long term PWLB rates were at historically low levels. Therefore, it was appropriate to lock the Council into long term loans at these interest rates.

The Council's borrowing requirement for capital investment needs for 2005/2006 and the following three years was also funded using long-term fixed interest rates.

The Authority also held short-term fixed interest investments of £44.936m at 31<sup>st</sup> March, 2006. These investments protect the Council against increases in interest rates.

From the 1<sup>st</sup> April, 2004, new regulations governing Local Authority capital expenditure were introduced, known as the Prudential Code. Under these rules the government will support some of the Authority's capital investment plans. The Authority will have the ability to undertake additional borrowing, known as unsupported borrowing, providing this is affordable. The Authority has decided to take a cautious approach to the new powers and has made provision for a set amount of unsupported borrowing in its budget plans for 2004/2005 to 2007/2008. This amount is earmarked for specific projects, including the replacement of Mill House Leisure Centre and repairs to the Civic Centre.

In addition, the Council will use Prudential Borrowing to replace operational vehicles, such as Refuse Vehicles and Street Cleaners, where a detailed business case demonstrates this strategy will reduce costs.

#### 4. PENSIONS

The Council has accounted for retirement benefits according to Financial Reporting Standard (FRS) 17. In the accounts as at 31<sup>st</sup> March, 2006, there was a deficit on the Pensions Reserve of £74.364m (£80.961m in 2004/2005) which reduced the net worth of the Council by 28.5% (31.1% in 2004/2005). This was offset by a Pension Liability of the same value. The change in the deficit arose substantially because of a change in the accounting methodology used to calculate scheme liabilities. Further information is included at Note 22 to the Consolidated Balance Sheet on Page 56.

#### 5. STATEMENT OF ACCOUNTS

The Council's statement of accounts for the year ending 31<sup>st</sup> March, 2006, is set out on pages 15 to 74. This includes: -

- The Statement of Responsibility for the Statement of Accounts, which sets out the Chief Financial Officer's responsibilities in this area;
- The Statement on Internal Control, which sets out the Council's responsibilities in this area.
- The Consolidated Revenue Account, which summarises the income and expenditure of all services carried out by the Council;
- The Collection Fund which shows income and expenditure relating to the Council Tax, Community Charge and National Non Domestic Rates;
- The Consolidated Balance Sheet which sets out the financial position of the Council as at 31<sup>st</sup> March, 2006;
- Statement of Total Movements in Reserves which shows the changes in the Council's capital and revenue reserves during the year;
- The Cash Flow Statement, which summarises the changes in the Council's funds;
- The Group Accounts Statements, comprising Group Income & Expenditure, Group Balance Sheet, Group Cash Flow Statement and Group Statement of Total Movements in Reserves;

A Statement of Accounting Policies and various notes support these accounts.



6. ACCOUNTING POLICIES

The accounting policies adopted by the Council comply, except where specific reference is made, with the relevant recommended accounting practice.

The Council's policies are explained fully in the notes to the accounts, which are set out on pages 23 to 27. For the purpose of the Statement of Accounts the Council's expenditure follows the standard classification recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the comparative figures for 2004/2005 have been shown where appropriate.

7. GROUP ACCOUNTS

The Council is required to consolidate the appropriate share of the accounts relating to other organisations where the Council has a significant interest and influence. Therefore the Group Accounts Section (from page 65) consolidates the accounts of the Tees Valley Connexions Partnership Ltd. and CADCAM Ltd., with those of the Council.

8. INSPECTION OF ACCOUNTS

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 in relation to the 2005/2006 financial year the inspection period is 3<sup>rd</sup> July, 2006 to 27<sup>th</sup> July, 2006.

Michael W Ward  
Chief Financial Officer  
Date: 30<sup>th</sup> June, 2006

9. CHAIRMANS DECLARATION

I confirm that the accounts set out on pages 15 to 74 were approved by the General Purposes Committee at the meeting held on

Councillor Young  
Chair of General Purposes Committee  
Date: 30<sup>th</sup> June, 2006

## AUDITOR'S REPORT TO HARTLEPOOL BOROUGH COUNCIL

### Opinion on the Financial Statements

We have audited the financial statements of Hartlepool Borough Council and its Group for the year ended 31<sup>st</sup> March, 2006, under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, the Group Accounts and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Hartlepool Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

### Respective Responsibilities of the Chief Financial Officer and Auditors

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

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

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

We review whether the statement on internal control reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2<sup>nd</sup> April, 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

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

### Basis of Audit Opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

### Opinion

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 2005, the financial position of the Authority and its Group as at 31<sup>st</sup> March, 2006 and its income and expenditure for the year then ended.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Mr S Nicklin  
District Auditor  
Audit Commission  
Nickalls House  
Metro Centre  
Gateshead  
NE11 9NH

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

### Authority's Responsibilities

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

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

### Auditor's Responsibilities

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

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

- certifying that we have done so;

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

### Conclusion

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

### Best Value Performance Plan

We issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2005/2006 in September, 2005. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### Certificate

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

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

*Mr S Nicklin  
District Auditor  
Audit Commission  
Nickalls House  
Metro Centre  
Gateshead  
NE11 9NH*

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Authority's Responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

### The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March, 2006.

In preparing this Statement of Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

- kept proper accounting records which were up-to-date;
- taken reasonable steps for the prevention and detection of fraud and other irregularities

### Certification of the Accounts by the Chief Financial Officer

In accordance with the requirements of the Accounts and Audit Regulations I certify that the Statement of Accounts on Pages 27 to 74 presents fairly the financial position of Hartlepool Borough Council for the accounting period 1<sup>st</sup> April, 2005 to 31<sup>st</sup> March, 2006.

Michael W Ward  
Chief Financial Officer  
30<sup>th</sup> June, 2006

## STATEMENT ON INTERNAL CONTROL

### 1. SCOPE OF RESPONSIBILITY

#### 1.1 Hartlepool Borough Council is responsible for ensuring that:

- its business is conducted in accordance with the law and proper standards; and
- public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

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

#### 1.3 In discharging these overall responsibilities, Hartlepool Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

### 2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

#### 2.1 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 assurance and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

#### 2.2 In order to facilitate the completion of the Statement, an officer working group has been formed and a programme of work developed. To ensure that the Statement has been given sufficient corporate priority and profile, the working group included both the Chief Financial Officer and the Assistant Chief Executive. As part of the process presentations have been made to departmental management teams and regular updates given to both the Chief Executive's Management Team and Corporate Management Team (CMT).

### 3. SIGNIFICANT INTERNAL CONTROL ISSUES UPDATE FROM 2004/2005 STATEMENT

#### 3.1 Progress has been made over the course of 2005/2006 to address weakness in the system of internal control identified as part of the 2004/2005 process. The table below identifies action that has been taken to mitigate the areas of concern raised.

Issue Raised	Action Undertaken
IT Security/Access Controls	<ul style="list-style-type: none"> <li>- ISO 17799 Working Group operating</li> <li>- Implementation of the following policies and procedures:               <ul style="list-style-type: none"> <li>- Clear Desk Policy</li> <li>- System Access Policy</li> <li>- Data Protection Act Policy</li> <li>- Physical Access Security Policy</li> </ul> </li> <li>- IT Security upgraded on the Financial Management System</li> <li>- Internal Audit coverage followed up Audit Commission review</li> <li>- ISO 17799 compliance audit carried out by Internal Audit</li> </ul>
Disaster Recovery	Draft plan and options developed. Appraisal of two options being undertaken for consideration by Chief Executive's Management Team

#### 4. THE INTERNAL CONTROL ENVIRONMENT

##### 4.1 The key elements of the Council's internal control environment are as follows:

Hartlepool Borough Council has adopted a Constitution, which sets out how the Council operates, how decisions are made, the procedures that are followed to ensure that these decisions are efficient and transparent and sets out the terms of reference for the Portfolio and Committee structure. The constitution was developed in accordance with the Local Government Act 2000 and it sets out the delegated responsibilities to Key Officers such as the Monitoring Officer and Section 151 Officer.

- 4.2 Effective procedures to identify, evaluate, communicate, implement, comply with and monitor legislative change exist and are used. Human Resources (HR) policies identify suitable recruitment methods and ensure appropriate job descriptions exist for staff. Induction training is arranged by HR for all staff, departments have responsibility to provide induction training specific to their departmental needs. Legal Division procedures exist for monitoring new legislation, advising relevant departments, and members where appropriate. Legal personnel participate in training events.
- 4.3 Portfolio and Committee terms of reference are included in the Constitution. A procedure is in place to ensure that all Portfolio and Committee agendas, minutes and supporting material is available to all staff on the Council's intranet and to the public on the Council's internet site.
- 4.4 The Constitution contains financial and contract procedure rules and codes of conduct for Members, which have been formally approved. The Authority has adopted the CIPFA code on Treasury Management and complies with the Prudential Code. The constitution is available to all employees on the Intranet and hard copy and to the public on the Internet. A register of gifts and hospitality is maintained for Members and Officers.
- 4.5 The full Cabinet and a range of Member committees regularly meet to review specific policy areas, to consider plans, reports and progress of the Authority.
- 4.6 The HR Department has drawn up policies to ensure suitably qualified employees are employed in key areas and supporting terms and conditions of employment for all employees cover all aspects of good employment. Induction courses for key new officers

and all new members incorporate suitable training on corporate governance issues according to responsibilities and there is a general staff awareness programme in place.

- 4.7 A Health and Safety Policy has been approved and published and a Communication Strategy implemented to ensure general awareness.
- 4.8 The Authority has adopted the Community Strategy aims as its own corporate objectives. The development of the Community Strategy by the Local Strategic Partnership followed an extensive consultation process. Public priorities were established and these are a key element of the budget setting process. The Local Area Agreement (LAA) (signed on 23<sup>rd</sup> March, 2006), further develops these arrangements and is the action plan for achieving the Community Strategy aims. LAA outcomes relating to the Council have been integrated into the Council's corporate plan, service plans and performance management arrangements to enhance management and political accountability.
- 4.9 The Authority has monitoring and review arrangements in place in respect of the operation of its key partnerships. A framework of reporting by exception to Corporate Management Team operates and Internal Audit provides annual audit coverage of partnership arrangements. The Audit Committee has highlighted partnerships as a key area of interest and the Authority's control framework will be developed further and the committee regularly updated on progress. As the areas of Corporate Governance and Partnerships evolve, further changes to internal controls are envisaged to meet any future requirements under the revised Code of Corporate Governance and the Governments white paper on the role and function of Local Government. The development of controls around corporate governance arrangements is a transitional, ongoing process that will build upon existing procedures.
- 4.10 All departments produce departmental and service plans using a corporate framework to ensure that they reflect the corporate objectives. Departments also complete extensive consultation with service users, forums, partners and Viewpoint 1000 surveys. The feedback from these exercises is used to link service and departmental objectives to both the planning process for service delivery and to the corporate objectives. Progress against the Corporate Plan and departmental plans is reported to CMT, Cabinet and the Portfolio Holders on a quarterly basis.
- 4.11 A corporate performance management framework approved by CMT and the Cabinet is operating across the Council. The framework sets out the process and timetable for reporting on performance. A Quality Assurance/PI collection framework is in place with Internal Audit conducting an annual review of PIs assessed as high risk. The Performance Management database includes information relating to departmental and officer responsibility for the collation of data, target settings and addressing performance issues.
- 4.12 Key performance indicators are identified in the corporate and departmental plans. Regular reports are presented to members on the delivery of performance targets and these include national and local comparisons.
- 4.13 Key policies such as the Corporate Complaints Procedure, Proceeds of Crime (Money Laundering), Whistleblowing Policy and Counter Fraud and Corruption Policy have been developed and approved for use across the whole Authority. The policies are available to employees via the Intranet. Reports are made to portfolio holders every six months summarising, for example, the complaints dealt with and the outcome. The Authority is a member of the National Anti Fraud Network and also takes part in regular National Fraud Initiative reviews.
- 4.14 The Council agreed a Risk Management Strategy in December, 2004 and this has been improved on a regular basis since. The strategy is available to all staff via the Intranet.



Key staff have undergone appropriate training and departmental risk champions lead on communicating the strategy to all relevant employees in their department.

- 4.15 An annual review of the Risk Management strategy has been completed and approved by Corporate Risk Management Group (CRMG). The Risk Management annual work programme was approved by CRMG in March, 2006 and incorporated within Chief Executives service plan. A CMT/Cabinet annual review of the Strategic Risk Register (SRR) was carried out in March/April, 2006. A Members training event was held on the 7<sup>th</sup> September, 2005, to raise the profile of Risk Management with Councillors as part of the decision-making process.
- 4.16 There is corporate support at senior management level for development of the Risk Management database with risk assessment procedures published and training given to officers (June, 2005).
- 4.17 Planned control measures in SRR/DRR (Departmental Risk Register) are in Service Plans, linked as part of business planning for Departments. The Performance Management Portfolio Holder is Hartlepool Borough Councils risk 'champion' and was involved in delivery of training to other Members. Each department also has a risk co-ordinator. Risks and control measures relating to corporate and departmental plans are considered as part of the preparation of the Statement on Internal Control.
- 4.18 A database has been established to hold the departmental, corporate and strategic risk registers. The database automatically notifies responsible officers of risks that need to be reviewed and progress is monitored on a quarterly basis by the Corporate Risk Management Group, who then report to CMT and Cabinet. A central funding pot for Risk Management may be used by departments to assist in the financing of risk mitigation.
- 4.19 The Council has long-standing, nationally and regionally recognised emergency planning arrangements through the Cleveland Emergency Planning Unit (EPU). The Council's Emergency Management Response Team (EMRT) meets monthly and carry out business continuity scenario exercises at least every six months.
- 4.20 Departmental business continuity plans have been developed and specific property and flu pandemic plans are in place. ICT resilience has been improved by remote access to Email and calendars and upgrading the UPS System.
- 4.21 Flu pandemic planning has identified critical services particularly in respect of vulnerable people, with alternative service provision arrangements identified as part of that process.
- 4.22 Ten business continuity scenario exercises were held from September to December, 2005 as part of the plan developmental process. These included at least one exercise for each department. Each department has a lead officer responsible for business continuity and the team reports to the CRMG. All senior managers have been briefed about business continuity.
- 4.23 All departments completed an annual review of diversity impact needs requirement assessments and identified steps to further improve access to services and these have been incorporated into service plans. This is part of a corporately agreed approach to mainstream diversity issues within the Council and implement the Equality Standard.
- 4.24 Internal Audit reports on a regular basis to the Audit Committee on the effectiveness of the organisation's system of internal control. Recommendations for improvement are also made and reported on. Internal Audit's performance is measured against standards agreed by Management and Members.

4.25 Other review bodies, external to the Authority also make regular reports on efficiency, effectiveness and compliance with regulations. These reviews include major inspections by the Commission for Social Care, Department for Further Education and Skills, Ofsted and the Planning Inspectorate of the relevant section of the Authority. The Audit Commission has also undertaken a Comprehensive Performance Assessment and the Council has been assessed as '4 Star', the highest possible ranking. The results of these reviews are reflected in the Council's own development and improvement plans. Some services within the Authority have been accredited by Investors in People and Chartermark.

## 5. REVIEW OF EFFECTIVENESS

5.1 The Council has the responsibility for conducting, at least annually, a review of the system of internal control. The review of the effectiveness of internal control is informed by the work of Internal Audit and Senior Managers who have responsibility for the development and maintenance of the internal control environment. The review is also informed by the reports issued by external audit and other review agencies and inspectorates.

5.2 The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

- Corporate Management Team agreed process for the review of the internal control environment. This required departments to complete Departmental Assurance Proformas. This enables managers to provide documented evidence regarding the controls within their service units. The controls in place are designed to negate the identified and recorded risks of not achieving service, departmental or corporate objectives. Service plans and departmental risk registers are used to list departmental services provided and identify departmental service objectives. In order to ensure adequate controls are in place the procedures, processes and management arrangements in place to mitigate identified risks and the officers responsible for them are also documented. Gaps in controls can be addressed as part of the regular reviews of departmental risks and control measures.
- Internal Audit – the Council has the responsibility for maintaining and reviewing the system of internal control. In practice, the Council, and its External Auditors, takes assurance from the work of Internal Audit. In fulfilling this responsibility:
  - Internal Audit operates in accordance with CIPFA's Code of Internal Audit Practice for Internal Audit in Local Government in the United Kingdom 2003.
  - Internal Audit reports to the Section 151 Officer and Audit Committee.
  - The Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of the system of internal control.
  - Internal audit plans are formulated from an approved risk assessment package.
- External Audit – in their annual audit letter, comment on financial aspects of corporate governance and performance management. External audit also expresses an opinion on the adequacy of Internal Audit work.
- Other review and assurance mechanisms: for example, Department for Further Education and Skills, Commission for Social Care, Investors in People, Chartermark, Planning Inspectorate.
- In the Comprehensive Performance Assessment by the Audit Commission, the overall report placed the Council in the 'excellent' corporate assessment category.

## 6. SIGNIFICANT INTERNAL CONTROL ISSUES

The following significant internal control issues have been identified:

No	Issue	Action	Timescale	Responsible Officer
1	Disaster Recovery Arrangements	Draft plan and options developed. Appraisal of two options being undertaken for consideration by Chief Executive's Management Team.	June 2006	A Atkin
2	Partnership Protocols	- Scoping exercise undertaken and reported to Corporate Management Team. - Framework implementation. - Update report to Audit Committee.	June 2006 Sept 2006 Dec 2006	M Ward M Ward M Ward
3	Adoption of a Code of Corporate Governance	Await outcome of CIPFA/SOLACE Code of Corporate Governance Consultation.	Publication of Guidance	T Brown

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority and a plan to address weakness and ensure continuous improvement of the systems is in place.

CHIEF EXECUTIVE:

DATE:

MAYOR:

DATE:

MONITORING OFFICER:

DATE:

CHIEF FINANCIAL OFFICER (SECTION 151 OFFICER):

DATE:

## STATEMENT OF ACCOUNTING POLICIES

### 1. GENERAL

The Accounts have been prepared, with certain exceptions to which reference is made later, in accordance with the Code of Practice on Local Authority Accounting 2004, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and also with guidance notes issued by CIPFA on the application of accounting standards (SSAPs and FRSS).

### 2. FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Assets acquired under finance leases are capitalised and included in the Balance Sheet on the basis of the depreciated value plus outstanding obligations.

The definitions of operational and non-operational assets have been redefined to clarify that operational assets are categorised as assets used in pursuit of the strategy or service of the Authority. Assets not falling into this category are shown as non-operational assets on the Balance Sheet.

Operational assets have been included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use, except for community and infrastructure assets that have been included at historical cost. Non-operational assets have been included in the Balance Sheet at the lower of net current replacement cost or net realisable value.

The current asset values used in the Accounts are based upon a certificate issued by the Council's Estates Manager as at 1<sup>st</sup> April, 2004. Asset revaluations must be carried out on a five-year basis and the next revaluations must be completed as at 1<sup>st</sup> April, 2009.

Additions during the year are included in the Accounts at their cost of acquisition for community and infrastructure assets. Other additions are included on the basis of historic costs or net current replacement cost or net realisable value in existing use.

### 3. GOVERNMENT GRANTS

Government grants 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, to the Government grants deferred account. Amounts are released from the Government grants deferred account to offset any provision for depreciation charged to the Revenue Account in respect of assets to which the grant relates.

### 4. DEFERRED CHARGES

Deferred Charges are payments, which for capital control purposes, as defined in the Local Government and Housing Act 1989, are deemed to be capital expenditure even though no fixed asset is created and include such items as improvement grants.

In accordance with the Code of Practice, deferred charges are regarded as revenue expenditure for capital accounting purposes and are charged to the Services section of the Consolidated Revenue Account, with their financing being credited as an Appropriation. It

is the Authority's policy to charge this expenditure to the revenue account in the year it is incurred.

#### 5. BASIS OF CHARGES FOR CAPITAL

The Council's interest costs and receipts are those amounts payable and due from external parties. The amounts are accrued and accounted for in the accounts of the periods to which they relate, and which reflect the overall economic effect of the borrowings.

Repayments of principal are made in accordance with the relevant statutory provisions governing the minimum revenue provision for debt repayment. Currently these requirements are 4% of outstanding debt for General Fund Advances.

Charges are made to the Asset Management Revenue Account in accordance with the capital accounting regulations that now require each service to be charged interest for all operational assets. This has been implemented on the basis of the value of assets held at 31<sup>st</sup> March, 2006, at a rate of 3.5% (3.5% in 2004/2005) for assets carried at current values and 4.95% (4.8% in 2004/2005) for infrastructure and community assets.

Depreciation has been charged on items of capital equipment, where appropriate, on a straight line basis in accordance with the estimated assets lives determined by service officers. In 2000/2001 new accounting regulations were introduced which require the Council to depreciate properties. On the basis of these regulations all properties were depreciated on a straight line basis over forty years, and garages over 30 years.

#### 6. CAPITAL RECEIPTS

In accordance with the relevant regulations all income from the disposal of assets received after 1<sup>st</sup> September, 1998, can be used to fund capital expenditure.

#### 7. DEBTORS AND CREDITORS

The Revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and FRS18. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. Exceptions to this principle include:

- Housing Benefit payments to private tenants that are accounted for on a cash basis;
- General revenue debtors and creditors of less than £1,000 have only been accrued at the discretion of individual departments. All amounts in excess of £1,000 have been accrued.

Salary and Wages expenditure have been included on the basis of actual payments made during the year on a cash basis and includes 12 months for salaries and 52 weeks for wages.

#### 8. STOCKS AND WORK IN PROGRESS

Stocks and Stores are included in the Balance Sheet at average cost price.

Where stocks have been identified as being of no further use to the Council and the appropriate procedures have been complied with, the obsolete stock has been written off otherwise an allowance has been made for obsolescence.

Work in Progress on uncompleted jobs is valued at cost, including an allocation of overheads.

## 9. COST OF SUPPORT SERVICES

The cost of support services is fully allocated to services, or to the Best Value expenditure category of Corporate and Democratic Core. The basis of allocation used for the main costs of management and administration are outlined below:

<u>Cost</u>	<u>Basis of Allocation</u>
Central Departmental & Technical Staff	Actual time spent by staff, or unit charge based upon cost
Democratic Processes	Direct charge to Corporate and Democratic Core
Administrative Buildings	Area occupied

## 10. RESERVES AND PROVISIONS

The Council sets aside earmarked reserves for specific future expenses. The main reserves are detailed in the notes to the Consolidated Balance Sheet. In accordance with revised accounting regulations a number of specific reserves are classified as Earmarked General Fund Balances and detailed at Note 19 of the Consolidated Balance Sheet (Page 41).

The Council also makes provisions for liabilities, or losses likely to be incurred, or certain to be incurred but where the amounts or dates are not certain. These are detailed at Note 9 to the Consolidated Balance Sheet (Page 47).

## 11. REVENUE BALANCES

The Council maintains certain reserves to meet general, rather than specific, future expenditure. The details of the Council's Reserves and revenue balances are explained in Note 18 to the Balance Sheet (Pages 50).

## 12. INVESTMENTS

Under Local Government Reorganisation the Council was allocated 9.89% of the shares in Durham Tees Valley Limited and 16.5% of the former County Council's shareholding in SITA Team Valley Limited. In the case of Durham Tees Valley Limited, the value on the Balance Sheet has been revised to match the Council's share of net assets. This note has been included in the Group Accounts Section (See Note 1, Page 69). Investments are made in accordance with the appropriate statutory regulations, and the Councils Treasury Management Strategy.

## 13. PENSIONS

The Council has adopted FRS17 for the 2005/2006 Accounts, which specifies how Pension costs should be accounted for in the accounts.

The following accounting policies have been applied to the various elements of the net liability.

- The attributable assets of the Local Government Pension Scheme are measured at fair market value.

- The attributable liabilities of the scheme are measured on an actuarial basis using the projected unit basis.
- Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristic of the liability.
- The deficit on the scheme is the shortfall of the value of the assets in the scheme over the present value of the scheme liabilities
- The current service cost is based on the most recent actuarial valuation at the beginning of the period, with financial assumptions updated to reflect conditions as that date.
- The interest cost is based on the discount rate and the present value of the scheme liabilities at the beginning of the period.
- The expected return on assets is based on long-term expectations at the beginning of the period and is expected to be reasonably stable.
- Actuarial gains and losses may arise from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date.
- Past service costs are disclosed on a straight line basis over the period in which the increases in benefits vest.

The change has had the following effects on the results of the prior and current periods:

- The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 0.67% higher (1.23% higher in 2004/2005) after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 2.45% more (3.50% more in 2004/2005) than it would otherwise have been.
- The requirement to recognise the net pension liability in the balance sheet has reduced the reported net worth of the Authority by 28.45% (31.16% in 2003/2004).

The aim of the above accounting policy is to reflect the commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

Full details of the accounting policy for Pensions are detailed in note 4 to the Consolidated Revenue Account (Page 29).

Details in respect of FRS17 disclosure requirements are also included in Note 22 to the Consolidated Balance Sheet (Page 56).

#### 14. LEASES

The accounting policy is detailed in Note 2 to the Consolidated Revenue Account (Page 29).

#### 15. FOREIGN CURRENCY TRANSLATION

The cost of foreign transactions is determined and included in the accounts using the exchange rate prevalent on the day the currency was translated to Sterling.

16. REPURCHASE OF BORROWING

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Consolidated Revenue Account in the periods during which it is made. Where the repurchase is coupled with a refinancing or restructure with substantially the same overall economic effect, any gains or losses are recognised over the life of the replacement borrowing.

17. VALUE ADDED TAX

VAT is included in the income and expenditure accounts, only to the extent that it is irrecoverable.

18. EXCEPTIONAL, EXTRAORDINARY ITEMS AND PRIOR PERIOD ADJUSTMENTS

Any Exceptional items that are such that they require a high level of prominence in order to give a fair presentation of the accounts, or any Extraordinary items, are disclosed on the face of the revenue account in the year that they occur. Prior year adjustments are detailed in Note 23 to the Consolidated Balance Sheet (Page 57).

19. POST BALANCE SHEET EVENTS

Where such an event occurs, changes are made to the statement of accounts, see Note 24 to the Consolidated Balance Sheet (Page 57).

20. IMPAIRMENT OF FIXED ASSETS

The accounting policy governing impairment of fixed assets is included in Note 1.7 to the Consolidated Balance Sheet (Page 45).

21. CONTINGENT LIABILITIES

The accounting policy governing Contingent Liabilities is included in Note 21 to the Consolidated Balance Sheet (Page 55).

22. GROUP ACCOUNTS

Similar accounting policies have been adopted by all the bodies included within the Group Accounts.



## CONSOLIDATED REVENUE ACCOUNT

2004/2005 Net Expenditure £000		2005/2006 Gross Expenditure £000	2005/2006 Gross Income £000	2005/2006 Net Expenditure £000	NOTE
1,587	Central Services to the Public	13,366	12,132	1,234	
346	Court Services	93	2	91	
24,910	Cultural, Environmental and Planning Services	37,657	13,840	23,817	
58,447	Education Services	87,660	22,512	65,148	
8,453	Highways, Road and Transport Services	10,889	1,978	8,911	
637	Housing Services	33,074	31,811	1,263	
26,383	Social Services	44,142	14,352	29,790	
3,620	Corporate and Democratic Core	4,479	594	3,885	
847	Non-distributed Costs	875	0	875	
<b>125,230</b>	<b>Net Cost of Services</b>	<b>232,235</b>	<b>97,221</b>	<b>135,014</b>	1
64	Local Precepts & Levies	72	0	72	
(5,226)	Asset Management Revenue Account	4,281	11,323	(7,042)	8
76	Contribution to Housing Pooled Capital Receipts	59	0	59	
(2,586)	Interest and Investment Income	0	3,337	(3,337)	
(1,672)	Gains/Losses on the early repayment borrowing	0	0	0	
2,458	Pension interest cost and expected return	2,144	0	2,144	
<b>118,344</b>	<b>Net Operating Expenditure</b>	<b>238,791</b>	<b>111,881</b>	<b>126,910</b>	
1,121	Contribution to / (from) School Reserves			117	12
(1,690)	Contribution to / (from) HRA Reserves			0	
963	Contribution to / (from) Reserves			(739)	
1,328	Contribution to / (from) Capital Reserves			4,103	
(2,874)	Deferred Charges			(2,010)	
(2,491)	MRP Excess/ (Shortfall) over Depreciation Charge			(1,371)	14
(3,981)	Contributions from Pensions Reserve			(3,038)	
(76)	Transfer from Usable Capital receipts equal to the contribution to Housing Pooled Capital Receipts			(59)	
(1,839)	Income from Sale of Former Council Houses			(775)	
<b>108,805</b>	<b>Amount to be Met From Government Grant and Local Taxpayers</b>			<b>123,138</b>	
(59,809)	General Government Grants			(60,511)	
0	General Government Grants - Prior Year Adjustment			(334)	15
0	LPSA Performance Grant			(174)	16
(24,649)	Non Domestic Rates Redistributed			(30,045)	
(29,869)	Demand on Collection Fund			(31,653)	
(850)	Transfers to/(from) the Collection Fund in respect of Surplus			(440)	
<b>(6,372)</b>	<b>(Surplus) / Deficit for the Year</b>			<b>(19)</b>	17
12,762	Balance at 1st April			19,134	
6,372	Surplus / (Deficit) for the Year			19	
<b>19,134</b>	<b>Balance at 31st March</b>			<b>19,153</b>	17

The Net Cost of Services for 2004/2005 have been restated to eliminate a trading account surplus adjustment that was made to the original figures. Details of trading account activity are included at Note 10 on Page 31.

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

### 1. NET COST OF SERVICES

This analysis reflects the requirements of CIPFA's Best Value Accounting Code of Practice (BVACOP) which defines the reporting requirements for this section of the Consolidated Revenue Account.

### 2. OPERATING AND FINANCE LEASES

The Council uses vehicles and other equipment financed under terms of an operating lease. The revenue charge for operating leases in 2005/2006 was £568,000 (2004/2005 - £638,000).

In addition to the operating lease rentals described above, the Council incurs the cost of operating leases in relation to vehicles used by Housing Hartlepool and recovers these costs in full. This arrangement relates to vehicles on operating lease at the date of stock transfer. The amount chargeable in 2005/2006 was £64,000 (2004/2005 - £46,000). The Council also recharges the cost of IT equipment financed under terms of an operating lease, to Sx3/Northgate. The amount chargeable in 2005/2006 was £3,000 (2004/2005 - £20,000).

The Council is the lessor in relation to various Land & Property operating lease agreements. The aggregate rent income due in 2005/2006 was £172,000 (2004/2005 - £114,000). The total value of these assets was £2,076,000 (2004/2005 - £2,037,000) with depreciation of £31,000 for the year (2004/2005 - £50,000).

### 3. PUBLICITY

Under the Local Government Act 1986 the Council is required to maintain a separate note of expenditure on publicity. The total amount is analysed as follows: -

2004/2005 £000		2005/2006 £000
127	Direct Employee costs	132
393	Advertising - Staff Vacancies	386
658	Advertising - Other including statutory notices	760
8	Hartbeat Newspaper	14
<b>1,186</b>	<b>TOTAL</b>	<b>1,292</b>

### 4. PENSION COSTS

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

The Authority participates in two funded pension schemes, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the Pension's liabilities with investment assets. The schemes are:

- The Teacher's Pension Scheme that is operated for all teachers on a national basis with a contribution rate set by the Department for Education and Skills. The Council's contribution to the Teacher's Pension Scheme in 2005/2006 amounted to £3,857,788 (£3,720,740 in 2004/2005) which represented 13.5% of pensionable pay (13.5% in 2004/2005). Nothing was paid as added years' contributions (£2,811 was paid in 2004/2005).
- The Local Government Pension Scheme is a funded scheme operated for all other Council employees and administered by Middlesbrough Borough Council.

The Authority recognises the cost of retirement benefits in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against the Consolidated Revenue Account is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure. The transactions made in the CRA during the year are summarised in the table below: -

2004/2005 £000		2005/2006 £000
	<u>Net Cost of Services</u>	
(8,583)	Current service cost	(9,145)
(65)	Past service cost	(159)
(265)	Settlements and Curtailments	(169)
	<u>Net Operating Expenditure</u>	
(11,946)	Interest cost	(12,894)
9,488	Expected return on assets in the scheme	10,750
	Amounts to be met from Government Grants and <u>Local Taxation</u>	
3,981	Movement on Pensions Reserve	3,038
	Actual Amount Charged Against Council Tax for Pensions in the year	
<b>(7,390)</b>	Employers' contributions payable to scheme	<b>(8,579)</b>

Note 22 to the Consolidated Balance Sheet (Page 56) contains details of the assumptions made in estimating the figures included in this note. Note 1 to the Statement of Total Movement in Reserves (Page 61) details the costs that have arisen through the year.

## 5. DEFERRED CHARGES

Deferred charges incurred are charged to the CRA. An amount of £8.086m has been charged to Cultural, Environmental and Planning Services. These amounts were fully financed from capital resources, which in the case of borrowings have been credited to the Appropriation section (£2.010m), or in the case of capital grants, credited directly to the relevant activity within Net Cost of Services (£6.076m in total).

## 6. OFFICER'S REMUNERATION

In accordance with the Accounts and Audit Regulations 2003, the number of employees including teachers whose remuneration fell in each bracket of a scale in multiples of £10,000, starting with £50,000 are listed below.

For this purpose 'remuneration' means all amounts paid to or receivable by an employee and includes sums due by way of expense allowances and the estimated money value of any benefit received by an employee otherwise than in cash.

Non School Employees 2004/2005	School Employees 2004/2005	Total 2004/2005	Remuneration Bracket (£)	Non School Employees 2005/2006	School Employees 2005/2006	Total 2005/2006
10	2	12	50,000 to 59,999	18	7	25
7	4	11	60,000 to 69,999	8	1	9
0	2	2	70,000 to 79,999	3	1	4
1	0	1	80,000 to 89,999	1	2	3
0	0	0	90,000 to 99,999	0	0	0
0	0	0	100,000 to 109,999	0	0	0
1	0	1	110,000 to 119,999	0	0	0
1	0	1	120,000 to 129,999	0	0	0
0	0	0	130,000 to 139,999	1	0	1
<b>20</b>	<b>8</b>	<b>28</b>		<b>31</b>	<b>11</b>	<b>42</b>

The number of full time equivalent staff in 2005/2006 was 3,320 compared to 3,331 in 2004/2005.

## 7. MEMBERS ALLOWANCES

In 2005/2006 the Council's 48 Members (Councillors) were paid a total of £345,000 (2004/2005 - £328,000), under the basic allowance, special responsibility and attendance allowance schemes.

## 8. ASSET MANAGEMENT REVENUE ACCOUNT

Depreciation and external interest charges are charged to this account with the net balance being transferred to/from Consolidated Revenue Account. The transactions within this account are detailed below: -

2004/2005 Net Debit/(Credit) £000		2005/2006		
		Debit £000	Credit £000	Net £000
(13,774)	Charges for use of fixed assets		(15,917)	(15,917)
5,535	Depreciation on fixed assets	5,236		5,236
3,595	External interest	4,281		4,281
(582)	Transfer from Government Grants		(642)	(642)
<b>(5,226)</b>		<b>9,517</b>	<b>(16,559)</b>	<b>(7,042)</b>

## 9. RELATED PARTY TRANSACTIONS AND INTEREST IN COMPANIES

In accordance with the Local Authorities (Member's Interests) Regulations 1992, the Council is required to maintain a register of Members personal interests. This register is available for public inspection. On the basis of this register there were no Members pecuniary interests that require disclosure as related party transactions, in 2005/2006.

There were also no related party transactions for the Authority's Corporate Management Group.

The Council receives Government grants, the major grants being the Revenue Support Grant, the share of the NNDR pool and Housing Subsidy, the details of which are shown in the Consolidated Revenue Account. The Council also received capital grants from the Government (£22.344m).

The Council provides various support services, predominately in relation to financial and legal services to Cleveland Fire Authority, see Note 11 (Page 33). In particular, the Council's Chief Solicitor (Mr A Brown) held the position of Legal Advisor and the Chief Financial Officer (Mr M Ward) held the position of Deputy Treasurer.

Middlesbrough Council is the administering Authority for the non-teaching staff pensions (Note 4, page 29).

Details of investments, associates and joint ventures are given in the Group Accounts section (page 65).

## 10. TRADING ACCOUNTS

## 10.1 Building Regulations

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

2004/2005		2005/2006		
Total Building Control £000		Chargeable £000	Non Chargeable £000	Total Building Control £000
395	Expenditure	228	208	436
274	Income	233	0	233
<b>(121)</b>	Surplus/(Deficit) for the year	<b>5</b>	<b>(208)</b>	<b>(203)</b>

## 10.2 Former DSO Operations

The net expenditure on the Council's trading operations of the former DSO operations is included in the relevant service line of the Consolidated Revenue Account. The financial results of the operations are as follows:

2004/2005 Operating Surplus/(Deficit) £000	Former DSO Operations	2005/2006		
		Income £000	Expenditure £000	Operating Surplus/(Deficit) £000
(73)	Building Maintenance	2,841	2,835	6
147	Highway Works	2,718	2,715	3
30	Grounds Maintenance	2,360	2,300	60
38	Vehicle Maintenance	3,460	3,503	(43)
6	Refuse Collection	1,744	1,709	35
28	Other Cleaning	1,617	1,559	58
0	Building Cleaning	2,004	2,019	(15)
20	School Catering	3,152	3,111	41
<b>196</b>	<b>TOTAL</b>	<b>19,896</b>	<b>19,751</b>	<b>145</b>

52	DSO reserve at beginning of year	76
196	Surplus for the year	145
(172)	Contribution to General Fund	(145)
<b>76</b>	<b>DSO Reserve at the year end</b>	<b>76</b>

Following the abolition of Compulsory Competitive Tendering, the Council is no longer required to maintain statutory DSO trading accounts. The Council previously determined to maintain separate trading accounts for these operations for 2005/2006 and future years. The surplus/deficit of each trading account is contained within the appropriate service of the net cost of services.

### 10.3 Other Trading Operations

Catering and Leisure Management operations were transferred to Cultural services in 2001/2002 and the results of these activities are included within the cost of this service. The statement below details the costs of providing these services.

2004/2005 Surplus/(Deficit) £000		2005/2006		
		Income £000	Expenditure £000	Surplus/(Deficit) £000
23	Catering	184	156	28
(845)	Leisure Management	443	1,266	(823)

### 11. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The Council provides various professional and technical support services to Cleveland Fire Authority. Income from these services amounted to £184,000 (£175,000 in 2004/2005), which represents the cost of the services provided.

Following the transfer of housing stock on 29<sup>th</sup> March 2004, the Council continued to provide a wide range of support services to Housing Hartlepool in 2005/2006, including Fleet Maintenance, Building Maintenance, Payroll, Legal Services, Property Services, Grounds Maintenance, Building Cleaning, IT, Energy Management and provision of stores. The income from these services amounted to £1,144,000 (£2,012,000 in 2004/2005), which represented the cost of the services provided.

The Council also provided the following services at cost:

- Conveyancing services to Hartlepool Revival Ltd - £35,000 (£26,000 in £2004/2005);

- Management & Evaluation services to Hartlepool Revival Ltd - £31,000;
- Property services to Hartlepool Revival Ltd - £19,000;
- Personnel services to Hartlepool Primary Care Trust - £31,000 (£19,600 in 2004/2005);
- Legionella risk assessments to Middlesbrough Borough Council - £14,000 (£69,000 in 2004/2005);
- Mechanical & Electrical services to Middlesbrough Borough Council - £13,000;
- Legionella risk assessments to Erimus Housing - £7,000.

## 12. CONTRIBUTION TO/(FROM) SCHOOL RESERVES

This contribution equals the difference between the aggregate budget for school based expenditure and actual expenditure incurred by schools in 2005/2006. In accordance with Government Regulations and the Council's scheme of delegation for schools the aggregate budget for schools is "ring-fenced", therefore any underspends against these monies are carried forward and specifically earmarked for school based expenditure in future years. See Note 18 to the Consolidated Balance Sheet (page 51).

## 13. SECTION 137 EXPENDITURE

The Local Government Act 1972, Section 137, as amended, enables a local authority to spend up to £5.14 per head of population on activities or projects not specifically authorised by other legal powers, which in its opinion are in the interest of their area or its inhabitants. This is equivalent to £463,000 in 2005/2006 (£451,000 in 2004/2005). The expenditure incurred, and included in the various services, is summarised overleaf:

2004/2005 £	SECTION 137 EXPENDITURE	2005/2006 £
20,710	Belle Vue Sports Association	23,750
8,807	Blakelock Elderly Care Coop Ltd	5,225
11,500	Boys Welfare Youth Club	0
14,579	Central Residents Association	2,950
7,006	Churches	6,650
3,000	Relate North East	4,750
16,942	Hartlepool Community Studio	14,820
7,265	Epilepsy Outlook	6,902
500	Greatham Community Association	0
33,778	Hartlepool Access Group	27,930
2,081	Hartlepool Centre for the Deaf	14,060
75,889	Hartlepool Citizen's Advice Bureau	74,100
9,975	Hartlepool Families First	4,750
16,975	Hartlepool Peoples Centre	9,690
737	Hartlepool Swimming Club	650
19,400	Hartlepool Voluntary Development Agency	26,600
924	Hartlepool Youth Choir	500
3,880	Headland Development Company	9,785
20,065	Headland Future Ltd	11,400
4,866	Manor Residents Association	6,650
24,090	North Tees Womens Aid	20,397
19,045	Owton Fens Community Association	20,520
1,624	Rift House Community Association	0
2,000	Rossey Diner	0
1,694	Scouts, Guides and Brownies	2,735
4,100	Victim Support & Witness Service	4,750
27,190	West View Advice & Resource Centre	26,030
16,625	West View Project	20,961
12,596	Wharton Trust	19,725
<b>387,843</b>	<b>TOTAL EXPENDITURE</b>	<b>366,280</b>

The 2004/2005 figures have been restated to include comparative payments made to Hartlepool Citizens Advice Bureau during 2004/2005 and to exclude the grant payment made to the Workers Education Association in 2004/2005 which was repaid in 2005/2006.

#### 14. MRP EXCESS/(SHORTFALL) OVER DEPRECIATION

The Council is required by statute to set aside a minimum revenue provision for the redemption of external debt. The total amount charged in 2005/2006 was £3,323,000 (2004/2005 - £2,462,000).

This adjustment ensures that the amount to be met from Government funds and local taxpayers only reflect the statutory MRP and not the depreciation charges included in AMRA as detailed at Note 8 (Page 31).



2004/2005 Net Debit/(Credit) £000		2005/2006		
		Debit £000	Credit £000	Net £000
(5,535)	Depreciation of Fixed Assets	0	(5,236)	(5,236)
582	Transfer to Government Grants	642	0	642
2,462	Minimum Revenue Provision (MRP)	3,223	0	3,223
<b>(2,491)</b>		<b>3,865</b>	<b>(5,236)</b>	<b>(1,371)</b>

## 15. GOVERNMENT GRANT – PRIOR YEARS ADJUSTMENT

The Government reviewed the basis for distributing grant to the Council to reflect the previous underestimate of Hartlepool's population. Consequently, the grant owing to the Council increased by £334,000 and this payment was received in 2005/6.

## 16. LPSA PERFORMANCE GRANT

In 2003 the Council entered into a Local Public Service Agreement (LPSA) with the Government, under which the Council agreed to a number of performance targets against which it would be measured. The Council has performed successfully against its targets and received a performance grant as a reward.

17. SURPLUS/DEFICIT FOR THE YEAR AND BALANCE AS AT 31<sup>ST</sup> MARCH, 2006

An explanation of the surplus for the year is provided in the Chief Financial Officer's Foreword (Page 6). A summary of Earmarked and Unearmarked General Fund balances is detailed below:

	Unearmarked General Fund Balances £000	Earmarked General Fund Balances £000	Total £000
Balance as at 1st April 2005	2,681	16,453	19,134
Surplus/(Deficit) for the year	2,652	(2,633)	19
Balance as at 31st March 2006	<b>5,333</b>	<b>13,820</b>	<b>19,153</b>

Details of individual reserves are set out in Note 19 to the Consolidated Balance Sheet (Page 53).

## 18. EXTERNAL AUDIT FEES

In 2005/2006 the Council incurred the following fees in relation to external audit and inspection.

2004/2005 £000		2005/2006 £000
179	Fees Payable for audit services carried out by the appointed auditor	201
36	Fees in respect of statutory inspection	14
44	Fees for the certification of grant claims	37
1	Fees in respect of other services	9
<b>260</b>		<b>261</b>

<b>COLLECTION FUND</b>
------------------------

The Collection Fund is a statutory fund, separate from the General Fund of the Council, which accounts independently for transactions relating to council tax, non-domestic rates and residual community charges.

2004/2005 £000		2005/2006 £000	2005/2006 £000	Notes
	<b>INCOME</b>			
	<b>Council Tax :</b>			
26,203	Billed to tax payers	27,793		
9,101	Council Tax Benefits transferred from General Fund	9,470		
35,304			37,263	1
85	Reduced Provision for Non-Payment of Council Tax		0	
	<b>Non Domestic Rates :</b>			
25,048	Income Collectable from Business Ratepayers	24,375		2
49	Reduced Provision for Non-Payment of NNDR	36		
25,097			24,411	
0	Residual Community Charges		0	
<b>60,486</b>	<b>TOTAL INCOME</b>		<b>61,674</b>	
	<b>EXPENDITURE</b>			
34,855	Precepts		36,939	3
0	Increased Provision for Non-Payment of Council Tax		37	
	<b>Non Domestic Rates :</b>			
24,976	Payment to National Pool		24,296	2
120	Cost of Collection Allowance		115	
0	Residual Community Charges		1	
	<b>Contributions for previous years estimated</b>			
	<b>Collection Fund Surplus :</b>			
851	Hartlepool Borough Council	441		
94	Cleveland Police Authority	54		
0	Cleveland Fire Authority	19	514	
945				
0	<b>Contributions for estimated residual Community</b>		0	
	<b>Charges</b>			
<b>60,896</b>	<b>TOTAL EXPENDITURE</b>		<b>61,902</b>	
(410)	Surplus/(Deficit) for the year		(228)	
816	Surplus/(Deficit) at the beginning of the year		406	
<b>406</b>	<b>Surplus/(Deficit) at the end of the year</b>		<b>178</b>	

## NOTES TO THE COLLECTION FUND

### 1. COUNCIL TAX

Council Tax income comes from a charge made on residential properties. The income is used to support the Council's General Fund revenue expenditure, as detailed in the Consolidated Revenue Account on page 28. It is also used to finance Hartlepool's share of the Police and Fire Authorities expenditure, through precepts made on the Council's Collection Fund.

The level of Council Tax in any year is determined by estimating the income required by the Council and the Police and Fire Authorities and dividing this by the Council Tax base, which comprises residential properties banded by value and charged accordingly.

To allow for comparison between years and authorities the tax base is expressed as the number of Band D properties in the district, which is calculated by multiplying the number of properties in a band by an appropriate weighting, ranging from 6/9 to 2.

There were 31,566 Band D equivalents in 2005/2006 (31,206 for 2004/2005) and the basic amount of Council Tax for a Band D property was £1,360.09 (£1,296.50 in 2004/2005).

Set out in the table below are the Band D weighting, property numbers and income from each band level.

Band	Weighting to Band D	No. of properties in each band	Equivalent no. of band D properties	Hartlepool BC demand per property (ex.Parishes) £	Police Authority demand per property £	Fire Authority demand per property £	Total demand per property £	Total income per band £000's
A	6/9	25,020	16,680	776.91	95.79	34.03	906.73	22,687
B	7/9	5,828	4,533	906.39	111.75	39.71	1,057.85	6,165
C	8/9	5,289	4,701	1,035.88	127.72	45.38	1,208.98	6,394
D	9/9	2,717	2,717	1,165.36	143.68	51.05	1,360.09	3,695
E	11/9	1,308	1,599	1,424.33	175.61	62.39	1,662.33	2,174
F	13/9	516	745	1,683.30	207.54	73.74	1,964.58	1,014
G	15/9	322	537	1,942.27	239.47	85.08	2,266.82	730
H	18/9	27	54	2,330.73	287.36	102.10	2,720.19	74
<b>TOTALS</b>		<b>41,027</b>	<b>31,566</b>					<b>42,933</b>

The income of £37,263,000 for 2005/2006 (£35,304,000 in 2004/2005) is determined from the following sources: -

2004/2005 £000		2005/2006 £000
40,458	Opening Liability	42,933
482	Net increases in liability	310
(35)	Disabled Relief	(34)
(4,300)	Discounts	(4,405)
(1,150)	Exemptions	(1,433)
(151)	Write Offs	(108)
<b>35,304</b>		<b>37,263</b>

## 2. NON DOMESTIC RATES

National Non Domestic Rates (NNDR) is organised on a national basis. The Government specifies an amount, termed the Uniform Business Rate which was 42.2p in 2005/2006 (45.6p in 2004/2005) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount.

The Council is responsible for collecting rates due from the business ratepayers in its district and pays the proceeds into an NNDR pool administered by the Government. The net contribution to the NNDR pool, after reliefs and provisions, was £24.296m (£24.976m in 2004/2005).

The total non-domestic rateable value at the year-end was £60,641,749.

The NNDR income collectable from Ratepayers and the amount payable to the NNDR Pool is shown below.

2004/2005 £000		2005/2006 £000
27,748	Gross Rates payable	24,790
(2,538)	Mandatory Reliefs	(2,816)
101	Transitional Relief / Surcharge	2,769
(49)	Discretionary Reliefs set against NNDR pool	(65)
2	Hardship Relief set against NNDR pool	0
(206)	Write Offs	(250)
(11)	Refund of Overpayments	(53)
<b>25,047</b>	<b>Income Collectable From Ratepayers</b>	<b>24,375</b>
(120)	Cost Of Collection	(115)
49	Decrease in Bad Debt Provision	36
<b>24,976</b>	<b>Contribution to NNDR Pool</b>	<b>24,296</b>

## 3. PRECEPTS

Details of precepts on the Collection Fund are shown below:

2004/2005 £000		2005/2006 £000
29,869	Hartlepool Borough Council	31,653
3,677	Cleveland Police Authority	3,900
1,309	Cleveland Fire Authority	1,386
<b>34,855</b>		<b>36,939</b>

## CONSOLIDATED BALANCE SHEET

31st March 2005 £000		31st March 2006 £000	31st March 2006 £000	NOTE
	<b>FIXED ASSETS</b>			
97	Council Dwellings	95		
166,066	Other Land and Buildings	169,315		
4,784	Vehicles, Plant and Equipment	5,871		
15,559	Community Assets	15,109		
79,101	Infrastructure Assets	81,202		
	Non-operational Assets -			
12,631	Investment Properties	12,901		
5,549	Assets Under Construction	4,096		
4,902	Assets Held For Disposal	10,495		
<b>288,689</b>			<b>299,084</b>	1
	<b>OTHER LONG TERM ASSETS</b>			
856	Investments	856		2
	Long Term Debtors :			
73	Mortgages and Housing Advances	60		
241	Other	146	1,062	3
<b>289,859</b>			<b>300,146</b>	
	<b>TOTAL LONG TERM ASSETS</b>			
	<b>CURRENT ASSETS</b>			
842	Stocks and Works in Progress	797		
23,753	Debtors	20,504		4
20,324	Investments	44,936		5
0	Landfill Allowances Trading Scheme	158		6
54	Imprests & Cash in Hand	55		
<b>44,973</b>			<b>66,450</b>	
	<b>CURRENT LIABILITIES</b>			
35,099	Temporary Short Term Loans	83		7
14,868	Creditors and other balances	14,485		8
5,567	Bank Overdraft	4,285	18,853	9
<b>279,298</b>			<b>347,743</b>	
	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
388	Provisions	2,466		10
18,987	Long Term Borrowing	83,902		11
66	Deferred Capital Receipts	53		12
80,961	Liability Related to Defined Benefit Pension Scheme	74,364	160,785	
<b>178,896</b>			<b>186,958</b>	
	<b>TOTAL ASSETS LESS LIABILITIES</b>			
38,719	Fixed Asset Restatement Account	26,044		13
109,057	Capital Financing Account	111,102		14
73,079	Government Grants Deferred Account	89,261		15
891	Usable Capital Receipts Reserve	1,197		16
2,205	Capital Grants and Contributions Unapplied	1,650		17
16,772	Specific Reserves	12,915		18
(80,961)	Pensions Reserve	(74,364)	167,805	22
<b>19,134</b>			<b>19,153</b>	19
	Balances General Fund			
<b>178,896</b>	<b>TOTAL EQUITY</b>		<b>186,958</b>	20

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 1. MOVEMENT OF FIXED ASSETS

	Operational Assets					
	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Infrastructure Assets £000	Community Assets £000	Total Operational Assets £000
Certified Valuation as at 31.03.05	100	180,817	10,713	79,101	15,559	286,290
Accumulated Depreciation	(3)	(14,751)	(5,929)	0	0	(20,683)
Net Book Value as at 1-4-05	97	166,066	4,784	79,101	15,559	265,607
Revaluations and Restatements	0	3,276	0	0	(636)	2,640
Additions	0	4,262	2,032	2,101	216	8,611
Disposals	0	0	0		(30)	(30)
Gross Book Value as at 31-3-06	97	173,604	6,816	81,202	15,109	276,828
Depreciation For Year	(2)	(4,289)	(945)	0	0	(5,236)
Balance as at 31-3-06	(2)	(4,289)	(945)	0	0	(5,236)
<b>Net Book Value as at 31-3-06</b>	<b>95</b>	<b>169,315</b>	<b>5,871</b>	<b>81,202</b>	<b>15,109</b>	<b>271,592</b>

	Non-operational Assets				2005/06 Total Operational & Non Operational Assets £000	2004/05 Total Operational & Non Operational Assets £000
	Investment Properties £000	Assets Under Construction £000	Assets Held for Disposal £000	Total Non Operational Assets £000		
Certified Valuation as at 31.03.05	12,631	5,549	4,902	23,082	309,372	239,347
Accumulated Depreciation	0	0	0	0	(20,683)	(15,147)
Net Book Value as at 1-4-05	12,631	5,549	4,902	23,082	288,689	224,200
Revaluations and Restatements	270	(4,390)	156	(3,964)	(1,324)	55,690
Additions	0	2,937	5,457	8,394	17,005	14,943
Disposals	0	0	(20)	(20)	(50)	(608)
Gross Book Value as at 31-3-06	12,901	4,096	10,495	27,492	304,320	294,225
Depreciation For Year	0	0	0	0	(5,236)	(5,536)
Balance as at 31-3-06	0	0	0	0	(5,236)	(5,536)
<b>Net Book Value as at 31-3-06</b>	<b>12,901</b>	<b>4,096</b>	<b>10,495</b>	<b>27,492</b>	<b>299,084</b>	<b>288,689</b>

## 1.1 Capital Expenditure and Financing

Financing			Expenditure		
2004/ 2005 £000		2005/ 2006 £000	2004/ 2005 £000		2005/ 2006 £000
3,181	Capital Receipts	0	14,942	<u>Capital Expenditure Increasing Asset Values</u> Fixed Assets	17,005
10,404	Loans	8,462		<u>Capital Expenditure Not Increasing Asset Values</u> Non-Enhancing Expenditure	11,301
22,590	Other	27,930	11,341	Deferred Charges	8,086
			9,892		
<b>36,175</b>		<b>36,392</b>	<b>36,175</b>		<b>36,392</b>

Expenditure on fixed assets includes £2.937m in respect of Work in Progress on the development of new assets, which will be valued and reclassified as operational assets when the works are complete.

"Other" sources of finance include direct contributions from revenue, grants and contributions from other bodies.

## 1.2 Major Disposals of Assets

2004/2005			2005/2006	
Open Market Value Existing Use £000	Sale Proceeds £000		Open Market Value Existing Use £000	Sale Proceeds £000
215	528	Disposals - Land	30	266
378	1,544	Disposals - Buildings	20	20
15	0	Demolition - Retained Housing Stock	0	0
<b>608</b>	<b>2,072</b>		<b>50</b>	<b>286</b>

## 1.3 Main Items of Capital Expenditure in Year

	£000
Property Purchase	5,595
Headland Sports Centre	1,567
Town Square Redevelopment	968
Carnegie Building Refurbishment	705
Manor E Learning Centre	651
	<b>9,486</b>

## 1.4 Significant Capital Expenditure Commitments at 31st March, 2006

At 31<sup>st</sup> March, 2006, the Council's approved Capital Expenditure Commitments amounted to £13.500m, of which £10.684 will be funded from specific resources (grants and specific supported borrowing allocations), receivable by the Council. The remaining commitments will be funded from the Council's own resources. The main contracts in progress are summarised below:



	Outstanding Commitment £000
Rail Measures Interchange	1,903
Civic Centre Refurbishment	938
Carlton Centre Redevelopment Ph 1	768
Grayfields Sports Pavillion Strategy	758
Recycling Scheme	610
	<b>4,977</b>

## 1.5 Assets Held

Fixed assets owned by the Council include the following: -

	Number of Assets	
	31st March 2005	31st March 2006
<b>Council Dwellinas</b>	2	2
<b>Operational Buildings</b>		
Administrative Buildings	31	30
Depots	3	3
Community Centres	8	8
Public Halls	3	3
Museums	4	4
Nurseries	1	1
Leisure Centres / Sports Halls	3	4
Libraries	6	6
Commercial Property - Offices	1	1
Car Parks	23	23
Crematorium	1	1
Cemetery Lodges	0	2
Social Service Establishments	14	14
Nursery Schools	1	1
Primary Schools	20	20
Secondary Schools	4	4
Special Schools	2	2
Youth Centres	5	5
Garages	37	38
Misc Operational Land & Buildings	31	37
<b>Non-Operational Land and Buildings</b>		
Investment Property	104	105
Surplus Assets held for Disposal	102	236
<b>Operational Equipment</b>		
Vehicles	64	73
<b>Community Assets</b>		
Allotments	15	15
Cemeteries -	3	3
Recreation Areas & Parks	20	20
Parks & Open Spaces	456	445
Other Areas of Open Space	50	45

## 1.6 Custodian Authority Assets

The assets included in the Consolidated Balance Sheet exclude assets, valued at £115,000 as at 31<sup>st</sup> March, 2006, held by the Council in its capacity as Custodian Authority. These assets are held on behalf of the four unitary authorities pending their disposal. The sale

proceeds will be distributed to the four unitary authorities in accordance with an agreed basis.

#### 1.7 Fixed Asset Valuation

The freehold properties which comprise the Authority's property portfolio were revalued as at 1<sup>st</sup> April, 2004, by then Estates Manager, Steve Carroll, on the basis noted below in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors. The next valuation must be completed as at 1<sup>st</sup> April, 2009.

Properties regarded as operational were valued on the basis of open market value for existing use. Where this could not be assessed because of the specialised nature of the asset or there was no market for the subject asset the depreciated replacement cost is used.

Those assets regarded as non-operational were valued on open market value. A de minimis level of £7,500 has been applied to land and non-operational assets.

Community assets and infrastructure assets were valued at cost.

The Council owns a historical boat called the Wingfield Castle, moored behind the Hartlepool Maritime Experience. This has been valued at historic cost as the Council was unable to secure the services of a maritime valuer.

In accordance with the requirements of FRS11, the Council's Estates Manager has determined that there have been no reductions in fixed asset valuations owing to impairment arising either:

- A significant decline in a fixed asset's market value;
- Evidence of obsolescence or physical damage;
- A significant adverse change in the statutory or other regulatory environment in which the Authority operates;
- A commitment by the Authority to undertake a significant reorganisation.

#### 2. INVESTMENTS

The Council has investments in the following companies:-

- Durham Tees Valley Airport Ltd - £659,000
- SITA Tees Valley Ltd - £196,845

Details of investments are given in the Group Accounts Section Note 1 (Page 69).

## 3. LONG TERM DEBTORS

Balance at 1st April 2005 £000		New Advances £000	Repayments £000	Balance at 31st March 2006 £000
	<b>Housing Advances :-</b>			
67	Council House Sales	0	13	54
6	Other	0	0	6
73		0	13	60
191	Car Loan Advances	26	71	146
50	Other Loans	0	50	0
241		26	121	146
<b>314</b>	<b>Total Long Term Debtors</b>	<b>26</b>	<b>134</b>	<b>206</b>

## 4. CURRENT DEBTORS

2004/2005 Net Debtor £000		2005/2006		
		Gross Debtor £000	Provision for Bad Debts £000	Net Debtor £000
2,016	Council Tax Payers	3,175	1,447	1,728
0	Community Charge Payers	2	2	0
317	NNDR Payers	1,598	659	939
14,339	Other General Fund Revenue	15,734	1,981	13,753
8	HRA	328	299	29
392	Former DSOs	242	26	216
6,681	Capital	3,892	53	3,839
<b>23,753</b>		<b>24,971</b>	<b>4,467</b>	<b>20,504</b>

## 5. TEMPORARY INVESTMENTS

Balance at 1st April 2005 £000		Balance at 31st March 2006 £000
20,324	Administered by Council	44,936
<b>20,324</b>		<b>44,936</b>

## 6. LANDFILL ALLOWANCES TRADING SCHEME (LATS)

The Waste and Emissions and Trading Act 2003 provides a legal framework for the Landfill Allowance Trading Scheme. Under the scheme, tradeable landfill allowances are allocated on an annual basis to all English waste disposal authorities for the 16 financial years from 2005/2006 to 2020/2021. At the 31<sup>st</sup> March 2006 the Council had not sold any of its allowances allocated for 2005/06. At 31<sup>st</sup> March 2006 the Council's available tradeable allowances were valued at £158,000.

## 7. TEMPORARY SHORT TERM LOANS

The Council has reduced Temporary Short Term Loans as it has moved to a policy of longer term borrowing in accordance with the Treasury Management Strategy. Further details are provided at Note 3 of the Chief Financial Officer's Foreword (Page 6).

## 8. CREDITORS AND OTHER BALANCES

2004/2005 £000		2005/2006 £000
1,884	Inland Revenue	2,034
890	Government Departments	130
8,477	General and Other Creditors	8,937
3,617	Income In Advance	3,384
<b>14,868</b>	<b>Total</b>	<b>14,485</b>

## 9. BANK OVERDRAFT

The value of £4.285m overdrawn includes unpresented cheques and uncleared Bacs transmissions of £6.853m, on the Council's main account. Credit balances on individual School bank accounts of £2.568m offset this balance.

## 10. PROVISIONS

Total provisions at 31<sup>st</sup> March, 2006 were £2.466m (£0.388m in 2004/2005), as detailed below.

2004/2005 £000		2005/2006 £000	Notes
0	Equal Pay	2,319	a
200	Mental Health Act	0	b
108	Custodian Authority Property Charges	98	c
80	HRA Residual Liabilities	49	
<b>388</b>		<b>2,466</b>	

- This provision is earmarked to meet the Council's liabilities in relation to Equal Pay. In 2006/07 it is estimated that the Council will spend £1.791m covering Tax & NI liabilities for previous equal pay payments and payments to individuals for 2006/07 and associated Tax & NI liabilities. It is estimated that the Council will spend £1.047m in 2007/08 covering payments to individuals and associated Tax & NI liabilities. The shortfall of £0.5m will be addressed during 2006/07.
- During 2005/06 the purpose of this provision was reviewed and subsequently deemed not required. It has therefore been transferred to the Equal Pay provision at 31/03/06.
- This provision is earmarked to meet the Council's share of the costs of the Custodian Authority properties inherited from the former Cleveland County Council.

The Council also makes provision for bad debtors and the amount is deducted from the value of current debtors at 31<sup>st</sup> March, 2006, (see Note 4, Page 46).

## 11. LONG TERM BORROWING

Balance at 31st March 2004 £000		Range of Interest Rates Payable %	Balance at 31st March 2005 £000
13,928	Public Works Loans Board	3.70 - 11.625	78,848
5,059	Money Market	6.25 - 15.00	5,054
<b>18,987</b>			<b>83,902</b>

Balance at 31st March 2005 £000		Balance at 31st March 2006 £000
83	Maturing in 1 - 2 years	199
782	Maturing in 2 - 5 years	702
398	Maturing in 5 - 10 years	329
17,724	Maturing in more than 10 years	82,672
<b>18,987</b>		<b>83,902</b>

The increase in long term borrowing reflects the replacement of short term borrowing with long term fixed interest rate borrowing in accordance with the Treasury Management Strategy.

## 12. DEFERRED CAPITAL RECEIPTS

Deferred Capital Receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time and from mortgages on sales of former Council houses.

Balance at 1st April 2005 £000		Repayments £000	Balance at 31st March 2006 £000
66	Housing Advances (Former Council House Sales)	13	53
<b>66</b>		<b>13</b>	<b>53</b>

## 13. FIXED ASSET RESTATEMENT ACCOUNT

2004/2005 £000		2005/2006 £000
(2,202)	Opening Balance	38,719
(11,341)	Capital Expenditure not increasing assets values	(11,301)
(608)	Disposal of Fixed Assets	(50)
55,689	Revaluations and Restatements	(1,317)
0	Reduction / (Increase) in Deferred Liability	(7)
(2,819)	Share of Former CCC Overdraft	0
<b>38,719</b>		<b>26,044</b>

## 14. CAPITAL FINANCING ACCOUNT

The Capital Financing Account contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the Account is reduced as loan debt is repaid.

2004/2005 £000		2005/2006 £000
91,345	Opening Balance	109,057
3,181	Capital Financing - Capital Receipts	0
1,717	Capital Financing - Revenue	5,494
(5,535)	Depreciation	(5,236)
582	Transferred from Government Grants Deferred	642
(2,877)	Less : Write Down of Deferred Charges	(2,086)
18,172	Less : Write down of Government Grant	0
2,462	Minimum Revenue Provision	3,224
10	Transferred from Historic Quay and Coast Defence Reserve	7
<b>109,057</b>		<b>111,102</b>

## 15. GOVERNMENT GRANTS DEFERRED ACCOUNT

The balance on the Government Grants Deferred Account represents the cumulative value of capital expenditure financed from grants received from Central Government, the European Commission and other bodies.

2004/2005 £000		2005/2006 £000
78,122	Opening Balance	73,079
13,711	Capital Grants received in year	16,824
(18,754)	Transferred to Capital Financing Reserve	(642)
<b>73,079</b>		<b>89,261</b>

## 16. USEABLE CAPITAL RECEIPTS RESERVE

The Useable Capital Receipts Reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

2004/2005 £000		2005/2006 £000
1,955	Opening Balance	891
2,193	Capital Receipts received in year from sale of assets	365
(76)	Less: Payments to Government Pool	(59)
(3,181)	Less : Capital Receipts Used to Finance Capital Expenditure	0
<b>891</b>		<b>1,197</b>

## 17. CAPITAL GRANTS AND CONTRIBUTIONS UNAPPLIED

These are capital grants that will be used to finance capital expenditure in future years.

2004/2005 £000		2005/2006 £000
4,692	Opening balance	2,205
18,255	Grants due in year	22,344
(13)	Grants Repaid During Year	0
(20,729)	Grants applied during the year	(22,899)
<b>2,205</b>		<b>1,650</b>

The main Capital Grants and contributions unapplied at the end of the year relates to the following scheme:

	2005/2006 £000
Learning Disabilities Extra Care Housing	308
	<b>308</b>

## 18. SPECIFIC RESERVES

Balance at 31st March 2005 £000	<u>Fund</u>	Receipts in Year £000	Payments in Year £000	Transfers in Year £000	Balance at 31st March 2006 £000	Notes
	<b><u>Capital Reserves</u></b>					
2,028	Capital Funding	5,095	(6,562)	64	625	a
1,598	Coastal Defences	60	(60)	(1,598)	0	b
89	Maritime Av Remedial	2	(6)		85	b
3,715	<b>Total Capital Reserves</b>	5,157	(6,628)	(1,534)	710	
	<b><u>Collection Fund Reserve</u></b>					
406	Collection Fund Surplus	0	(228)		178	c
406	<b>Total Collection Fund Reserve</b>	0	(228)	0	178	
	<b><u>Schools Reserves</u></b>					
3,559	Schools	117	0		3,676	d
3,559	<b>Total Schools Reserves</b>	117	0	0	3,676	
	<b><u>Investment Reserves</u></b>					
659	Teesside Airport	0	0		659	e
197	Cleveland Waste	0	0		197	e
856	<b>Total Investment Reserves</b>	0	0	0	856	
	<b><u>Specific Revenue Reserves</u></b>					
388	Lotteries Reserve	17	(6)		399	f
49	Museums Acquisition	6	0		55	g
2	Graves in Perpetuity	0	0		2	
4,099	Insurance Fund	1,306	(1,200)		4,205	h
47	School Rates	49	0		96	i
2,676	Strategic Change Reserves	756	(879)		2,553	j
291	Planned Maintenance	0	(291)		0	
541	Equal Pay Reserve	283	(824)		0	k
86	Emergency Planning	1	0		87	
57	Legionella Reserve	1	0		58	l
0	Contact Centre - IT Reserve	40	0		40	m
8,236	<b>Total Revenue Reserves</b>	2,459	(3,200)	0	7,495	
16,772	<b>TOTALS</b>	7,733	(10,056)	(1,534)	12,915	

- a) The Capital Funding Reserve is earmarked to partly finance specific expenditure repensed to 2005/2006.
- b) From the 1st April, 1998, the Council became responsible for the maintenance of various roads and sea defences within Hartlepool Marina, which were previously the responsibility of Teesside Development Corporation. Following the recommendations of the Scrutiny Co-ordinating Committee, Cabinet agreed to release the Coastal Defences Reserve to General Fund Balances (see Note 19).
- c) The Collection Fund Accounts have been incorporated into the Consolidated Balance Sheet since 1993/1994, by Regulation.
- d) Reserves have arisen from the local management of schools. Further details are available from the Children's Services Department. The net balance of £3.676m consists of individual school balances of £3.843m less loans to schools of £0.167m.



- e) The Council has a minority shareholding in Durham Tees Valley Limited and shareholding in SITA Tees Valley Limited, which are owned by local authorities and were transferred on Local Government Reorganisation (see Page 69).
- f) The Lotteries Reserve, which consists of the proceeds of the Civic Lottery and donations received, is used for grants and donations to local organisations.
- g) The Museums Acquisition reserve was set up to put monies aside for the acquisition of items for the Museum.
- h) The Insurance Fund has been established to provide for all payments that fall within the policy excess claims. Most policies provided by the Council are subject to an excess. For vehicles the excess is £1,000, but amounts to £50,000/£100,000 for the Property/Combined Liability policy on each claim. The All Risks policy covers those items considered to be of value and at greatest risk of theft or damage. The Council's experience whilst operating with these excesses has been favourable. Nevertheless, the Council's total exposure in any one year is limited to £1,000,000. The net amount of £4.205m consists of the insurance fund balances less amounts advanced to departments to fund service improvements. These amounts will be repaid over a number of years to ensure resources are available to meet insurance claims that will become payable.
- i) The Schools Rates Adjustment arises from reductions in school rates payable following the reassessment of rateable values.
- j) This reserve has been established to enable departments to meet one-off costs that may arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year.
- k) This reserve was used to part-fund the cost of Equal Pay claims that were paid in 2005/2006.
- l) This reserve has been created to meet the costs of funding monitoring arrangements for legionella bacteria and then taking appropriate action.
- m) This reserve will be used to meet the costs of IT equipment at the Council's Contact Centre.

## 19. GENERAL FUND BALANCES

Balance at 31st March 2005 £000	Fund	Receipts in Year £000	Payments in Year £000	Transfers in Year £000	Balance at 31st March 2006 £000	Notes
2,681	<b>Unearmarked General Fund Balances</b>	131	0	2,197	5,009	
	<b>Earmarked General Fund Balances</b>					
	Revenue Reserves					
600	Stock Transfer Reserve	0	0	0	600	a
2,096	Revenue Managed Underspend	1,234	(1,291)	(50)	1,989	b
2,063	Strategic Change Reserves	773	(781)	0	2,055	c
549	Benefit Subsidy Reserve	0	0	(549)	0	d
2,139	Budget Support Fund	2,289	(900)	0	3,528	e
4,100	Fundamental Budget Review Reserve	0	(1,000)	0	3,100	f
1	Corporate Funding Reserve	2	0	0	3	
35	Asylum Seekers Reserve	0	0	0	35	g
20	Best Value Sensory Loss Reserve	0	0	0	20	
5	H'Pool Partnership Reserve	0	(5)	0	0	
76	DSO Reserves	0	0	0	76	
15	Energy Saving Fund (climate Change Levy)	8	(18)	0	5	
80	Hart Quarry Judicial Review Reserve	0	(45)	0	35	h
211	Flint Walk Development Reserve	0	(211)	0	0	i
70	Cabinet/Portfolio Initiatives Reserve	0	(70)	0	0	j
240	Carlton Centre Development Reserve	0	(240)	0	0	k
167	Corporate Social Services Risk Reserve	0	0	0	167	l
50	Strategic Procurement Review Reserve	0	0	0	50	m
122	Educational Achievement Reserve	0	(122)	0	0	n
100	Children's Services Implementation Reserve	0	0	0	100	o
484	Termination Costs Reserve	0	(284)	0	200	p
220	Capital Support Contingency Reserve	0	(220)	0	0	q
2,010	The Way Forward Reserve	0	(1,234)	0	776	r
1,000	Stock Transfer Warranty Reserve	0	0	0	1,000	s
0	Refuse Shuffle Service Reserve	30	0	0	30	t
0	Young Peoples Services Reserve	30	0	0	30	u
0	A2L Reserve	81	0	0	81	u
0	Broadband Implementation Reserve	90	0	0	90	v
0	LPSA Reward Grant Reserve	174	0	0	174	w
16,453	Total Revenue Reserves	4,711	(6,421)	(599)	14,144	
19,134	<b>Total General Fund Balances</b>	4,842	(6,421)	1,598	19,153	

The General Fund Balances of £19.153m includes £5.009m of Unearmarked General Reserves. The remaining £13.994m is earmarked to meet potential expenditure liabilities as detailed below.

- The balance on this reserve is to be used to assist in the management of diseconomies of scale over the next three years, resulting from stock transfer.
- In 1997/1998 the Council determined that individual Service departments could carry forward managed underspends, subject to the Council's overall financial position. The balance at 31<sup>st</sup> March, 2006, is to be used to finance specific initiatives in future years that have been identified by the relevant departments. Like the Coastal Defences Reserve (see Note 18) part of this balance has been released to General Fund Balances.
- This reserve has been established to enable departments to meet one-off costs that may arise from strategic changes to improve services, or reduce costs, without affecting the level of services in the year.

- d) The Benefit Subsidy Reserve arose from benefit subsidy being higher than anticipated and earmarked to finance a potential reduction in subsidy entitlement in future years. Like the Coastal Defences Reserve (see Note 18) this balance has been released to General Fund Balances.
- e) This reserve has been established to support future year's budgets.
- f) Like the Budget Support Fund detailed at (e), this reserve is fully committed to supporting future year's budgets.
- g) The asylum seekers reserve has been established from funds received from the Home Office. These are held to cover the future costs of administering the arrangements for asylum seekers.
- h) This reserve has been set up to meet legal costs awarded against the Council following a judicial review of the planning conditions in relation to Hart Quarry.
- i) A support service for foster carers has been developed at Flint Walk and this reserve has been used to fund that development.
- j) This reserve was used to fund initiatives identified by Cabinet or Portfolio holders, where there was no specific budget provision.
- k) The Carlton Centre requires significant capital investment to ensure its continued operation and while grant funding has been obtained to fund most proposed costs this reserve was used to support the development.
- l) Demand lead pressures on Children's Services are continuing and this reserve has been earmarked to assist the Council in managing this position in future years.
- m) This reserve has been set aside to fund a review of the procurement arrangements for Social Services, together with other areas where current procurement arrangements are not producing an adequate degree of efficiency and economy.
- n) The Children's Services Advisory Team did not have the capacity to provide the necessary support to help schools address their identified weaknesses and this reserve has been used to help meet the costs of this specialist service.
- o) The Children's Service was created from the merger of the old Education department and the Social Services Department's Children's Services Team. This reserve has been earmarked to meet the one-off costs of these changes.
- p) The one-off costs arising from Council restructures were previously capitalised but must now be charged to revenue and this reserve has been earmarked to meet the cost of these initiatives.
- q) The Council's Capital Programme is dependent on the generation of capital receipts to fund costs. Over time the level of receipts achievable is reducing and this reserve has been used to fund the Capital Programme costs in 2005/2006.
- r) Substantial investment is required to facilitate the necessary changes in the structure, workings and culture of the Council to enable it to make ongoing revenue savings to assist the Council's Medium Term budget position. This reserve is earmarked to meet the costs of the required investment in this strategy, known as 'The Way Forward'.

- s) This reserve is earmarked to underwrite potential costs arising following the transfer of the Council's housing stock in 2003/2004.
- t) This reserve has been set up to meet costs arising from improvements in the Refuse Collection Service.
- u) These reserves are earmarked to fund in-house services in the Children's Services Department, to reduce the need for more expensive external placements.
- v) This has been established to meet the estimated costs of implementing Broadband facilities within schools not covered by buy back arrangements.
- w) This reserve has been created using monies received from the Government following the Council's successful achievement of LPSA targets.

## 20. ANALYSIS OF NET ASSETS EMPLOYED

The Net Assets Employed represents the aggregate reserves (revenue and capital) of the Authority and the sum of local tax payer's equity. The value of total net assets is £186,958m (£178,896m in 2004/2005). The increase is largely owing to changes in the value of the Government Grants Deferred Account as detailed in Note 14 (Page 49). In cash terms the Council has strengthened its financial position by maintaining the level of General Fund Reserves and by establishing Revenue Managed Underspend and Strategic Change Reserves.

## 21. CONTINGENT LIABILITIES

These refer to amounts that may fall due in the future but where it is not certain whether the amounts might arise and if so, what the amounts may be. In 2005/2006 the contingent liabilities were as follows:

- i) In 1989 the Council gave a loan guarantee of £3m to North Housing Association for sums borrowed on the money markets that would come into operation should North Housing Association default on the loan terms. Provision is included in the agreement for any such payments to be secured on North Housing Association property. It is anticipated that this guarantee will exist until the loan is repaid in 2049.

The Council inherited a guarantee given by the former County Council in respect of the leasing of CADCAM office accommodation. There is a potential liability relating to a 125 year lease on the CADCAM premises: in essence, there is an increasing liability for the first 24 years, with a nominal liability thereafter. For 2005/2006 this Authority's maximum liability could have been £99,300 (£99,300 in 2004/2005). The liability rises to a maximum of £142,800 in 2011, falling back to £400 per year from 2016 for the remaining 100 years of the lease. The cumulative liability for the remaining term of the lease could be £1.3m.

In addition, however, there is a complex provision within the lease that permits rent levels to be adjusted in response to LIBOR interest rate movements to levels in excess of 12%: it is not possible to assess the potential liability arising from this.

CADCAM ceased trading on 1st April 2004. The impact of decisions made on its future may impact on the Council's future liabilities. The Council plans to make provision for potential liabilities as part of its 2005/2006 outturn strategy.

- ii) An indemnity given to NE Press to allow the Council to access their land to complete Highways works.

- iii) A guarantee given to the Middlesbrough Pension Scheme for the staff transferred on the transfer of Housing Stock.

## 22. PENSIONS – FRS17 DISCLOSURE

In accordance with the requirements of Financial Reporting Standard 17 – Retirement Benefits (FRS17), the Council has to disclose its share of assets and liabilities relating to pension schemes for its employees. As detailed in note 4 to the Consolidated Revenue Account (Page 29), the Authority participates in two schemes, the Teachers Pension Scheme and Local Government Pension Scheme (LGPS).

The Teachers Pension Scheme is a multi-employer defined contribution scheme administered by the Teachers Pension Agency. On this basis the Authority is not required to comply with FRS17 requirements and the existing disclosure requirements are adequate, see note 4 to the Consolidated Revenue Account (Page 29).

The requirements of FRS17 do apply to the LGPS. Therefore the funds assets and liabilities have been valued on an actuarial basis in accordance with Guidance Note 36: Accounting for Retirement Benefits under FRS17 issued by the Institute and Faculty of Actuaries. Barnett Waddingham, an independent firm of actuaries, has provided a valuation for FRS17 purposes as at 31<sup>st</sup> March, 2006. The next full valuation is due as at 31<sup>st</sup> March, 2007. The main assumptions used in the calculations and the Authority's assets and liabilities are detailed below:

Assumptions as at	31st March 2006 % per annum	31st March 2005 % per annum	31st March 2004 % per annum	31st March 2003 % per annum
Price increases	3.0%	2.9%	2.9%	2.5%
Salary increases	5.0%	4.9%	4.9%	4.5%
Pension increases	3.0%	2.9%	2.9%	2.5%
Discount rate	4.9%	5.4%	6.5%	6.1%

Assets (Employer)	Long Term Return 31st March 2006 % per annum	Assets at 31st March 2006 £000	Long Term Return 31st March 2005 % per annum	Assets at 31st March 2005 £000	Long Term Return 31st March 2004 % per annum	Assets at 31st March 2004 £000	Long Term Return 31st March 2003 % per annum	Assets at 31st March 2003 £000
Equities	7.00%	157,954	7.50%	115,185	7.70%	97,173	8.00%	73,662
Gilts	4.20%	19,073	4.50%	16,874	5.10%	0	4.80%	0
Bonds	4.90%	3,488	5.30%	3,487	5.10%	20,048	4.80%	21,352
Property	6.50%	9,343	7.00%	7,292	6.50%	6,672	6.00%	6,859
Cash	4.00%	15,924	4.30%	13,706	4.00%	12,003	4.00%	12,027
Total	6.50%	205,782	6.80%	156,544	6.90%	135,896	6.90%	113,900

Net Pension Assets as at	31st March 2006 £000	31st March 2005 £000	31st March 2004 £000	31st March 2003 £000
Estimated Employer Assets (A)	205,782	156,544	135,896	113,900
Present Value of Scheme Liabilities	266,331	224,203	171,531	167,500
Present Value of Unfunded Liabilities (note 1)	13,815	13,302	11,567	11,100
Total Value of Liabilities (B)	280,146	237,505	183,098	178,600
Net Pension Asset/Liabilities (A)-(B)	(74,364)	(80,961)	(47,202)	(64,700)

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £74.4m has a substantial impact on the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Note 1 – It is assumed that all unfunded pensions are payable for the remainder of the member's life. On the death of the member, any spouse will receive a pension up to 50% of the member's pension as at the time of death of the member.

Note 2 – The net pension liability of £74.4m equates to 39.8% of the value of the Council's net assets.

The above figures have been provided by the actuaries to the Teesside Pension Scheme using information provided by the scheme and assumptions determined by the Council in conjunction with the actuary.

Actuarial calculations involve estimates based on assumptions about events and circumstances in the future, which may mean that the result of actuarial calculations may be affected by uncertainties within a range of possible values.

#### 23. PRIOR YEAR ADJUSTMENTS

Prior year adjustments include an item detailed in Note 13 of the Consolidated Revenue Account, Section 137 expenditure (page 34) and the Group Income and Expenditure statement (Page 66) and the associated Note 2, page 67.

#### 24. POST BALANCE SHEET EVENTS

Events after the balance sheet date have been considered and no post balance sheet events were identified.

#### 25. EURO

The Council has previously reviewed its financial systems and the impact on these systems of introducing the Euro, its strategy is to ensure that any future system upgrades or replacements are Euro compliant.

There were no items of expenditure incurred in relation to the introduction of the Euro, in 2005/2006. Similarly, the Authority has not undertaken any commitments in respect to future costs except in relation to the strategy as outlined in the paragraph above.

It is not possible at this time to estimate the future costs likely to be incurred.

## 26. OPERATING LEASES

The Council was committed at 31<sup>st</sup> March 2006, to making payments of £1,356,000, in relation to operating leases for Vehicles, Plant and Equipment (£1,218,000 in 2004/2005). The Council also receives income from Housing Hartlepool and Sx3 Northgate to recover the rental costs for items where the Council has kept leasing obligations following the transfer of activities. In line with the requirements of the 2005 SORP the table below also shows operating lease obligations in relation to Land and Property.

	Vehicles, Plant and Equipment				Land and Property £000
	Council £000	Housing Hartlepool £000	Northgate £000	Total £000	
Leases Expiring in 2006/2007	535	10	3	548	35
Leases Expiring between 2006/2007 and 2009/2010	806	0	2	808	560
Leases Expiring after 31st March 2010	0	0	0	0	396
	<b>1,341</b>	<b>10</b>	<b>5</b>	<b>1,356</b>	<b>991</b>

## MEMORANDUM NOTES

### 1. TRUST FUNDS

The Council acts as trustee of the Preston Simpson Scholarship Fund that was set up by the family of a soldier killed in World War I to provide funds for the purchase of musical instruments or grants towards music scholarships by young persons residing in Hartlepool. This is not included in the Consolidated Balance Sheet and was previously audited separately.

The Council also acts as a trustee of the Doughty Fund that was set up following a bequest from Colonel Henry Doughty. This is available to support any charitable objects within the Hartlepool area.

From 1996/1997 the Council has acted as trustee for ten Educational Trust Funds that were inherited from Cleveland County Council. Only three of these are active, and are used to provide funds for the following purposes:

- Music awards for girls;
- Pupil achievement awards;
- Pursuit of Education awards.

All of the trust funds administered by the Council fall below the threshold set by the Charities Act 1996 and therefore no longer require an Audit Certificate.

The balances held by the Council on behalf of various Trust funds are as follows: -

Balance at 1st April 2005 £		Income £	Expenditure £	Balance at 31st March 2006 £
8,183	Preston Simpson Scholarship Fund	1,308	1,519	7,972
3,688	Doughty Fund	145	0	3,833
168,748	Education Trust Funds	14,548	32,016	151,280
<b>180,619</b>		<b>16,001</b>	<b>33,535</b>	<b>163,085</b>

At the 31<sup>st</sup> March, 2006, the Preston Simpson Scholarship Fund consisted of a cash investment with Hartlepool Borough Council of £3,900 and external investments with a value of £15,400 as at 31<sup>st</sup> December, 2005 (£13,300 as at 31<sup>st</sup> December, 2004).

As at 31<sup>st</sup> March, 2006, the Doughty Fund consisted wholly of a cash balance invested with Hartlepool Borough Council.

As at 31<sup>st</sup> March, 2006, the Education Trust Fund cash balance of £151,280, was invested with Hartlepool Borough Council. The Trust Fund also had external investments with Threadneedle Investments value at £90,320 as at 5<sup>th</sup> April, 2006 (£72,900 as at 5<sup>th</sup> April, 2005).

External investments for the above Trust Funds are not shown in the Council's Financial Management System.



## STATEMENT OF MOVEMENT IN RESERVES

The statement of Movement in Reserves brings together all recognised gains and losses of the Authority and identifies those that have not been recognised in the Consolidated Revenue Account.

The statement also identifies the unrealised decrease in the value of the Council's assets. As the majority of these assets are needed for the continued provision of services and cannot therefore be sold, the reduction in value does not affect the Council's overall financial position.

Revenue	General Fund	Pensions Reserve	Specific Reserves	Total
	£000	£000	£000	
<b>Balance at 1st April 2005</b>	(19,134)	80,961	(16,772)	45,055
Adjustment to Opening Balance	0		0	0
Net (Surplus)/Deficit in year	(19)		0	(19)
Appropriations to/from Revenue	0	3,038	(331)	2,707
Actuarial Gains and Losses relating to Pensions	0	(9,635)	0	(9,635)
Transfers from Earmarked Reserves	0		4,188	4,188
<b>Balance at 31st March 2006</b>	<b>(19,153)</b>	<b>74,364</b>	<b>(12,915)</b>	<b>42,296</b>

Capital	Fixed Asset Restatement Account £000	Capital Financing Account £000	Unapplied Capital Grants £000	Usable Capital Receipts £000	Government Grants Deferred £000	Total £000
<b>Balance at 1st April 2005</b>	(38,719)	(109,057)	(2,205)	(891)	(73,079)	(223,951)
Capital Receipts re Former Council Housing	0	0	0	(78)	0	(78)
Capital Receipts Payable to National Pool	0	0	0	59	0	59
Capital Grants Received in Year	0	0	0	0	(16,824)	(16,824)
Amount Applied to Finance Capital Expenditure	0	0	0	0	642	642
Capital Expenditure Not Increasing Asset Values	11,301	0	0	0	0	11,301
Revaluations and Restatements	1,317	0	0	0	0	1,317
Increase in Deferred Liability	7	0	0	0	0	7
Capital Financing	0	(9,206)	22,899	0	0	13,693
Depreciation	0	5,238	0	0	0	5,238
Write Down of Deferred Charges	0	2,086	0	0	0	2,086
LGR MRP Adjustment	0	(160)	0	0	0	(160)
Capital Grants Due in Year	0	0	(22,344)	0	0	(22,344)
	(26,094)	(111,099)	(1,650)	(910)	(89,261)	(229,014)
<b>Effect of Disposals of Fixed Assets</b>						
Cost or Value of Disposal of Fixed Assets	50	0	0	0	0	50
Proceeds of Disposals	0	0	0	(287)	0	(287)
	50	0	0	(287)	0	(237)
<b>Balance at 31st March 2006</b>	<b>(26,044)</b>	<b>(111,099)</b>	<b>(1,650)</b>	<b>(1,197)</b>	<b>(89,261)</b>	<b>(229,251)</b>

## NOTES TO THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

### 1. MOVEMENT ON RESERVES

The actuarial gains identified as movements in the Pensions Reserve in 2005/2006 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets at 31<sup>st</sup> March 2006.

2004/2005 £000	2004/2005 %	Actuarial Gains and Losses	2005/2006 £000	2005/2006 %
7,327	5.00	Difference between the expected and actual return on assets	36,493	17.70
(4,582)	-2.00	Changes in Assumptions used to estimate liabilities	(26,858)	-3.40
9,412	4.00	Experience gains and losses arising on the scheme liabilities	0	0.00
<b>12,157</b>			<b>9,635</b>	

Further details on each reserve can be found as follows:-

- General Fund Balances, Note 19, page 52
- Pension Reserve, Note 22, page 55
- Specific Reserves, Note 18, page 50
- Fixed Asset Restatement Account, Note 13, page 49
- Capital Financing Account, Note 14, page 49
- Unapplied Capital Grants, Note 17, page 50
- Usable Capital Receipts, Note 16, page 50
- Government Grants Deferred, Note 15, page 49

## CASH FLOW STATEMENT

The cash flow statement summarises the inflows and outflows of cash to and from the Council arising from transactions with third parties for revenue, capital and other purposes.

2004/2005 £'000		2005/2006 £'000	2005/2006 £'000
	<b>REVENUE ACTIVITIES</b>		
	<b>Expenditure</b>		
101,424	Cash Paid to and on Behalf of Employees	107,929	
76,498	Other Operating Costs	76,379	
25,513	Housing Benefit Paid Out	26,564	
76	Payments to the Capital Receipts Pool	76	
	Collection Fund Disbursements :		
4,987	Police/Fire Precepts	5,286	
24,976	Payment to NNDR Pool	24,296	
<u>233,474</u>			<u>240,530</u>
	<b>Income</b>		
(26,598)	Council Tax	(28,257)	
(25,045)	Non-Domestic Rate Income : From Ratepayers	(24,687)	
(24,649)	Non-Domestic Rate Income : From NNDR Pool	(30,045)	
(59,809)	Revenue Support Grant	(60,511)	
(25,481)	DWP Grants for Benefits	(26,574)	
(61,209)	Other Government Grants	(57,692)	
(21,186)	Cash Received for Goods and Services	(21,287)	
<u>(243,977)</u>			<u>(249,053)</u>
<u>(10,503)</u>	<b>NET REVENUE ACTIVITIES</b>		<u>(8,523)</u>
	<b>SERVICING OF FINANCE</b>		
	<b>Expenditure</b>		
2,895	Interest Paid	3,376	
	<b>Income</b>		
(1,833)	Interest Received	(2,548)	
<u>1,062</u>	<b>NET SERVICING OF FINANCE</b>		<u>828</u>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Expenditure</b>		
26,146	Purchase of Fixed Assets	28,699	
9,926	Purchase of Deferred Charges	8,235	
<u>36,072</u>			<u>36,934</u>
	<b>Income</b>		
(2,117)	Sale of Fixed Assets	(50)	
(18,254)	Capital Grants Received	(25,189)	
<u>(20,371)</u>			<u>(25,239)</u>
<u>15,701</u>	<b>NET CAPITAL ACTIVITIES</b>		<u>11,695</u>
<u>6,260</u>	<b>NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING</b>		<u>4,000</u>

## FINANCING

2003/2004 £'000		2004/2005 £'000	2004/2005 £'000
	<b>EXPENDITURE</b>		
1,229	Repayment of Amounts Borrowed	33,601	
100,936	Repaid Short Term Loans	44,950	
102,165			78,551
	<b>INCOME</b>		
(42,000)	New Loans Raised	(44,998)	
(51,150)	New Short Term Loans	(27,450)	
(93,150)			(72,448)
	<b>NET FINANCING</b>		6,103
9,015			
	<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(10,103)</b>
(15,275)			

## RECONCILIATION OF SURPLUS TO NET CASHFLOW

2004/2005 £'000		2005/2006 £'000	2005/2006 £'000
4,682	(Deficit)/Surplus for Year	19	
2,462	add Minimum Revenue Provision	2,877	
1,313	Contribution to/(from) Specific Reserves	(3,857)	(961)
	add/(less) Reduction/(Increase) in Debtors	3,253	
3,593	add/(less) Increase/(Reduction) in Creditors	383	
571	Other	5,020	
(3,180)			8,656
984	<b>Items classified elsewhere :</b>		
	Interest Payable	3,376	
3,141	Interest Receivable	(2,548)	
(1,833)	Finance Leases	0	
0			828
<b>10,749</b>			<b>8,523</b>

## RECONCILIATION OF FINANCING AND CASH TO CONSOLIDATED BALANCE SHEET

2004/2005 £'000		2005/2006 £'000	2005/2006 £'000
9,015	Financing		6,103
(15,275)	Cash		(10,103)
(6,260)			(4,000)
(9,140)	Long Term Loans (C.B.S. Note 10)	(64,915)	
18,119	Temporary Loans	35,016	
(19,215)	Temporary Investments (C.B.S. Note 5)	24,612	
3,976	Cash & Imprests	1,287	
(6,260)			(4,000)

## ANALYSIS OF GOVERNMENT GRANTS

2004/2005 £'000		2005/2006 £'000	2005/2006 £'000
	<b>REVENUE</b>		
(24,649)	NNDR Pool	(30,045)	
(59,809)	Revenue Support Grant	(60,511)	
(25,481)	DSS Grants for Rebates	(26,574)	
(61,209)	Other	(57,692)	
(171,148)			(174,822)
	<b>CAPITAL</b>		
(383)	ERDF	(523)	
(1,540)	SRB	(1,825)	
(2,841)	Standards Fund	(1,119)	
(3,942)	Other	(10,787)	
(395)	SureStart	(569)	
0	Heritage Lottery Fund	(16)	
0	LPSA Grant	(459)	
(6,120)	NDC	(5,867)	
(42)	English Heritage	(23)	
(1,216)	Single Programme	(1,815)	
(236)	NRF	(1,001)	
(722)	Big Lottery Fund	(284)	
(27)	HERS	0	
(6)	English Nature	(9)	
(197)	Home Office	(47)	
(35)	Implementing Electronic Government	(150)	
(304)	LGOL	0	
(63)	Learning & Skills Council	(242)	
(60)	National Cycle Network/Sustrans	0	
(70)	Rural Bus Challenge	0	
(55)	Sport England	(453)	
(18,254)			(25,189)
(189,402)			(200,011)

## GROUP ACCOUNTS

### 1. INTRODUCTION

In accordance with the 2005 SORP, the 2005/2006 Statement of Accounts includes Group Accounts and comprises the following additional financial statements:

- Group Income and Expenditure Account
- Group Balance Sheet
- Group Cash Flow Statement
- Group Statement of Total Movement on Reserves

The Group Accounts include the accounts of the following:

- Tees Valley Connexions Partnership Ltd (an Associate company)
- CADCAM Applications and Support Company Ltd (a Joint Venture company)

The consolidated financial statements for Tees Valley Connexions Partnership Ltd. are for the period ending 31<sup>st</sup> March, 2006. This is a company set up by the Council in conjunction with the three other Tees Valley local authorities and Darlington Borough Council, to undertake the provision of advice and guidance to young people. The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation. None of the members receive dividends. As one of five members, the Councils share in the company equates to a 20% interest.

The consolidated financial statements for CADCAM Ltd. are for the period ending 31<sup>st</sup> March, 2006. This is a company, which was inherited from the former Cleveland County Council by the Council and the three other Tees Valley local authorities. The company offered IT training and technology services. The Councils share of the company is 25% based on the Councils financial share. The company ceased trading on 1<sup>st</sup> April, 2004 and its future is under consideration. The figures consolidated within the Group Account statements are based on draft accounts.

### 2. ACCOUNTING POLICIES

The accounting policies of the Group Accounts are in line with those of the Councils.

The Group Accounts include adjustments to the Council's financial statements to ensure compliance with Generally Accepted Accounting Principals (GAAP). These are discussed on further detail as part of the notes to the relevant financial statements.

## GROUP INCOME & EXPENDITURE ACCOUNT

2004/2005 Net Expenditure £000		2004/2005 Gross Expenditure £000	2004/2005 Gross Income £000	2004/2005 Net Expenditure £000
1,555	Central Services to the Public	13,510	12,133	1,377
346	Court Services	90	2	88
22,480	Cultural, Environmental and Planning Services	34,220	13,839	20,381
55,344	Education Services	83,248	22,511	60,737
5,398	Highways, Road and Transport Services	10,777	1,978	8,799
632	Housing Services	30,082	31,811	(1,729)
26,181	Social Services	43,762	14,352	29,410
3,560	Corporate and Democratic Core	4,386	594	3,792
847	Non-distributed Costs	837	0	837
<b>116,343</b>	<b>Net Cost of General Fund Services</b>	<b>220,912</b>	<b>97,220</b>	<b>123,692</b>
6	Share of Operating Result of Joint Venture			1
(49)	Share of the Operating Result of Associate			72
(1,464)	Profits or Losses on Disposal of assets not included within Individual Services			(236)
<b>114,836</b>	<b>Net Cost of Services</b>			<b>123,529</b>
64	Local Precepts & Levies			72
(196)	Total Surplus / (Deficit) Trading Accounts			0
76	Contribution to Housing Pooled Capital Receipts			59
3,595	Interest Payable			4,281
(2,586)	Interest and Investment Income			(3,337)
(5)	Share of Interest and Investment Income of Associates			(8)
2,458	Pensions Interest Cost and Expected Return on Pensions Assets			2,144
0	Pensions Interest Cost and Expected Return on Pensions Assets of Associate			16
(1,672)	Gains/Losses on the early repayment borrowing			0
<b>116,570</b>	<b>Net Operating Expenditure before Reserves Movements</b>			<b>126,756</b>
1,121	Contribution to / (from) School Reserves			117
(1,690)	Contribution to / (from) HRA Reserves			0
963	Contribution to / (from) Reserves			(739)
48	Contribution to / (from) Group Income & Expenditure Reserves			(6)
1,590	Contribution to / (from) Capital Reserves			4,103
1,464	Reversal of Profit & Loss on Disposal of Assets			236
(2,874)	Deferred Charges			(2,010)
(3,981)	Contributions from Pensions Reserve			(3,038)
0	Contributions from Pensions Reserve of Associate			(76)
(1,839)	Income from Sale of Former Council Houses			(775)
(76)	Transfer from Useable Capital Receipts Equal to the Contribution to Housing Pooled Capital Receipts			(59)
(2,491)	Provision for Loan Repayment			(1,371)
<b>108,805</b>	<b>Amount to be Met From Government Grant and Local Taxpayers</b>			<b>123,138</b>
(59,809)	General Government Grants			(61,019)
(24,649)	Non Domestic Rates Redistribution			(30,045)
(29,869)	Demand on Collection Fund			(31,653)
(850)	Transfers to/(from) the Collection Fund in respect of Surpluses/Deficits			(440)
<b>(6,372)</b>	<b>(Surplus) / Deficit for the Year</b>			<b>(19)</b>
12,762	Balance at 1st April			19,134
6,372	Surplus / (Deficit) for the Year			19
<b>19,134</b>	<b>Balance at 31st March</b>			<b>19,153</b>

Prior year figures have been adjusted to reflect figures per the audited CADCAM accounts for 2004/2005.

## NOTES TO THE GROUP INCOME & EXPENDITURE ACCOUNT

### 1. ADJUSTMENTS

The Group Income and Expenditure Statement include adjustments to the Council's Consolidated Revenue Account, to ensure compliance with Generally Accepted Accounting Principals (GAAP) as required by the Group Accounting format. These adjustments are:

- Notional capital financing interest charges are excluded from gross expenditure. This reduces the Net Cost of General Fund Services by £10,679,000.
- The Group accounts shows profit and loss on the disposal of assets. This results in the inclusion of £236,000 profit in Net Cost of Services.
- Deferred Government grants are included within the service headings. This reduces the Net Cost of General Fund Services by £642,000.

These adjustments and additional entries (see below), resulting from the Group Accounting requirements do not have any impact on the surplus/deficit for the year, which remains at £19,153.

### 2. CONSOLIDATED COMPANY ACCOUNTS

The Council's share in the companies operating results of the companies which been consolidated are shown below:

Connexions 2004/2005 £000	CADCAM 2004/2005 £000		Connexions 2005/2006 £000	CADCAM 2005/2006 £000
2,615	0	Turnover	2,586	2
54	(6)	Profit/(Loss) Before Tax	5	1
0	0	Taxation	0	0
54	(6)	Profit/(Loss) After Tax	5	1



## GROUP BALANCE SHEET

31st March 2005 £000	31st March 2005 £000		31st March 2005 £000	31st March 2005 £000
		<b>FIXED ASSETS</b>		
		<b>Operational Assets</b>		
97		Council Dwellings	95	
166,066		Other Land and Buildings	169,314	
4,784		Vehicles, Plant and Equipment	5,870	
15,559		Community Assets	15,109	
79,101		Infrastructure Assets	81,201	
		<b>Non-operational Assets -</b>		
12,631		Investment properties	12,902	
5,549		Assets Under Construction	4,095	
4,902		Assets Held For Disposal	10,495	
	288,689			
		<b>OTHER LONG TERM ASSETS</b>		
856		Other long-term Investments	856	
314		Long Term Debtors	206	
	1,170			
	<b>289,859</b>	<b>TOTAL LONG TERM ASSETS</b>		<b>300,143</b>
227		Share in Net Assets of Associate	(612)	
129		Share in Gross Assets of Joint Venture	106	
(182)		Share in Gross Liabilities of Joint Venture	(142)	
	174			(648)
		<b>CURRENT ASSETS</b>		
842		Stocks and Works in Progress	797	
23,753		Debtors	20,504	
20,324		Investments	44,936	
		LATS	158	
54	44,973	Imprests & Cash in Hand	55	66,450
		<b>CURRENT LIABILITIES</b>		
35,099		Temporary Short Term Loans	83	
14,868		Creditors and other balances	14,485	
5,567	55,534	Bank Overdraft	4,285	18,853
	<b>279,298</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>347,092</b>
388		Provisions	2,466	
18,987		Long Term Borrowing	83,902	
66		Deferred Capital Receipts	53	
80,961	100,402	Liability Related to Defined Benefit Pension Scheme	74,364	160,785
	<b>179,070</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>186,307</b>
38,719		Fixed Asset Restatement Account	26,044	
109,057		Capital Financing Account	111,099	
73,079		Government Grants Deferred Account	89,261	
891		Usable Capital Receipts Reserve	1,197	
2,205		Capital Grants and Contributions Unapplied	1,650	
16,772		Specific Reserves	12,915	
(80,961)		Pensions Reserve	(74,364)	
174		Profit and Loss and Other Reserves of Group Entities	(648)	
19,134		Income & Expenditure Reserve	19,153	
	<b>179,070</b>			<b>186,307</b>
	<b>179,070</b>	<b>TOTAL EQUITY</b>		<b>186,307</b>

## NOTES TO THE GROUP BALANCE SHEET

### 1. INVESTMENTS

The following investments are held in the Balance Sheet:

The value of shares held by the Council in Durham Tees Valley Airport Limited (formerly Teesside International Airport) is £659,000 based on shareholding of 2.47%. The Company has produced accounts for the financial year to 31<sup>st</sup> March, 2005. Issues of note include a loss on the Profit and Loss Account of £1,051,000 (previous year loss of £1,269,000 restated) and a Net Asset Position of £23,223,000 (previous year £23,453,648). Further information and copies of their accounts are available from the Registered Office, Peel Done, The Trafford Centre, Manchester, M17 8PL.

In addition, the Council holds shares in SITA Tees Valley Limited, (formerly Cleveland Waste Management) with a value of £196,845, equating to 16.5% of a shareholding in the company. SITA Tees Valley Limited, have produced accounts for the financial year to 31<sup>st</sup> December, 2004, that includes a profit on the Profit and Loss Account of £4,047,000 (previous year profit of £4,759,000) and a Net Asset position of £32,517,000 (previous year £31,722,000). Information for the financial year ending 31<sup>st</sup> December, 2005, was not available at the time of producing the statement. Further information on their accounts is available from the Registered Office, SITA House, Grenfell Road, Maidenhead, Berkshire, SL6 1ES.

In accordance with the Local Government Act 1989, the Council is required to identify interests in subsidiary and associate companies and where appropriate prepare consolidated accounts. The above companies do not fall within these requirements as the Authority holds a minority of the share values.

There are also a number of organisations where the Council has a varying degree of interest and or influence, but do not meet the criteria for inclusion within the Group Account Statements. These are:

- Tees Valley Urban Regeneration Company
- Tees Forest
- LGUI
- Business Link Teesside
- Shopmobility
- Age Concern
- Hartlepool Revival
- Safe in Tees Valley
- Tomorrow Tees Valley
- North East Museums, Libraries and Archives Council
- North East Transport Information Service
- Northern Grid for Learning

## 2. CONSOLIDATED COMPANIES

The following table summarises the balance sheets of the companies consolidated within the Group Accounts.

<b>Connexions</b> <b>2004/2005</b> <b>£000</b>	<b>CADCAM</b> <b>2004/2005</b> <b>£000</b>		<b>Connexions</b> <b>2005/2006</b> <b>£000</b>	<b>CADCAM</b> <b>2005/2006</b> <b>£000</b>
184	0	Fixed Assets	125	0
588	106	Current Assets	585	105
(361)	(142)	Liabilities Due Within One Year	(222)	(141)
(184)	0	Liabilities Due After One Year or More	(959)	0

## GROUP CASH FLOW STATEMENT

The group cash flow statement shows for 2004/2005 the inflows and outflows of cash arising from transactions with third parties.

2004/2005 £'000		2005/2006 £'000	2005/2006 £'000
	<b>REVENUE ACTIVITIES</b>		
	<b>Expenditure</b>		
101,424	Cash Paid to and on Behalf of Employees	107,929	
76,498	Other Operating Costs	76,379	
25,513	Housing Benefit Paid Out	26,564	
76	Payments to the Capital Receipts Pool	76	
	Collection Fund Disbursements :		
4,987	Police/Fire Precepts	5,286	
24,976	Payment to NNDR Pool	24,296	
<u>233,474</u>			<u>240,530</u>
	<b>Income</b>		
(26,598)	Council Tax	(28,257)	
(25,045)	Non-Domestic Rate Income : From Ratepayers	(24,687)	
(24,649)	Non-Domestic Rate Income : From NNDR Pool	(30,045)	
(59,809)	Revenue Support Grant	(60,511)	
(25,481)	DWP Grants for Benefits	(26,574)	
(61,209)	Other Government Grants	(57,692)	
(21,186)	Cash Received for Goods and Services	(21,287)	
<u>(243,977)</u>			<u>(249,053)</u>
<u>(10,503)</u>	<b>NET REVENUE ACTIVITIES</b>		<u>(8,523)</u>
	<b>SERVICING OF FINANCE</b>		
	<b>Expenditure</b>		
2,895	Interest Paid	3,376	
	<b>Income</b>		
(1,833)	Interest Received	(2,548)	
<u>1,062</u>	<b>NET SERVICING OF FINANCE</b>		<u>828</u>
	<b>CAPITAL ACTIVITIES</b>		
	<b>Expenditure</b>		
26,146	Purchase of Fixed Assets	28,699	
9,926	Purchase of Deferred Charges	8,235	
<u>36,072</u>			<u>36,934</u>
	<b>Income</b>		
(2,117)	Sale of Fixed Assets	(50)	
(18,254)	Capital Grants Received	(25,189)	
<u>(20,371)</u>			<u>(25,239)</u>
<u>15,701</u>	<b>NET CAPITAL ACTIVITIES</b>		<u>11,695</u>
<u>6,260</u>	<b>NET CASH (INFLOW) / OUTFLOW BEFORE FINANCING</b>		<u>4,000</u>

2003/2004 £'000		2004/2005 £'000	2004/2005 £'000
	<b>EXPENDITURE</b>		
1,229	Repayment of Amounts Borrowed	33,601	
100,936	Repaid Short Term Loans	44,950	
102,165			78,551
	<b>INCOME</b>		
(42,000)	New Loans Raised	(44,998)	
(51,150)	New Short Term Loans	(27,450)	
(93,150)			(72,448)
9,015	<b>NET FINANCING</b>		6,103
(15,275)	<b>INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		(10,103)

## GROUP STATEMENT OF TOTAL MOVEMENTS ON RESERVES

The Group Statement of Total Movements on Reserves differs from the Council's statement in that it includes the profit and loss reserves of Connexions and CADCAM and the Pensions Reserve of Connexion.

### 1. REVENUE

	General Fund £000	Profit & Loss of Group Entities £000	Pensions Reserve £000	Pensions Reserve of Associate £000	Specific Reserves £000	Total
<b>Balance at 1st April 2005</b>						
- Group	(19,134)	0	80,961	0	(16,772)	45,055
- Associates and Joint Ventures - Adjustment	0	(191)	0	0	0	(191)
to Opening Balance	0	0	0	929	0	929
Net (Surplus)/Deficit in year						
- Group	(19)	0	0	0	0	(19)
- Associates and Joint Ventures	0	5	0	0	0	5
Appropriations to/from Revenue						
- Group	0	0	3,038	0	(331)	2,707
- Associates and Joint Ventures	0	0	0	76	0	76
Actuarial Gains and Losses relating to Pensions						
- Group	0	0	(9,635)	0	0	(9,635)
- Associates and Joint Ventures	0	0	0	(171)	0	(171)
Transfers from Earmarked Reserves						
- Group	0	0	0	0	4,188	4,188
- Associates and Joint Ventures	0	0	0	0	0	0
<b>Balance at 31st March 2006</b>	<b>(19,153)</b>	<b>(186)</b>	<b>74,364</b>	<b>834</b>	<b>(12,915)</b>	<b>42,944</b>

## 2. CAPITAL

	Fixed Asset Restatement Account £000	Capital Financing Account £000	Unapplied Capital Grants £000	Usable Capital Receipts £000	Government Grants Deferred £000	Total £000
<b>Balance at 1st April 2005</b>	(38,719)	(109,057)	(2,205)	(891)	(73,079)	(223,951)
Capital Receipts re Former Council Housing						
- Group	0	0	0	(78)	0	(78)
- Associates and Joint Ventures	0	0	0	0	0	0
Capital Receipts Payable to National Pool						
- Group	0	0	0	59	0	59
- Associates and Joint Ventures	0	0	0	0	0	0
Capital Grants Received in Year						
- Group	0	0	0	0	(16,824)	(16,824)
- Associates and Joint Ventures	0	0	0	0	0	0
Amount Applied to Finance Capital Expenditure						
- Group	0	0	0	0	642	642
- Associates and Joint Ventures	0	0	0	0	0	0
Capital Expenditure Not Increasing Asset Values						
- Group	11,301	0	0	0	0	11,301
- Associates and Joint Ventures	0	0	0	0	0	0
Revaluations and Restatements						
- Group	1,317	0	0	0	0	1,317
- Associates and Joint Ventures	0	0	0	0	0	0
Increase in Deferred Liability						
- Group	7	0	0	0	0	7
- Associates and Joint Ventures	0	0	0	0	0	0
Capital Financing						
- Group	0	(9,206)	22,899	0	0	13,693
- Associates and Joint Ventures	0	0	0	0	0	0
Depreciation						
- Group	0	5,238	0	0	0	5,238
- Associates and Joint Ventures	0	0	0	0	0	0
Write Down of Deferred Charges						
- Group	0	2,086	0	0	0	2,086
- Associates and Joint Ventures	0	0	0	0	0	0
LGR MRP Adjustment						
- Group	0	(160)	0	0	0	(160)
- Associates and Joint Ventures	0	0	0	0	0	0
Capital Grants Due in Year						
- Group	0	0	(22,344)	0	0	(22,344)
- Associates and Joint Ventures	0	0	0	0	0	0
	(26,094)	(111,099)	(1,650)	(910)	(89,261)	(229,014)
<b>Effect of Disposals of Fixed Assets</b>						
Cost or Value of Disposal of Fixed Assets						
- Group	50	0	0	0	0	50
- Associates and Joint Ventures	0	0	0	0	0	0
Proceeds of Disposals						
- Group	0	0	0	(287)	0	(287)
- Associates and Joint Ventures	0	0	0	0	0	0
	50	0	0	(287)	0	(237)
<b>Balance at 31st March 2006</b>	(26,044)	(111,099)	(1,650)	(1,197)	(89,261)	(229,251)

## GLOSSARY OF TERMS

### ACCRUAL

A sum included in the final accounts to cover income or expenditure attributable to an accounting period for goods received or work done, but for which payment has not been received/made by the end date of the period for which the accounts are prepared.

### ACCOUNTING POLICIES

Those principles, bases, conventions, rules and practice applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- Recognising;
- selecting measurement bases for; and
- presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the Revenue Account or Balance Sheet it is to be presented.

### ACQUIRED OPERATION

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. Acquired operations are those operations of the Local Authority that are acquired in the period.

### ACTUARIAL GAINS AND LOSSES

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- the actuarial assumptions have changed.

### AUDIT

An independent examination of the Authority's activities, either by Internal Audit or the Authority's external auditor, which is the District Audit Service.

### BALANCE SHEET

A statement of the recorded assets, liabilities and other balances at a specific date usually at the end of an accounting period.



## **BALANCES**

The capital or revenue reserves of the Authority made up of the accumulated surplus of income over expenditure on the General Fund or any other fund.

## **CAPITAL CHARGE**

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

## **CAPITAL EXPENDITURE**

Expenditure on the acquisition of a fixed asset or expenditure that adds to and not merely maintains the value of an existing fixed asset.

## **CAPITAL RECEIPT**

Proceeds from the sale of a fixed asset that is land or building.

## **CLASS OF FIXED ASSETS**

The classes of fixed assets required to be included in the accounting statements are:

### Operational assets

- Council dwellings
- Other land and buildings
- Vehicles, plant, furniture and equipment
- Infrastructure assets
- Community Assets

### Non-operational assets

- Subdivided as appropriate to the individual Authority

Further analysis of any of these items should be given if it is necessary to ensure fair presentation.

## **COLLECTION FUND**

The fund to hold all details relating to the Council Tax, National Non-Domestic Rates and residual Community Charge.

## **COMMUNITY ASSETS**

Assets that the Local Authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

## **COMMUNITY CHARGE**

The form of local taxation for the period April 1990 to March 1993, based on individuals; commonly called the Poll Tax

## **CONSISTENCY**

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

## **CONSOLIDATED BALANCE SHEET**

The combined fund balance sheets of an Authority, excluding trust funds.

## **CONSTRUCTIVE OBLIGATION**

An obligation that derives from an Authority's actions where:

- a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the Authority has indicated to other parties that it will accept certain responsibilities; and
- b) as a result, the Authority has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

## **CONTINGENT ASSET**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Local Authority's control.

## **CONTINGENT LIABILITY**

A contingent liability is either:

- a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control or;
- b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

## **CORPORATE AND DEMOCRATIC CORE**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

## **COUNCIL TAX**

The form of local taxation operated from April 1993, based on properties.

## **CREDITOR**

An amount owed by an organisation for work done, goods received, or services rendered to the organisation within the accounting period but for which payment has not been made.

## **CURRENT ASSET**

An asset where the value may change because the volume held can vary through day to day activity, for example physical stockholdings.

#### **CURRENT LIABILITY**

An amount that will become payable or could be called in within the next accounting period, for example creditor, cash overdrawn.

#### **CURRENT SERVICE COST (PENSIONS)**

The increase in the present value of a defined benefit scheme's liabilities expected to rise from employee service in the current period.

#### **CURTAILMENT**

For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include:

termination of employee's service earlier than expected, for example as a result of closing a factory or discontinuing a segment of a business and termination of, or amendment to the terms of, a defined benefit scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify for only reduced benefits.

#### **DEBT OUTSTANDING**

Amounts borrowed to finance capital expenditure that are still to be repaid.

#### **DEBTOR**

An amount due to the Authority within the accounting period but not received at the Balance Sheet date.

#### **DEFERRED CHARGE**

Expenditure that may properly be deferred, but which does not result in, or remain matched with, tangible assets, for example improvement grants.

#### **DEFINED BENEFIT SCHEME**

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

#### **DEFINED CONTRIBUTION SCHEME**

A pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal or constructive obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

#### **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 technological or other changes.

### **DIRECT SERVICE ORGANISATION (DSO)**

The term is used to cover both Direct Labour Organisations (DLO's) established under the Local Government, Planning and Land Act 1980 and DSO's established under the Local Government Act 1988.

### **DISCONTINUED OPERATIONS**

Operations comprise services and divisions of service as defined in CIPFA's Standard Classification of Income and Expenditure. An operation should be classified as discontinued if all of the following conditions are met:

- the termination of the operation is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- the activities related to the operation have ceased permanently;
- the termination of the operation has a material effect on the nature and focus of the Local Authority's operations and represents a material reduction in its provision of services resulting in either its withdrawal from a particular activity (whether a service or division of service or its provision in a specific geographical area) or from a material reduction in net expenditure in the Local Authority's continuing operations;
- the assets, liabilities, income and expenditure of operations and activities are clearly distinguishable physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing.

### **DISCRETIONARY BENEFITS**

Retirement benefits which the employer has no legal, contractual or constructive obligation to award and which are awarded under the Authority's discretionary powers, such as The Local Government (Discretionary Payments) Regulations 1996, the Local Government (Discretionary Payments and Injury Benefits) (Scotland) Regulations 1998, or the Local Government (Discretionary Payments) regulations (Northern Ireland) 2001.

### **EMOLUMENTS**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK Income Tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

### **ESTIMATION TECHNIQUES**

The methods adopted by an entity to arrive at estimated monetary amounts, corresponding to the measurement bases selected, for assets, liabilities, gains losses and changes to reserves.

Estimation techniques implement the measurement aspects of accounting policies. An accounting policy will specify the basis on which an item is to be measured: where there is uncertainty over the monetary amount corresponding to that basis, the amount will be arrived at by using an estimation technique. Estimation techniques include, for example:

- methods of depreciation, such as straight line and reducing balance, applied in the context of a particular measurement basis, used to estimate the proportion of the economic benefits of a tangible fixed asset consumed in a period;
- different methods used to estimate the proportion of debts that will not be recovered, particularly where such methods consider a population as a whole rather than individual balances.

### **EXCEPTIONAL ITEMS**

Material items that derive from events or transactions that fall within the ordinary activities of the Authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

### **EXPECTED RATE OF RETURN ON PENSION ASSETS**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

### **EXTRAORDINARY ITEMS**

Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Authority and which are not expected to recur. They do not include exceptional items nor do they include prior period items merely because they relate to a prior period.

### **FAIR VALUE**

The fair value of an asset is the price at which it could be exchanged in an arm's length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### **FINANCE LEASE**

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. Such a transfer of risks and reward may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

### **FIXED ASSETS**

Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

### **GENERAL FUND**

The main revenue account of the Authority which summarises the cost of all services provided by the Council which are paid for from Government grants, contributions from the Non Domestic Rates Pool, Council Tax and other income

### **GOING CONCERN**

The concept that the Authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

## **GOVERNMENT GRANTS**

Assistance by Government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an Authority in return for past or future compliance with certain conditions relating to the activities of the Authority.

## **HOUSING REVENUE ACCOUNT**

The main account covering the provision of Council Housing.

## **IMPAIRMENT**

A reduction in the value of a fixed asset below its carrying amount on the Balance Sheet.

## **INFRASTRUCTURE ASSETS**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

## **INTEREST COST (PENSION)**

For a defined benefit scheme, the expected increase during the period is the present value of the scheme liabilities because the benefits are one period closer to settlement.

## **INVESTMENTS (PENSION FUND)**

The investments of the pension fund will be accounted for in the statements of that fund. However, authorities are also required to disclose, as part of the disclosures relating to retirement benefits, the attributable share of pension scheme assets associated with their underlying obligations.

## **INVESTMENT PROPERTIES**

Interest in land and/or buildings in respect of which construction work and development have been completed; and which is held for its investment potential, any rental income being negotiated at arm's length.

## **INVESTMENTS (NON-PENSIONS FUND)**

A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the Authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment.

Investments other than those in relation to the Pensions Fund that do not meet the above criteria should be classified as current assets.

## **LIQUID RESOURCES**

Current asset investments that are readily disposable by the Authority 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.

## **LOANS OUTSTANDING**

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

## **LONG TERM CONTRACTS**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken substantially to complete the contract is such that the contract activity falls into different accounting periods. Some contracts with a shorter duration than one year should be accounted for as long term contracts if they are sufficiently material to the activity of the period.

## **MINIMUM REVENUE PROVISION**

The least amount that must be put aside from revenue to repay debt.

## **NET BOOK VALUE**

The amount at which fixed assets are included in the balance sheet, that is their historical cost of current value less the cumulative amounts provided for depreciation.

## **NET CURRENT REPLACEMENT COST**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, that is the cost of its replacement or of the nearest equivalent asset adjusted to reflect the current condition of the existing asset.

## **NET DEBT**

The Authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

## **NET REALISABLE VALUE**

The open market value of the asset in its existing use (or open market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

## **NON-OPERATIONAL ASSETS**

Fixed assets held by a local authority but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

## **OPERATING LEASES**

A lease other than a finance lease.

## **OPERATIONAL ASSETS**

Fixed assets held and occupied, used or consumed by the Local Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

### **PAST SERVICE COST**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

### **POST BALANCE SHEET EVENTS**

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

### **PROJECTED UNIT METHOD**

An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

- the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases; and
- the accrued benefits for members in service on the valuation date

The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not. Guidance on the projected unit method is given in the Guidance Note GN26 issued by the Faculty and Institute Actuaries.

### **PRIOR YEAR ADJUSTMENTS**

Those material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

### **PROVISION FOR CREDIT LIABILITIES**

Amount that is set aside from sales of capital assets, European grants and revenue to repay debt.

### **PRUDENCE**

The concept that revenue is not anticipated but is recognised only when realised in the form of cash or of other assets, the ultimate cash realisation of which can be assessed with reasonable certainty.

### **RATE OF RETURN ON CAPITAL**

The profit of the Authority's DLO/DSO's expressed as a percentage of the value of capital employed.

### **RELATED PARTIES**



Two or more parties are related parties when at any time during the financial period:

- one party has direct or indirect control of the other party; or
- the parties are subject to common control from the same source; or
- one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Examples of related parties of an Authority include:

- Central Government;
- Local Authorities and other bodies precepting or levying demands on the Council Tax;
- its subsidiary and associated companies;
- its joint ventures and joint venture partners;
- its members;
- its chief officers; and
- its pension fund.

Examples of related parties of a pension fund include its:

- administering Authority and its related parties;
- scheduled bodies and their related parties; and
- trustees and advisors;
- These lists are not intended to be comprehensive.

For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or a member of their close family or the same household, has a controlling interest.

## **RELATED PARTY TRANSACTION**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Examples of related party transactions include:

- the purchase, sale, lease, rental or hire of assets between related parties;
- the provision by a pension fund to a related party of assets or loans, irrespective of any direct economic benefit to the pension fund;
- the provision of a guarantee to a third party in relation to a liability or obligation of a related party;
- the provision of services to a related party, including the provision of pension fund administration services;
- transactions with individuals who are related parties of an authority or a pension fund, except those applicable to other members of the community or the pension fund, such as Council Tax, Rents and payment of benefits.

This list is not intended to be comprehensive.

The materiality of related party transactions should be judged not only in terms of their significance to the Authority, but also in relation to its related party.

## RENEWALS ACCOUNTING

Where renewals accounting is adopted, the level of annual expenditure required to maintain the operating capacity of the infrastructure asset is treated as depreciation charged for the period. Actual expenditure is capitalised as incurred. Renewals accounting may only be used for infrastructure assets.

## RESEARCH AND DEVELOPMENT

Expenditure falling into one or more of the following broad categories:

- pure (or basic) research : experimental work undertaken primarily to acquire knowledge;
- applied research: original investigation undertaken to gain knowledge towards a specific practical objective;
- development: use of knowledge to produce new or substantially improved materials, devices, products or services, to install new processes or systems prior to the commencement of commercial production or commercial applications, or to improve substantially those already produced or installed.

## RESIDUAL VALUE

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

## RETIREMENT BENEFITS

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after completion of employment. Retirement benefits do not include termination benefits payable as a result of either:

- an employer's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

## RING FENCING

Term applied to the Housing Revenue Account to maintain that account independent of subsidies on payments to/from the General Fund.

## SCHEME LIABILITIES

The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method reflects the benefits that the employer is committed to provide for service up to the valuation date.

## SETTLEMENT

An irrecoverable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

- a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits;
- the purchase of an irrecoverable annuity contract sufficient to cover vested benefits; and
- the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

## **STOCKS**

Comprises the following categories:

- goods or other assets purchased for resale;
- consumable stores;
- raw materials and components purchased for incorporation into products for sale;
- products and services in intermediate stages of completion;
- long term contract balances;
- finished goods.

## **TOTAL COST**

The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, transfer payments, support services and capital charges. This includes an appropriate share of all support services and overheads, which need to be apportioned.

## **UNAPPORTIONABLE CENTRAL OVERHEADS**

These are overheads for which no user now benefits and should not be apportioned to services.

## **USEFUL LIFE**

The period over which the Authority will derive benefits from the use of a fixed asset.

## **VESTED RIGHTS**

In relation to a defined benefit scheme, these are:

- for active members, benefits to which they would unconditionally be entitled on leaving the scheme;
- for deferred pensioners, their preserved benefits;
- for pensioners, pensions to which they are entitled.

Vested rights include where appropriate the related benefits for spouses or other dependants.

## FURTHER INFORMATION

Copies of this document can also be provided on audiotape or in large print, Braille and ethnic minority languages on request. We can also be contacted via Tynetalk and enquiries in any language can be dealt with in person or on the telephone using Language Line instant translation service.

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