



DUDLEY METROPOLITAN BOROUGH COUNCIL

STATEMENT OF ACCOUNTS FOR THE

YEAR ENDED 31st MARCH 2005

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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 approved by Dudley Metropolitan Borough Council's Audit Committee at the meeting held on 21st July 2005.

Signed on behalf of Dudley Metropolitan Borough Council:

.....
R. Burston,
Chair 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 2005.

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 2005, and its income and expenditure for the year then ended.



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

Date: 20th July 2005

DRAFT INDEPENDENT AUDITOR'S REPORT TO DUDLEY METROPOLITAN BOROUGH COUNCIL

I have audited the statement of accounts on pages 11 to 50 which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 to 15.

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 51 to 53 reflects compliance with CIPFA's Guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003'. 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, nor have I considered whether the statement of internal control covers all risks and controls. I am also not required 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 2005 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 2004 (ACOP).

The analysis by service in the Consolidated Revenue Account on page 16 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 main change in the 2004 ACOP is the requirement for local authorities to prepare group accounts where they have material interests in subsidiaries, associates or joint ventures. At present Dudley does not have material interests in other bodies.

There are lesser changes to the ACOP which affect Dudley:

- There is fuller disclosure about finance and operating leases, in line with the Statement of Standard Accounting Practice on Leasing (SSAP21).
- Purchased software licences may now be capitalised and shown on the balance sheet as intangible assets. This has been done in relation to both Dudley Council Plus and the new Corporate Financial Systems.

Changes to Housing finance have affected the appearance of the accounts.

- The format and content of the Housing Revenue Account has been modified to reflect changes in the Subsidy system: rent rebates are now a General Fund item, and negative housing subsidy is paid to the Government. Housing Set Aside (the Minimum Revenue Provision for Housing) has been abolished.
- The contribution to Housing Pooled Capital Receipts is shown in the Consolidated Revenue Account, matched by a transfer from the Usable Capital Receipts Reserve.

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

The pages which follow are the Authority's final accounts for 2004/05 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.

Included with the Statement of Accounts is the Statement on Internal Control on pages 51-53.

SUMMARY OF THE 2004/05 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 2004/05

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	185.672	185.672	-
Social Services	75.817	75.809	(0.008)
Urban Environment	48.655	48.805	0.150
Chief Executive's	8.907	8.907	-
Finance, ICT and Procurement	2.614	2.011	(0.603)
Law & Property	4.300	4.299	(0.001)
Housing (General Fund)	3.049	3.049	-
Total Service Costs	329.014	328.552	(0.462)
Use of Reserves	(1.639)	(1.177)	0.462
Net Revenue Expenditure	327.375	327.375	-
Revenue Support Grant	154.101	154.101	-
Business Rate Contributions (NNDR Pool)	85.154	85.154	-
Collection Fund Income	88.070	88.070	-
Collection Fund Surplus	0.050	0.050	-
Total Funding	327.375	327.375	-

The variance on Urban Environment related mainly to waste issues, which was more than offset by better than anticipated investment performance shown against Finance, ICT and Procurement.

The services are shown here as they are operated by the Council, and do not exactly match the standard definitions in the Consolidated Revenue Account. The figures here show the full service expenditure, 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 2004/05

A summary of the Council's total accrued capital expenditure of £65.855m in the year is shown below.

	£m	£m
Housing		
Central Heating, Rewiring & Insulation	6.449	
Structural Repairs	8.191	
Void Property Improvements	3.928	
Window Replacement	1.128	
Adaptations	1.143	
Other Public Sector Improvements	3.998	
Private Sector	3.103	
		27.940
Education and Lifelong Learning		
Campus 21 (Brier School Replacement)	0.482	
The Grange - Windows & Mobile Replacement	0.770	
Nursery Projects	0.731	
High Arcal - Mobile Replacement & Specialist Science project	0.509	
Windsor High - Extension	0.614	
Access Projects	0.512	
Holly Hall - Design & Technology project	1.626	
Netherton Neighbourhood Centre	0.528	
Wollescote Primary - Mobile Replacement	0.421	
Pensnett School of Technology - Sports Facilities	0.332	
Lapal Primary - Mobile Replacement	0.302	
Other Schools and Education projects	8.340	
		15.167
Highways & Transport		
Structural Maintenance of Roads and Bridges	4.895	
Pedestrian, Cycling and other Safety schemes	0.858	
Other Improvements	2.401	
		8.154
Other Services		
ICT Developments	2.874	
Derelict Land and Limestone Schemes	2.189	
Business Parks Network	0.490	
Other Economic Regeneration projects	0.520	
Social Services Projects	0.513	
Gornal Wood Cemetery Extension	0.544	
Green Park	0.341	
Other Culture and Community projects	0.631	
Dudley Council Plus	1.654	
Vehicle & Plant Replacement	1.335	
Kerbside Recycling	0.925	
Structural Maintenance of Buildings and Other Projects	2.578	
		14.594
TOTAL EXPENDITURE		65.855
Loan	22.258	
Capital Receipts	5.346	
Major Repairs Allowance (Housing)	14.547	
Revenue	3.735	
Grants / Contributions (inc Lottery)	19.969	
TOTAL FUNDING		65.855

BORROWING FACILITIES

At 31st March 2005, the Council's external borrowing amounted to £415.0m. (31st March 2004 £427.3m), 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 2005/06 on 7th March 2005. The capital programme for 2005/06 was reviewed on 28th February 2005.

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

REVENUE	£m
Revenue Support Grant	157.107
Business Rate Contributions	101.562
Council Tax	90.532
Use of Balances - General Fund	2.000
Use of Balances - Collection Fund	0.021
TOTAL REVENUE BUDGET	351.222

CAPITAL	£m
Loan	21.643
Revenue	18.914
Major Repairs Allowance (Housing)	13.586
Capital Receipts	6.478
Grants and Contributions (including Lottery)	23.522
TOTAL CAPITAL PROGRAMME	84.143

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. For the first time, purchased software licenses are being 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 2004, 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 2004/05 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 2004. Depreciation is charged on new assets in the year following acquisition, except that, starting from these accounts, 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. The effect in 2004/05 is a charge of £0.190m, which would have fallen into subsequent years.

In 2004/05 the specified notional rates of interest for capital charges were 3.5% for assets included in the Balance Sheet at current value, and 4.8 % 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 2005 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 2005 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 have therefore been renamed as 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 2005, 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: (this term replaces the former "Unapportionable Central Overheads") Capitalised costs of early retirements awarded in the year; costs of unused shares of 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 employers 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.

These policies represent a change from the accounting policies applied before 2003/04. Previous policy was to recognise liabilities only when employers contributions to the pension fund, or payments to directly paid pensioners, fell due. The new policies better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

Change of Estimation technique for pension liabilities:

The discount rate used for estimating the present value of future liabilities of defined benefit pension schemes has been changed. Until 2003/04 the rate used was a rate determined each year by the Government Actuaries Department based on the assumed long-term real rate of return expected to be earned on a portfolio of long-dated index-linked stocks. From 2004/05 onwards the rate will be 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." If this rate had been used in the previous year's accounts, the net liability for pensions at 31st March 2004 would have been increased by £64.354m to £190.687m.

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 was professionally valued in 2003/04, and subsequently updated internally

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 no longer applies 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.

CONSOLIDATED REVENUE ACCOUNT

2003/04		2004/05		
Net Expenditure £'000		Expenditure £'000	Income £'000	Net Expenditure £'000
165,098	Education Services	233,501	(56,878)	176,623
20,255	Housing Revenue Account	91,832	(65,203)	26,629
2,901	Other Housing Services (inc. Payment of Housing Benefit and rate rebates)	67,038	(64,012)	3,026
66,750	Social Services	106,021	(29,612)	76,409
36,596	Cultural, Environmental & Planning	53,453	(15,589)	37,864
16,094	Highways & Transport	19,783	(1,919)	17,864
3,536	Central Services	22,506	(19,546)	2,960
295	Court Services (Coroners)	309	0	309
8,421	Corporate & Democratic Core	10,811	(1,540)	9,271
908	Non Distributable Costs	267	0	267
353	Discontinued Service – Magistrates Courts	409	(42)	367
321,207	Net Cost of Services	605,930	(254,341)	351,589
1,140	National Rivers Authority Levy			94
13,250	West Midlands Passenger Transport Authority Levy			13,744
(210)	Trading Account Surpluses (Note 1)			(206)
(29,982)	Asset Management Revenue Account Balance (Note 2)			(38,230)
0	Contribution to Housing Pooled Capital Receipts			14,436
(2,650)	Interest & Investment Income			(3,094)
6,851	Finance Cost/(Gain) re. Pensions (Note 4)			5,622
(924)	Investment income re. Birmingham Airport			(935)
308,682	Net Operating Expenditure			343,020
5,351	Transfers to Capital Financing Account re Minimum Revenue Provision (Note 5)			3,706
(6,068)	Transfers from Capital Financing Account re Deferred Charges			(5,395)
1,416	Capital Expenditure Charged to Revenue			3,735
(567)	Transfer from Reserves to General Fund Balance			(1,846)
(5,701)	Transfer from Pensions Reserve			(8,178)
0	Transfer from Usable Capital Receipts equal to Contribution to Housing Pooled Capital Receipts			(14,436)
1,480	Transfer to/(from) Housing Reserves			(1,151)
6,943	Transfer to Other Reserves			7,252
311,536	Amount to be met from Government Grants and Local Taxpayers			326,707
(134,604)	Revenue Support Grant			(154,101)
(89,319)	Income from National Non-Domestic Rates Pool (NNDR)			(85,154)
(496)	Transfer in Respect of Previous Years Surplus on Collection Fund			(50)
(86,538)	Collection Fund Demand			(88,070)
579	(Surplus)/Deficit for the year			(668)
(3,768)	Balance at the beginning of the year			(3,189)
(3,189)	Balance at the end of the year			(3,857)

Note 1: Trading Services

	Market		Industrial Estates		Other Land & Property	
	03/04 £'000	04/05 £'000	03/04 £'000	04/05 £'000	03/04 £'000	04/05 £'000
Income	281	282	285	275	1,076	1,181
Expenditure	131	145	313	312	988	1,075
Surplus / (Deficit) included in Consolidated Revenue Account	150	137	(28)	(37)	88	106

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:-

2003/04 £'000		2004/05 £'000
INCOME		
24,026	Capital Charges - General Fund	28,127
26,236	- Housing Revenue Account	28,885
2,472	- Grants written down	5,591
52,734		62,603
LESS EXPENDITURE		
8,809	Depreciation	11,376
13,943	External interest paid	12,997
22,752		24,373
29,982	Balance to Consolidated Revenue Account	38,230

Note 3 - Fees paid to Auditors

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

2003/04 £'000		2004/05 £'000
236	Statutory Audit work	256
102	Inspection Work	67
102	Audit of Grant Claims	116
440	Total	439

Note 4: Pension Costs

Teachers

In 2004/05, the Council paid £11.843m to the Department for Education and Skills (2003/04 = £11.346m) in respect of teachers' pension costs, based on a contribution rate of 13.5% (2003/04 = 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 2004/05 these amounted to £1.372m, (2003/04 = £1.246m) being 1.56% 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.

2003/04		2004/05			
£000		LGPS including discretionary £'000	Teachers Discretionary £'000	Other £'000	Total £'000
(16,461)	The amount actually charged to revenue accounts in the period i.e. the employers contributions paid to the pension fund, and recharged discretionary pensions.	(16,453)	(1,372)	(140)	(17,965)
14,403	The current service cost, i.e. the amount of pension entitlement earned in the year, less employees' own contributions to the pension fund.	20,254	0	0	20,254
856	Past service costs, such as discretionary awards made in year	173	78	0	251
52	Losses on curtailments - e.g. when a service moves out of the authority	16	0	0	16
908	Included in Non-Distributable Costs	189	78	0	267
25,863	The interest cost i.e. the increase in liability because benefits are one year nearer to being paid out	28,266	904	165	29,335
(19,012)	The expected return on assets in the scheme – based on long term expectations at the beginning of the period	(23,713)	0	0	(23,713)
6,851	Finance Cost/(Gain) re. Pensions	4,553	904	165	5,622
(5,701)	Adjusting transfer to/(from) pensions reserve	(8,543)	390	(25)	(8,178)

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 £6.416m (2003/04 = £7.053m) 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.

2003/04	2004/05
£'000	£'000
7,053 Statutory Minimum Revenue Provision	6,416
7,107 Adjustment for Capital Grants written down	8,478
(8,809) Provision for depreciation already charged: General Fund	(11,376)
5,351 Additional Charge to Revenue Account	3,518
0 Voluntary Revenue Provision	188
5,351 Total Charge to Revenue	3,706

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 and I.C.T. equipment.

Operating lease rentals paid in the year amounted to £1.813m (2003/04 = £2.212m); of this £1.241 related to vehicles and grounds maintenance equipment, £0.324m to ICT equipment, and £0.248m to central heating in council dwellings.

Finance lease rentals paid in the year amounted to £0.166m (2003/04 = £0.005m). The 2004/05 payment very largely relates to vehicles.

Details of the outstanding obligations are given in Note 21 to the Balance Sheet.

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 2004/05.

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 2004/05 amounted to £1.446m (2003/04 = £1.230m). 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 £0.414m (2003/04 = £0.409m). Related expenditure amounted to £0.392m (2003/04 = £0.380m).

Note 10: Remuneration

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

	2003/04	2004/05
	No.	No.
£50,000 - £59,999	44	47
£60,000 - £69,999	8 *	15*
£70,000 - £79,999	1	3
£80,000 - £89,999	5	4
£90,000 - £99,999	1	2
£100,000 - £109,999	1	1

* These numbers include 1 member of staff (2003/04 = 1) who has received payments in addition to normal remuneration.

Note 11: Members Allowances

During the year, £0.651m was paid as allowances to Council members, under the Members Allowances (Amendment) Regulations 1995 (2003/04 = £0.599m).

Note 12: Related Party Transactions

Members of the Authority

In respect of the 2004/05 financial year, works and services to the value of £1.9m 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	120,173	
	Capital Grants	18,356	
West Midlands Police	Precept		7,713
West Midlands Fire and Civil Defence	Precept		3,787

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. All figures given assume full performance; failure of performance will attract penalties from the contractors.

Dudley Grid For Learning

In 2005/06 the authority is committed to making payments estimated at £5,427,000 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 2005/06 the authority is committed to making payments estimated at £2,583,000 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 £272,000 for business rates, utilities and free school meals.

Sedgley Health, Library and Social Care Project

In 2005/06 the authority is committed to making payments estimated at £184,000 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: -

2003/04 Total £'000		2004/05 Chargeable £'000	2004/05 Non-Chargeable £'000	2004/05 Total £'000
638	Income from Charges	621		621
747	Expenditure	580	226	806
(109)	Surplus/(Deficit) for the year	41	(226)	(185)

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 2004/05 the Partnership incurred expenditure amounting to £2.649m on the promotion of casualty reduction across the West Midlands Region, of which Dudley's proportion was £49k.

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 £87,720

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 £77,520 from the Local Authority and £10,200 from Dudley South Primary Care Trust.

Learning Disability Development Fund – Expenditure £113,000

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.

Placements of Children with Disabilities – Expenditure £1,365,080

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 £669,646 from Social Services Directorate, £491,922 from Education and Lifelong Learning directorate and £203,512 from the Dudley Primary Care Trusts.

Falls Prevention Service – Expenditure £79,200

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 £22,400 from the Local Authority and £56,800 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.

HOUSING REVENUE ACCOUNT

	2003/04 £'000	2004/05 £'000
Income		
Dwellings Rent	61,793	62,306
Non-Dwellings Rent	484	495
Charges for services and facilities	140	141
Contribution towards expenditure	501	545
Housing Revenue Account subsidy receivable (Note 11)	26,650	0
Supporting People Grant	1,738	1,716
Total income	91,306	65,203
Expenditure		
Contribution to Housing Repairs Account (Note 4)	20,112	21,428
Supervision and Management	12,950	12,747
Rent, Rates, Taxes & Other Charges	1,858	2,025
Rent Rebates	36,510	0
Item 10 Subsidy Adjustment	0	509
Negative Subsidy (Note 11)	0	11,800
Provision for bad debts	382	287
Cost of Capital Charge (Note 7)	26,236	28,885
Depreciation & Impairments of Fixed Assets (Note 8)	13,662	13,593
Debt Management Costs	97	97
Total expenditure	111,807	91,371
Net Deficit on Cost of Service	(20,501)	(26,168)
Net HRA Income on the Asset Management Revenue Account	22,841	26,149
Amortised premiums & discounts	(104)	(248)
HRA Investment Income (including Mortgage Interest)	460	561
Net Operating Surplus	2,696	294
Revenue Contribution to Capital Expenditure	0	(1,445)
HRA Contribution to Minimum Revenue Provision	(1,216)	0
Transfer from Major Repairs Reserve	48	37
Total surplus or (deficit) for the year	1,528	(1,114)
Surplus at the beginning of the year	2,430	3,958
Surplus at the end of the year	3,958	2,844

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.

Rent rebates are now a charge on the General Fund, supported by specific grant. This change affects the housing subsidy calculation, so that the Housing Revenue Account pays subsidy into a national pool. The overall affect on Dudley is intended to be neutral.

The Item 10 Subsidy Adjustment is a payment to the General Fund to compensate for benefit subsidy limitation

The requirement to set aside a proportion of receipts from the sale of council houses to repay debt has been replaced by a requirement to contribute to a national pool. This contribution is shown in the Consolidated Revenue Account. The requirement to make a revenue provision to repay housing debt has ended.

Note 1: Housing Stock

The Council was responsible for managing on average 24,306 dwellings during 2004/05. The stock at the year end was made up as follows:

Traditional Houses and Bungalows	15,106
Non-traditional Houses and Bungalows	1,001
Flats	7,960
Stock at 31st March 2005	24,067

The change in stock can be summarised as follows.

Stock (restated) at 1st April 2004	24,545
Less: Sales, Demolitions etc.	478
Stock at 31st March 2005	24,067

Note 2: Fixed Assets

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

	31st March 2004	1st April 2004	31st March 2005
	£'000	£'000	£'000
i) Operational assets, comprising			
Dwellings	732,955	822,388	812,915
Other land & buildings	3,149	2,934	2,514
	736,104	825,322	815,429

The change in values between 31st March 2004 and 1st April 2004 reflects the revaluation as at 1st April 2004.

- i) Non operational assets : Not material
- ii) The vacant possession value of dwellings within the authority's HRA at 1st April 2004 was £1,469m compared with a social housing value of £822m.

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 2004	990
Amount transferred to the Major Repairs Reserve during the financial year	13,594
LESS:	
Amount transferred from the Major Repairs Reserve to the Housing Revenue Account during the financial year	(37)
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	(14,547)
Balance on the Major Repairs Reserve at 31st March 2005	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 2004	5,808
Amount transferred to the housing repairs account during the financial year	21,428
Less: Repairs & Maintenance	(19,530)
Balance as at 31st March 2005	7,706

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
Loan	3,854
Revenue	1,445
Capital Grants	295
Capital receipts	4,695
Major Repairs Allowance	14,547
	24,836

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	20,203
Other land & buildings	941
	21,144

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	28,784
Other land & buildings	101
	28,885

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

	£'000
Cost of capital charge	28,885
Less: Item 8 interest (the statutory charge)	2,736
Capital charges accounting adjustment	26,149

Note 8: Depreciation

The total charge for depreciation within the Housing Revenue Account

	£'000
Operational assets	
Dwellings	13,556
Other land & buildings e.g. shops	37
	13,593

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	8,835
Allowance for maintenance	18,419
Allowance for major repairs	13,556
Charges for capital	5,362
Other items of reckonable expenditure	4
Rent	(57,863)
Interest on receipts	(50)
Defects repurchases loan	40
Prior Year Adjustment	(103)
Total (Negative Subsidy)	(11,800)

Note 12: Rent Arrears

	31st March 2004 £'000	31st March 2005 £'000
Current Tenants	1,531	1,618
Former Tenants	3,133	2,881
Total	4,664	4,499

A bad debt provision has been made in the accounts in respect of potentially uncollectable rent arrears. The value of this provision was £3.831m at 31st March 2005 (£4.056m at 31st March 2004).

COLLECTION FUND

2003/04		2004/05
£'000		£'000
81,044	Council Tax (net)	82,881
15,820	Transfers from General Fund: Net Benefits	16,805
74,002	Business Rates (net of provisions and reliefs)	79,900
(3)	Adjustments of Community Charges for Previous Years (Note 3)	(82)
170,863	Total Income	179,504
	Precepts and Demands:	
6,836	West Midlands Police Precept	7,713
3,505	West Midlands Fire & Civil Defence Precept	3,787
86,539	Dudley MBC General Fund Demand	88,070
96,880		99,570
	Business Rates:	
73,522	Payment to National Pool (Note 2)	79,421
480	Costs of Collection	479
74,002		79,900
	Increased/(Decreased) Provision for Doubtful Debts:	
(46)	Council Tax	(72)
(27)	Community Charge (Note 3)	(83)
(73)		(11)
496	Transfer to General Fund – Prior Year's Estimated Surplus	50
171,305	Total Expenditure	179,509
(442)	Collection Fund Deficit for the year	(5)
493	Surplus at 1st April brought forward	49
51	TOTAL COLLECTION FUND SURPLUS AT 31ST MARCH	44
(2)	Surplus to be distributed to preceptors	(3)
49	DUDLEY MBC COLLECTION FUND SURPLUS	41

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 2004/05 was 96,308.59 calculated as follows:

Band	Number of Dwellings (adjusted for discounts, exemptions etc.)	Multiplier	Band D Equivalent
A Disabled	82.00	5/9	45.56
A	34,129.00	6/9	22,752.67
B	32,536.25	7/9	25,305.97
C	25,984.75	8/9	23,097.56
D	14,315.75	1	14,315.75
E	5,830.00	11/9	7,125.56
F	2,092.50	13/9	3,022.50
G	867.50	15/9	1,445.83
H	85.00	18/9	170.00
Total Band D equivalent			97,281.40
Assumed Collection Rate			99%
NET BAND D EQUIVALENT			96,308.59

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 45.6p for 2004/05, 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 2005 was £204.433m (31st March 2004 = £206.396m). 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.

CONSOLIDATED BALANCE SHEET

31st March 2004 £'000		31st March 2005	
		£'000	£'000
	Fixed Assets (Note 1)		
0	Intangible Assets		2,690
	Tangible Fixed Assets		
	Operational Assets:		
732,955	Council Dwellings		812,915
284,441	Other Land & Buildings		304,389
6,257	Community Assets		7,595
122,076	Infrastructure		124,595
5,696	Vehicles, Plant, Furniture & Equipment		7,797
	Non-Operational Assets:		
9,777	Investment Properties		12,340
1,161,202			1,272,321
21,282	Long Term Investments (Note 4)		21,282
18,308	Premature Debt Repayment Premiums (Note 5)		15,901
	Long Term Debtors (Note 6):		
1,148	Mortgages		661
218,227	Other		215,042
1,420,167	Total Long Term Assets		1,525,207
	Current Assets:		
1,152	Stocks & Stores (Note 7)	1,152	
37,217	Debtors (Note 8)	37,052	
46,100	Short Term Investments (Note 4)	33,725	
84,469		71,929	
	Current Liabilities:		
4,355	Cash Overdrawn	4,734	
70,784	Creditors (Note 9)	73,340	
7,383	Provisions (Note 10)	9,711	
11,970	Temporary Borrowing	170	
94,492		87,955	
(10,023)	Net Current Assets/(Liabilities)		(16,026)
(415,291)	Long Term Borrowing (Note 12)		(414,796)
0	Deferred Liabilities (Note 21)		(593)
(126,333)	Pension Liability (Note 27)		(208,565)
868,520	Total Net Assets		885,227
	Represented by:		
991	Deferred Capital Receipts (Note 13)		572
602,635	Fixed Asset Restatement Account (Note 14)		678,264
231,201	Capital Financing Account (Note 15)		239,476
108,595	Grants Deferred Account (Note 16)		120,087
1,000	Useable Capital Receipts Reserve (Note 17)		1,000
(126,333)	Pension Reserve (Note 27)		(208,565)
3,189	General Fund Balance (Note 18)		3,857
	Reserves:		
4,948	Housing Revenue Account Reserves (Note 19)		2,844
9,235	Local Management of Schools (Note 20)		9,969
33,010	Other (Note 20)		37,682
49	Collection Fund Balance		41
868,520	Total Local Taxpayers' Equity		885,227

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 2004	746,569	295,453	6,257	141,189	10,729	-	9,848	1,210,045
Revaluations and Restatements	75,819	3,511	-	-	-	-	2,492	81,822
Value at 1st April 2004	822,388	298,964	6,257	141,189	10,729	-	12,340	1,291,867
Additions & Enhancements	23,973	22,273	1,338	6,364	3,805	2,690	-	60,443
Disposals	(19,890)	(1,658)	-	-	-	-	-	(21,548)
Gross Book Value at 31st March 2005	826,471	319,579	7,595	147,553	14,534	2,690	12,340	1,330,762
Accumulated Depreciation	-	(9,326)	-	(19,113)	(5,033)	-	-	(33,472)
Depreciation for Year	(13,556)	(5,864)	-	(3,845)	(1,704)	-	-	(24,969)
Depreciation at 31st March 2005	(13,556)	(15,190)	-	(22,958)	(6,737)	-	-	(58,441)
Net Book Value at 31st March 2005	812,915	304,389	7,595	124,595	7,797	2,690	12,340	1,272,321

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 a change in categorization 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 ODPM guidance on Stock Valuation for Resource Accounting. For 2004/05 the 2002 values have been indexed to values appropriate as at 1st April 2004.

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 2005 were as follows:

	Number	
Operational Assets		
Residential & Day Care Establishments:		
Childrens Homes	6	
Homes for Older People	9	
Homes for People with Disabilities	4	
Centre for People with Physical and Sensory Disabilities	1	
Social Education Centres	4	
Centres for People with Physical Disabilities	2	
Employment Preparation Unit	1	
Day Centres for Older People	4	
Day Centres for People with Mental Illness	3	
Council Dwellings	24,067	
Town Halls	4	
Administrative Properties	27	
Off-street Car Parks	79	
Leisure Centres and Pools	12	
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 2005 included the following schemes:

	£'000
Public Sector Housing	2,592
Education & Lifelong Learning	6,070
Highways & Transport	852
Other projects	1,178
Total	10,692

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 2005.

	31st March 2004 £'000	31st March 2005 £'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	46,100	33,725
Total Investments	67,382	55,007

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 2005 the net premiums are as follows

Total 31st March 2004 £'000	Dudley 31st March 2005 £'000	Ex W.M.C.C. 31st March 2005 £'000	Total 31st March 2005 £'000
18,308	7,286	8,615	15,901

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	31st March
	2004	2005
	£'000	£'000
Dudley Activities:		
Mortgages – Sold Properties	991	572
Other Mortgages	157	89
Other Local Authorities	1,020	973
Employee Loans	387	295
Loans to Individuals and Other Bodies	443	428
	2,998	2,357
Ex. WMCC Activities		
Other Local Authorities	216,377	213,346
	219,375	215,703

Note 7: Stocks and Stores

An analysis of Stocks and Stores is shown below.

	31st March	31st March
	2004	2005
	£'000	£'000
Housing	582	597
Engineering & Transportation	310	362
Other	260	193
	1,152	1,152

Note 8: Debtors

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

	31st March 2004 £'000	31st March 2005 £'000
1. General		
Council Tax/Community Charge Payers	4,323	4,315
Non-Domestic Rate Payers	2,437	3,139
Housing Tenants	4,305	4,172
Government Departments	13,380	7,406
Other Debtors	18,983	22,465
	43,428	41,497
Less Provisions for Doubtful Debts:		
Council Tax/Community Charge Payers	(2,561)	(2,550)
Non-Domestic Rate Payers	(1,229)	(1,701)
Housing Tenants	(4,276)	(4,097)
Other Debtors	(1,962)	(1,665)
	33,400	31,484
2. Payments in Advance	3,817	5,568
Total Debtors	37,217	37,052

Note 9: Creditors

An analysis of creditors is shown below.

	31st March 2004 £'000	31st March 2005 £'000
1. General		
Inland Revenue	6,101	6,841
Other Government Departments	1,832	6,488
Other Public Bodies	3,384	3,727
Rent & Council Tax/Community Charge Payers	1,392	1,081
Sundry Creditors	43,594	40,868
	56,303	59,005
2. Receipts in Advance		
Government Departments	12,238	8,088
Others	2,243	6,247
	14,481	14,335
Total Creditors	70,784	73,340

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 2004 £'000	Net Increase/ (Decrease) £'000	Balance at 31st March 2005 £'000
Housing Repairs Account	5,808	1,898	7,706
Schools - Delegated Scheme	1,233	469	1,702
Other Services	342	(39)	303
	7,383	2,328	9,711

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 2004/05, the Council carried self-funded insurance on the following risks:

	£'000 per Claim
Fire and Special Perils:	
(i) Education Properties	250
(ii) General Properties	100
Subject to an aggregate limit of £850,000* (£825,000 up to 30 th September 2004)	
Legal Liability Risks	118.6
Subject to an aggregate limit of £3,100,000.	

A number of compensation claims and blight notices have been initiated, or are likely to be initiated, following the Council's major road and transport schemes. The extent to which any of these potential claims will be made 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.

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 2005 by maturity dates, including £238.0m relating to the former West Midlands County Council debt.

Source of Borrowing	Total 31st March 2004 £'000	Dudley 31st March 2005 £'000	Ex W.M.C.C. 31st March 2005 £'000	Total 31st March 2005 £'000
Public Works Loan Board	381,669	160,008	221,166	381,174
Stock	13,568	6,784	6,784	13,568
Other Sources	20,054	10,054	10,000	20,054
	415,291	176,846	237,950	414,796

Total borrowings at 31st March 2005 are repayable as follows:

Maturity within:	£'000
12 months	18,015
1-2 years	9,324
2-5 years	31,864
5-10 years	46,498
more than 10 years	309,095
	414,796

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 2004	602,635
Unrealised gains on revaluation and restatement of fixed assets	97,177
Disposal of Fixed Assets	(21,548)
Balance at 31st March 2005	678,264

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 2004	231,201
Capital Financing 2004/05:	
Capital Receipts	5,346
Revenue	3,735
Major Repairs Reserve	14,547
Adjustment to match Minimum Revenue Provision 2004/05	3,518
Voluntary Revenue Provision	188
Transfer to Major Repairs Reserve of HRA Depreciation	(13,593)
Write down of deferred charges	(5,395)
Write down of capital debtors	(71)
Balance at 31st March 2005	239,476

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 45).

Note 17: Usable 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 2004	-	1,000	1,000
Receipts from Sales of Assets etc.	21,271	430	21,701
Receipts applied For New Capital Expenditure	(5,346)	-	(5,346)
Receipts applied to fund premature debt repayment premiums	(1,489)	(430)	(1,919)
Contribution to Housing Pooled Capital Receipts	(14,436)	-	(14,436)
Receipts Accrued from the Sale of Assets (net)	-	-	-
Balance at 31st March 2005	-	1,000	1,000

Note 18: General Fund Balance

The following Fund movements took place in the year:

	2003/04 £'000	2004/05 £'000
Balance Brought Forward	3,768	3,189
Deficit transferred from Revenue Account	(1,146)	(1,178)
Net transfer between reserves	567	1,846
Balance Carried Forward 31st March	3,189	3,857

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 2004 £'000	2004/05 HRA Surplus / (Deficit) £'000	Balance at 31st March 2005 £'000
General Reserve	559	(140)	419
Other Reserves	3,399	(974)	2,425
	3,958	(1,114)	2,844
Major Repairs Reserve	990	(990)	0
Total HRA Reserves	4,948	(2,104)	2,844

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 2004 £'000	Net Increase £'000	Balance at 31st March 2005 £'000
LMS Reserves including Foundation Schools	9,235	734	9,969

Other General Fund Reserves

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

	Balance at 31st March 2004 £'000	Net Transfer To General Fund Balance £'000	Net Transfer (To)/From Revenue Account £'000	Balance at 31st March 2005 £'000
Corporate Reserves:				
Capital Resources	8,626		5,354	13,980
Insurance Fund	7,519	(200)	607	7,926
Corporate ICT Strategy	1,520		(1,067)	453
Other	2,773	(600)	270	2,443
	20,438	(800)	5,164	24,802
Other Reserves:				
DGfL & Paragon grants in advance	5,813		903	6,716
Other Directorate Reserves	6,759	(1046)	451	6,164
	12,572	(1046)	1,354	12,880
Total Other General Fund Reserves	33,010	(1,846)	6,518	37,682

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 acquired £736k of vehicles under finance leases during 2004/05. The book value, net of depreciation, at 31st March 2005 is £593k. The finance charge allocated to 2004/05 was £26k. The pattern of repayments of principal due under the finance leases is shown below

Payable within	£'000
12 months	144
1-5 years	381
more than 5 years	0

The Council also has commitments under operating leases in future years of £3.390m (2003/04 = £4.585m). The amounts due in 2005/06, analysed by the year of expiry of the leases, are shown below.

Leases Expiring in	Rental due in 2005/06 £'000
12 months	327
1-5 years	600
more than 5 years	133

Note 22: Net Assets Employed

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

	Balance at 31st March 2004	Balance at 31st March 2005
	£'000	£'000
General Fund	863,572	882,383
Housing Revenue Account	4,948	2,844
Local Taxpayers' Equity	868,520	885,227

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 2004	Income and Other Gains	Expenditure	Balance at 31st March 2005
	£'000	£'000	£'000	£'000
Stevens Trust	753	182	168	767
Earls High School Foundation	150	12	0	162
Other Education Funds	55	2	0	57
Housing Funds	675	165	142	698
Social Services Funds	1,621	2,142	1,835	1,928
Funds held on behalf of The Prince's Trust	5,000	0	575	4,425
Funds from regeneration property transactions*	0	904	0	904
Other Funds	177	7	20	164
	8,431	3,414	2,740	9,105

* To be shared amongst participating bodies.

The Stevens Trust includes the existing use value at £0.416 of Stevens Park, which does not generate any income.

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 £13,825 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. It should be noted that information for the most recent period remains subject to audit.

	Accounting Period Ended 31st December 2003 £'000 (10 months only)	Year Ended 31st December 2004 £'000
Total Assets less Liabilities.	179	439
(Losses) on Ordinary Activities	(47)	(132)
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 2004	0
Spend in year	5,395
Written-down in year	(5,395)
Balance at 31st March 2005	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 2004/05, contributions have been paid at a rate based on the actuarial valuation, dated 31st March 2001, by the Fund's professionally qualified Actuary. The latest triennial valuation, as at 31st March 2004, determines the contribution rate from 1st April 2005.

The main assumptions used by the actuary in assessing the overall position are:

	At 31st March 2004	At 31st March 2005
Rate of Inflation	2.8%	2.9%
Rate of Increase in Salaries	4.3%	4.65%
Rate of increase in Pensions	2.8%	2.9%
Rate for discounting scheme liabilities	6.3%	5.4%

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 2004		Assets at 31st March 2005	
	Asset Value £m	Proportion of Holding	Asset Value £m	Proportion of Holding
Equities	256.3	76.5%	298.5	75.3%
Government Bonds	32.5	9.7%	37.3	9.4%
Other Bonds	13.7	4.1%	17.8	4.5%
Property	24.5	7.3%	28.5	7.2%
Other Assets	8.0	2.4%	14.3	3.6%
	335.1		396.4	

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

Expected Rate of Return	2003/04	2004/05
Equities	7.5%	7.5%
Government Bonds	4.7%	4.7%
Other Bonds	5.5%	5.4%
Property	6.5%	6.5%
Other Assets	4.0%	4.75%

At 31 March 2005, 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 2004	31st March 2005
	£m	£m
Estimated Market Value of Assets	335.1	396.4
Estimated Liabilities in Scheme	443.6	587.5
(Deficit)	(108.5)	(191.1)

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 has been valued as at 31st March 2005. 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 2004 were:

Rate of Inflation	2.8%
Rate of increase in Pensions	2.8%
Rate for discounting scheme liabilities	6.3%

The liability for discretionary benefits has been updated to 31st March 2005.

There are no assets associated with these discretionary benefits. The liabilities have been valued by the actuary as at 31st March 2004 as £15.1m, and updated internally to £14.7m as at 31st March 2005.

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 2005, and as £2.7m at 31st March 2004.

The table below summarises the movements on all pension liabilities.

Movements in Deficits during 2004/05	2004/05			
	LGPS including discretionary £'000	Teachers Discretionary £'000	Other £'000	Total £'000
Deficit at 1st April 2004	(108,504)	(15,074)	(2,755)	(126,333)
Effect of Change in Discount Rate	(64,354)			(64,354)
Restated Deficit at 1st April 2004	(172,858)	(15,074)	(2,755)	(190,687)
Current Service Cost	(20,254)	0	0	(20,254)
Employer Contributions	16,453	1,372	140	17,965
Past Service and Curtailment Costs	(189)	(78)	0	(267)
Net Return on Assets/Interest on Liabilities (Loss)	(4,553)	(904)	(165)	(5,622)
Net Actuarial Loss	(9,700)	0	0	(9,700)
Deficit at 31st March 2005	(191,101)	(14,684)	(2,780)	(208,565)

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 on 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.

2003/04 £'000		2004/05	
		£'000	£'000
	Surplus/(Deficit) for the year		
(579)	- General	668	
(1,951)	- Housing Revenue Account	(2,104)	
6,375	Add back Movements on specific revenue reserves	5,406	
(5,701)	Deduct Appropriation from Pensions Reserve	(8,178)	
38,525	Actuarial Gains and Losses relating to Pensions (Note 1)	(74,054)	
36,669	Total increase/(decrease) in revenue resources (Note 2)		(78,262)
(2,500)	Increase/(decrease) in useable capital receipts	0	
(2,500)	Total increase/(decrease) in realised capital resources (Note 3)		0
150,978	Gains on revaluation of fixed assets	97,177	
-	- Impairment losses on fixed assets due to general changes in prices	0	
150,978	Total Increase in unrealised value of fixed assets (Note 4)		97,177
(26,844)	Value of assets sold, disposed of, or decommissioned (Note 5)	(21,548)	(21,548)
36,419	Capital receipts	21,701	
0	Amount Payable to Housing Capital Receipts Pool	(14,436)	
929	Revenue resources set aside	2,929	
-	- Receipts applied to fund premature debt repayment premiums	(1,919)	
12,145	Movement on Government Grants Deferred	11,492	
49,493	Total increase in amounts set aside to finance capital investment (Note 6)		19,767
207,796	Total recognised gains		17,134

Note 1: Statement of Actuarial Gains and Losses	2002/03	2003/04	2004/05
	£'000	£'000	£'000
Difference between Expected and Actual Return on Assets	(111,614)	38,525	15,364
Liability Gain/(Loss) [effect of difference between actuarial assumptions on liabilities, and actual experience]	0	0	16,218
Effect of Changes in Actuarial Assumption	0	0	(105,636)
Net Actuarial Gain/(Loss)	(111,614)	38,525	(74,054)

Note 2: Movement in Revenue Reserves	General Fund Balances	HRA Balances	Earmarked Revenue Reserves	Pensions Reserve
	£'000	£'000	£'000	£'000
Surplus/(Deficit) for 2004/05	668	(2,104)		
Appropriations to/(from) revenue			5,406	(8,178)
Actuarial losses re. pensions				(74,054)
Sub-Total	668	(2,104)	5,406	(82,232)
Balance brought forward at 1st April 2004	3,189	4,948	42,245	(126,333)
Balance carried forward at 1st April 2005	3,857	2,844	47,651	(208,565)

Note 3: Movements in Realised Capital Resources	Usable Capital Receipts
	£'000
Amounts receivable in 2004/05	21,701
Amounts applied to finance new capital investment in 2004/05	(5,346)
Receipts applied to fund premature debt repayment premiums	(1,919)
Contribution to Housing Pooled Capital Receipts	(14,436)
Total decrease in realised capital resources in 2004/05	0
Balance brought forward at 1st April 2004	1,000
Balance carried forward at 1st April 2005	1,000

Note 4: Movements in Unrealised Value of Fixed Assets	Fixed Asset Restatement Account £'000
Gain on revaluation of fixed assets in year	97,177
Total decrease in unrealised capital resources in year	97,177
Note 5: Value of assets sold, disposed of or decommissioned	£'000
Amounts written off fixed asset balances for disposals in year	(21,548)
Total movement on reserve in year	75,629
Balance brought forward at 1st April 2004	602,635
Balance carried forward at 31st March 2005	678,264

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	5,346		
Total capital receipts set aside in year	5,346		5,346
Revenue resources set aside in year			
- capital expenditure financed from revenue	3,735		
- reconciling amount for provisions for loan repayment	3,635		
Major Repairs Reserve transactions (housing)	954		
- deferred charges written off to revenue	(5,395)		
Total revenue resources set aside in year	2,929		2,929
Grants applied to capital investment in year		17,083	
Amounts credited to the asset management revenue account in year		(5,591)	
Movement on Government Grants Deferred		11,492	11,492
Total increase in amounts set aside to finance capital investment			19,767
Total movement on reserve in year	8,275	11,492	
Balance brought forward at 1st April 2004	231,201	108,595	
Balance carried forward at 31st March 2005	239,476	120,087	
	See Note 15 to balance sheet	See Note 16 to balance sheet	

CASH FLOW STATEMENT

	2003/04		2004/05	
	£'000	£'000	£'000	£'000
Revenue Activities				
<i>Cash Outflows:</i>				
Cash paid to and on behalf of employees	254,172		255,163	
Other operating cash payments	147,518		218,527	
Housing Benefit paid out	15,292		19,710	
Housing Pooled Capital Receipts	-		14,436	
NNDR Payments to National Pool	74,002		79,900	
Precepts paid	10,341	501,325	11,500	599,236
Less: Cash Inflows:				
Rents (after rebates)	25,767		28,336	
Council Tax income	86,094		88,062	
NNDR receipts from National Pool	89,319		85,154	
Non-domestic rate receipts	73,522		79,421	
Revenue Support Grant	134,604		154,101	
DWP grants for benefits including rent rebates in '04/05	28,716		72,094	
Other government grants (Note 5)	76,556		48,079	
Cash received for goods and services	60,447	575,025	81,587	636,834
Revenue Activities Net Cash (In)/Out Flow		(73,700)		(37,598)
Servicing of Finance				
<i>Cash Outflows:</i>				
Interest paid (& premium)	30,666		13,402	
Interest element of finance lease rental p'ments	5	30,671	26	13,428
Less: Cash Inflows:				
Interest received		4,034		4,590
Servicing of Finance Net Cash Flow		26,637		8,838
Capital Activities				
<i>Cash Outflows:</i>				
Expenditure on long term investments	-		-	
Expenditure on fixed assets & deferred charges	86,466	86,466	73,563	73,563
Less: Cash Inflows:				
Sale of fixed assets	26,844		21,549	
Disposal of long term investments	-		-	
Capital grants received (Note 5)	18,066		18,356	
Other capital income	4,452	49,362	4,440	44,345
Capital Activities Net Cash Flow		37,104		29,218
NET CASH (IN)/OUTFLOW BEFORE FINANCING		(9,959)		458
Financing				
<i>Cash Outflows:</i>				
Repayments of amounts borrowed		129,874		52,896
Less: Cash Inflows:				
New loans raised	-		-	
New short-term loans raised	133,494	133,494	40,600	40,600
Financing Activities Net Cash (In)/Out Flow		(3,620)		12,296
Increase/(Decrease) in Cash and Cash equivalents		13,579		(12,754)
TOTAL FINANCING		9,959		(458)

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

	2003/04	2004/05
	£'000	£'000
Net Revenue movement on Consolidated Revenue Account	579	(668)
Deduct interest paid	(30,671)	(13,428)
Less deferred credits	16,728	(2,407)
Movement in reserves and provisions	(5,079)	(5,630)
Capital Financing Reserve	(34,848)	(8,275)
(Increase) in creditors	(16,672)	(2,556)
Increase in stock and work in progress	112	0
Interest received	4,034	4,590
Deferred charge	(6,068)	(5,395)
Increase/(Decrease) in debtors	(2,259)	(3,837)
Collection Fund Balance	444	8
Revenue Activities Net Cash Flow	(73,700)	(37,598)

Note 2: Movement in Cash and Cash Equivalents

	As at 31st March 2004 £'000	Movement £'000	As at 31st March 2005 £'000
Cash	-	-	-
Temporary loan investments	46,100	(12,375)	33,725
Overdraft	(4,355)	(379)	(4,734)
Net Cash Inflow	41,745	(12,754)	28,991

Note 3: Other Movements

	As at 31st March 2004 £'000	Capital Movement £'000	Revenue Movement £'000	As at 31st March 2005 £'000
Debtors	256,592	(3,672)	(165)	252,755
Creditors	(70,784)	-	(2,556)	(73,340)
Stock and Work in Progress	1,152	-	-	1,152
Net Movement	186,960	(3,672)	(2,721)	180,567

Note 4: Movement in Long Term Borrowing

	As at 31st March 2004 £'000	Movement £'000	As at 31st March 2005 £'000
Public Works Loan Board	381,670	(496)	381,174
Other	33,621	-	33,621
	415,291	(496)	414,795

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

	£'000	£'000
Revenue:		
Standards Fund	11,516	
School Standard Fund	5,275	
Teachers Threshold Grant	4,028	
Other Education	7,258	
Social Services	13,673	
Other	6,329	48,079
Capital:		
Education	11,569	
Regeneration Projects	951	
Limestone and Derelict Land	2,188	
Housing	971	
Local Partnership Service Agreement	354	
Kerbside Recycling	925	
Other Government Grants	1,398	18,356
TOTAL		66,435

STATEMENT ON INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

Dudley Metropolitan Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Council must also ensure that there is a sound system of internal control which facilitates the effective exercise of the Council's functions, including arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk of failure to achieve policies, aims and objectives to a reasonable level, rather than to eliminate all risk. It can therefore only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Dudley Metropolitan Borough Council for the year ended 31st March 2005 and up to the date of approval of the Statement of Accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

3. THE INTERNAL CONTROL ENVIRONMENT

The internal control environment encompasses all the processes and procedures that the Council has in place to protect itself against risks, whether financial or otherwise, and to achieve its objectives. The internal control environment is based upon the Council's Code of Corporate Governance and consists of a whole framework of management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Council members and managers are responsible for developing and maintaining the internal control environment. One significant development during the financial year 2004/5 was:

- The production of an Anti-Fraud and Corruption Strategy that codifies the responsibilities of officers and members with regard to the prevention and detection of fraud and corruption.

The cornerstone of the internal control environment is the Council's Constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by the law, while others are a matter for the Council to determine. The Council's Constitution also contains detailed codes and protocols, such as Contract Standing Orders (defining how contracts must be let) and Financial Regulations (setting out procedures and principles for proper financial management). The Anti-Fraud and Corruption Strategy has also been incorporated into the Constitution.

The arrangements for establishing and monitoring the Council's objectives are also key elements in the internal control environment. The Council's most important objectives are consolidated in its published Council Plan, the current version of which covers the period 2005/08 and includes over 200 improvement targets. Achievement against objectives is monitored regularly, and reported to senior staff, the Cabinet and full Council quarterly. The focus is on 52 key service indicators. The high level objectives in the above plans are supported by more detailed strategies and plans with their own monitored targets.

The Council has a legal duty to secure economy, efficiency and effectiveness in its use of resources and continuous improvement in its services. This duty is recognised in establishing the Council's policy agenda, but more specifically, in a range of services- based and thematic Best Value reviews

linked to the priorities of the Council Plan. The Council has also entered into a Local Public Service Agreement with the Government which covers twelve priority targets where the Council aims to improve services faster than normal.

Effective financial management is an essential aspect of the Council's internal control environment. This is achieved in particular through:-

- Comprehensive revenue and capital budgeting systems;
- A medium term financial planning process – three year indicative budgets are produced for both capital and revenue;
- Regular reporting and monitoring of actual performance against forecast;
- Post-completion review of major projects.

The Council is responsible for ensuring that risks which could frustrate the achievement of its objectives are properly managed and controlled. Part of this involves ensuring compliance with the Council's own policies and procedures and also with laws and regulations. The Council's Constitution sets out the responsibilities of members and senior managers for this, particularly the responsibilities of the three statutory posts:-

- The head of the paid service (Chief Executive) must ensure that the Council is properly organised and staffed;
- The monitoring officer (Director of Law and Property) must ensure the lawfulness and fairness of decision-making;
- The chief finance officer (Director of Finance) must ensure the lawfulness and financial prudence of decision-making. The Director of Finance is also responsible for the proper administration of the Council's financial affairs.

There is also a statutory requirement for the Council to have an adequate and effective internal audit function, a responsibility delegated to the Director of Finance. Internal Audit operates in accordance with the Code of Practice for Internal Audit in Local Government in the United Kingdom and is under the day-to-day control of the Head of Audit Services who acts independently. Internal Audit's primary role is to independently review and report on whether risks facing the Council are effectively managed and controlled. It has a rolling programme of audits that, over a period of years, is intended to review all areas of major risk within the Council. The priority of different areas of the programme is determined by Internal Audit's own assessment of risks and controls.

In the course of 2004/05, to further improve the internal control system, the Council continued to 'embed' a formal system of risk management into its management processes. Senior managers in all Directorates have been involved in workshops to identify risks and controls, and to evaluate the importance of risks and the effectiveness of controls on a common basis. This has resulted in the production of a corporate risk register, and the identification of any areas where further actions are necessary to effectively manage risks. The corporate risk register and action plans will be reviewed on a regular basis and the latest review identified areas where the information risk register could be added to, to improve the usefulness of the process and work on this is continuing.

The Council has an Audit Committee with a remit to oversee the effective operation of both the internal and external audit function, and to ensure that appropriate action is taken in relation to audit recommendations. There are also six Select Committees that carry out a programme of reviews of Council services and decisions. Finally External Audit conduct annual audits of the Council and external inspectorates perform periodic reviews of Council services. All of these bodies both form part of the Council's internal control environment, as well as contributing to the review of the adequacy and effectiveness of that environment.

4. REVIEW OF EFFECTIVENESS

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

During 2004/05 Internal Audit carried out approximately 200 planned audit reviews as part of their four-year strategic plan. The findings were reported to relevant line managers and senior management, and appropriate action agreed.

The Audit Committee receives an annual report summarising the performance of Internal Audit in the previous financial year. The Committee also receives a series of reports setting out the results of Internal Audit's work in each of the Council's Directorates. These reports detail the higher importance findings, any unimplemented recommendations, and management feedback about the action they have taken. The Committee also receives more detailed reports on areas where they consider it necessary. The Director of Finance will, under the Anti-Fraud and Corruption Strategy, report major losses, resulting from fraud and corruption, to the Audit Committee. No such reports were made during 2004/05.

External Audit have completed their review of the internal control system for 2004/05. Their Annual Audit Letter for that year will be presented to the Audit Committee and the Cabinet. They have raised the internal control issues described in Section 5 of this Statement.

During 2004/05 external inspections were carried out by the Audit Commission. The main inspections covered Waste Management and Cultural Services.

The Council's six Select Committees also carried out an extensive programme of reviews of the Council's activities and decisions.

In carrying out its review of the internal control system, the Council has considered the evidence provided by all of the sources referred to above. With the exception of the issues raised by External Audit, the evidence from these various sources did not reveal any deficiencies in the internal control system of such fundamental significance as to require reporting in Section 5 of this Statement.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

Although significant progress has been made in the implementation of formal risk management, it is acknowledged that further work is required to fully 'embed' the process throughout the Authority. In particular, steps are needed to more fully engage members in the process, to identify corporate and cross-cutting risks, and to develop procedures for management to periodically review and confirm the effectiveness of controls.

Further work is in progress to publicise the Anti-Fraud and Corruption Strategy and the issues it addresses and this needs to continue.

A review of the operation of the Code of Corporate Governance was required and Internal Audit undertook this in the latter part of 2004/05. This review identified that the Code was being implemented satisfactorily. A new standard for good governance in public services was published in January 2005 and Dudley's Code of Corporate Governance generally complies with the new standard. However, it is intended that Dudley's Code of Corporate Governance will be re-drafted during 2005 to follow the format of the new standard.