



DUDLEY METROPOLITAN BOROUGH COUNCIL
STATEMENT OF ACCOUNTS FOR THE
YEAR ENDED 31st MARCH 2006

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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. This authority has designated the Director of Finance as the responsible officer;
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- to approve the Statement of Accounts.

APPROVAL OF THE STATEMENT OF ACCOUNTS

I confirm that that these accounts were considered and approved by Dudley Metropolitan Borough Council's Audit Committee at the meeting held on 29th June 2006.

Signed on behalf of Dudley Metropolitan Borough Council:

.....
R. Burston,
Chairman of the Audit Committee

Date:

**STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS
(Continued)**

The Director of Finance's Responsibilities:

The Director of Finance is responsible for the preparation of the authority's Statement of Accounts which, in terms of the Code of Practice on Local Authority Accounting in the United Kingdom, is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31st March 2006.

CERTIFICATE OF THE DIRECTOR OF FINANCE

I certify that in preparing this Statement of Accounts:

- I have selected suitable accounting policies and applied them consistently,
- I have made reasonable and prudent judgements and estimates,
- I have complied with the Code of Practice on Local Authority Accounting in the United Kingdom.

I have also kept proper and up-to-date accounting records, and taken reasonable steps for the prevention and detection of fraud and other irregularities.

The accounts set out in the following pages fairly present the financial position of Dudley Metropolitan Borough Council at 31st March 2006, and its income and expenditure for the year then ended.

I authorise this Statement of Accounts for issue on the date below. This is the date up to which events after the balance sheet date have been considered for their possible effect on the accounts.



.....
M.S. Williams,
Director of Finance

Date: 16th June 2006

DRAFT INDEPENDENT AUDITOR'S REPORT TO DUDLEY METROPOLITAN BOROUGH COUNCIL

I have audited the statement of accounts on pages 11 to xx which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to xx.

This report is made solely to Dudley Metropolitan Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of Director of Finance and Auditors

As described above on page 3, the Director of Finance is responsible for the preparation of the statement of accounts, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

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

I review whether the statement on internal control on pages 5x to xx 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 2nd April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider whether the statement of internal control covers all risks and controls, or to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of Opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant audit standards 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 judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion on the Authority's Accounts

In my opinion the statement of accounts presents fairly the financial position of Dudley Metropolitan Borough Council at 31st March 2006 and its income and expenditure for the year then ended.

Certificate

I certify that I 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.

.....
J.Gregory
Audit Commission

2nd Floor, No. 1 Friarsgate
1011 Stratford Road
Solihull
West Midlands
B90 4EB

Date:

EXPLANATORY FOREWORD BY THE DIRECTOR OF FINANCE

The purpose of this foreword is to provide an easily understandable guide to the most significant matters reported in the accounts.

The accounts are based on the Code of Practice on Local Authority Accounting in the United Kingdom 2005 (ACOP).

The analysis by service in the Consolidated Revenue Account on page 17 follows the Best Value Accounting Code of Practice (BVACOP), which is intended to promote comparability between different authorities. The BVACOP analysis does not match Dudley's structure of directorates. Results by directorate are shown in this foreword.

The 2005 edition of ACOP does not introduce any changes with a significant effect on the content of Dudley's accounts, but requires a note of the date of issue, i.e. the date up to which relevant events after the balance sheet date have been reflected in the statement of accounts.

Magistrates courts ceased to be a local authority responsibility after 31st March 2005, and are therefore highlighted as a discontinued service in the comparative figures in the Consolidated Revenue Account.

The pages which follow are the Authority's final accounts for 2005/06 and comprise:

- [Statement of Accounting Policies](#) - This explains the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies which have been followed in dealing with material items are explained.
- [Consolidated Revenue Account](#) - This reports the net cost for the year of the functions for which the Authority is responsible and demonstrates how that cost has been financed from general Government grants and income from local taxpayers.
- [Housing Revenue Account](#) - This reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure - maintenance, administration, and capital financing costs - and how these are met from rents, subsidy, and other income.
- [Collection Fund](#) - This shows the transactions of Dudley as a billing authority in relation to non-domestic rates and the council tax, and illustrates the way in which these have been distributed to precepting authorities and to Dudley's General Fund.
- [Consolidated Balance Sheet](#) - This sets out the Authority's year end financial position. It shows the balances and reserves at the Authority's disposal and its long-term indebtedness, the fixed and net current assets employed in its operations, and summarised information on the fixed assets held. It includes the Collection Fund, but excludes Trust Funds.
- [Statement of Total Movements in Reserves](#) - This brings together all the recognised gains and losses of the authority during the year, and identifies those that have and have not been recognised in the Consolidated Revenue Account. The Statement separates the movements between revenue and capital reserves.
- [Cash Flow Statement](#) - This summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.

SUMMARY OF THE 2005/06 FINANCIAL YEAR

The accounts distinguish between revenue and capital expenditure. Revenue spending is generally on items which are used within a year. Capital spending is expenditure on the acquisition of new assets or which adds value to existing assets or which extends the life of the asset beyond one year and where it is appropriate to spread the costs across the tax payers who will be receiving benefits over more than one year.

GENERAL FUND REVENUE SPENDING IN 2005/06

This summary shows the funds allocated to and used by the various Council Services. It also shows the various sources of funding, from Central Government (Revenue Support Grant, and Contributions from Pooled Business Rates), and Council Taxpayers (the Collection Fund Income).

Service	Approved Budget £m	Outturn £m	Variance £m
Education and Lifelong Learning	202.035	202.035	-
Social Services	84.584	84.570	-0.014
Urban Environment	50.492	50.492	-
Housing (General Fund)	4.180	4.180	-
Chief Executive's	10.578	10.578	-
Law & Property	2.834	2.833	-0.001
Finance, ICT and Procurement	-2.831	-3.577	-0.746
Total Service Costs	351.872	351.111	-0.761
Use of Reserves	-2.650	-1.889	0.761
Net Revenue Expenditure	349.222	349.222	-
Revenue Support Grant	157.107	157.107	-
Business Rate Contributions (NNDR Pool)	101.562	101.562	-
Collection Fund Income	90.532	90.532	-
Collection Fund Surplus	0.021	0.021	-
Total Funding	349.222	349.222	-

The main variance from budget was the better than anticipated investment performance shown against Finance, ICT and Procurement.

The services are shown here as they were operated by the Council in 2005/06, and do not exactly match the standard definitions in the Consolidated Revenue Account. The figures here show the full use of funds of each Directorate, whereas the Consolidated Revenue Account separates revenue funding of capital expenditure, and other movements to and from reserves, from service expenditure. The Consolidated Revenue Account also contains the various adjustments relating to accounting for pensions. The transactions of the ring-fenced Housing Revenue Account are not included above.

CAPITAL SPENDING AND FINANCING IN 2005/06

A summary of the Council's total accrued capital expenditure of £70.796m in the year is shown below.

	£m	£m
Housing		
Central Heating, Rewiring & Insulation	2.960	
Structural Repairs	10.067	
Void Property Improvements	3.427	
Modernity & Decent Homes	3.336	
Adaptations	1.528	
Other Public Sector Improvements	2.265	
Private Sector	4.033	
		27.616
Education and Lifelong Learning		
Amblecote Primary Mobile Replacement	0.569	
Hurst Green Mobile Replacement	0.636	
Dudley Wood Primary Extension	0.987	
Children's Centres	1.515	
Bramford Teaching Block	1.097	
Windsor High - Extension	1.023	
Access Projects	0.504	
Jesson's Nursery	0.838	
Netherton Neighbourhood Centre	1.042	
Pedmore Technology College extensions, etc.	0.863	
Pensnett School of Technology - Sports Facilities	0.858	
Lapal Primary - Mobile Replacement	0.637	
Peter's Hill Foundation Stage	0.543	
Other Schools and Education projects	10.265	
		21.377
Highways & Transport		
Structural Maintenance of Roads and Bridges	5.988	
Brierley Hill Parallel Route	1.368	
Enville Street	0.841	
Pedestrian, Cycling and other Safety schemes	0.974	
Other Improvements	2.703	
		11.874
Other Services		
ICT Developments	1.997	
Economic Regeneration projects	1.356	
Ridge Hill Resettlement	0.876	
Social Services Projects	0.872	
Culture and Community projects	1.273	
Dudley Council Plus	0.715	
Recycling & Waste Disposal	0.429	
Structural Maintenance of Buildings and Other Projects	2.411	
		9.929
TOTAL EXPENDITURE		70.796
Loan	19.503	
Capital Receipts	7.772	
Major Repairs Allowance (Housing)	13.586	
Revenue	12.228	
Grants / Contributions (inc Lottery)	17.707	
TOTAL FUNDING		70.796

BORROWING FACILITIES

At 31st March 2006, the Council's external borrowing amounted to £426.0m. (31st March 2005 £415.0m), of which just under a half was for the Council's own purposes, the rest relating to the former West Midlands County Council debt. Dudley is the Debt Administration Authority for the former West Midlands County Council.

FUTURE DEVELOPMENTS

The Council set its revenue budget for 2006/07 on 6th March 2006. The capital programme for 2006/07 was reviewed on 27th February 2006.

Funding of the approved revenue budget and the capital programme is as follows:

REVENUE	£m
Revenue Support Grant	16.503
Business Rate Contributions	85.491
Council Tax	93.125
Use of Balances - General Fund	2.400
Use of Balances - Collection Fund	0.096
TOTAL REVENUE BUDGET	197.615
CAPITAL	£m
Loan	21.720
Revenue	9.828
Major Repairs Allowance (Housing)	13.486
Capital Receipts	5.662
Grants and Contributions (including Lottery)	37.629
TOTAL CAPITAL PROGRAMME	88.325

The total revenue budget is significantly reduced compared with 2005/06 as a result of most expenditure on schools being funded by a specific Dedicated Schools Grant (DSG) from 1st April 2006, rather than from the Council's general revenues

STATEMENT OF ACCOUNTING POLICIES

The Authority's accounting policies have been drawn up in line with recommended accounting principles specified in the Code of Practice on Local Authority Accounting, including applicable Statements of Standard Accounting Practice (SSAPs) and Financial Reporting Standards (FRSs).

Fixed Assets

Expenditure on the creation, acquisition or enhancement of tangible fixed assets which yield benefit to the Authority and the services it provides for more than one year, has been capitalised on an accruals basis. Assets acquired under finance leases and hire purchase agreements are also capitalised and included in the Balance Sheet, together with the outstanding obligations to make future rental payments. Purchased software licenses are capitalised and shown in the balance sheet as intangible assets.

The current asset values used in the accounts, for non-operational assets and other land and buildings, are based on a valuation report issued by the Council's Strategic Valuation Surveyor as at 1st April 2005, and are in accordance with guidance from the Royal Institution of Chartered Surveyors and from the Chartered Institute of Public Finance and Accountancy. Additions and enhancements during the financial year 2005/06 are included in the accounts at cost. Details are shown in [Note 1](#) to the Consolidated Balance Sheet.

Depreciation

Assets, other than land, are being depreciated over their estimated useful economic lives. For Council Housing, the Major Repairs Allowance is used as a proxy for this depreciation.

Assets are being depreciated using the following methods and over the following periods:

Asset Type	Depreciation Method	Period of Years
Buildings	Straight line	50 years or estimated life
Infrastructure (e.g. roads)	Straight line	40 years or estimated life
Mobile Plant & Vehicles	Straight line	Estimated life
Council Dwellings	The major repairs allowance is used as a proxy for depreciation.	Not Applicable
Purchased software licences	Straight line	Estimated life

Charges for the use of Capital

Capital charges made to revenue accounts equal the sum of depreciation plus a specified notional interest charge based on the net amount at which the fixed asset was included in the Balance Sheet at 1st April 2005. Depreciation is charged on new assets in the year following acquisition, except that depreciation for vehicles is charged from the date of coming into use. This allows the timing of the depreciation charge to relate more closely to the use of such short-life assets.

In 2005/06 the specified notional rates of interest for capital charges were 3.5% for assets included in the Balance Sheet at current value, and 4.95 % for infrastructure and community assets included in the Balance Sheet at historic cost.

External interest payments and actual depreciation charges are debited to the Asset Management Revenue Account. An appropriation to or from the Capital Financing Account ensures that the overall revenue charge for capital is in accordance with statutory requirements, and that these accounting arrangements do not affect the amount to be met from Council Tax. A comparable adjustment occurs for the Housing Revenue Account.

Deferred Charges

These represent expenditure which has been properly capitalised, but which does not result in fixed assets in the ownership of the Council. They include grants to other persons and bodies for capital expenditure purposes. Expenditure of this nature is written out to the Revenue Account in the year of occurrence. An appropriation to or from the Capital Financing Account ensures that the overall revenue charge for capital is in accordance with statutory requirements, and that these accounting arrangements do not affect the amount to be met from Council Tax.

Government Grants and Other Contributions

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

Amounts are released from the Grants Deferred Account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate, or the writing down of deferred charges. Grants relating to assets which are not being depreciated remain on the Balance Sheet for the life of the asset.

Capital Receipts

Disposals of capital assets create income to the Authority known as capital receipts. These are used to fund new capital expenditure, or set aside to redeem external debt, in proportions set by the Government. In the case of housing capital receipts, the part to fund new capital expenditure is paid to a central Pool. This payment is shown in the Consolidated Revenue Account, matched by a transfer from the Usable Capital Receipts Reserve.

Provisions

Provisions are required for liabilities that have been incurred, but are of uncertain timing or amount. There are three criteria:

- the authority has a present obligation (legal or constructive) as a result of a past event;
- it is more likely than not that money will be needed to settle the obligation;
- a reliable estimate can be made of the amount of the obligation.

If any of these criteria are not met, no provision will be made, but a contingent liability may be described in a note.

The obligation can be “constructive” (e.g. the authority has publicly expressed an intention to do something, and other parties have acted in expectation of this).

Provisions are charged to the appropriate service. Details of provisions held at 31st March 2006 are shown in [Note 10](#) to the Consolidated Balance Sheet.

Contingent Liabilities

Liabilities that are uncertain, or cannot be estimated, are not provided for in the accounts, but are described in [Note 11](#) to the Consolidated Balance Sheet.

Reserves

These are amounts set aside for purposes falling outside the definition of provisions. Details of revenue reserves held at 31st March 2006 are shown in [Notes 19](#) and [20](#) to the Consolidated Balance Sheet.

The Code of Practice specifies two further reserves which are not cash-backed and do not represent usable funds, and are therefore named Accounts:

- Fixed Asset Restatement Account

Variations in value of fixed assets between previous book values and current valuations are reflected in this account. They arise either as a result of formal revaluations or variations in valuation which occur on disposal.

- Capital Financing Account

The balance represents the extent to which assets at the year end were financed from revenue or the use of capital receipts, and also the extent to which provision for future repayments of debt has been made by way of reserved elements of capital receipts. The reserve also includes the effects of adjustments to ensure that the charges for the use of capital described above have no impact upon Council Tax or rent levels.

The disclosure rules on pensions accounting require a "pension reserve" on the balance sheet, to match the net liability for future pensions. Details are given in [Note 27](#) to the Consolidated Balance Sheet.

Leases

Rentals paid under operating lease agreements have been accrued and accounted for in the period to which they relate.

Rentals paid under finance leases are apportioned between the finance charge (the interest payment) and the repayment of principal. The principal for short-life leases is allocated on a straight line basis over the life of the lease.

Debtors & Creditors

Debtors and creditors have been taken into account in preparing the accounts. Creditors include orders for goods and services where delivery or receipt of goods and services took place on or before 31st March 2006, but for which payment had not been made. Provisions for doubtful debts are netted off the balance sheet value of the relevant debtors.

Stocks and Stores

Stocks and stores held by the Housing and Urban Environment Directorates are included at latest invoice prices; other stocks are valued on a historic cost basis. This is not in strict accordance with Accounting Standards which require all stocks and stores to be valued at the lower of cost and net realisable value; the different bases of valuation do not have a material effect on the Council's accounts.

Overheads

All support service costs are charged or apportioned to their users. Charges are based on use, or on estimated time allocations.

Service management is charged to the accounts of the service managed. The cost of service strategy and regulation of services to the public are charged to separate heads within the appropriate service.

The costs of the Corporate and Democratic Core, and Non Distributed Costs, are charged to separate objective heads, and not to services. These two categories are defined by the Best Value Accounting Code of Practice. The definitions are:

Corporate and Democratic Core:

Members' activities, and officers' activities in support of members; also those activities which allow services to be provided but do not relate to individual services.

Non Distributed Costs:

Capitalised costs of early retirements awarded in the year and costs of unused shares of any unrealisable assets.

Pensions

Retirement benefits for defined benefit pension schemes are accounted for following Financial Reporting Standard 17 – Accounting for Retirement Benefits (FRS17). This applies to the Local Government Pension Scheme and all discretionary pension payments, but not to the Teachers Pension Scheme.

The current service cost (i.e. the future entitlement to pension earned by employees during the year) is shown in the cost of services, instead of the employer's contribution to the pension fund and direct payments of other pensions. The net of the interest cost (the increase in pension liabilities because future payments are one year nearer to being due) and the expected return on assets is shown in Net Operating Expenditure. Actuarial gains and losses arising from revaluations of assets and liabilities, and updates on revaluations, are shown in the [Statement of Total Movements in Reserves](#).

Past service costs, such as the capital costs of early retirements and discretionary increases in pension payments awarded in the year, are shown in the [Consolidated Revenue Account](#). The net asset or liability on the defined benefit pension schemes is shown in the balance sheet, matched by a pension reserve. A balancing transfer to or from the pension reserve ensures that the new accounting policies have no effect on the amount charged to taxpayers.

Estimation technique for pension liabilities:

The discount rate used for estimating the present value of future liabilities of defined benefit pension schemes is the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. This is often referred to as the "AA Corporate Bond Rate."

Teachers Pension Scheme:

This scheme is administered by the Department for Education and Skills. This is a defined benefit scheme, but is accounted for as a defined contribution scheme, as Dudley's share cannot be separately identified, and so it does not require FRS 17 disclosure. The pension costs charged to the accounts are the contributions set by the Department for Education and Skills on the basis of a notional fund.

Discretionary Pension Payments to Teachers:

Further costs arise in respect of certain pensions paid to retired teachers, which form a separate unfunded scheme. The liability for these discretionary awards has been professionally re-valued as at 31st March 2006, leading to a restatement of the internally updated value.

Other Employees – Local Government Pension Scheme:

The pension costs that are charged to the Council's accounts in respect of its other employees are the actuaries' estimate of the entitlement to future pension accumulated by employees during the year. An adjustment on the face of the Consolidated Revenue Account ensures that the amount charged to tax-payers is equal to the contributions paid to the funded pension scheme for the employees. Further costs arise in respect of certain pensions paid to retired employees. The liabilities, and related assets, for these pensions, are estimated by actuaries each year, with a full revaluation every three years. The most recent triennial valuation was as at 31st March 2005.

Other liabilities:

Certain minor pension liabilities have been valued internally.

Further information is provided in [Note 4](#) to the Consolidated Revenue Account and [Note 27](#) to the Consolidated Balance Sheet.

Investments

Investments held by the Council are shown in the Consolidated Balance Sheet at cost.

Interest Charges

Interest on loans is charged to the asset management revenue account based on the amount which is due and payable within the financial year.

Private Finance Initiative

Payments in respect of Private Finance Initiative schemes are accounted for as and when they fall due.

Provision for Redemption of Debt

The Authority is required by statute to set aside a minimum revenue provision for the repayment of debt, calculated in accordance with the Local Government and Housing Act 1989. This requirement does not apply to housing debt. An additional voluntary provision has been made for certain assets with short useful lives, such as vehicles.

Relationships with Companies

Investments in companies are shown at cost. Information relating to individual companies is shown in [Note 24](#) to the Consolidated Balance Sheet.

Repurchase of Borrowing

Where borrowing is restructured or refinanced with substantially the same overall economic effect when viewed as a whole, gains or losses are recognised over the life of the replacement borrowing.

Value Added Tax

Only irrecoverable VAT is included in the accounts.

Landfill Allowances Trading Scheme

This scheme allocates tradable allowances to each authority in England with responsibility for waste disposal. These allowances can be used to meet the liability for the use of landfill in the year, or sold to other authorities.

The allowances awarded in the year are treated as a grant and shown as deferred income on the balance sheet, valued at the lower of cost and net realisable value. The liability in regard to the actual landfill used in the year (which will not be formally verified until the following September) is treated as a provision.

CONSOLIDATED REVENUE ACCOUNT

2004/05		2005/06		
Net Expenditure £'000		Expenditure £'000	Income £'000	Net Expenditure £'000
176,623	Education Services	267,500	(71,542)	195,958
26,629	Housing Revenue Account	87,234	(66,736)	20,498
3,026	Other Housing Services (inc. Payment of Housing Benefit)	71,121	(66,942)	4,179
76,409	Social Services	118,647	(33,419)	85,228
37,864	Cultural, Environmental & Planning	74,288	(33,910)	40,378
17,864	Highways & Transport	21,954	(2,961)	18,993
2,960	Central Services	23,560	(19,666)	3,894
309	Court Services (Coroners)	325	0	325
9,271	Corporate & Democratic Core	12,191	(3,960)	8,231
267	Non Distributable Costs	(11,528)	0	(11,528)
367	Discontinued Service – Magistrates Courts	0	0	0
351,589	Net Cost of Services	665,292	299,136	366,156
94	National Rivers Authority Levy			101
13,744	West Midlands Passenger Transport Authority Levy			14,773
(206)	Trading Account Surpluses (Note 1)			(90)
(38,230)	Asset Management Revenue Account Balance (Note 2)			(36,988)
14,436	Contribution to Housing Pooled Capital Receipts			10,295
(3,094)	Interest & Investment Income			(2,323)
5,622	Finance Cost re. Pensions (Note 4)			5,863
(935)	Investment income re. Birmingham Airport			(942)
343,020	Net Operating Expenditure			356,845
3,706	Transfers to/(from) Capital Financing Account re Minimum Revenue Provision (Note 5)			(1,320)
(5,395)	Transfers from Capital Financing Account re Deferred Charges			(7,481)
3,735	Capital Expenditure Charged to Revenue			12,228
(1,846)	Transfer from Reserves to General Fund Balance			(1,300)
(8,178)	Transfer to/(from) from Pensions Reserve			2,420
(14,436)	Transfer from Usable Capital Receipts for Cont'n to Housing Pooled Capital Receipts			(10,295)
(1,151)	Transfer to/(from) Housing Reserves			3,050
7,252	Transfer to/(from) Other Reserves			(4,336)
326,707	Amount to be met from Government Grants and Local Taxpayers			349,811
(154,101)	Revenue Support Grant			(157,107)
(85,154)	Income from National Non-Domestic Rates Pool (NNDR)			(101,562)
(50)	Transfer in Respect of Previous Years Surplus on Collection Fund			(21)
(88,070)	Collection Fund Demand			(90,532)
(327,375)	Sub-Total – External Funding			(349,222)
(668)	(Surplus)/Deficit for the year			589
(3,189)	Balance at the beginning of the year			(3,857)
(3,857)	Balance at the end of the year			(3,268)

Note 1: Trading Services

	Market		Industrial Estates		Other Land & Property	
	04/05 £'000	05/06 £'000	04/05 £'000	05/06 £'000	04/05 £'000	05/06 £'000
Income	282	247	275	309	1,181	1,148
Expenditure	145	160	312	328	1,075	1,126
Surplus / (Deficit) included in Consolidated Revenue Account	137	87	(37)	(19)	106	22

Note 2: Asset Management Revenue Account

This Account compares the charges for the use of capital made in the year to services with depreciation and external interest payable. Charges to the Housing Revenue Account for the use of capital are made, but depreciation of council dwellings is a direct charge and is not shown in this Account.

The transactions in the account during the year were as follows:-

2004/05 £'000		2005/06 £'000
INCOME		
28,127	Capital Charges - General Fund	32,960
28,885	- Housing Revenue Account	27,423
5,591	- Grants written down	3,718
62,603		64,101
LESS EXPENDITURE		
11,376	Depreciation	14,540
12,997	External interest paid	12,573
24,373		27,113
38,230	Balance to Consolidated Revenue Account	36,988

Note 3 - Fees paid to Auditors

Payments were made to the authority's external auditors, the Audit Commission, for the following categories of work:

2004/05 £'000		2005/06 £'000
256	Statutory Audit work	254
67	Inspection Work	93
116	Audit of Grant Claims	116
439	Total	463

Note 4: Pension Costs

Teachers

In 2005/06, the Council paid £12.580m to the Department for Education and Skills (2004/05 = £11.843m) in respect of teachers' pension costs, based on a contribution rate of 13.5% (2004/05 = 13.5%) of teachers' pensionable pay. This is a defined benefit scheme but is accounted for as a defined contribution scheme by the Council as its share of the underlying assets and liabilities cannot be identified. In addition, the Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2005/06 these amounted to £1.261m, (2004/05 = £1.253m) being 1.51% of pensionable pay. These discretionary payments form a separate, unfunded scheme; details are shown in the table below.

Other Employees

Dudley participates in the Local Government Pension Scheme, through the West Midlands Metropolitan Authorities Pension Fund. This is a funded, defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities (to give specified benefits to retired members) with investment assets.

Dudley is also responsible for certain payments relating to former employees which fall outside the above schemes.

The figures below give extra details of the entries made in the Consolidated Revenue Account, and the transfer which prevents any effect on taxpayers. They include the effects of discretionary awards.

2004/05		2005/06			
£000		LGPS including discretionary £'000	Teachers Discretionary £'000	Other £'000	Total £'000
(17,965)	The amount actually charged to revenue accounts in the period i.e. the employers contributions paid to the pension fund, and recharged discretionary pensions.	(17,673)	(1,261)	(140)	(19,074)
20,254	The current service cost, i.e. the amount of pension entitlement earned in the year, less employees' own contributions to the pension fund.	22,319			22,319
251	Past service costs, such as discretionary awards made in year	95			95
16	Losses on curtailments - e.g. when a service moves out of the authority	0			
0	Past Service Gain	(11,623)			(11,623)
267	Included in Non-Distributable Costs	(11,528)			(11,528)
29,335	The interest cost i.e. the increase in liability because benefits are one year nearer to being paid out	32,098	876	167	33,141
(23,713)	The expected return on assets in the scheme – based on long term expectations at the beginning of the period	(27,278)			(27,278)
5,622	Finance Cost re. Pensions	4,820	876	167	5,863
(8,178)	Adjusting transfer to/(from) pensions reserve	2,062	385	(27)	2,420

Further information is given in [Note 27](#) to the Consolidated Balance Sheet and [Note 1](#) to the Statement of Total Movements in Reserves.

Note 5: Minimum Revenue Provision

An amount of £7.036m (2004/05 = £6.416m) was charged to Revenue Account in compliance with the statutory requirement contained within the Local Government and Housing Act 1989 to set aside a minimum revenue provision for the repayment of external loans. The minimum revenue provision was achieved partly through depreciation charged through the Asset Management Revenue Account, and partly through an adjusting charge to the Consolidated Revenue Account.

2004/05	2005/06
£'000	£'000
6,416 Statutory Minimum Revenue Provision	7,036
8,478 Adjustment for Capital Grants written down	5,963
(11,376) Provision for depreciation already charged: General Fund	(14,539)
3,518 Additional Charge (Credit) to Revenue Account	(1,540)
188 Voluntary Revenue Provision	220
3,706 Total Charge (Credit) to Revenue	(1,320)

The voluntary provision for repayment of debt was made in relation to certain short-life assets, such as vehicles.

Note 6: Lease Rentals

Dudley uses operating and finance leases to fund various assets, principally vehicles, central heating equipment, I.C.T. equipment, and some properties.

Operating lease rentals paid in the year amounted to £1.673m (2004/05 = £1.813m); of this £1.487m related to vehicles and grounds maintenance equipment, £0.104m to ICT equipment, £0.082m to central heating in council dwellings. In addition, £1.024m was paid to lease properties.

Finance lease rentals paid in the year amounted to £0.166m (2004/05 = £0.166m). The 2005/06 payment largely relates to vehicles.

Details of the outstanding obligations are given in [Note 21](#) to the Balance Sheet.

Dudley also receives rentals for leased properties. The amount received in 2005/06 was £0.863m.

Note 7: Section 137 Expenditure

Section 137 of the Local Government Act 1972 (as amended) enables a local authority to incur expenditure for the benefit of people in its area, on activities or projects not specifically authorised by other powers, up to a statutory limit. As in the previous year, Dudley did not incur any such expenditure in 2005/06.

Note 8: Expenditure on Publicity

Section 5 of the Local Government Act 1986 requires a local authority to maintain a separate account of its expenditure on publicity.

Expenditure on publicity in 2005/06 amounted to £1.504m (2004/05 = £1.446m). Much of this expenditure relates to the Authority's recruitment advertising.

Note 9: Local Authority (Goods and Services) Act 1970

Income from bodies in the year under the above Act amounted to £0.433m (2004/05 = £0.414m). Related expenditure amounted to £0.415m (2004/05 = £0.392m).

Note 10: Remuneration

The number of staff whose remuneration, excluding pension contributions, was £50,000 and over were:-

	2004/05	2005/06
	No.	No.
£50,000 - £59,999	47	62
£60,000 - £69,999	15*	30
£70,000 - £79,999	3	5
£80,000 - £89,999	4	0
£90,000 - £99,999	2	5*
£100,000 - £109,999	1	0
£130,000 - £139,999	0	1

* These numbers include staff who received payments in addition to normal remuneration. In 2005/06 this applied to one member of staff (2004/05 = 1).

Note 11: Members Allowances

During the year, £0.649m was paid as allowances to Council members, under the Members Allowances (Amendment) Regulations 1995 (2004/05 = £0.651m).

Note 12: Related Party Transactions

Members of the Authority

In respect of the 2005/06 financial year, works and services to the value of £1.6m were commissioned from companies in which Members of the Authority had a controlling interest by way of ownership, or as a director, trustee, governor or partner. Contracts were entered into in full compliance with the Council's Standing Orders.

It may be noted that all members' financial and other interests which could conflict with those of the Authority are open to public inspection as required by section 81(1) of the Local Government Act 2000 and the Local Authorities (Model Code of Conduct) (England) Order 2001.

Other Related Parties

The following material transactions with other related parties took place during the year:

Related Party	Nature of Transaction	Receipts	Payments
		£'000	£'000
Central Government	Specific Revenue Grants	79,927	
	Capital Grants	15,369	
West Midlands Police	Precept		8,066
West Midlands Fire and Civil Defence	Precept		3,972

Note 13: Private Finance Initiative

Dudley has 3 Private Finance Initiative schemes. Full details are given when schemes are set up. Summary information is given for continuing schemes. The figures given on future liabilities assume full performance; failure of performance will attract penalties from the contractors.

Dudley Grid For Learning

In 2006/07 the authority is committed to making payments estimated at £5.507m (2005/06 = £5.427m) for the Dudley Grid for Learning contract with Research Machines. This project provides IT facilities for 109 schools in the Directorate of Education and Lifelong Learning. The contract covers a ten year period and expires in 2009 with an option to extend for a further two years.

Paragon

In 2006/07 the authority is committed to making payments estimated at £2.657m (2005/06 = £2.583) for the Paragon contract with Newmount Limited. This project was a Design, Build, Finance and Operate (DBFO) scheme to provide two new schools (Colley Lane Primary and The Summerhill). The contract covers 27 years and expires in 2031. The estimated payment due includes "pass through" costs of £0.281m for business rates, utilities and free school meals.

Sedgley Health, Library and Social Care Project

In 2006/07 the authority is committed to making payments estimated at £0.186m (2005/06 =£0.185m) for the Sedgley Health, Library and Social Care Project with the Mill Group. This project was a joint project with Dudley Health Authority (now succeeded by Dudley Beacon and Castle Primary Care Trust) and provides a joint health, social care and library facility in the north of the borough. The contract was for a period of 25 years and expires in 2026.

Note 14: Building Control

The Council is required to maintain an account relating to its Building Control functions. Some of these functions, such as providing general advice, cannot be charged for. The split for the year is shown below: -

2004/05 Total £'000		2005/06 Chargeable £'000	2005/06 Non-Chargeable £'000	2005/06 Total £'000
621	Income from Charges	653	0	653
806	Expenditure	596	232	828
(185)	Surplus/(Deficit) for the year	57	(232)	(175)

Note 15: Partnership Arrangements

West Midlands Casualty Reduction Partnership

Dudley MBC acts as the Accountable Body to the 'West Midlands Casualty Reduction Partnership', consisting of West Midlands Police and Local Authorities, Magistrates Courts and the Highways Agency. The scheme forms part of a national initiative and is funded from additional Government allocations based on traffic light and speed camera fine income. In 2005/06 the Partnership incurred expenditure amounting to £2.723m (2004/05 = £2.649m) on the promotion of casualty reduction across the West Midlands Region, of which Dudley's share was £0.059m (2004/05 = £0.049m).

Pooled Budgets with Health Bodies

Dudley has pooled budget arrangements with Dudley South and Dudley Beacon and Castle Primary Care Trusts, under Section 31 of the Health Act 1999.

Substance Misuse – Expenditure £0.071m (2004/05 = £0.068m)

This agreement is to improve the provision of rehabilitation services for local people encountering substance problems where the person is willing to participate and will benefit from rehabilitation rather than other forms of treatment. The split of funding is £0.065m from the Local Authority (2004/05 = £0.058m) and £0.006m from Dudley South Primary Care Trust (2004/05 = £0.010m).

Learning Disability Development Fund – Expenditure £0.151m (2004/05 = £0.113m)

This agreement is to improve the provision of services commissioned for adults over 18 who have a severe or moderate Learning Disability with additional complex needs and who are eligible for services from either the Local Authority or the primary care trusts. The funding for the agreement is entirely from the Learning Disability Development Fund given to the Dudley Primary Care Trusts.

Placements of Children with Disabilities – Expenditure £1.266m (2004/05 = £1.020m)

The agreement is in respect of services commissioned specifically for children under 19 years of age who have severe disabilities, meeting the criteria of the Children's Disability Team and who require a placement to meet those needs outside of Dudley Borough or within the Borough from a Voluntary or Independent sector provider. The split of funding is £0.621m from Social Services Directorate (2004/05 = £0.501m), £0.455m from Education and Lifelong Learning directorate (2004/05 = £0.368m) and £0.189m from the Dudley Primary Care Trusts (2004/05 = £0.152m)

Falls Prevention Service – Expenditure £0.144m (2004/05 = £0.079m)

This agreement is in respect of services commissioned specifically for adults over 65 years of age who have fallen or are assessed as being at risk of falling and are referred to the Falls service. The split of funding is £0.022m from the Local Authority (2004/06 = £0.022m) and £0.122 from the Dudley Primary Care Trusts (2004/05 = £0.057m).

Community Equipment Service – Expenditure £ 1.103m (Started in 2005/06)

This agreement is in respect of a Community Equipment Service that supports the intermediate and rehabilitation service in Dudley by the provision of Aids. The split of funding is £0.871m from the Local Authority and £0.233m from the Dudley Primary Care Trusts.

Where Partnerships exist, only that element that can be apportioned to Dudley MBC has been included within its Statement of Accounts.

Note 16: Local Public Service Agreement (LPSA):

The Council's first LPSA ran from 1st April 2003 to 31st March 2006. The agreement contains 12 target areas, each measured against one or more performance indicators. Success for each indicator is measured against the 'stretch' target i.e. the difference between what would have been achieved without the LPSA and what was achieved with it.

Based on latest performance information, we have prudently estimated to attract additional Government funding of £5 million in reward money, payable half as capital grant and half as revenue grant. This has impacted on the Consolidated Revenue Account (Corporate and Democratic Core), and has given rise to two additional reserves, included in the Council's Balance Sheet.

HOUSING REVENUE ACCOUNT

	2004/05 £'000	2005/06 £'000
Income		
Dwellings Rent	62,306	63,879
Non-Dwellings Rent	495	592
Charges for services and facilities	141	139
Contribution towards expenditure	545	529
Supporting People Grant	1,716	1,597
Total income	65,203	66,736
Expenditure		
Contribution to Housing Repairs Account (Note 4)	21,428	22,159
Supervision and Management	12,747	12,625
Rent, Rates, Taxes & Other Charges	2,025	1,881
Item 10 Subsidy Adjustment	509	(183)
Negative Subsidy (Note 11)	11,800	8,553
Provision for bad debts	287	431
Cost of Capital Charge (Note 7)	28,885	27,423
Depreciation & Impairments of Fixed Assets (Note 8)	13,593	13,630
Debt Management Costs	97	97
Total expenditure	91,371	86,616
Net Deficit on Cost of Service	(26,168)	(19,880)
Net HRA Income on the Asset Management Revenue Account	26,149	24,241
Amortised premiums & discounts	(248)	(196)
HRA Investment Income (including Mortgage Interest)	561	732
Net Operating Surplus	294	4,897
Revenue Contribution to Capital Expenditure	(1,445)	(1,847)
Transfer from Major Repairs Reserve	37	44
Total surplus or (deficit) for the year	(1,114)	3,094
Surplus at the beginning of the year	3,958	2,844
Surplus at the end of the year	2,844	5,938

Housing authorities receive a Major Repairs Allowance that is offset by a requirement to charge depreciation on fixed assets. This depreciation charge is used to finance capital expenditure on the maintenance of the housing stock. A Cost of Capital Charge on assets is included in the cost of the service (set at 3.5% of asset value) together with an adjusting transfer from the Asset Management Revenue Account. This ensures that the overall impact on rents is neutral.

The Item 10 Subsidy Adjustment is a payment to the General Fund to compensate for benefit subsidy limitation, adjusted in later years.

A proportion of receipts from the sale of council houses to repay debt is contributed to a national pool. This contribution is shown in the Consolidated Revenue Account.

Note 1: Housing Stock

The Council was responsible for managing on average 23,927 dwellings during 2005/06. The stock at the year end was made up as follows:

Traditional Houses and Bungalows	14,897
Non-traditional Houses and Bungalows	980
Flats	7,903
Stock at 31st March 2006	23,780

The change in stock can be summarised as follows.

Stock (restated) at 1st April 2005	24,073
Less: Sales, Demolitions etc.	293
Stock at 31st March 2006	23,780

Note 2: Fixed Assets

Total Balance sheet value of land, houses & other property within the HRA

	31 st March 2005 £'000	1st April 2005 £'000	31st March 2006 £'000
i) Operational assets, comprising			
Dwellings	812,915	780,619	776,018
Other land & buildings	2,514	2,946	3,029
	815,429	783,565	779,047

The change in values between 31st March 2005 and 1st April 2005 reflects the revaluation as at 1st April 2005.

- i) Non operational assets: Not material
- ii) The vacant possession value of dwellings within the authority's HRA at 1st April 2005 was £1,593m compared with a social housing value of £781m.

The difference between these two values shows the economic cost to Government of providing council housing at less than open market rents.

Note 3: Major Repairs Reserve Movement

	£'000
Balance on the Major Repairs Reserve at 31st March 2005	0
Amount transferred to the Major Repairs Reserve during the financial year	(13,630)
LESS:	
Amount transferred from the Major Repairs Reserve to the Housing Revenue Account during the financial year	44
Debits to the Major Repairs Reserve during the financial year in respect of capital expenditure on the land, houses & other property within the authority's Housing Revenue Account	13,586
Balance on the Major Repairs Reserve at 31st March 2006	0

Note 4: Housing Repairs Account

Analysis of the movement on the housing repairs account

	£'000
Balance on the Housing Repairs Account at 31st March 2005	7,706
Amount transferred to the housing repairs account during the financial year	22,159
Less: Repairs & Maintenance	(19,311)
Balance as at 31st March 2006	10,554

Note 5: Capital Expenditure

Summary of total accrued capital expenditure on land, houses & other property within the HRA during the financial year by sources of funding.

	£'000
Borrowing	3,205
Usable Capital Receipts	4,837
Revenue Contribution	1,847
Major Repairs Allowance	13,586
Grants	108
	23,583

Note 6: Capital Receipts

Summary of total capital receipts from disposals of land, houses & other property within the Housing Revenue Account during the financial year.

Net Capital Receipts	
	£'000
Dwellings	14,646
Other land & buildings	1,684
	16,330

Note 7: Capital Charge

The cost of capital charge is calculated as 3.5% of the value of Housing Revenue Account operational assets, valued in accordance with relevant Stock Valuation Guidance.

Cost of Capital Charge	
	£'000
Dwellings	27,322
Other land & buildings	101
	27,423

The net Housing Revenue figure on the Asset Management Revenue Account is calculated as follows:

	£'000
Cost of capital charge	27,423
Less: Item 8 interest (the statutory charge)	3,182
Capital charges accounting adjustment	24,241

Note 8: Depreciation

The total charge for depreciation within the Housing Revenue Account

	£'000
Operational assets	
Dwellings	13,586
Other land & buildings e.g. shops	44
	13,630

Note 9: Impairment Charges

	£'000
The value of any impairment charges for the financial year in respect of land, houses & other property within the authority's Housing Revenue Account	Nil

Note 10: Deferred Charges

	£'000
The value of deferred charges attributable to the Housing Revenue Account	Nil

Note 11: Housing Subsidy

Breakdown of the amount of Housing Revenue Account subsidy payable by the authority for the financial year

	£'000
Allowance for management	10,550
Allowance for maintenance	21,045
Allowance for major repairs	13,586
Charges for capital	5,799
Other items of reckonable expenditure	4
Rent	(59,542)
Interest on receipts	(35)
Defects repurchases loan	40
Total (Negative Subsidy)	(8,553)

Note 12: Rent Arrears

	31st March 2005 £'000	31st March 2006 £'000
Current Tenants	1,618	1,742
Former Tenants	2,881	3,098
Total	4,499	4,840

A bad debt provision has been made in the accounts in respect of potentially uncollectable rent arrears. The value of this provision was £4.104m at 31st March 2006 (£3.831m at 31st March 2005).

COLLECTION FUND

2004/05		2005/06	
£'000		£'000	£'000
82,881	Council Tax (net)	85,137	
16,805	Transfers from General Fund: Net Benefits	17,639	
79,900	Business Rates (net of provisions and reliefs)	78,823	
(82)	Adjustments of Community Charges for Previous Years (Note 3)	0	
179,504	Total Income		181,599
	Precepts and Demands:		
7,713	West Midlands Police Precept	8,066	
3,787	West Midlands Fire & Civil Defence Precept	3,972	
88,070	Dudley MBC General Fund Demand	90,532	
99,570			102,570
	Business Rates:		
79,421	Payment to National Pool (Note 2)	78,348	
479	Costs of Collection	475	
79,900			78,823
	Increased/(Decreased) Provision for Doubtful Debts:		
72	Council Tax	118	
(83)	Community Charge (Note 3)	(3)	
(11)			115
50	Transfer to General Fund – Prior Year's Estimated Surplus		21
179,509	Total Expenditure		181,529
(5)	Collection Fund Surplus (Deficit) for the year		70
49	Surplus at 1st April brought forward		41
44	TOTAL COLLECTION FUND SURPLUS AT 31ST MARCH		111
(3)	Surplus to be distributed to preceptors		(8)
41	DUDLEY MBC COLLECTION FUND SURPLUS		103

Note 1: Council Tax

Council tax charges are calculated by estimating the amount of income required from the Collection Fund by the Council and precepting authorities for the forthcoming year and dividing this by the Council Tax base (*i.e. the equivalent number of Band D dwellings*). The Council Tax base for 2005/06 was 96,387.02 calculated as follows:

Band	Number of Dwellings (adjusted for discounts, exemptions etc.)	Multiplier	Band D Equivalent
A Disabled	75.50	5/9	41.94
A	34,210.00	6/9	22,806.67
B	32,571.00	7/9	25,333.00
C	25,911.75	8/9	23,032.67
D	14,365.25	1	14,365.25
E	5,843.00	11/9	7,141.44
F	2,082.00	13/9	3,007.33
G	876.50	15/9	1,460.83
H	85.75	18/9	171.50
Total Band D equivalent			97,360.63
Assumed Collection Rate			99%
NET BAND D EQUIVALENT			96,387.02

Note 2: National Non-Domestic Rates (Business Rates)

Non-Domestic Rates are collected locally on the basis of a nationally determined rate in the pound of 42.2p for 2005/06, charged on the rateable value of the property. The Council is responsible for collecting rates due from ratepayers in its area, but pays the income into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

Total non-domestic rateable value at 31st March 2006 was £237.576m (31st March 2005 = £204.433m). The amount actually collectable by the Council is less, by the net amount of Transitional Relief and other allowances, than the product of the non-domestic rateable value and the poundage.

Note 3: Adjustments of Community Charges for Previous Years

Although Council Tax replaced Community Charge from 1st April 1993, the Council continues to account for residual adjustments in relation to the community charges raised in earlier years, in the Collection Fund.

Note 4: Write Offs

Following every effort to recover monies due, some debts are eventually deemed to be uncollectable and, are written off. In 2005-06, the following sums were written off:

Council Tax	£0.539m (2004/05 £0.270m)
National Non-Domestic Rates	£1.125m (2004/05 £0.333m)

NB Due to the effects of introducing a new computer system, there were fewer write-offs in 2004/05, and more in 2005/06.

CONSOLIDATED BALANCE SHEET

31st March 2005 £'000	31st March 2006	
	£'000	£'000
	Fixed Assets (Note 1)	
2,690	Intangible Assets	3,824
	Tangible Fixed Assets	
	Operational Assets:	
812,915	Council Dwellings	776,018
304,389	Other Land & Buildings	317,749
7,595	Community Assets	8,723
124,595	Infrastructure	132,204
7,797	Vehicles, Plant, Furniture & Equipment	8,126
12,340	Non-Operational Assets:	15,506
1,272,321		1,262,150
21,282	Long Term Investments (Note 4)	21,282
	Long Term Debtors (Note 6):	
661	Mortgages	490
215,042	Other	211,645
1,509,306	Total Long Term Assets	1,495,567
	Current Assets:	
1,152	Stocks & Stores (Note 7)	1,877
37,052	Debtors (Note 8)	62,038
33,725	Short Term Investments (Note 4)	25,640
71,929		89,555
	Current Liabilities:	
4,734	Cash Overdrawn	15,734
73,340	Creditors (Note 9)	75,229
9,711	Provisions (Note 10)	12,513
170	Temporary Borrowing	1,185
87,955		104,661
(16,026)	Net Current Assets/(Liabilities)	(15,106)
(414,796)	Long Term Borrowing (Note 12)	(424,781)
(593)	Deferred Liabilities (Note 21)	(449)
(208,565)	Pension Liability (Note 27)	(209,466)
869,326	Total Net Assets	845,765
	Represented by:	
572	Deferred Capital Receipts (Note 13)	415
(15,901)	Premature Debt Repayment Premiums (Note 5)	(15,372)
678,264	Fixed Asset Restatement Account (Note 14)	632,982
239,476	Capital Financing Account (Note 15)	250,602
120,087	Grants Deferred Account (Note 16)	131,832
1,000	Useable Capital Receipts Reserve (Note 17)	1,000
-	LPSA Reward Capital Reserve (Note 17)	2,448
(208,565)	Pension Reserve (Note 27)	(209,466)
3,857	General Fund Balance (Note 18)	3,268
	Reserves:	
2,844	Housing Revenue Account Reserves (Note 19)	5,938
9,969	Local Management of Schools (Note 20)	10,485
37,682	Other (Note 20)	31,530
41	Collection Fund Balance	103
869,326	Total Local Taxpayers' Equity	845,765

Note 1: Fixed Assets

	Council Dwellings	Other Land & Buildings	Community Assets	Infrastructure Assets	Vehicles, Plant & Equipment	Intangible Assets	Investment Properties	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross Book Value at 31st March 2005	826,471	319,579	7,595	147,553	14,534	2,690	12,340	1,330,762
Revaluations and Restatements	(45,852)	(917)	-	-	-	-	1,183	(45,586)
Value at 1st April 2005	780,619	318,662	7,595	147,553	14,534	2,690	13,523	1,285,176
Additions & Enhancements	23,420	20,665	1,128	11,872	2,497	1,672	1,983	63,237
Disposals	(14,435)	(1,748)	-	-	-	-	-	(16,183)
Gross Book Value at 31st March 2006	789,604	337,579	8,723	159,425	17,031	4,362	15,506	1,332,230
Accumulated Depreciation	-	(12,215)	-	(22,958)	(6,737)	-	-	(41,910)
Depreciation for Year	(13,586)	(7,615)	-	(4,263)	(2,168)	(538)	-	(28,170)
Depreciation at 31st March 2006	(13,586)	(19,830)	-	(27,221)	(8,905)	(538)	-	(70,080)
Net Book Value at 31st March 2006	776,018	317,749	8,723	132,204	8,126	3,824	15,506	1,262,150

Fixed Asset Valuation

The freehold and leasehold properties in the categories Council Dwellings, Other Land and Buildings, and Investment Properties have been valued by an internal valuer, I.L.Kite MRICS, the Council's Strategic Valuation Surveyor, on the following bases in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards. A 5 year rolling programme is in place to update the asset values, and also whenever a permanent material change in value arises from market forces, or physical alterations, or a change in categorisation or classification occurs. Not all of the properties are inspected as this is not practicable and is not considered necessary for the purpose of the valuation.

Council Dwellings were valued as at 1st April 2002 on the basis of Existing Use Value for Social Housing, and in accordance with Office of The Deputy Prime Minister (ODPM) guidance on Stock Valuation for Resource Accounting. For 2005/06 the 2002 vacant possession values have been indexed to values appropriate as at 1st April 2005, and revised discount factors determined by the ODPM have been applied.

Other operational properties, i.e. those used to provide a service, have been valued on the basis of Existing Use Value or, in the case of Specialised Properties, by the Depreciated Replacement Cost method.

Plant and equipment, where appropriate, is included in the valuation of the buildings. Specialised plant is valued as a separate item in the Depreciated Replacement Cost.

Investment properties have been valued on the basis of Market Value. Incomplete capital works, valued at cost, are included with investment properties on the balance sheet; the balances are transferred to the appropriate category on completion of the works. Properties declared surplus to requirements are also included with investment properties.

The sources of information and assumptions made in producing the valuations are set out in a valuation report. The definitions of the valuation bases are set out in the RICS Appraisal & Valuation Standards (5th Edition).

Community Assets (e.g. parks) and Infrastructure Assets (e.g. roads) have not been valued, but are included at historic cost, net of depreciation, in accordance with the Accounting Code of Practice.

Intangible Assets such as purchased software licences are included at historic cost and amortised over a reasonable period, usually 5 years.

Note 2: Assets Held

Major fixed assets owned and/or operated by the authority at 31st March 2006 were as follows:

	Number	
Operational Assets		
Residential & Day Care Establishments:		
Children's Homes	6	
Homes for Older People	8	
Homes for People with Disabilities	4	
Social Education Centres	4	
Centres for People with Physical Disabilities	1	
Employment Preparation Unit	1	
Day Centres for Older People	4	
Day Centres for People with Mental Illness	3	
Council Dwellings	23,780	
Town Halls	4	
Administrative Properties	27	
Off-street Car Parks	79	
Leisure Centres and Pools	11	
Museums and Galleries	3	
Arts Centres/Places of Entertainment	2	
Markets	1	
Crematoria	2	
Cemeteries	7	
Libraries	18	
Allotments	31	Hectares
Youth Centres	10	
Community Centres	28	
Schools:		
Primary and Nursery	83	
Community Colleges and Secondary (inc. Foundation Schools)	22	
Special Schools	7	
Outdoor Education Centre	1	
Education Centre	1	
Community Assets:		
Parks and Public Open Spaces	1,350	Hectares
Infrastructure Assets:		
Principal, Classified and Unclassified Roads	990	Km

All schools in the Borough have been included in this note to give a full picture of Council activity. The buildings of voluntary aided schools, and the land and buildings of foundation schools, are owned by the governors or sponsoring body, and so the values are not included in the balance sheet. The values of the 2 schools redeveloped under a Private Finance Initiative Scheme are also excluded from the balance sheet.

Note 3: Capital Commitments

Major commitments under capital contracts at 31st March 2006 included the following schemes:

	£'000
Housing	6,616
Education & Lifelong Learning	7,370
Highways & Transport	1,989
Other projects	967
Total	16,942

Note 4: Investments

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

Investments are shown in the balance sheet at original cost; the table below shows the value of the investments at 31st March 2006.

	31st March 2005 £'000	31st March 2006 £'000
Long Term:		
Loans to other Local Authorities	1,500	1,500
Birmingham Airport Shares and Stock	9,782	9,782
Bonds	10,000	10,000
	21,282	21,282
Short Term:		
Temporary Money Market Investments	33,725	25,640
Total Investments	55,007	46,922

Note 5: Premature Debt Repayment Premiums

These represent premiums paid on the early redemption of long term debt, a premium on the issue of loan stock and premiums on the purchase of bonds, less discounts received. These will be debited to revenue over the lives of the loans and investments to which they relate. At the 31st March 2006 the net premiums are as follows:-

Total 31st March 2005 £'000	Dudley 31st March 2006 £'000	Ex W.M.C.C. 31st March 2006 £'000	Total 31st March 2006 £'000
15,901	7,128	8,244	15,372

Note 6: Long Term Debtors

These are debtors which fall due after a period of at least one year. They include amounts in respect of debt formerly held by the West Midlands County Council, to be serviced by the West Midlands Borough Councils and Joint Boards, under the terms of the Local Government Reorganisation (Debt Administration) (West Midlands) Order 1986 which designated Dudley as being responsible for the administration of the debt.

	31st March 2005 £'000	31st March 2006 £'000
Dudley Activities:		
Mortgages – Sold Properties	572	415
Other Mortgages	89	75
Other Local Authorities	973	923
Employee Loans	295	262
Loans to Individuals and Other Bodies	428	447
	2,357	2,122
Ex. WMCC Activities		
Other Local Authorities	213,346	210,013
	215,703	212,135

Note 7: Stocks and Stores

An analysis of Stocks and Stores is shown below.

	31st March 2005 £'000	31st March 2006 £'000
Housing	597	805
Engineering & Transportation	362	408
Other Stocks and Stores	193	195
Subtotal – Stocks and Stores	1,152	1,408
Landfill Allowances	-	469
	1,152	1,877

Note 8: Debtors

An analysis of debtors which fall due within one year is shown below.

	31st March 2005 £'000	31st March 2006 £'000
1. General		
Council Tax/Community Charge Payers	4,315	5,519
Non-Domestic Rate Payers	3,139	4,316
Housing Tenants	4,172	4,476
Government Departments	7,406	26,859
Other Debtors	22,465	28,135
	41,497	69,305
Less Provisions for Doubtful Debts:		
Council Tax/Community Charge Payers	(2,550)	(2,429)
Non-Domestic Rate Payers	(1,701)	(1,282)
Housing Tenants	(4,097)	(4,438)
Other Debtors	(1,665)	(2,083)
sub -total of provisions	(10,013)	(10,232)
	31,484	59,073
2. Payments in Advance	5,568	2,965
Total Debtors	37,052	62,038

Note 9: Creditors

An analysis of creditors is shown below.

	31st March 2005 £'000	31st March 2006 £'000
1. General		
HM Revenue & Customs	6,841	7,339
Other Government Departments	6,488	5,182
Other Public Bodies	3,727	9,058
Council Tax/Community Charge Payers	1,081	1,752
Sundry Creditors	40,868	27,928
	59,005	51,259
2. Receipts in Advance		
Government Departments	8,088	14,443
Others	6,247	9,527
	14,335	23,970
Total Creditors	73,340	75,229

Note 10: Provisions

Provisions are raised where a liability has been incurred, and it is more likely than not that a payment will be required. Provisions will be reviewed annually and returned to revenue if they are no longer required for their original purposes.

	Balance at 31st March 2005 £'000	Net Increase/ (Decrease) £'000	Balance at 31st March 2006 £'000
Housing Repairs Account	7,706	2,848	10,554
Schools - Delegated Scheme	1,702	(209)	1,493
Landfill Allowances Liability	-	315	315
Other Services	303	(152)	151
	9,711	2,802	12,513

The Housing Repairs Account holds amounts set aside from the Housing Revenue Account to fund repairs and improvements to the housing stock.

The schools provision relates to the obligation on the Council to match-fund the Schools Standards Fund grant; this grant is spent by or on behalf of schools, and can only be used up to 31st August 2006.

The Council has a liability for the volume of landfill used during the year. This volume will be formally verified by the end of September 2006, and the liability met from the allowances issued by Government and held on the balance sheet as a current asset.

Note 11: Contingent Liabilities and Assets

The Council has a number of outstanding claims with Municipal Mutual Insurance (its former insurers) and arrangements are currently in place to ensure an orderly settlement of the sums due. We have assumed the company will be able to meet all such claims, and therefore, have no insurance reserves set aside as contingency.

In the financial year 2005/06, the Council carried self-funded insurance on the following risks:

	£'000 per Claim
Fire and Special Perils:	
(i) Education Properties	250
(ii) General Properties	25
Subject to an aggregate limit of £850k for all claims across all properties	
Computer Insurance:	25
Subject to an aggregate limit of £50k	
Legal Liability Risks	200
(£118.5k up to 30/11/05)	
Subject to an aggregate limit of £2,600k (£3,100k up to 30/11/2005).	

A number of compensation claims and blight notices have been initiated, or are likely to be initiated, as a consequence of the Council's on-going major transport and regeneration projects. The extent to which any of these potential claims will be substantiated cannot be assessed at present, and therefore only estimated sums are included in the budgets which are likely to be affected. The budgets are kept under regular review and where appropriate, indemnities are obtained from partners in those schemes.

In addition the Council currently has a dispute regarding a PFI scheme which is the subject of on-going negotiations. If not resolved, it may proceed to some form of legal adjudication during 2006/07.

The Council is also involved in two contractual disputes regarding terminated taxi contracts one of which has resulted in the institution of legal proceedings for which a defence has been filed.

Note 12: Long Term Borrowing

The tables below show the source of long-term borrowing and an analysis of the amounts outstanding at 31st March 2006 by maturity dates, including £233.7m relating to the former West Midlands County Council debt.

Source of Borrowing	Total	Dudley	Ex W.M.C.C.	Total
	31st March	31st March	31st March	31st March
	2006	2006	2006	2006
	£'000	£'000	£'000	£'000
Public Works Loan Board	381,174	174,210	216,949	391,159
Stock	13,568	6,784	6,784	13,568
Other Sources	20,054	10,054	10,000	20,054
	414,796	191,048	233,733	424,781

Total borrowings at 31st March 2006 are repayable as follows:

Maturity within:	£'000
12 months	9,324
1-2 years	10,665
2-5 years	31,174
5-10 years	63,481
more than 10 years	310,137
	424,781

Note 13: Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise from granting mortgages principally to council tenants to enable them to buy their homes.

Note 14: Fixed Asset Restatement Account

This non-cash-backed reserve is written down by the net book value of assets as they are disposed of and debited or credited with deficits or surpluses arising on revaluation.

	£'000
Balance at 31st March 2005	678,264
Unrealised losses on revaluation and restatement of fixed assets	(29,099)
Disposal of Fixed Assets	(16,183)
Balance at 31st March 2006	632,982

Note 15: Capital Financing Account

This non-cash-backed reserve contains the amounts which are required by statute to be set aside from capital receipts, and amounts for capital expenditure financed from revenue or capital receipts. It also includes the difference between depreciation charged in revenue accounts and the amount required to be charged to revenue to repay the principal element of external loans. This includes the Housing Revenue Account Resource Accounting requirements.

	£'000
Balance at 31st March 2005	239,476
Capital Financing 2005/06:	
Capital Receipts	7,772
Revenue	12,228
Major Repairs Reserve	13,586
Adjustment to match Minimum Revenue Provision 2005/06	(1,540)
Voluntary Revenue Provision	220
Transfer to Major Repairs Reserve of HRA Depreciation	(13,630)
Write down of deferred charges	(7,481)
Write down of capital debtors	(29)
Balance at 31st March 2006	250,602

Note 16: Grants Deferred Account

This account holds the various Government and other capital grants, and contributions from private developers. These will be written off to revenue over the life of the relevant assets, where these are depreciated. Details are shown in the [Statement of Total Movements in Reserves](#), (page 46).

Note 17: Capital Reserves

Useable Capital Receipts Reserve

These are capital receipts which are available to be used to finance capital expenditure or repay outstanding loan debt.

	Housing £'000	Other £'000	Total £'000
Balance at 31 st March 2005	-	1,000	1,000
Receipts from Sales of Assets etc.	16,345	1,722	18,067
Receipts applied for New Capital Expenditure	(6,050)*	(1,722)	(7,772)
Contribution to Housing Pooled Capital Receipts	(10,295)	-	(10,295)
Receipts Accrued from the Sale of Assets (net)	-	-	-
Balance at 31st March 2006	-	1,000	1,000

* including Housing General Fund.

Local Public Service Agreement (LPSA) Reward Capital Reserve

The background to this reserve is set out in note 16 to the Consolidated Revenue Account. Of the total capital amount estimated to be receivable of £2.501m, the sum of £0.053m was used to fund capital expenditure in 2005/06. The balance of £2.448m will be used to fund capital expenditure.

Note 18: General Fund Balance

The following Fund movements took place in the year:

	2004/05	2005/06
	£'000	£'000
Balance Brought Forward	3,189	3,857
Deficit transferred from Revenue Account	(1,178)	(1,889)
Net transfer between reserves	1,846	1,300
Balance Carried Forward 31st March	3,857	3,268

Note 19: Housing Revenue Account Reserves

The Authority is required, by law, to maintain an account called the Housing Revenue Account. The balance at the year end has to be carried forward into the following year via the Housing Revenue Account Reserve. This reserve includes amounts earmarked for specific purposes in addition to a General Reserve of working balances.

	Balance at 31st March 2005	2005/06 HRA Surplus / (Deficit)	Balance at 31st March 2006
	£'000	£'000	£'000
General Reserve	419	3,616	4,035
Other Reserves	2,425	(522)	1,903
	2,844	3,094	5,938
Major Repairs Reserve	-	-	-
Total HRA Reserves	2,844	3,094	5,938

Note 20: Other Specific Reserves

Local Management of Schools

These relate to preserved funds of schools for use in future years, under the terms of Dudley's budget delegation scheme. These reserves are committed to be spent in the education service and are not available to the authority for general use.

	Balance at 31st March 2005	Net Increase	Balance at 31st March 2006
	£'000	£'000	£'000
LMS Reserves including Foundation Schools	9,969	516	10,485

Other General Fund Reserves

These represent monies set aside for other specific purposes. Movements in the year are as follows:

	Balance at 31st March 2005 £'000	Net Transfer To General Fund Balance £'000	Net Transfer (To)/From Revenue Account £'000	Balance at 31st March 2006 £'000
Corporate Reserves:				
Capital Resources	13,980	(220)	(7,096)	6,664
Insurance Fund	7,926	(800)	986	8,112
Corporate ICT Strategy	453	-	(54)	399
Local Public Service Agreement (LPSA) Revenue Reward	-	-	2,501	2,501
Other	2,443		242	2,685
	24,802	(1,020)	(3,421)	20,361
Other Reserves:				
DGfL & Paragon grants in advance	6,716	-	137	6,853
Other Directorate Reserves	6,164	(280)	(1,568)	4,316
	12,880	(280)	(1,431)	11,169
Total Other General Fund Reserves	37,682	(1,300)	(4,852)	31,530

The background to the LPSA Revenue Reward Reserve is set out in note 16 to the Consolidated Revenue Account.

The DGfL (Dudley Grid for Learning) & Paragon reserve holds government support for these Private Finance Initiative projects which is payable early in the life of the projects.

Note 21: Liabilities and Commitments under Leases.

Deferred liabilities are liabilities to repay outstanding principal under finance leases over the term of the leases.

The Council held certain vehicles under finance leases during 2005/06. The book value, net of depreciation, at 31st March 2006 was £0.449m (2005 = £0.593m). The finance charge allocated to 2005/06 was £0.026m (2005 = £0.026m). The pattern of repayments of principal due under the finance leases is shown below.

Payable within	£'000
12 months	144
1-5 years	238
more than 5 years	0

The Council also has commitments under operating leases in future years. The amounts due in 2006/07, analysed by type of asset and the year of expiry of the leases, are shown below.

Rental due in 2006/07		
Leases Expiring in	Land and Buildings	Vehicles Plant and Equipment
	£'000	£'000
12 months	103	130
1-5 years	410	1215
more than 5 years	388	72

Dudley leases out certain properties. The value of land and buildings leased out during 2005/06, was £16.104m. In accordance with the code of practice, no depreciation is charged on these properties.

Note 22: Net Assets Employed

The net assets employed by the Council at the end of the year were:-

	Balance at 31st March 2005	Balance at 31st March 2006
	£'000	£'000
General Fund	866,482	839,827
Housing Revenue Account	2,844	5,938
Local Taxpayers' Equity	869,326	845,765

Note 23: Trust Funds

The Authority acts as trustee for the various funds detailed below. These funds have not been consolidated in the accounts of the Council, in order to comply with the Accounting Code of Practice.

	Balance at 31st March 2005 £'000	Income and Other Gains £'000	Expenditure £'000	Balance at 31st March 2006 £'000
Stevens Trust – provides amenities in Stourbridge & Lye	767	249	210	806
Earls High School Foundation – supports current & recent pupils of the school	162	10	4	168
Other Education Funds	57	2	1	58
Housing Funds – includes deposits & leaseholder funds	698	186	135	749
Social Services Funds – mainly held on behalf of residents	1,928	3556	3052	2432
Funds held on behalf of The Prince's Trust	4,425		500	3925
Funds from regeneration property transactions*	904	6	904	6
Other Funds	164	11	25	150
	9,105	3,828	4,639	8294

* To be shared amongst participating bodies.

The Ernest Stevens Trust comprises 4 separate trusts. Only the Stevens Park & Recreation Ground Foundation has investments which generate income. It also has land & property valued at £416k in accordance with the RICS Appraisal & Valuation manual. The other 3 trusts have land & property valued on a similar basis totalling £1,520k.

In compliance with the Statement of Recommended Practice for Charities, the accounts of the Stevens Trust and the Earls High School Foundation show investments at market value. This has resulted in an unrealised gain of £40k for the Stevens Trust, which is included above.

The Council is the Trustee of several trusts which administer public open spaces. The only assets of these trusts are the land and property concerned and no value is included in the table above.

The Council also administers some trust funds, the value of which is considered immaterial. They have therefore, not been included above.

Note 24: Related Companies

Dudley Council holds all the shares in a company known as Dudley and West Midlands Zoological Society Limited. (Registered address : The Broadway, Dudley, West Midlands, DY1 4QB). This company is engaged in zoological activities, and, through a wholly owned subsidiary, the provision of catering services, the operation of gift shops, and related activities on the Dudley Zoo site.

The Company's financial position for its two most recent accounting periods is summarised below. The figures are based on the latest Company's accounts, copies of which can be obtained from the Society at the above address.

	Year Ended 31st December 2004 £'000	Year Ended 31st December 2005 £'000
Total Assets less Liabilities.	439	621
Surplus / (Losses) on Ordinary Activities	(132)	182
Dividends Paid	Nil	Nil

The Company and its subsidiary are dependent for financial support on the Council. The Council is committed to providing additional support to ensure its ability to continue to trade.

Note 25: Euro Costs

No material costs have yet been incurred or committed. It is not yet possible to estimate what costs might be incurred in the future.

Note 26: Deferred Charges Movements

Where capital expenditure is incurred which does not result in an asset to the Authority, such as improvement grants to private house owners, the item is treated as a deferred charge for balance sheet purposes. Such charges are written-down within the period of benefit to the Authority. This will usually be one year.

	£'000
Balance at 31st March 2005	0
Spend in year	
- Housing Grants	3,883
- Foundation & Voluntary Aided Schools	2,503
- Other	1,095
Written-down in year	(7,481)
Balance at 31st March 2006	0

Note 27: Pensions

Local Government Pension Scheme (LGPS)

Dudley participates in the Local Government Pension Scheme, through the West Midlands Metropolitan Authorities Pension Fund. This is a funded, defined benefit scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level estimated to balance the pensions liabilities (to give specified benefits to retired members) with investment assets.

In 2005/06, contributions have been paid at a rate based on the actuarial valuation, dated 31st March 2005, by the Fund's professionally qualified Actuary. The main assumptions used by the actuary in assessing the overall position are:

	At 31st March 2005	At 31st March 2006
Rate of Inflation	2.9%	2.9%
Rate of Increase in Salaries	4.65%	4.65%
Rate of increase in Pensions	2.9%	2.9%
Rate for discounting scheme liabilities	5.4%	4.9%

The actuary has valued Dudley's share of the assets at the beginning and end of the period as follows:

Fair Value of Assets	Assets at 31st March 2005		Assets at 31st March 2006	
	Asset Value £m	Proportion of Holding	Asset Value £m	Proportion of Holding
Equities	298.5	75.3%	390.8	77.0%
Government Bonds	37.3	9.4%	40.6	8.0%
Other Bonds	17.8	4.5%	25.4	5.0%
Property	28.5	7.2%	35.5	7.0%
Cash/Liquidity	14.3	3.6%	15.2	3.0%
	396.4		507.5	

The actuary has used the rates of return given below in assessing the overall position.

Expected Rate of Return	2004/05	2005/06
Equities	7.5%	7.0%
Government Bonds	4.7%	4.3%
Other Bonds	5.4%	4.9%
Property	6.5%	6.0%
Cash/Liquidity	4.75%	4.5%

At 31st March 2006, Dudley had the following overall assets and liabilities for pensions within the West Midlands Metropolitan Authorities Pension Fund. The net liability has been included in the balance sheet, but will have no direct effect on Dudley's funding requirement from taxpayers.

	31st March 2005	31st March 2006
	£m	£m
Estimated Market Value of Assets	396.4	507.5
Estimated Liabilities in Scheme	(587.5)	(696.9)
(Deficit)	(191.1)	(189.4)

Teachers' Discretionary Awards

Dudley pays contributions to the Teachers Pension Scheme administered by the Department for Education and Skills, which is a defined benefit scheme. It is not possible to identify Dudley's share of the underlying assets and liabilities. The scheme is unfunded, but contributions are set by reference to a notional fund.

The discretionary benefits awarded to teachers by Dudley in past years form a separate defined scheme, which was valued as at 31st March 2004, and has been valued again as at 31st March 2006. In the intervening year, the liabilities were updated internally. Payments to pensioners are made by Dudley. The main assumptions used by the actuary in assessing the liability for these discretionary benefits as at 31st March 2006 were:

Rate of Inflation	2.9%
Rate of increase in Pensions	2.9%
Rate for discounting scheme liabilities	4.9%

There are no assets associated with these discretionary benefits. The liabilities have been valued by the actuary as at 31st March 2006 as £17.265m.

Other Liabilities

Dudley is responsible for certain payments to former employees, including under the Crombie compensation scheme for former Further Education staff. These liabilities have been estimated, on the basis of current payments, at £2.8m, at 31st March 2006, (31st March 2005 = £2.8m).

The table below summarises the movements on all pension liabilities.

Movements in Deficits during 2005/06	2005/06			
	LGPS including discretionary £'000	Teachers Discretionary £'000	Other £'000	Total £'000
Deficit at 1st April 2005	(191,101)	(14,684)	(2,780)	(208,565)
Actuarial revaluation		(2,163)		(2,163)
Restated Deficit at 1st April 2005	(191,101)	(16,847)	(2,780)	(210,728)
Current Service Cost	(22,245)			(22,245)
Employer Contributions	17,673	1,261	140	19,074
Past Service and Curtailment Costs	(95)			(95)
Past Service Gain (change in scheme rules)	11,623			11,623
Net Return on Assets/Interest on Liabilities (Loss)	(4,820)	(876)	(167)	(5,863)
Net Actuarial Loss	(429)	(803)		(1,232)
Deficit at 31st March 2006	(189,394)	(17,265)	(2,807)	(209,466)

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

This statement brings together all the recognised gains and losses of the authority during the year. Details of the various reserves, and the restrictions on their use, are given in notes to the Balance Sheet, to which references are given. The Fixed Asset Restatement Account and the Capital Financing Account relate to the valuation and financing of existing capital assets. They are therefore not cash backed and do not represent funds available to the authority.

2004/05		2005/06	
£'000		£'000	£'000
	Surplus/(Deficit) for the year		
668	- General Fund	(589)	
(2,104)	- Housing Revenue Account	3,094	
5,406	Add back Movements on specific revenue reserves	(5,636)	
(8,178)	Deduct Appropriation (from)/to Pensions Reserve	2,420	
(74,054)	Actuarial Gains and Losses relating to Pensions (Note 1)	(3,321)	
(78,262)	Total decrease in revenue resources (Note 2)		(4,032)
0	Increase in realised capital resources	2,448	
0	Total increase in realised capital resources (Note 3)		2,448
97,177	Gains/(losses) on revaluation of fixed assets	(29,099)	
0	Impairment losses on fixed assets due to general changes in prices	0	
97,177	Total Increase/(decrease) in unrealised value of fixed assets (Note 4)		(29,099)
(21,548)	Value of assets sold, disposed of, or decommissioned (Note 5)	(16,183)	(16,183)
21,701	Capital receipts	18,067	
(14,436)	Amount Payable to Housing Capital Receipts Pool	(10,295)	
2,929	Revenue resources set aside	3,354	
(1,919)	Receipts applied to fund premature debt repayment premiums	0	
11,492	Movement on Government Grants Deferred	11,745	
19,767	Total increase in amounts set aside to finance capital investment (Note 6)		22,871
17,134	Total recognised gains/(losses)		(23,995)

Note 1: Statement of Actuarial Gains and Losses	2002/03	2003/04	2004/05	2005/06
	£'000	£'000	£'000	£'000
Difference between Expected and Actual Return on Assets	(111,614)	38,525	15,364	74,519
Percentage of Assets	(41.3)%	11.5%	3.8%	14.7%
Liability Gain/(Loss) [effect of difference between actuarial assumptions on liabilities, and actual experience]	0	0	16,218	(16,804)
Percentage of Liabilities	0	0	2.8%	(2.4)%
Effect of Changes in Actuarial Assumption	0	0	(105,636)	(61,036)
Percentage of Liabilities	0	0	(18.0)%	(8.7)%
Net Actuarial Gain/(Loss)	(111,614)	38,525	(74,054)	(3,321)

Note 2: Movements in Revenue Reserves	General Fund Balances	HRA Balances	Earmarked Revenue Reserves	Pensions Reserve
	£'000	£'000	£'000	£'000
Surplus/(Deficit) for 2005/06	(1,889)	3,094		
Appropriations to/(from) revenue	1,300		(5,636)	2,420
Actuarial losses re. pensions				(3,321)
Sub-Total	(589)	3,094	(5,636)	(901)
Balance brought forward at 1st April 2005	3,857	2,844	47,651	(208,565)
Balance carried forward at 1st April 2006	(3,268)	5,938	42,015	(209,466)

Note 3: Movements in Realised Capital Resources	Usable Capital Receipts	LPSA Reward Capital Reserve
	£'000	£'000
Amounts receivable in 2005/06	18,067	2,448
Amounts applied to finance new capital investment in 2005/06	(7,772)	
Contribution to Housing Pooled Capital Receipts	10,295	
Total increase in realised capital resources in 2005/06	0	2,448
Balance brought forward at 1st April 2005	1,000	0
Balance carried forward at 1st April 2006	1,000	2,448

Note 4: Movements in Unrealised Value of Fixed Assets	Fixed Asset Restatement Account £'000
Loss on revaluation of fixed assets in year	(29,099)
Total decrease in unrealised capital resources in year	(29,099)

Note 5: Value of assets sold, disposed of or decommissioned

Amounts written off fixed asset balances for disposals in year	(16,183)
Total movement on reserve in year	(45,282)
Balance brought forward at 1st April 2005	678,264
Balance carried forward at 31st March 2006	632,982

See [Note 14](#) to
Balance Sheet

Note 6: Movement in amounts set aside to finance capital investment	Capital Financing Account £'000	Grants Deferred Account £'000	Total £'000
Capital receipts set aside in year			
- reserve receipts	0		
- useable receipts applied	7,772		
Total capital receipts set aside in year	7,772		7,772
Revenue resources set aside in year			
- capital expenditure financed from revenue	12,228		
- reconciling amount for provisions for loan repayment	(1,349)		
Major Repairs Reserve transactions (housing)	(44)		
- deferred charges written off to revenue	(7,481)		
Total revenue resources set aside in year	3,354		3,354
Grants applied to capital investment in year		15,463	
Amounts credited to the asset management revenue account in year		(3,718)	
Movement on Government Grants Deferred		11,745	11,745
Total increase in amounts set aside to finance capital investment			22,781
Total movement on reserve in year	11,126	11,745	
Balance brought forward at 1st April 2005	239,476	120,087	
Balance carried forward at 31st March 2006	250,602	131,832	
	See Note 15 to balance sheet	See Note 16 to balance sheet	

CASH FLOW STATEMENT

	2004/05		2005/06	
	£'000	£'000	£'000	£'000
Revenue Activities				
<i>Cash Outflows:</i>				
Cash paid to and on behalf of employees	255,163		321,595	
Other operating cash payments	218,527		279,552	
Housing Benefit paid out	19,710		17,225	
Housing Pooled Capital Receipts	14,436		10,295	
NNDR Payments to National Pool	79,900		78,823	
Precepts paid	11,500	599,236	12,038	719,528
Less: Cash Inflows:				
Rents (after rebates)	28,336		25,465	
Council Tax income	88,062		90,594	
NNDR receipts from National Pool	85,154		101,562	
Non-domestic rate receipts	79,421		78,348	
Revenue Support Grant	154,101		157,107	
DWP grants for benefits including rent rebates	72,094		73,959	
Other government grants (Note 5)	48,079		79,927	
Cash received for goods and services	81,587	636,834	121,702	728,664
Revenue Activities Net Cash In Flow		(37,598)		(9,136)
Servicing of Finance				
<i>Cash Outflows:</i>				
Interest paid (& premium)	13,402		12,044	
Interest element of finance lease rental p'ments	26	13,428	26	12,070
Less: Cash Inflows:				
Interest received		4,590		3,997
Servicing of Finance Net Cash Flow		8,838		8,073
Capital Activities				
<i>Cash Outflows:</i>				
Expenditure on fixed assets & deferred charges		73,563		67,724
Less: Cash Inflows:				
Sale of fixed assets	21,549		16,183	
Capital grants received (Note 5)	18,356		15,369	
Other capital income	4,440	44,345	5,024	36,576
Capital Activities Net Cash Flow		29,218		31,148
NET CASH OUTFLOW BEFORE FINANCING		458		30,085
Financing				
<i>Cash Outflows:</i>				
Repayments of amounts borrowed		52,896		26,544
Less: Cash Inflows:				
New short-term loans raised		40,600		37,544
Financing Activities Net Cash (In)/Out Flow		12,296		(11,000)
Decrease in Cash and Cash equivalents		(12,754)		(19,085)
TOTAL FINANCING		(458)		(30,085)

Note 1: Reconciliation of Revenue Cash Flow to Net Movement on Consolidated Revenue Account

	2004/05	2005/06
	£'000	£'000
Net Revenue movement on Consolidated Revenue Account	(668)	589
Deduct interest paid	(13,428)	(12,070)
Less deferred credits	(2,407)	(529)
Movement in reserves and provisions	(5,630)	(2,709)
Capital Financing Account	(8,275)	(11,125)
(Increase) in creditors	(2,556)	(1,889)
Increase in stock and work in progress	-	725
Interest received	4,590	3,997
Deferred charge	(5,395)	(7,481)
Increase/(Decrease) in debtors	(3,837)	21,418
Movement in Collection Fund Balance	8	(62)
Revenue Activities Net Cash Flow	(37,598)	(9,136)

Note 2: Movement in Cash and Cash Equivalents

	As at 31st	Movement	As at
	March		31st March
	2005		2006
	£'000	£'000	£'000
Temporary loan investments	33,725	(8,085)	25,640
Overdraft	(4,734)	(11,000)	(15,734)
Net Cash Inflow	28,991	(19,085)	9,906

Note 3: Other Movements

	As at 31st	Capital	Revenue	As at 31st
	March	Movement	Movement	March
	2005			2006
	£'000	£'000	£'000	£'000
Debtors	252,755	(3,568)	24,986	274,173
Creditors	(73,340)		(1,889)	(75,229)
Stock and Work in Progress	1,152		725	1,877
Net Movement	180,567	(3,568)	23,822	200,821

Note 4: Movement in Long Term Borrowing

	As at 31st March 2005 £'000	Movement £'000	As at 31st March 2006 £'000
Public Works Loan Board	381,174	9,984	391,158
Other	33,621		33,621
	414,795	9,984	424,779

Note 5: An analysis of the larger value grants is shown below:-

	£'000	£'000
Revenue:		
Standards Fund	13,246	
School Standard Fund	5,464	
Teachers Threshold Grant	6,525	
Black Country Connexions	11,787	
Other Education	10,799	
Social Services	13,356	
Community Safety	5,150	
Urban Environment	4,837	
Other	8,763	
Capital:		79,927
Education	10,409	
Regeneration Projects	988	
Housing	961	
Local Public Service Agreement	703	
Social Services	1,238	
Other Government Grants	1,070	15,369
TOTAL		95,296