



**BOURNEMOUTH  
STATEMENT  
OF ACCOUNTS**

**2004/2005**

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## EXPLANATORY FOREWORD

### 1 Introduction

The Statement of Accounts for 2004/2005 has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2004 : A Statement of Recommended Practice (SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit Regulations 2003.

This lays down the proper accounting practices for Local Authorities. Any departures from this standard are referred to in the notes.

The Statement of Accounts for the Authority consist of :-

- The Consolidated Revenue Account
- The Housing Revenue Account
- The Collection Fund
- The Consolidated Balance Sheet
- The Statement of Total Movements in Reserves
- The Cash Flow Statement
- The Group Accounts
- The Statement on Internal Control
- The Statement of Responsibilities for the Statement of Accounts

In addition to the above, the Statement of Accounting Policies explains the basis of the figures in the accounts. Notes are also provided with each Statement to assist the reader in understanding the Statements and a Glossary of Terms can be found at the back of this document.

### 2 The Consolidated Revenue Account 2004/2005

This Statement reports the actual expenditure and income of the services for which the Authority is responsible. It demonstrates how the net cost has been financed from general Government Grants and from Local Taxpayers. It brings together expenditure and income relating to all of the Authority's functions.

A summary of the Consolidated Revenue Account for 2004/2005 is shown below in comparison with the revised budget. This shows what actually happened in the year compared with what was planned.

	Actual	Revised Budget	Difference
	£	£	£
<b>Net Cost of Services</b>	186,486,415	187,293,044	(806,629)
Other Operating Income and Expenditure	(15,761,350)	(20,790,127)	5,028,777
<b>Net Operating Expenditure</b>	170,725,065	166,502,917	4,222,148
Appropriations	(5,456,461)	(587,985)	(4,868,476)
<b>Amount to be met from Government Grant and Local Taxpayers</b>	165,268,604	165,914,932	(646,328)
Government Grant	(103,370,877)	(103,370,877)	-
Local Taxpayers	(60,936,911)	(60,936,911)	-
<b>Deficit for the Year</b>	960,816	1,607,144	(646,328)
Balance Brought Forward (Surplus)	(6,617,877)	(6,617,877)	-
<b>Balance Carried Forward (Surplus)</b>	<u>(5,657,061)</u>	<u>(5,010,733)</u>	<u>(646,328)</u>

The deficit shown in the statement above relates to General Fund Services only.

The difference shown between actual and budget for the appropriations figure was due to the budget not being prepared in accordance with FRS 17 whereas the outturn figures shown above are in accordance.

**3 The Housing Revenue Account**

The Housing Revenue Account reflects the statutory obligation to account separately for the Authority's social housing provision. It shows the major elements of housing revenue expenditure and how these are met by rents and other income.

The transactions of the Housing Revenue Account are consolidated with the General Fund in the Consolidated Revenue Account. The surplus on the Housing Revenue Account is however removed from the Consolidated Revenue Account by way of a transfer to Housing Revenue Account balance and thus not included in the final balance which represents the balance on the General Fund only.

**4 The Collection Fund**

This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund. The Account shows the transactions of the Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which these have been distributed to the Dorset Police Authority and the Dorset Fire and Rescue Service (by way of the precept) and to this Authority's General Fund.

**5 The Consolidated Balance Sheet**

The Consolidated Balance Sheet shows the financial position of the Authority at 31 March 2005. It shows the balances and reserves at the Authority's disposal and its long-term indebtedness, and the fixed and net current assets employed in its operations together with summarised information on the fixed assets held.

The Consolidated Balance Sheet includes all assets and liabilities of all activities of the Authority excluding trust funds.

**6 The Statement of Total Movements in Reserves**

The Statement of Total Movements in Reserves brings together all the recognised gains and losses of the Authority during the period and identifies whether or not they are recognised in the Consolidated Revenue Account. The statement separates the movements between revenue and capital resources.

**7 The Cash Flow Statement**

This consolidated statement summarises all of the inflows and outflows of cash arising from transactions with third parties for both revenue and capital purposes.

**8 The Group Accounts**

These Statements show the overall financial position and results of the Local Authority Group consisting of the Authority and Bournemouth Transport Limited, in which the Authority has a 100% shareholding. The Statements consist of a Group Revenue Account and a Group Balance Sheet.

See Note 16 of the Statement of Accounting Policies for an explanation of the accounting treatment in these accounts.

**9 The Statement on Internal Control**

The Authority needs to demonstrate that there is a sound system of internal control in place. This Statement details the framework and processes the Authority has in place and any significant issues highlighted resulting from the review.

**10 The Statement of Responsibilities for the Statement of Accounts**

This Statement sets out the respective responsibilities of the Authority and Head of Resources for the accounts.

**11 Current Borrowing and Asset Utilisation**

The Authority increased its overall long-term borrowing from the PWLB in 2004/2005 by £3.9m. This is part of a debt restructuring strategy, through incrementally reducing the average interest rate cost of borrowing, with the objective of reducing the overall cost of borrowing.

Given the historically low long term funding interest rates, the Authority's policy is to maintain a stable longer term portfolio by drawing longer term fixed interest rate funding from the Public Works Loan Board. The Authority's strategy is to maintain a balanced maturity portfolio such that debt repayable in any one year does not exceed a disproportionate amount.

**12 Capital Expenditure**

Capital Expenditure in the year totalled £ 27,808,285. The major schemes during the year were :-

	£
<b>Housing :-</b>	
Renovation Grants	942,260
Grants to Social Housing Providers	1,321,783
Council House Enhancements	4,070,590
<b>Education :-</b>	
Townsend Primary - Emotional, Behavioural and Social Difficulties Unit	555,621
Townsend Nursery - Provision of Centre	359,731
<b>Other :-</b>	
BIC Redevelopment	8,240,576
Chaseside Junction	2,445,621
Kings Park Athletic Centre	529,845
Boscombe Gardens Improvements	468,423

**13 Summary of Revenue and Capital Investment Plans for 2005/2006**

Nationally the grant settlement for Local Authorities was better than indicated in the Government's Spending Review 2004. However, Bournemouth received one of the lowest percentage range increases in General Grant and the second lowest increase in Cash Grant for all Unitary Councils, after Brighton.

Against this backdrop, and the Council's commitment to keep Council Tax increases down it has been necessary to identify budget savings. In line with the Council's aim to realign resources with the agreed corporate and service priorities, additional savings have been identified to allow investment in key areas. The Council was able to keep the Council Tax increase to 4.5%, by making savings of £2.7m this allowed the Council to fund budget pressures and growth bids of £6m. The Council continued to meet its commitment to Schools by passporting the full increase in grant.

The Council has actively embraced the efficiency agenda. At a national level the Government expects Local Authorities to identify 2.5% efficiency gains each year from 2005/2006 to 2007/2008. At least half of these gains are to be cashable which enable Councils to redirect these funds into priority services. For Bournemouth the efficiency gains equate to £3.8m per annum, however for 2005/2006 Bournemouth has identified £4.5m efficiency gains of which 73% are cashable. These efficiency gains are 18% above the Government's target for Bournemouth.

Looking beyond 2005/2006 there are a number of uncertainties that Local Authorities face that make planning ahead difficult : The 3 year freeze on the Government Grant formulae ends and new arrangement may apply. The Government through Sir Michael Lyons is undertaking a review of the balance of funding, looking at the level of funding from Central Government compared with that generated at the local level. The Council continues to face significant liabilities with regard to the Pension Fund.

With regard to Capital Investment in Bournemouth the Council has a well developed Capital Strategy and Asset Management Plan which was shortlisted for Beacon Status. Over the last two years the Council has pro-actively developed a corporate process for evaluating capital bids on a Council wide basis which supports the allocation of resources to priority areas.

The Council is supporting significant Capital Investment in Bournemouth having approved a programme of over £60m covering a wide range of Council Services. Some of the schemes are linked to specific Capital Receipts being achieved.

The Council has made use of the increased freedoms and flexibilities provided by Central Government, allowing an integrated approach to using revenue and capital resources. This has enabled the Council to facilitate a £22m scheme to refurbish the Bournemouth International Centre, whereby the additional revenue costs of the scheme are to be recovered over the 25 year business plan supporting the project. 2005/2006 sees the reopening of the Bournemouth International Centre.

Over the last year the Council has improved its processes and procedures to ensure that resources are aligned to meet service needs and the priorities of the Council. These enhanced arrangements were recognised in the comprehensive performance assessment when the Council's score for use of resources was increased from 3 to 4 which is the highest score that can be awarded.

## THE STATEMENT OF ACCOUNTING POLICIES

### 1 General

The general principles adopted in the compilation and presentation of these accounts are those recommended by CIPFA in the code of practice on Local Authority Accounting in the United Kingdom: The Statement of Recommended Practice (SORP) (2004 edition) and the Accounts and Audit Regulations 2003. The accounts reflect the requirements of the Best Value Accounting Code of Practice.

See Note 16 below as to how the SORP has been applied in connection with the Group Accounts.

### 2 Reserves and Provisions

A Provision is a charge to the Consolidated Revenue Account above the Net Cost of Service line based on an estimated value of an existing liability which cannot yet be quantified precisely. Provisions are classified in accordance with Financial Reporting Standard 12 which requires the Authority to account for present obligations that result from a past event. It is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

A Reserve is created by an appropriation from the Consolidated Revenue Account representing amounts set aside for future revenue or capital expenditure. The money is returned to the Revenue Account when the expenditure is incurred, with the actual expenditure recorded against cost of service or used to finance Capital Expenditure.

See Note 4 to the Consolidated Revenue Account and Note 1 to the Statement of Total Movements in Reserves.

### 3 Fixed Assets

Fixed assets are recorded in the Balance Sheet at either Current or Historical Cost. The Values of the Assets are shown net of depreciation which is calculated on a straight line basis over the expected life of the asset.

For an explanation of the methods of valuation used see note 4 below.

### 4 Basis of Charges to Revenue for Fixed Assets

#### Capital Financing Charges

In accordance with the Capital Accounting requirements, Services are charged a Capital Financing Charge at a rate set annually by the CIPFA/LASAAC Joint Committee. The Capital Financing Charge is based on the capital value of the asset shown in the Balance Sheet multiplied by the rate set.

	2004/2005	2003/2004
	%	%
Assets carried at Historical Cost	4.800	4.625
Assets carried at Current Value	3.500	3.500

#### Valuation and Depreciation

The different classifications of asset are valued / depreciated on different bases as follows :-

Classification	Basis of Valuation	Depreciation
Council Dwellings	Valued Annually as Social Housing	Equates to Major Repairs Allowance
Other Land and Buildings	Net Current Replacement Cost	Straight Line
Vehicles Plant and Equipment	Current Value	Straight Line
Infrastructure	Historical Cost	Straight Line
Community Assets	Historical Cost	Straight Line
Investment Property	Open Market Value	None
Surplus Assets	Open Market Value	None

Depreciation is provided for on all fixed assets with a finite useful life on a straight line basis excluding Investment Property and Surplus Assets. Depreciation is not provided on the "land element" of the total land and buildings valuation.

Following consultation with the directorates the following lives have been applied for depreciation :-

Buildings	50 years
Highways Infrastructure	20 years
Coast Protection Infrastructure	25 years
Plant and Equipment	1 - 20 years
Vehicles	5 - 10 years

**4 Basis of Charges to Revenue for Fixed Assets (Continued)****Impairment**

Impairment of Fixed Assets requires a charge to revenue to be made where there has been a clear consumption of economic benefit from an asset. Only those assets that were subject to revaluation during the year were assessed for impairment. The remaining assets will be reviewed as and when the remaining valuations are undertaken, however, any material impairment would be reflected in the accounts in the year it arose eg. loss of a building through fire.

**Impact on Revenue Account**

The Services are charged with Capital Charges (Depreciation and Capital Financing Charges). The Asset Management Revenue Account (AMRA) replaces the Capital Financing Charges with the actual external interest paid by the Authority, leaving depreciation and external interest to be recognised as part of Net Operating Expenditure. Appropriations are made to and from the Capital Financing Account to replace depreciation with the Minimum Revenue Provision (MRP) and to debit the Revenue Account with any Capital Expenditure to be met from Revenue.

**5 Deferred Charges**

Deferred charges are items of a capital nature for which no fixed asset, as such, exists. This includes such items as feasibility studies, grants, and survey work on coast protection. Capital expenditure relating to Foundation and Voluntary Aided Schools, which are not included in the Council's fixed assets, is also classified as a deferred charge.

In previous year's accounts a balance was carried forward for deferred charges that related to creditor items awaiting payment and expenditure incurred awaiting grant. However, the definition of Deferred Charges carried in the Balance Sheet has been refined to exclude carrying balances for those reasons. This year the opening balances were taken directly to the Capital Financing Account and in future all Deferred Charges will be written back to Revenue in the year they are incurred.

**6 Capital Receipts**

Capital Receipts arise from the sale of Fixed Assets. These proceeds held in the Usable Capital Receipts Reserve and are fully available to finance new Capital Expenditure other than housing where since 1 April 2004 there has been a requirement to pay over 75% of the receipt to the National Housing Pooled Capital Receipts. Previously this amount was retained by the Authority for debt repayment.

The payment to the National Pool is shown on the face of the Consolidated Revenue Account but the impact of it is removed by a corresponding transfer from Capital Receipts in order that there is no effect on the amount required to be funded by Council Tax Payers.

**7 Grants**

Capital grants received by the Authority are credited to a deferred capital grants account. The service accounts are charged with depreciation based on the full value of the asset, no matter how financed. However, to reflect the fact that grant was received, the deferred capital grants account is credited back to revenue, via the Asset Management Revenue Account, in line with the depreciation charge. Capital Grants that relate to Deferred Charges written off in the year are credited to the revenue account and treated as revenue grants. Revenue Grants are accounted for within the Revenue Account on an accruals basis.

**8 Debtors and Creditors**

The revenue and capital transactions of the Authority are recorded on an income and expenditure basis. That is, all sums due to or from the Authority in the year of account are included irrespective of whether the cash has actually been received or paid.

Provisions for bad debts have been created to cover the potential losses in recovery of income. These have been netted off the debtors figure shown in the Consolidated Balance Sheet. An analysis of these provisions is shown in the notes to the Consolidated Balance Sheet.

**9 Stocks and Work in Progress**

The Code of Practice requires stocks to be shown at the lower of actual cost or net realisable value. Whilst the valuation of the various small stores of the Authority comply, in that they are valued at cost price, the main Southcote Road Depot Store is valued at last price paid. Care is taken to write out any obsolescent stocks. This, together with the fact that the stocks held are not significant, means that the effect of the different treatment is not considered material.

Work in progress on uncompleted works is valued at the lower of cost (including an allocation of overheads) or net realisable value.

**10 Support Services Recharges**

Support Services Recharges are allocated to services on the following basis :-

<b>Cost</b>	<b>Basis of Allocation</b>
<b>Central Directorates :-</b>	
Personnel	Time/Number of full time employees
Administrative Buildings	Area Occupied
Information Management	Estimated Usage
Insurance	Admin Charge added to Premiums
Payroll	Based upon number and type of employment
All other Central Directorates	Time allocation Sheets
<b>Technical Services :-</b>	
Technical Business Units	Time allocation Sheets

**11 Provision for Pensions**

Upon appointment employees of the Authority become members of, either, the Local Government Pension Scheme (LGPS) administered by Dorset County Council or the Teacher's Pension Scheme (TPS) administered nationally by Capita Business Services Ltd. Employees may, at any time, elect to "opt out" of these Schemes.

The Authority fully complies with Financial Reporting Standard 17 - Accounting for Retirement Benefits (FRS17). Services are charged with the estimated cost of current service and Non-Distributed Costs with estimated past service as determined by the Fund's Actuary. Amounts for pensions interest costs and the expected return on pensions assets are included within the Net Operating Expenditure section of the Consolidated Revenue Account (CRA). The Appropriations section of the CRA replaces all of these assessed amounts with the actual amounts due to the Pension Fund.

The Consolidated Balance Sheet includes a Pensions Liability Account and a corresponding Reserve which shows the value of the unfunded element of the liability that the Authority has to its current staff and pensioners.

**12 Long Term Investments**

The main investment, currently, is in Bournemouth Transport Ltd, a wholly owned company set up from the previous Transport Undertaking in accordance with the provisions of the Transport Act 1985. The shareholding in Bournemouth Transport Ltd is held in the accounts at the amount determined when the company was first established in 1986/87.

**13 Short Term Investments**

Short Term Investments are valued in the accounts at cost. They consist of surplus cash balances that are lent to approved Banks and Building Societies.

**14 Leases**

Rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease. There are no finance leases.

**15 Change in Accounting Practice**

**Change in accounting policy :-**

- the revised treatment of Deferred Charges on the face of the Balance Sheet is explained in note 5 above.



**15 Change in Accounting Practice (Contd.)****Change in accounting estimate :-**

- the other significant change in treatment relates to the discount rate used by the actuary in the assessment of pensions liability. See Note 16 to the Consolidated Balance Sheet. The rate was reduced in the year and this has had a significant negative effect on the Authority's position relative to the Pension Fund.

The impact of this change has been shown as a separate line in Note 1 to the Statement of Total Movements in Reserves.

**16 Group Accounts**

The 2004 SORP called for modified Group Accounting arrangements. However, the SORP allows for transitional arrangements to delay the full implementation for one year and the requirements of the 2003 SORP to continue. These accounts have taken advantage of this delay and have been prepared in accordance with the 2003 SORP.

The Group Accounts arrangements within the 2004 SORP require the Authority to review all of the joint working arrangements that the authority has with subsidiaries, associates and joint ventures to provide a complete picture of the Authority's control over other entities this will be implemented fully in the 2005/2006 accounts.

## THE CONSOLIDATED REVENUE ACCOUNT 2004/2005

Service / Division	Expenditure	Income	Net	Net
	2004/2005 £	2004/2005 £	2004/2005 £	Comparative 2003/2004 £
Central Services to the Public	14,370,146	12,403,695	1,966,451	2,884,552
Court Services	1,059,830	437,364	622,466	592,758
Cultural, Environmental and Planning	63,939,269	31,419,417	32,519,852	31,055,361
Education	108,621,184	34,542,050	74,079,134	74,302,652
Highways, Roads and Transport	20,743,381	9,914,654	10,828,727	10,859,802
Housing	82,814,378	70,618,289	12,196,089	12,636,949
Social Services	69,119,682	21,022,979	48,096,703	44,352,308
Corporate and Democratic Core	4,017,968	42,606	3,975,362	3,111,510
Non-Distributed Costs	2,201,631	-	2,201,631	847,000
<b>NET COST OF SERVICES</b>	<b>366,887,469</b>	<b>180,401,054</b>	<b>186,486,415</b>	<b>180,642,892</b>
<b>Other Operating Income and Expenditure :-</b>		<b>Note</b>		
Levies :-				
Fire Authority		<b>19</b>	-	4,712,400
Environment Agency			117,476	1,026,456
Dividends			(45,000)	(211,138)
Asset Management Revenue Account		<b>1</b>	(21,451,867)	(19,413,530)
Contribution to Housing Pooled Capital Receipts		<b>20</b>	1,871,137	-
Interest and Investment Income			(1,868,223)	(1,580,569)
Premium on Debt Redemption			153,127	142,870
Pensions Interest and Expected Return			5,462,000	5,510,000
<b>NET OPERATING EXPENDITURE</b>			<b>170,725,065</b>	<b>170,829,381</b>
<b>Appropriations :-</b>				
Surplus transferred to HRA Balances			68,912	105,860
Net Contributions to Reserves		<b>4</b>	9,704,540	4,833,189
Contribution from Reserves for Capital Finance			(4,991,405)	(2,942,777)
Application of Reserves to Capital Finance			4,991,405	2,942,777
Revenue Contributions to Capital			1,110,000	1,125,210
Reconciling Amount for Provision of Loan Repayment		<b>10</b>	(5,385,555)	(5,539,312)
Transfers to / (from) Major Repairs Reserve		<b>10</b>	(36,163)	(29,716)
Pensions Appropriations		<b>9</b>	(4,731,903)	(3,185,610)
From Capital Receipts re Housing Pooled Capital Receipts		<b>20</b>	(1,871,137)	-
Deferred Charges Written Off			(4,315,155)	(8,869,812)
Deferred Debtors Written Off			-	(9,362)
<b>AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS</b>			<b>165,268,604</b>	<b>159,259,828</b>
Demand from the Collection Fund		<b>3</b>	(60,398,835)	(58,041,564)
Contribution from the Collection Fund		<b>3</b>	(538,076)	-
Revenue Support Grant			(57,611,361)	(53,648,691)
Contribution from the Non-Domestic Rate Pool			(45,759,516)	(49,544,952)
<b>DEFICIT / (SURPLUS) FOR THE YEAR</b>			<b>960,816</b>	<b>(1,975,379)</b>
Balance Brought Forward 1 April			(6,617,877)	(4,642,498)
Deficit / (Surplus) for the year			960,816	(1,975,379)
<b>Balance Carried Forward 31 March</b>			<b>(5,657,061)</b>	<b>(6,617,877)</b>

## NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

**1 Asset Management Revenue Account**

The SORP requires that Capital Charges be levied on all of the Council's Assets and these charges are included in all of the service accounts. However, while the aim of these charges is to give a fairer picture of the true cost of services, it is not intended that they should affect the level of local taxation. Consequently, the Council maintains the Asset Management Revenue Account (AMRA) centrally to hold the income from these charges with the surplus being returned to the Consolidated Revenue Account. Thus the AMRA replaces the Capital Financing Charges with the actual external interest, leaving depreciation and external interest to be recognised as part of the Net Operating Expenditure.

<b>Income</b>	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
Capital Charges for use of Assets	35,592,598	32,882,180
Capital Grants Released	670,154	22,745
	<u>36,262,752</u>	<u>32,904,925</u>
<b>Less :-</b>		
External Interest Payable	1,841,568	1,913,502
Depreciation	12,969,317	11,577,893
	<u>14,810,885</u>	<u>13,491,395</u>
Consolidated Revenue Account	<u><u>21,451,867</u></u>	<u><u>19,413,530</u></u>

**2 Operating Leases**

The Authority uses assets classified as vehicles, plant and equipment acquired under the terms of operating leases.

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
Amounts paid in the year	824,363	826,902
The future cash payments required for vehicles, plant and equipment leases.		<u>£</u>
2005/2006		677,424
2006/2007		607,253
2007/2008 onwards		514,210

**3 Demand from the Collection Fund**

The demand from the Collection Fund reflects the Budget requirement for that year from Council Taxpayers. The contribution from the Collection Fund relates to previous year's surpluses on the Collection Fund being shared amongst the precepting authorities.

**4 Net Contributions to / (from) Reserves**

The make up of the appropriations to the Consolidated Revenue Account, excluding Capital Finance, to / (from) Reserves is as follows :-

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
School's Balances	1,193,594	(843,981)
Other Reserves	3,737,220	1,127,571
Renewal Funds	51,104	(27,208)
Repairs and Improvements	600,267	1,330,199
Capital Fund	3,291,710	2,526,219
Insurance & Contingent Liabilities	(125,175)	(57,593)
Borrow to Invest Scheme	955,820	777,982
Total Appropriations to / (from) Reserves	<u><u>9,704,540</u></u>	<u><u>4,833,189</u></u>

## 5 Trading Operations

The Authority operates the following significant trading operations within the overall General Fund :-

**Pavilion, BIC and Pier Theatre**

The Pavilion complex incorporates a theatre and ballroom; the BIC constitutes a multi purpose centre for conferences, exhibitions and entertainments. The Pier Theatre operates in the main summer season only. Whilst the Authority operates all venues on a commercial basis it does require facilities to be provided consistent with Bournemouth's position as an "all year round resort". Included in the income is a delegate subsidy of £1.196m from the Authority. During 2004/2005 to 2005/2006 the BIC is undertaking a major refit which has increased the deficit.

	2004/2005	2003/2004
	£	£
Income	10,468,982	13,045,179
Less Expenditure	12,841,067	14,493,162
Net Surplus / (Deficit)	<u>(2,372,085)</u>	<u>(1,447,983)</u>

**Amusement Centres**

There are two centres at Bournemouth Pier and Boscombe (Neptune) which provide gaming and amusement machines and are operated in order to maximise income reducing the support costs of Seafront Services. During 2004/2005 a refurbishment of the equipment took place.

	2004/2005	2003/2004
	£	£
Income	1,056,069	988,730
Less Expenditure	686,480	502,666
Net Surplus / (Deficit)	<u>369,589</u>	<u>486,064</u>

**Trade Refuse**

The Council collects and disposes of commercial waste on behalf of businesses throughout the Borough. The operation generates a surplus in order to contribute to the Authority's total waste management costs. During 2004/2005 the leasing costs of the fleet were reduced when they entered the secondary period.

	2004/2005	2003/2004
	£	£
Income	885,614	896,937
Less Expenditure	684,355	747,255
Net Surplus / (Deficit)	<u>201,259</u>	<u>149,682</u>

**Golf Course Management**

An 18 hole golf course is provided which also offers bar and buffet facilities. During 2004/2005 a staff restructure took place which reduced costs.

	2004/2005	2003/2004
	£	£
Income	490,771	528,070
Less Expenditure	604,069	730,346
Net Surplus / (Deficit)	<u>(113,298)</u>	<u>(202,276)</u>

**Catering**

The Council operates various venues including a 200 seater self service restaurant, a fast food takeaway and club/bar. As well as providing food and beverages to the public the restaurant and bar are also offered for corporate and private events. The poor result for 2004/2005 was due to bad weather during the summer season.

	2004/2005	2003/2004
	£	£
Income	1,739,351	1,906,876
Less Expenditure	1,764,928	1,640,843
Net Surplus / (Deficit)	<u>(25,577)</u>	<u>266,033</u>

**Littledown Centre**

The facility offers a variety of sports/recreation activities ranging from gym facilities, exercise classes, swimming and spa facilities.

	2004/2005	2003/2004
	£	£
Income	4,068,861	4,076,160
Less Expenditure	4,986,538	5,074,719
Net Surplus / (Deficit)	<u>(917,677)</u>	<u>(998,559)</u>

**6 Section 137 Expenditure**

Section 137 of the Local Government Act 1972 empowers the Authority, subject to various conditions and limits, to incur expenditure which in its opinion is in the interest of and will bring direct benefit to the area or any part of it, or all or some of its inhabitants. Under this section the Authority is required to account separately for any such expenditure.

The amount the Authority was allowed to spend in 2004/2005 was £ 621,680 calculated by taking the mid 2002 population of 163,600 and multiplying by the allowed amount of £ 3.80 per head.

The actual amount spent in 2004/2005 was £ 461,452 (2003/2004 Actual £512,277) which was made up of grants to various organisations. For example for youth associations.

**7 Publicity Expenditure**

Set out below, in accordance with the requirements of Section 5(1) of the Local Government Act 1986, is the Authority's spending on Publicity.

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
Tourism and Publicity	44,669	59,055
Bournemouth Guide	530,551	381,651
Bournemouth Journal	52,235	52,650
Other Advertising and Publicity	855,032	769,072
General Staff Advertising	674,604	623,148
<b>Total</b>	<b>2,157,091</b>	<b>1,885,576</b>

Other advertising includes the advertising associated with the shows at the Pavilion, BIC and Pier Theatre and the various other facilities and services that the Authority provides.

**8 Income derived from Other Bodies**

The Authority provides goods and services to other bodies as laid out below :-

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
<b>Social Services :-</b>		
Contributions from Other Authorities	950,604	692,927
Health Authorities Contributions	784,063	415,619
<b>Education :-</b>		
Special Education Recoupment -		
Teaching out of Borough Children	1,099,944	892,300
Courses Workshops etc.	138,265	170,944
<b>Other :-</b>		
Magistrates / Coroners	616,309	615,732
Dorset Interactive Centre	49,566	49,480
Miscellaneous Income from other Bodies	63,113	9,115
	<b>3,701,864</b>	<b>2,846,117</b>

**9 Pensions**

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Authority must disclose its liability to make these payments at the time the employees earn their future entitlement. The schemes allow the Authority to grant early retirement and award added years at its discretion.

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against Council Tax is based on the contributions payable to the Pensions Fund in the year. In order to achieve this the real cost of retirements is reversed out of the Consolidated Revenue Account (CRA) after Net Operating Expenditure and replaced with the actual amounts paid to the Pensions Fund. The following notes detail the transactions made to the CRA during the year.

**Defined Contribution Schemes**

**TEACHERS' PENSION SCHEME**

Teachers employed by the Authority are members of the Teachers' Pension Scheme (TPS), administered by the Teachers' Pension Agency. It provides teachers with defined benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries fixed each year.

## 9 Pensions - Defined Contribution Scheme - Teachers' Pension Scheme (Continued)

	2004/2005	2003/2004
Amount paid to Teachers' Pensions Agency £	4,823,586	4,721,246
Percentage of pensionable pay %	13.50	13.49

**Defined Benefit Schemes****LOCAL GOVERNMENT PENSION SCHEME**

The Authority participates in the Local Government Pension Scheme (LGPS) administered by Dorset County Council - this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets. The last review was carried out during 2004/2005 taking effect from April 2005.

It should be noted that the increase in the Current Charge is due mostly to the reduction in the discount rate used by the actuary noted elsewhere in this Statement.

	2004/2005	2003/2004
<b>Net Cost of Service</b>	<b>£</b>	<b>£</b>
Current Service Cost	10,682,000	6,946,000
Past Service Costs	-	269,000
Loss on Curtailment	1,525,000	578,000
	<u>12,207,000</u>	<u>7,793,000</u>
<b>Net Operating Expenditure</b>		
Interest Cost	17,968,000	15,631,000
Expected Return on Assets	(12,506,000)	(10,121,000)
	<u>17,669,000</u>	<u>13,303,000</u>
<b>Amounts to be met from Government Grants &amp; Local Taxation</b>		
Movement on Pensions Reserve and year end Creditors	(4,572,897)	(3,672,760)
<b>Actual amount charged against Council Tax for Pensions in the year</b>	<u><u>13,096,103</u></u>	<u><u>9,630,240</u></u>

Note 16 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 1 to the Statement of Total Movement in Reserves shows the movement in the pensions reserve in the year.

For further information the Annual Report of the Dorset County Council Pensions Fund is available from the Director of Resources, Dorset County Council, County Hall, Dorchester, Dorset.

**TEACHERS' ADDITIONAL BENEFITS**

In addition to the standard Teachers Pensions Scheme the Authority has the option to grant enhancements to employees on early retirement. This element of their pension is paid on a pay-as-you-go basis by the Authority over the life of the pensioner. This additional liability is not covered by the normal contributions paid to the scheme.

	2004/2005	2003/2004
<b>Net Cost of Service</b>	<b>£</b>	<b>£</b>
Past Service Costs	724,672	-
<b>Amounts to be met from Government Grants &amp; Local Taxation</b>		
Movement on Pensions Reserve and year end Creditors	(159,006)	487,150
<b>Actual amount charged against Council Tax for Pensions in the year</b>		
Employer's contributions payable to scheme	<u><u>565,666</u></u>	<u><u>487,150</u></u>

10 **Minimum Revenue Provision (M.R.P.)**

The Authority is required to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision for General Fund services is defined by Statute. The provision has been charged to the Service Revenue account as part of the depreciation element of the capital financing charge. The Reconciling Amount for Provision of Loan Repayment is used to reduce the depreciation charge against services to the Minimum Revenue Provision. From 2004/2005 the Housing Revenue Account is no longer required to make a Minimum Revenue Provision.

**10 Minimum Revenue Provision (M.R.P.) - (Continued)**

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
The amounts charged to Revenue are made up as follows :-		
Reconciling Amount for the Provision of Loan Repayment	(5,385,555)	(5,539,312)
Depreciation for the year	12,969,317	11,577,893
Capital Grants transferred to Revenue	(2,356,019)	(1,058,179)
Transfer from Major Repairs Reserve	(36,163)	(29,716)
Major Repairs Allowance	(3,067,680)	(2,981,212)
	<u>2,123,900</u>	<u>1,969,474</u>
General Fund	2,123,900	1,687,487
Housing Revenue Account	-	281,987
<b>Total M.R.P.</b>	<u>2,123,900</u>	<u>1,969,474</u>

**11 Lotteries**

The Authority used to run a lottery - the lottery was wound up in 2003/2004 with the balance being applied to a final scheme for the provision of wheel chairs suitable for use on the beach.

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
Income from Sales	-	17,943
Expenses and Prizes Paid	-	15,570
Surplus on Operations	-	2,373
Add - Interest on Balances	-	463
- Underspending Returned	-	6,129
Available for Application	-	<u>8,965</u>

**12 Officer's Emoluments**

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 were :-

Remuneration Band	<b>2004/2005</b>	<b>2003/2004</b>
	No. of Employees	No. of Employees
£50,000 - £59,999	28	26
£60,000 - £69,999	8	5
£70,000 - £79,999	5	2
£80,000 - £89,999	4	5
£90,000 - £99,999	-	-
£100,000 - £109,999	1	-
Total	<u>46</u>	<u>38</u>

**13 Members' Allowances**

In accordance with the Local Authorities (Members' Allowances) Regulations 2003 the Authority publishes each year details of the total amount of basic allowance, special responsibility allowance, travel allowance, subsistence allowance, carer's allowance and co-optees allowance paid to Members of Bournemouth Borough Council.

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
Total Allowances Paid	556,009	531,665

**14 Related Party Transactions**

Related Parties of a Local Authority include :-

Central Government - details of transactions with Central Government are given throughout the Statement of Accounts.

Other Local Authorities and Bodies - details of income derived from these bodies is given in Note 8 of the Consolidated Revenue Account.

Companies - The Authority has a 100% shareholding in Bournemouth Transport Ltd.. Details are shown in Note 9 of the Consolidated Balance Sheet and in the Group Accounts Section.

Pension Funds - details of transactions with the Pension Funds are given in note 9 of the Consolidated Revenue Account.

Members and Chief Officers - payments to companies and organisations that have been declared in the register of interests amount to £16,303,090. The major declarations are as Members of the Dorset Fire Authority (£2,797,573), and Dorset Police Authority (£10,651,533) both amounts include precepts..

**15 Building Control Trading Account**

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

The balance does not take into account the repayments that are being made to the Borrow to Invest Scheme for a restructure of Building Control. A repayment to the scheme of £52,764 was made in 2004/2005.

<b>Building Regulations Charging Account 2004/2005</b>	Chargeable £	Non Chargeable £	Total Building Regulations £
<b>Expenditure :-</b>			
Employee Expenses	417,122	100,171	517,293
Transport	14,106	3,388	17,494
Supplies and Services	23,273	5,589	28,862
Central and Support Service Charges	132,944	27,590	160,534
<b>Total Expenditure</b>	<b>587,445</b>	<b>136,738</b>	<b>724,183</b>
<b>Income :-</b>			
Building Regulation Charges :-			
Deposit of Plan Fees	200,181	-	200,181
Inspection Fees	322,096	-	322,096
Building Notice Fees	98,125	-	98,125
<b>Total Income</b>	<b>620,402</b>	<b>-</b>	<b>620,402</b>
<b>Surplus / (Deficit) for Year</b>	<b>32,957</b>	<b>(136,738)</b>	<b>(103,781)</b>
<b>Surplus / (Deficit) for 2003/2004</b>	<b>85,884</b>	<b>(122,667)</b>	<b>(36,783)</b>

**16 Private Finance Initiative - (PFI)**

In 2005/2006 the Authority is committed to making payments estimated at £1,762,360 (actual 2004/2005 £1,744,889) under a contract with Information Resources (Bournemouth) Ltd. for the provision and maintenance of the Central Library Building and associated IT services. The contract expires in 2031/2032.

**17 Disclosure of Audit Costs**

In 2004/2005 the Authority incurred the following fees relating to external audit and inspection.

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
External audit services carried out by the appointed auditor	237,230	326,690
Statutory Inspection	78,716	106,080
Certifying Grant Claims and Returns	80,089	72,665
Other services provided by the appointed auditor	-	-
<b>Total</b>	<b>396,035</b>	<b>505,435</b>

**18 Organising for Excellence**

During the year the Authority undertook a reorganisation which resulted in a number of officers leaving under redundancy or early retirement terms. The costs of this have been reflected in the Consolidated Revenue Account.

**19 Fire Authority Levy**

From 1 April 2004 the financing arrangements for the Fire Authority changed from a Levy, payable from the Consolidated Revenue Account, to a precepting body, payable from the Collection Fund.

**20 Pooling of Capital Receipts**

Since 1 April 2004 there has been a requirement to pay over 75% of HRA Capital Receipts to the National Housing Pooled Capital Receipts. Previously this amount was retained by the Authority for debt repayment.



THE HOUSING REVENUE ACCOUNT

	Note	2004/2005	2003/2004
		£	£
<b>INCOME</b>			
Gross Rent from Dwellings		13,711,345	13,246,664
Gross Rent from Other Property		181,262	176,271
Charges for Services and Facilities		694,102	753,531
Housing Revenue Account Subsidy	10	-	5,585,212
Housing Benefit from General Fund		-	39,779
<b>Total Income</b>		<b>14,586,709</b>	<b>19,801,457</b>
<b>EXPENDITURE</b>			
Supervision and Management		3,472,474	3,172,326
Repair and Maintenance	4	3,086,479	2,850,237
Rent, Rates and Local Taxes		25,257	22,116
Rent Rebate Payments		349,797	8,590,726
Negative Subsidy Payment	10	2,839,879	-
Provision for Doubtful Debts		51,419	48,254
Capital Financing Charges			
- Cost of Capital Charge	7	9,743,218	8,411,643
- Depreciation	2 & 7	3,103,843	3,010,928
Amortisation of Deferred Charges	7	18,658	38,415
Debt Management Expense		42,606	41,147
Non Distributed Costs		48,041	24,394
<b>Total Expenditure</b>		<b>22,781,671</b>	<b>26,210,186</b>
<b>Net Cost of Services</b>		<b>8,194,962</b>	<b>6,408,729</b>
Asset Management Revenue Account		(9,145,672)	(7,788,852)
Premium on Debt Redemption		87,059	87,223
Pensions Interest Cost and Return	11	172,067	158,688
Investment Income		(204,072)	(171,750)
<b>Net Operating Expenditure</b>		<b>(895,656)</b>	<b>(1,305,962)</b>
<b>Appropriations</b>			
Revenue Contribution to Capital Expenditure	5	1,110,000	1,125,210
Minimum Revenue Provision	7	-	281,987
Transfer from Major Repairs Reserve	3	(36,163)	(29,716)
Contributions to /(from) Pensions Reserve	11	(228,435)	(138,964)
Deferred Charges Written Off		(18,658)	(38,415)
<b>(Surplus)/Deficit for the year</b>		<b>(68,912)</b>	<b>(105,860)</b>
<b>Balance Brought Forward 1 April (Surplus)</b>		<b>(3,012,280)</b>	<b>(2,906,420)</b>
<b>Balance Carried forward 31 March (Surplus)</b>		<b>(3,081,192)</b>	<b>(3,012,280)</b>

**Net Cost of Service**

Contains the main items of income and expenditure relating directly to the business of running the HRA

**Net Operating Expenditure**

Contains the adjusting transfers to correct the Statutory Charge

**Appropriations**

Contains transfers to other Funds, Capital Financing and adjustments to bring the FRS 17 amounts back to the actual payments to the Pensions Fund

## NOTES TO THE HOUSING REVENUE ACCOUNT

1 **Housing Stock**

The Authority was responsible for managing the following housing stock :-

		<b>31 March 2005</b>	<b>31 March 2004</b>
		No.	No.
Houses	- 2 Bed	677	687
	- 3 Bed	1,082	1,092
	- 4 Bed	87	86
Flats	- 1 Bed	2,096	2,123
	- 2 Bed	784	780
	- 3 Bed	22	22
Bungalows	- 1 Bed	283	283
	- 2 Bed	112	112
	- 3 Bed	30	31
		<u>5,173</u>	<u>5,216</u>

2 **Balance Sheet Value of HRA Assets****Operational Assets**

	Council Houses £	Other Land and Buildings £	Total Council Dwellings £
<b>At Cost / Revaluation :-</b>			
Balance Sheet value at 1 April 2004	275,852,386	2,525,269	278,377,655
Additions	4,185,432	12,294	4,197,726
Disposals	(2,274,090)	-	(2,274,090)
Revaluations	46,512,912	794,000	47,306,912
Balance Sheet Value at 31 March 2005 :-	<u>324,276,640</u>	<u>3,331,563</u>	<u>327,608,203</u>
Depreciation Brought Forward	(8,804,239)	(29,729)	(8,833,968)
Depreciation for year	(3,067,680)	(36,163)	(3,103,843)
Revaluations	8,804,239	29,729	8,833,968
Total Depreciation	<u>(3,067,680)</u>	<u>(36,163)</u>	<u>(3,103,843)</u>
<b>Net Book Value at 31 March 2005</b>	<u>321,208,960</u>	<u>3,295,400</u>	<u>324,504,360</u>

The Balance Sheet value of the Authority's Social Housing is based on its value in existing use. The Government also requires a Housing Authority to value its stock as if it was not tenanted and they could be sold with vacant possession. For Bournemouth the vacant possession value of dwellings on 1 April 2004 was £580,873,575. The difference between these two methods of valuation for dwellings within the HRA shows the economic cost to the Government of providing Social Housing at less than market rent.

3 **Major Repairs Reserve**

The Major Repairs Reserve receives a transfer from the Capital Financing Account equivalent to the total Depreciation charged to the HRA. A transfer is put back to the HRA to reduce this amount back to the value of the Major Repairs Allowance. The net sum is then available to finance HRA Capital Expenditure.

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
Balance Brought Forward 1 April 2004	1,133,848	995,086
HRA Depreciation from Capital Financing Account	3,103,843	3,010,928
Excess Depreciation to HRA	(36,163)	(29,716)
Financing of HRA Capital Expenditure - Council Housing	(2,984,043)	(2,842,450)
Balance Carried Forward 31 March 2005	<u>1,217,485</u>	<u>1,133,848</u>

4 **Repair and Maintenance**

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
Responsive Repairs	2,261,944	2,056,019
Programmed Repairs	324,535	294,218
Support Costs	500,000	500,000
Charge to Housing Revenue Account	<u>3,086,479</u>	<u>2,850,237</u>

The Authority does not maintain a separate Housing Repair Account.

## NOTES TO THE HOUSING REVENUE ACCOUNT

## 5 Financing of Capital Expenditure - 2004/2005

	2004/2005	2003/2004
	£	£
<b>Capital Expenditure :-</b>		
Council Housing	4,185,432	3,803,073
Other Land and Buildings	12,294	124,156
Deferred Charges - Tenants' Incentive Scheme	18,658	38,415
<b>Total Capital Expenditure</b>	<u>4,216,384</u>	<u>3,965,644</u>
<b>Justification / Financing :-</b>		
Borrowing Approvals	163,000	-
Revenue Contributions	1,110,000	1,125,210
Government Grants	-	2,900
Major Repairs Reserve	2,984,043	2,842,450
Creditors (Net)	(40,659)	(4,916)
<b>Total Financing</b>	<u>4,216,384</u>	<u>3,965,644</u>

## 6 Capital Receipts

	2004/2005	2003/2004
	£	£
Usable Capital Receipts Brought Forward 1 April	2,405,086	2,019,073
Capital receipts in year :-		
- Sale of Council Houses	2,408,580	4,065,290
- Discounts Repaid	59,680	37,973
- Rent To Mortgage	-	55,250
- Housing Advances Repaid	64,796	64,758
Reserved	-	(3,084,050)
Pooled Capital Receipts	(1,871,137)	-
Applied to finance Capital Expenditure -HRA	-	-
- Housing Non-HRA	(393,513)	(753,208)
Balance Carried Forward 31 March	<u>2,673,492</u>	<u>2,405,086</u>

For the revised treatment for HRA Capital Receipts see Note 6 of the Statement of Accounting Policies.

## 7 Cost of Capital Charge

Capital Charges in 2004/2005 have been calculated in accordance with Resource Accounting. Initial Asset Charges have been calculated on the basis of 3.5% of the opening HRA Valuation of £278,377,655. This has created a Revenue Charge within the Net Cost of Service of £12,865,719. Item 8 depreciation of £3,067,680 for Council Dwellings and £36,163 for other assets was charged within the Net Cost of Service. This has been adjusted by a transfer from the Major Repair Allowance to ensure that the MRA transfer from the HRA equals the subsidy payment of £3,067,680. An adjustment of £9,145,672 was drawn from the Asset Management Revenue Account to reduce this charge to the Item 8 Interest Debit Charge of £616,204.

In addition to these Asset Charges £18,658 of Deferred Charges were written off within the Net Cost of Service and adjusted for within the HRA operating account.

Minimum Revenue Provision is no longer required, no voluntary revenue provision was made in 2004/2005.

## 8 Impairment Charges

There were no Impairment Charges for 2004/2005 (nil 2003/2004).

## 9 Rent Arrears

	31 March 2005	31 March 2004
	£	£
Cumulative Gross Arrears	457,155	447,566
Provision for Uncollected Debts	226,638	221,781

## NOTES TO THE HOUSING REVENUE ACCOUNT

## 10 Housing Revenue Account Subsidy

The Authority is required by the Government to maintain a notional Housing Revenue Account in order that the Authority's entitlement to Housing Subsidy can be calculated.

	2004/2005 £	2003/2004 £
Expenditure on Notional Account	10,513,609	9,806,304
Income on Notional Account	(13,349,186)	(12,907,695)
Surplus on Notional Account	(2,835,577)	(3,101,391)
Housing Benefit Grant due	-	8,734,708
Housing Subsidy Grant due	(2,835,577)	5,633,317
Previous Year Adjustment	(4,302)	(48,105)
<b>Housing Subsidy Grant Receivable / (Payable)</b>	<b>(2,839,879)</b>	<b>5,585,212</b>

The Authority received Housing Subsidy towards the cost of the HRA until 2004/2005. From that date the Government required that housing benefit paid to Council tenants towards their rent should be accounted for within the General Fund. The Government contribution towards these rebate costs was transferred from the Housing Subsidy Payment to the Revenue Support Grant Payment. As a consequence the HRA subsidy now requires the Authority to make a payment to the Government. The amount that should be received in Council House Rents should both pay for the management and maintenance of the properties and leave a surplus that is pooled by the Government through the negative subsidy system.

## 11 Analysis of HRA Contributions to / (from) Pensions Reserve

	2004/2005 £	2003/2004 £
<b>Net Cost of Service</b>		
Current Service Cost	337,037	181,183
Past Service Costs	-	7,747
Loss on Curtailment	48,041	16,646
	385,078	205,576
<b>Net Operating Expenditure</b>		
Interest Cost	566,038	450,173
Expected Return on Assets	(393,971)	(291,485)
	172,067	364,264
<b>Appropriations</b>		
Movement on Pensions Reserve and year end Creditors	(228,435)	(138,964)
<b>Actual Amount Charged against HRA for Pensions for the Year</b>	<b>328,710</b>	<b>225,300</b>

**THE COLLECTION FUND**

	Note	2004/2005 £	2003/2004 £
<b>INCOME</b>			
Income from Council Tax		63,872,155	57,944,831
Transfers from General Fund :- - Council Tax Benefit		9,904,744	8,630,416
Sub-Total - Council Tax	<b>1</b>	73,776,899	66,575,247
Income Collectable from Business Ratepayers (N.N.D.R.)		42,989,688	39,878,661
Total Income		116,766,587	106,453,908
<b>EXPENDITURE</b>			
Precepts and Demands	<b>3</b>	71,334,607	65,305,657
Business Rate :- - Payment to National Pool - Costs of Collection		42,729,865 259,823	39,616,850 261,811
Bad and Doubtful Debts :- Council Tax :- - Write Offs - Provisions		220,072 316,981	190,751 253,160
Surpluses - Distribution to Authorities	<b>4</b>	605,396	-
Total Expenditure		115,466,744	105,628,229
Movement in Fund Balance (Surplus)/Deficit		(1,299,843)	(825,679)
Balance Brought Forward 1 April		(1,237,481)	(411,802)
Balance Carried Forward 31 March		(2,537,324)	(1,237,481)

The balance on the Collection Fund is taken into account when calculating the level of Council Tax each year. A Surplus becomes a contribution to the Annual Borough Requirement reducing the level required to be raised from Council Taxpayers, a deficit requires a higher payment from Council Taxpayers to bring the amount into balance.

## NOTES TO THE COLLECTION FUND

**Income from Council Tax**

The Council Tax is calculated and charged on domestic properties. For the purposes of identifying liability and determining the level of Tax, properties are placed in one of nine Valuation Bands by the Inland Revenue. After accounting for discounts, exemptions etc. these are then converted to a Band D equivalent which is known as the Tax Base. The Tax Base for 2004/2005 on which the tax was set was :-

Valuation Band	No. of Properties	Proportion to Band D	No. of Band D Equivalent Properties
A * - disabled relief for Band A property	7	5 / 9	4
A	10,409	6 / 9	6,939
B	12,658	7 / 9	9,845
C	18,262	8 / 9	16,233
D	12,405	9 / 9	12,405
E	6,504	11 / 9	7,949
F	2,974	13 / 9	4,296
G	1,376	15 / 9	2,294
H	79	18 / 9	158
<b>Total</b>	<b>64,674</b>		<b>60,123</b>

The estimated yield for the year was £71,334,607 with the actual yield for the year being £73,776,899. The rise in income over 2003/2004 resulted from the increase in the level of the tax and an increase in the number of Band D equivalent properties.

**Income from Business Ratepayers**

	2004/2005	2003/2004
Total Rateable Value at 31 March (£)	108,169,529	112,192,508
The Multiplier (rate in the £) as set by Government (Pence)	45.60	44.40

**Precepts and Demands**

The following Precepts and Demands were met by the Collection Fund :-

	2004/2005 £	2003/2004 £
Bournemouth Borough Council	60,398,835	58,041,564
Dorset Police Authority	8,138,249	7,264,093
Dorset Fire and Rescue Service	2,797,523	-
<b>Total</b>	<b>71,334,607</b>	<b>65,305,657</b>

**Distribution of Surplus**

The Surplus on the Collection Fund was distributed as below :-

	2004/2005 £	2003/2004 £
Bournemouth Borough Council	538,076	-
Dorset Police Authority	67,320	-
<b>Total</b>	<b>605,396</b>	<b>-</b>

## THE CONSOLIDATED BALANCE SHEET

	Note	2004/2005 £	2004/2005 £	2003/2004 £
<b>TANGIBLE FIXED ASSETS</b>				
<b>Operational Assets</b>				
- Council Dwellings		324,504,360		269,543,687
- Other Land and Buildings		288,994,743		279,322,580
- Vehicles Plant and Equipment		2,831,269		2,876,884
- Infrastructure		57,816,820		58,432,330
- Community Assets		3,773,557		3,053,172
<b>Non-operational Assets</b>				
- Investment Properties		10,874,192		10,944,565
- Surplus Assets		2,514,600		-
	<b>1</b>		691,309,541	624,173,218
Deferred Charges	<b>2</b>		-	553,148
Long Term Investments	<b>9</b>		2,516,550	2,522,921
Long Term Debtors	<b>3</b>		1,069,649	1,165,956
<b>TOTAL LONG TERM ASSETS</b>			<b>694,895,740</b>	<b>628,415,243</b>
<b>CURRENT ASSETS :-</b>				
Stock and Work in Progress		1,040,595		974,244
Debtors		26,052,660		18,524,258
Short Term Investments	<b>9</b>	35,000,000		25,350,000
Cash and Bank		7,141,731		6,289,606
		<b>69,234,986</b>		<b>51,138,108</b>
<b>LESS CURRENT LIABILITIES :-</b>				
Creditors		35,631,602		33,910,184
Temporary Borrowing		8,716,097		1,415,303
Bank Overdraft		7,451,835		1,994,051
		<b>51,799,534</b>		<b>37,319,538</b>
<b>NET CURRENT ASSETS</b>			<b>17,435,452</b>	<b>13,818,570</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<b>712,331,192</b>	<b>642,233,813</b>
Long Term Borrowing	<b>10</b>	30,700,000		26,025,138
Provisions	<b>13</b>	8,101,208		6,096,569
Pensions Liability	<b>16</b>	142,342,523		93,979,036
			<b>181,143,731</b>	<b>126,100,743</b>
<b>TOTAL ASSETS LESS LIABILITIES</b>			<b>531,187,461</b>	<b>516,133,070</b>
Fixed Asset Restatement Account			561,234,925	504,622,415
Capital Financing Account			45,356,625	48,925,043
Deferred Premiums	<b>20</b>		(486,546)	(639,673)
Unapplied Capital Grants and Contributions			3,427,121	4,510,660
Capital Grants and Contributions Deferred			23,084,621	18,497,060
Usable Capital Receipts Reserve			6,311,512	4,703,278
Deferred Capital Receipts			819,649	915,957
Deferred Credits	<b>18</b>		1,479,000	1,479,000
Pensions Reserve	<b>16</b>		(142,342,523)	(93,979,036)
Major Repairs Reserve			1,217,485	1,133,848
Transport Realisation Account			2,512,000	2,512,000
Earmarked Reserves	<b>11</b>		17,298,015	12,584,880
Balances				
- General Fund	<b>11</b>		5,657,061	6,617,877
- Housing Revenue Account	<b>11</b>		3,081,192	3,012,280
- Collection Fund			2,537,324	1,237,481
<b>TOTAL EQUITY</b>			<b>531,187,461</b>	<b>516,133,070</b>

**Judith Martin**  
Head of Resources

## NOTES TO THE CONSOLIDATED BALANCE SHEET

## 1 Fixed Assets

Operational Assets :-	Council Dwellings £	Other Land and Buildings £	Vehicles Plant and Equipment £	Infrastructure £	Community Assets £
Assets at Valuation or Historical Cost					
Brought Forward	278,377,655	289,747,319	5,568,424	84,304,860	3,616,583
Accumulated Depreciation					
Brought Forward	(8,833,968)	(10,424,739)	(2,691,540)	(25,872,530)	(563,411)
Net Book Value 31 March 2004	269,543,687	279,322,580	2,876,884	58,432,330	3,053,172
Movements in year :-					
Reclassification	-	(2,343,677)	-	225,500	530,158
Additions	4,197,726	14,245,579	736,537	3,431,642	881,646
Revaluations	56,140,880	3,722,874	-	-	(50,635)
Disposals	(2,274,090)	(1,782,727)	-	-	-
Depreciation for year	(3,103,843)	(4,169,886)	(782,152)	(4,272,652)	(640,784)
Net Book Value 31 March 2005	324,504,360	288,994,743	2,831,269	57,816,820	3,773,557
<b>Non Operational Assets :-</b>	<b>Investment Property £</b>	<b>Surplus Assets £</b>			
Assets at Valuation or Historical Cost					
Brought Forward	10,995,508	-			
Accumulated Depreciation					
Brought Forward	(50,943)	-			
Net Book Value 31 March 2004	10,944,565	-			
Movements in year :-					
Reclassification	(926,581)	2,514,600			
Additions	-	-			
Revaluations	856,208	-			
Disposals	-	-			
Depreciation for year	-	-			
Net Book Value 31 March 2005	10,874,192	2,514,600			

During each year the assets are reviewed as to their classification and if necessary they are moved between asset types.

**Valuation History**

Other Land and Buildings and Investment properties are revalued on a five year rolling basis, the proportion of the total of these assets valued over the previous financial years is as follows where an asset reaches its revaluation date it is checked to see if there is any major work planned which would affect the valuation. If that is the case the revaluation is postponed until the work has been carried out.

	Other Land and Buildings		Investment and Surplus	
	Valuation £	Depreciation £	Valuation £	Depreciation £
Historic	15,027	15,027	-	-
1998/1999	305,000	23,940	-	-
1999/2000	44,035,956	3,826,204	-	-
2000/2001	12,161,392	1,378,820	3,905,002	613,911
2001/2002	48,577,171	2,003,520	2,374,000	8,700
2002/2003	69,701,283	2,269,863	603,001	18,600
2003/2004	74,880,527	1,691,211	2,897,000	-
2004/2005	51,825,365	1,298,393	4,265,000	14,000
	301,501,721	12,506,978	14,044,003	655,211

## 2 Deferred Charges

Movements in deferred charges during the year were as follows :-

	Balance 1 April 2004 £	Discharged to Capital Financing Account £	Expenditure £	Discharged to Service Accounts £	Balance 31 March 2005 £
Housing Advances	9,023	(9,023)	-	-	-
Renovation Grants	-	-	942,260	(942,260)	-
HRA	-	-	18,658	(18,658)	-
Housing Association Grants	-	-	1,321,783	(1,321,783)	-
Coast Protection	114,312	(114,312)	125,164	(125,164)	-



**3 Long Term Debtors**

Movements in long term debtors during the year were as follows :-

	<b>Balance 1 April 2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 31 March 2005</b>
	£	£	£	£
Police and Probation Loans	684,145	-	(27,656)	656,489
Housing Advances / Mortgages	231,811	-	(68,651)	163,160
AFC Bournemouth Loan	250,000	-	-	250,000
	<u>1,165,956</u>	<u>-</u>	<u>(96,307)</u>	<u>1,069,649</u>

The AFC Bournemouth Loan due for repayment in 2005/2006 has been extended for 6 months and the Authority is considering proposals from the club involving the provision of community services commensurate with the value of the loan.

**4 Financing of Capital Expenditure**

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
Expenditure :-		
- Fixed Assets	23,493,130	17,729,254
- Deferred Charges	4,315,155	6,008,763
<b>Total Capital Expenditure</b>	<u>27,808,285</u>	<u>23,738,017</u>

**Justification / Financing :-**

Supported Borrowing	4,887,693	9,799,095
Unsupported Borrowing	7,392,717	-
Revenue Contributions	1,110,000	1,125,210
Capital Receipts	703,835	1,386,655
Capital Grants and Contributions	6,943,581	5,860,055
Reserves	4,991,405	2,942,777
Major Repairs Reserve	2,984,043	2,842,451
Creditors (Net)	(1,204,989)	(218,226)
<b>Total Finance</b>	<u>27,808,285</u>	<u>23,738,017</u>

**5 Significant Commitments under Capital Contracts**

Major commitments under Capital Contracts at 31 March were as follows :-

	<b>2005</b>	<b>2004</b>
	£	£
BIC Redevelopment	10,490,407	-
Boscombe Chine Gardens	-	1,776,000
Bethany Junior School Remodelling	-	1,626,500

**6 Assets Owned at 31 March**

The fixed assets figures includes the Authority's wide portfolio of holdings such as Council Housing, Administrative Buildings, Leisure Facilities, Libraries, Education Properties, Social Services Establishments, Highways and significant areas of Open Space. The analysis below gives an indication of the actual assets that are held by the Authority :-

	<b>2005</b>	<b>2004</b>
Council Housing	5,173	5,216
Main Administrative Buildings	2	2
Sports Pavilions	24	24
Beach Catering Outlets	11	15
Sports Centres	3	3
Entertainment Complexes	3	3
Libraries	12	12
Youth Centres	8	8
Schools - Local Education Authority's	32	33
Social Services Establishments	19	21
Public Conveniences	52	53
Golf Course	3	3
Amusement Centres	3	3
Piers	2	2
Length of Roads (km)	530	524

**7 Provision for Bad Debts**

Provisions have been allowed for bad debts and are netted off against the debtors figure shown in the Consolidated Balance Sheet.

	<b>31 March 2005</b>	<b>31 March 2004</b>
	£	£
Collection Fund	2,307,455	1,983,940
Benefit Overpayments	1,352,018	1,693,684
Cost of Collection	903	1,201
Housing Revenue Account	226,638	221,781
General Fund	135,048	165,103
<b>Provision carried forward 31 March</b>	<b>4,022,062</b>	<b>4,065,709</b>

**8 Analysis of Net Assets Employed**

	<b>31 March 2005</b>	<b>31 March 2004</b>
	£	£
General Fund	213,256,887	252,694,521
Housing Revenue Account	317,930,574	263,438,549
	<b>531,187,461</b>	<b>516,133,070</b>

**9 Investments**

**Short Term Investments**

This represents the Authority's surplus funds which are invested for less than one year in accordance with the Authority's Treasury Management Strategy. The sums are lodged with approved financial institutions.

**Long Term Investments**

The Investments consist of :-

	<b>31 March 2005</b>	<b>31 March 2004</b>
	£	£
Bournemouth Transport Ltd.	2,512,000	2,512,000
Other Investments	4,550	10,921
	<b>2,516,550</b>	<b>2,522,921</b>

**BOURNEMOUTH TRANSPORT LTD.**

Bournemouth Transport Ltd. is a wholly owned company set up from the previous Transport Undertaking in accordance with the provisions of the Transport Act 1985. Its main business is the running of local bus and coach operations known as Yellow Buses and Yellow Coaches.

The Authority is in the process of disposing of its interest in Bournemouth Transport which could impact on the 2005/2006 Accounts.

The information set out below gives a brief summary of the Profit and Loss Account and the Balance Sheet of the Company. Full copies of the accounts are obtainable from the Company Secretary, Mallard Road, Bournemouth. The accounts for 2004/2005 have been audited by Nexia Audit Limited, who issued an unqualified opinion.

The accounts for 2003/2004 have been restated, this resulted from a clarification of the treatment of the purchase of the new depot at Yeomans Way. The restatement has resulted in Fixed Assets being increased by £3,836,183 being the actual cost of the land of £3,724,276 and £111,907 being legal and professional fees which had previously been charged to the Profit and Loss account.

**Profit and Loss Account :-**

	<b>2004/2005</b>	<b>2003/2004</b>
	£'000s	<b>Restated</b> £'000s
Turnover	11,745	12,264
Operating and Other Expenditure	(11,202)	(11,173)
Net Profit before Tax	543	1,091
Net Profit after Tax	452	966

## 9 Investments (Continued)

## BOURNEMOUTH TRANSPORT LTD. (Continued)

## Balance Sheet :-

	31 March 2005	31 March 2004
	£'000s	Restated £'000s
Fixed Assets	12,755	11,928
Current Assets	2,677	3,031
Less Current Liabilities	(2,060)	(2,646)
Net Current Assets	617	385
Total Assets less current liabilities	13,372	12,313
Long Term Creditors	(5,716)	(5,110)
Provision for Liabilities	(188)	(142)
	7,468	7,061
<b>Represented by :-</b>		
Share Capital Ordinary	2,512	2,512
Preference Shares	-	-
Profit and Loss Account	4,956	4,549
	7,468	7,061

## 10 Analysis of Borrowings

Source of Loan :-	Range of Interest Rates Payable %	Outstanding 31 March 2005 £	Outstanding 31 March 2004 £
Public Works Loan Board		30,700,000	26,025,138
An Analysis of Loans by Maturity is :-			
1 - 2 years	-	-	325,138
2 - 5 years	10.125	2,000,000	-
5 - 10 years	4.375	5,000,000	7,000,000
over 10 years	5.753	23,700,000	18,700,000
		30,700,000	26,025,138

Given historically low long term funding interest rates, the Council's policy is to maintain a stable longer term portfolio by drawing longer term fixed rate funding from the Public Works Loan Board. The Council's strategy is to maintain a balanced maturity portfolio such that, debt repayable in any one year does not expose the Authority to risk.

## 11 Reserves

The movements on Reserves during the year were :-

	Balance 31 March 2004	Surplus / (Deficit) in Year	Transfers In / (Out)	Balance 31 March 2005
	£	£	£	£
Other Reserves	4,408,118	-	3,633,305	8,041,423
School's Balances - see note below	3,103,851	-	1,193,594	4,297,445
Renewal Funds	253,165	-	(59,896)	193,269
Repairs and Improvements	1,297,234	-	(516,087)	781,147
Capital Fund	2,185,300	-	(134,542)	2,050,758
Insurance & Contingent Liabilities	2,536,242	-	(125,175)	2,411,067
	13,783,910	-	3,991,199	17,775,109
Borrow to Invest Scheme	(1,199,030)	-	721,936	(477,094)
Net Earmarked Reserves	12,584,880	-	4,713,135	17,298,015
Major Repairs Reserve	1,133,848	-	83,637	1,217,485
General Fund	6,617,877	(960,816)	-	5,657,061
Housing Revenue Account	3,012,280	68,912	-	3,081,192
	23,348,885	(891,904)	4,796,772	27,253,753

A Reserve is created by an appropriation from the Consolidated Revenue Account representing amounts set aside for future revenue or capital expenditure. The Schools' Balances are held under the Fair Funding Scheme for Schools and can only be used for that purpose. The largest of Other Reserves represents sums set aside to smooth the payments due over the life of the Library PFI contract other major Reserves are to fund future initiatives for accommodation etc.

The Borrow to Invest Scheme works on the principle that the Authority has a consistent level of Earmarked Reserves at any one time. The scheme allows Directorates to put forward schemes which although costing the Authority in the short term lead to long term savings. The amounts are appropriated from Reserves in the year that the scheme is implemented. The Directorates then repay the "borrowing" from its savings over a maximum of 4 years.

**12 Amounts Administered on behalf of Third Parties**

**TRUST FUNDS**

The Authority acts as sole trustee for a number of legacies left by former inhabitants of the Borough. The funds are used to help the elderly residents of the Borough or to be paid to an approved voluntary agency. In addition the Authority acts as sole trustee for criminal injury awards to children in their care which are held in trust until they become of age. Two of the Trust Funds are Registered Charities; M Robson and The Lansdowne Foundation.

The transactions for the funds are summarised below :-

	2004/2005 Registered Charities	2004/2005 Non-Registered Charities	2004/2005 Total	2003/2004 Total
	£	£	£	£
Balance at 1 April brought forward	4,808	225,828	230,636	209,919
New Funds	-	99,000	99,000	17,823
Income	303	12,932	13,235	8,995
Expenditure	-	(51,722)	(51,722)	(6,101)
Balance at 31 March carried forward	5,111	286,038	291,149	230,636

The Trust fund balances are invested in Shares, Government Stocks and with the Authority. The funds do not represent assets of the Council and are not included in the Consolidated Balance Sheet.

**Investment Analysis**

	2004/2005 Registered Charities	2004/2005 Non-Registered Charities	2004/2005 Total	2003/2004 Total
	£	£	£	£
Funds with the Authority	4,111	283,039	287,150	224,161
External Investments	1,000	2,999	3,999	6,371
Total	5,111	286,038	291,149	230,532

**REGISTERED CHARITIES**

The Authority is the sole trustee for a number of registered charities. As these charities (other than M Robson and the Lansdowne Foundation) comprise property of either land or buildings, the running income and expenditure for the services associated with them are part of the Authority's normal operating expenditure and are included in the Statement of Accounts. The property associated with these charities is held in perpetuity at nil value and thus not included in the value of the assets shown in the Consolidated Balance Sheet.

**Other Third Party Funds Administered by the Authority**

In addition to the above, certain sums, not included in the Authority's Statement of Accounts, are held in bank accounts under the Authority's control. The balances held are as below:-

	Balance 31 March 2005	Balance 31 March 2004
	£	£
Performance Bonds	16,785	16,492
Power of Attorney Clients	100,151	36,733
Criminal Injury Compensation Payments	37,713	36,078
Other	34,187	156,370
	188,836	245,673

**13 Insurance**

Since April 1992, the Council's insurance strategy has been primarily to be self insured, with claims falling within self insured limits being funded from the Insurance Fund. As an indication, the current insurance arrangements require the Insurance Fund to meet any Liability, Fidelity Guarantee, and Professional Indemnity claims under £33,500 and Material Damage claims under £25,000 except losses involving storm/wet perils where the excess is £50,000. To limit the exposure for each year, stop-loss cover is arranged annually and the current stop is at £1,240,000. The Fund is financed by contributions from all Directorates.

On 30 September 1992 the Authority's insurers at the time, Municipal Mutual Insurance, ceased accepting new business. The Authority has a number of outstanding claims with MMI and arrangements are in place to enable an orderly settlement of the sums due. The estimated value of claims submitted to MMI as at 31 March 2005 was £517,283.

The movements on Insurance Provisions during the year were :-

	31 March 2004	In / (Out)	Balance 31 March 2005
	£	£	£
Insurance Provisions	6,096,569	2,004,639	8,101,208

**14 Bank Overdraft**

The figure shown in the Balance Sheet includes un-presented cheques at 31 March 2005. The actual bank balance includes the Authority's main account and the accounts held by schools. The pooled total is managed on a daily basis and kept within a tolerance of £50,000, subject to an economic treasury arrangement being available.

**15 The Euro**

The Authority monitors advice issued by the Government and the Chartered Institute of Public Finance and Accountancy (CIPFA) on preparations for the Euro and give due consideration to the issue in considering replacement systems and equipment. Future budget provision will be informed by this process.

**16 Net Pensions Liability****LOCAL GOVERNMENT PENSION SCHEME**

Note 9 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pension Scheme (administered by Dorset County Council) in providing officers with retirement benefits.

The underlying assets and liabilities for retirement benefits attributable to the Authority at 31 March 2005 are as follows :-

		<b>2004/2005</b>	<b>2003/2004</b>
		£	£
Estimated Assets in scheme		218,445,774	193,565,546
Present Value of Scheme Liabilities	(338,210,000)		
Present Value of Unfunded Liabilities	(13,402,000)		
Estimated Liabilities in scheme		(351,612,000)	(279,136,000)
Net Asset / (Liability)		<u>(133,166,226)</u>	<u>(85,570,454)</u>

The deficit on the scheme is being addressed by increased contributions as assessed by the scheme's actuary.

In addition to the Assets shown above the Authority has made Creditor Provisions in the Revenue Account at 31 March.

	<b>2004/2005</b>	<b>2003/2004</b>
	£	£
Accrued Pensions Contributions	2,875,272	1,370,398

The provision for 31 March 2005 contains an amount of £1,282,465 which relates to pension costs associated with "Organising for Excellence".

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary level etc.. The Dorset County Council Fund liabilities have been assessed by Punter Southall Co., an independent firm of actuaries.

The main assumptions used in their calculations have been :-

	<b>2004/2005</b>	<b>2003/2004</b>
	%	%
Retail Price Inflation	2.90	2.90
Increase in Salaries	4.70	4.70
Increases in Pensions and Deferred Pensions	2.90	2.90
Discount Rate	5.40	6.40

The Discount Rate is the one required by the SORP and the change this year has resulted in a substantial increase in the liabilities as calculated by the Actuary.

**16 Net Pensions Liability (Continued)**

**LOCAL GOVERNMENT PENSION SCHEME (Continued)**

Assets in Dorset County Council Pension Fund are valued at a fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund.

	<b>Long Term Return %</b>	<b>31 March 2005 %</b>	<b>31 March 2004 %</b>
Equities	7.50	61.79	74.28
Gilts	4.50	24.09	16.64
Other Bonds	5.30	0.35	0.89
Property	7.00	9.84	-
Cash	4.30	3.93	8.19
		<u>100.00</u>	<u>100.00</u>

**TEACHERS PENSION SCHEME**

The Scheme is a defined benefit scheme, administered by the Teachers Pension Agency (TPA). Although the scheme is unfunded, the TPA uses a notional fund as the basis for calculating the employer's contribution rate paid by Local Education Authorities (LEA's). However, it is not possible for the Authority to identify a share of the underlying liabilities in the scheme attributable to its own employees. For the purposes of this Statement of Accounts it is therefore accounted for on the same basis as a defined contribution scheme.

**TEACHERS' ADDITIONAL BENEFITS**

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the Teachers' Scheme. These benefits are fully accrued in the pension liability account.

	<b>2004/2005 £</b>	<b>2003/2004 £</b>
(Liability) - Unfunded	(9,176,297)	(8,408,582)
Accrued Pensions Contributions - within Revenue Account	35,188	28,410

**TOTAL PENSIONS LIABILITY**

The liabilities as detailed show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability of £142m has a substantial impact on the net worth of the Authority as recorded in the Consolidated Balance Sheet, resulting in a reduced balance of £531m. However, statutory arrangements for funding the Authority mean that the financial position of the Authority remains unchanged.

	<b>2004/2005 £</b>	<b>2003/2004 £</b>
LGPS Liability	(133,166,226)	(85,570,454)
Teacher's Additional Benefits Liability	(9,176,297)	(8,408,582)
Total Liability	<u>(142,342,523)</u>	<u>(93,979,036)</u>

**17 Capital Grants and Contributions**

Sums are received from the Government and Developers towards the cost of certain capital schemes. When these amounts are received they are put to the Unapplied Capital Grants and Contributions Account. As the amounts are used to finance Capital Schemes they are transferred to the Capital Grants and Contributions Deferred Account .

The balance on this account represents the value of external contributions that have been used to finance capital Expenditure. This amount is then credited in accordance with how the item was written back to revenue. See Notes 2 and 6 to the Statement of Total Movements in Reserves for the transactions on these accounts in the year.

**18 Deferred Credits**

This figure represents Government Grant that has been received in connection with the Library PFI in advance of when amounts are due to be paid to the provider. The amount will be written back to revenue when the grant level in the year falls below the payment required.

**19 Private Finance Initiative - (PFI)**

It has been established that the Library provided under the PFI arrangement is the asset of the operator rather than the Authority. For that reason it is not included in the Consolidated Balance Sheet.

**20 Deferred Premiums**

Deferred premiums are amounts that were paid when debt was redeemed early as part of a debt restructuring exercise. These amounts are written back to revenue in line with the replacement debt that was taken out.

## THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	2004/2005 £	2004/2005 £	2003/2004 £
Surplus / (Deficit) for the year			
- General Fund	(960,816)		1,975,379
- HRA	68,912		105,860
- Collection Fund	1,299,843		825,679
Add back movements on Specific Revenue Reserves	4,713,135		1,890,411
Deduct Non-Actuarial Movements on Pensions Reserve	(6,243,556)		(2,962,002)
Change in accounting estimate for pensions (See Note 15 to the Statement of Accounting Policies)	(51,743,000)		-
Actuarial gains and losses relating to Pensions	9,623,069		22,768,816
<b>Total Increase / (Decrease) in Revenue Resources (Note 1)</b>		(43,242,413)	24,604,143
Increase / (Decrease) in Usable Capital Receipts	1,608,234		484,047
Increase / (Decrease) in Unapplied Capital Grants and Contributions	(1,083,539)		2,228,111
<b>Total Increase / (Decrease) in Realised Capital Resources (Note 2)</b>		524,695	2,712,158
Gains / (Losses) on Revaluation of Fixed Assets	60,669,327		64,082,803
Impairment Losses on Fixed Assets due to general changes in prices	-		-
<b>Total Increase / (Decrease) in unrealised Value of Fixed Assets (Note 3)</b>		60,669,327	64,082,803
<b>Value of Assets sold, disposed of or decommissioned (Note 3)</b>		(4,056,817)	(2,897,591)
Capital Receipts set aside	703,835		4,476,330
Revenue Resources set aside	715,850		(1,471,325)
Capital Grants Deferred	4,587,562		4,801,876
<b>Total Increase / (Decrease) in amounts set aside to finance Capital Investment (Note 6)</b>		6,007,247	7,806,881
Deferred Charges (See Note 5 to the Statement of Accounting Policies)	(553,148)		
Deferred Charges Written Off	(4,315,155)		(8,869,812)
Long Term Debtors	-		(10,000)
Transfer from Major Repairs Reserve to HRA	(36,163)		(29,716)
<b>(Note 6)</b>		(4,904,466)	(8,909,528)
Transport Realisation Account		-	(560,000)
Deferred Capital Receipts		(96,308)	(94,461)
Deferred Credits		-	-
Deferred Premiums		153,127	157,197
<b>Total Recognised Gains and Losses</b>		<b>15,054,392</b>	<b>86,901,602</b>



## NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

## 1 Movements in Revenue Resources

	General Fund Balance £	HRA Balance £	Collection Fund £
Surplus / (Deficit) for year	(960,816)	68,912	1,299,843
Balance Brought Forward 1 April 2004	6,617,877	3,012,280	1,237,481
Balance Carried Forward 31 March 2005	<u>5,657,061</u>	<u>3,081,192</u>	<u>2,537,324</u>
		Earmarked Revenue Reserves £	Pensions Reserve £
Appropriations / Non Actuarial movements to / (from) revenue		4,713,135	(6,243,556)
Change in accounting basis for pensions (See Note 15 to the Statement of Accounting Policies)			(51,743,000)
Actuarial gains / (losses) relating to pensions			9,623,069
		<u>4,713,135</u>	<u>(48,363,487)</u>
Balance Brought Forward 1 April 2004		12,584,880	(93,979,036)
Balance Carried Forward 31 March 2005		<u>17,298,015</u>	<u>(142,342,523)</u>

Earmarked Revenue Reserves represent the funds set aside for future liabilities. The pensions reserve indicates the level at which the pension commitments of the Authority are covered. A negative figure denotes the fact that the fund does not have resources to cover these commitments at the Balance Sheet date.

## 2 Movements in Realised Capital Resources

	Usable Capital Receipts £	Unapplied Capital Grants £
Amounts receivable in 2004/2005	2,312,069	5,860,042
Amounts Applied to finance new Capital Investment in 2004/2005	(703,835)	(6,943,581)
Total Increase / (Decrease) in Realised Capital Resources in 2004/2005	<u>1,608,234</u>	<u>(1,083,539)</u>
Balance Brought Forward 1 April 2004	4,703,278	4,510,660
Balance Carried Forward 31 March 2005	<u>6,311,512</u>	<u>3,427,121</u>

Capital Receipts arise from the sale of Fixed Assets. The proceeds are able to be used to fund new Capital Expenditure. There is a requirement to pay over 75% of Housing Capital receipts to a National Pool but all other Capital Receipts are available to fund new Capital Expenditure. (See Note 6 of the Statement of Accounting Policies)

The Usable Capital Receipts shown above are the amounts net of "set aside" and the payment to the National Pool showing the amount of usable receipts received in the year and those that have been used to finance new Capital Expenditure. The Balance at the end of the year represents the Capital Receipts that are available to fund new Capital Expenditure in future years.

Capital Grants and Other Contributions are received in general from Government to finance specific Capital Schemes. They are held prior to being spent as unapplied Capital Grants. When the expenditure is incurred and needs to be financed the amounts are transferred to Government Grants Deferred. The balance at the end of the year represents amounts that have been received that will be applied in future to finance Capital Expenditure. The majority of the balance relates to Education Grants that have been received in advance of the expenditure being incurred.

**3 Fixed Asset Restatement Account**

	£
<b>Movements in unrealised value of Fixed Assets</b>	
Gains / (Losses) on revaluation of Fixed Assets in 2004/2005	60,669,327
Impairment Losses on Fixed Assets due to general changes in prices in 2004/2005	-
<b>Total Increase / (Decrease) in unrealised Capital Resources in 2004/2005</b>	60,669,327
<b>Value of Assets sold, disposed of or decommissioned</b>	
Amounts written off Fixed Asset balances for disposal in 2004/2005	(4,056,817)
Total movement on Reserve in 2004/2005	56,612,510
Balance Brought Forward 1 April 2004	504,622,415
Balance Carried Forward 31 March 2005	561,234,925

The Authority's Assets are subject to revaluation on a 5 year rolling programme to ensure they are held in the Authority's Accounts at current value. When the revaluations are made the Fixed Asset Restatement Account is used to reflect any increase or decrease in the value of the Assets with the Fixed Asset accounts being amended to reflect the change in value. This account is also used when Assets are disposed, with the Asset Account and the Fixed Asset Restatement Account being reduced accordingly to reflect the fact that the Authority no longer has the Asset.

This account is not available to finance expenditure and merely represents the change in the value to the assets in the balance sheet since they were initially financed.

**4 Transport Realisation Account**

The Transport Realisation Account arose from the setting up of Bournemouth Transport Ltd. From the Authority's Transport Undertaking. It represents the unrealised value of the Authority's investment. The funds represented by this account are not available until the investment is realised.

	Transport Realisation Account £
Balance Brought Forward 1 April 2004 :-	2,512,000
Balance Carried Forward 31 March 2005 :-	2,512,000

**5 Deferred Premiums**

This account represents amounts that had to be paid when debt was repaid early as a result of a debt restructuring. These amounts are written back to Revenue over the life of the restructured debt.

	Deferred Premiums £
Written Back to Revenue	(153,127)
Balance Brought Forward 1 April 2004 :-	639,673
Balance Carried Forward 31 March 2005 :-	486,546

6 Movements in amounts set aside to finance capital investment	Capital Financing Account £	Major Repairs Reserve £	Capital Grants Deferred £	Total £
Capital Receipts set aside in 2004/2005 :-				
- Reserved Receipts	-	-	-	-
- Usable Capital Receipts Applied	703,835	-	-	703,835
<b>Capital Receipts set aside in 2004/2005</b>	<b>703,835</b>	<b>-</b>	<b>-</b>	<b>703,835</b>
Revenue resources set aside in 2004/2005 :-				
- Capital Expenditure Financed from Revenue	6,101,405	-	-	6,101,405
- Reconciling amount for provisions for Loan repayment	(5,385,555)	-	-	(5,385,555)
<b>Revenue Resources set aside in 2004/2005</b>	<b>715,850</b>	<b>-</b>	<b>-</b>	<b>715,850</b>
Grants Applied to Capital in 2004/2005	-	-	6,943,581	6,943,581
Credited to Revenue in 2004/2005	-	-	(2,356,019)	(2,356,019)
<b>Capital Grants Deferred</b>	<b>-</b>	<b>-</b>	<b>4,587,562</b>	<b>4,587,562</b>
<b>Deferred Charges B/fwd Adjustment</b>	<b>(553,148)</b>	<b>-</b>	<b>-</b>	<b>(553,148)</b>
<b>Deferred Charges Written Off</b>	<b>(4,315,155)</b>	<b>-</b>	<b>-</b>	<b>(4,315,155)</b>
<b>Deferred Debtors</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfer Major Repairs Reserve to HRA</b>	<b>-</b>	<b>(36,163)</b>	<b>-</b>	<b>(36,163)</b>
<b>Internal Transfers :-</b>				
Major Repairs Reserve Transfer	(3,103,843)	3,103,843	-	-
Financing of Capital from Major Repairs Reserve	2,984,043	(2,984,043)	-	-
Grants transferred to Capital Financing Account	-	-	-	-
Total movement on reserve in 2004/2005	(3,568,418)	83,637	4,587,562	1,102,781
Balance Brought Forward 1 April 2004 :-	48,925,043	1,133,848	18,497,060	68,555,951
Balance Carried Forward 31 March 2005 :-	<u>45,356,625</u>	<u>1,217,485</u>	<u>23,084,622</u>	<u>69,658,732</u>

The Capital Financing Account does not represent funds that are available to finance expenditure. The balance on it arises from various Capital Accounting transactions:-

- Reserved Capital Receipts
- Capital expenditure financed from Revenue, Capital Receipts, Major Repairs Reserve and any Grant for assets that will not be depreciated
- The amount required to reduce the depreciation charge in the Consolidated Revenue Account to the Minimum Revenue Provision
- The amount required to compensate the Consolidated Revenue Account for any Deferred Charges written off
- The amount for any receipts relating to deferred debtors where the actual repayment has been treated as a Capital Receipt
- The amount required to be transferred to the Major Repairs Reserve

The Major Repairs Reserve is a new account required under Resource Accounting and has the amount equivalent to the total depreciation charge to the HRA transferred to it. This is then reduced by a transfer back to the HRA in order to limit the charge to the amount of the Major Repairs Allowance. This sum is then available to finance HRA Capital Expenditure.

Government Grants Deferred represent the amount of Government Grant that has been used to finance Capital expenditure. The balance is written back to Revenue in line with how the asset is depreciated. Any grants which are not going to be depreciated to Revenue are transferred to the Capital Financing Account.

**7 Actuarial Gains and Losses on the Pensions Reserve**

The actuarial gains identified as movements on the Pensions Reserve in 2004/2005 can be analysed into the following categories, measured in absolute amounts and as a percentage of assets or liabilities at 31 March 2005.

**Local Government Pension Scheme**

	2004/2005	2003/2004	2002/2003
Differences between the expected and actual return on assets	13,975,000	23,958,000	(45,259,000)
Value of Assets	218,445,774	193,565,546	153,703,288
Percentage of Assets - %	6.40	12.38	( 29.45 )
Differences between actuarial assumptions about liabilities and actual experience	(50,000)	-	630,000
Value of Liabilities	351,612,000	279,136,000	259,152,000
Percentage of Liabilities - %	( 0.01 )	-	0.24
Changes in the demographic and financial assumptions used to estimate liabilities	(3,700,000)	(659,000)	-
Value of Liabilities	351,612,000	279,136,000	259,152,000
Percentage of Liabilities - %	( 1.05 )	( 0.24 )	-
Effect of Change in Accounting Methodology	(51,743,000)	n/a	n/a
Value of Liabilities	351,612,000	n/a	n/a
Percentage of Liabilities - %	( 14.72 )	n/a	n/a

**Teacher's Additional Benefits**

Differences between actuarial assumptions about liabilities and actual experience	(601,931)	(530,184)	(691,697)
Value of Liabilities	9,176,297	8,408,582	8,337,138
Percentage of Liabilities - %	( 6.56 )	( 6.31 )	( 8.30 )
Changes in the demographic and financial assumptions used to estimate liabilities	-	-	-
Value of Liabilities	9,176,297	8,408,582	8,337,138
Percentage of Liabilities - %	-	-	-

**8 Deferred Capital Receipts**

These amounts represent capital income still to be received where a disposal has taken place and deferred payment terms have been agreed. The amount is reduced as the actual income is received and shown against capital receipts.

	<b>Deferred Capital Receipts £</b>
Amounts received in year	(96,308)
Balance Brought Forward 1 April 2004 :-	915,957
Balance Carried Forward 31 March 2005 :-	<u><u>819,649</u></u>

**9 Deferred Credits**

This figure represents Government Grant that has been received in connection with the Library PFI in advance of when amounts are due to be paid to the provider. The amount will be written back to revenue in line with the actual payments made.

	<b>Deferred Credits £</b>
Movement in Year	-
Balance Brought Forward 1 April 2004 :-	1,479,000
Balance Carried Forward 31 March 2005 :-	<u><u>1,479,000</u></u>

## CASH FLOW STATEMENT

REVENUE ACTIVITIES	Note	2004/2005 £	2004/2005 £	2003/2004 £
<b>Cash Outflows :-</b>				
Cash paid to Employees		187,662,998		132,082,737
Other Operating Costs		87,726,422		132,431,638
Housing Benefit paid out		47,421,198		33,117,297
Disbursements from the Collection Fund :-				
Dorset Police Authority		8,205,569		7,264,093
Dorset Fire and Rescue Service		2,797,523		-
Non Domestic Rate Pool		42,273,749		43,046,151
Payments to the Capital Receipts Pool		1,487,173		-
		<u>1,487,173</u>	377,574,632	<u>347,941,916</u>
<b>Cash Inflows :-</b>				
Rents (after Rebates)		15,651,549		7,464,283
Council Tax Income		62,362,962		57,567,274
Non-Domestic Rate Income		44,897,863		40,196,139
Receipts from NNDR Pool		45,759,516		49,544,952
Revenue Support Grant		57,611,361		53,648,691
DWP Grants for Rebates		45,609,153		43,465,869
Other Government Grants		55,297,659		52,561,797
Cash Received for Goods & Services		47,965,065		56,149,432
Other Revenue Cash Payments/Income		13,726,982		12,681,779
		<u>13,726,982</u>	388,882,110	<u>373,280,216</u>
<b>Net Revenue Activities</b>	<b>1</b>		<u>11,307,478</u>	<u>25,338,300</u>
<b>SERVICING OF FINANCE</b>				
<b>Cash Outflows :-</b>				
Interest Paid (inc redemption premia)		1,765,054	1,765,054	2,034,339
				<u>2,034,339</u>
<b>Cash Inflows :-</b>				
Interest Received		1,723,193		1,419,198
			1,723,193	<u>1,419,198</u>
<b>Net Servicing of Finance</b>			<u>(41,861)</u>	<u>(615,141)</u>
<b>CAPITAL ACTIVITIES</b>				
<b>Cash Outflows :-</b>				
Purchase of Fixed Assets		22,118,844		17,955,978
Other Capital Cash Payments :-				
Deferred Charges (including advances to Housing Associations)		4,315,155		6,008,763
			26,433,999	<u>23,964,741</u>
<b>Cash Inflows :-</b>				
Capital Receipts		4,183,206		4,960,377
Capital Grants Received		4,053,863		8,033,216
			8,237,069	<u>12,993,593</u>
Net Capital Activities			<u>(18,196,930)</u>	<u>(10,971,148)</u>
<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>			<u>(6,931,313)</u>	<u>13,752,011</u>
<b>MANAGEMENT OF LIQUID RESOURCES</b>				
Net (Increase) / Decrease in Short Term Deposits	2		(9,650,000)	200,000
<b>FINANCING</b>				
<b>Cash Outflows :-</b>				
Repayments of Amounts Borrowed		102,902,265	102,902,265	147,871,849
				<u>147,871,849</u>
<b>Cash Inflows :-</b>				
New Loans Raised		5,000,000		4,995,325
New Short Term Borrowing		109,877,921		133,192,645
			114,877,921	<u>138,187,970</u>
Net Financing			<u>11,975,656</u>	<u>(9,683,879)</u>
<b>INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS</b>			<u>(4,605,657)</u>	<u>4,268,132</u>

## NOTES TO THE CASH FLOW STATEMENT

## 1 Reconciliation of Surplus /(Deficit) to Net Cash Flow

	2004/2005 £	2003/2004 £
General Fund	(960,816)	1,975,379
HRA	68,912	105,860
Collection Fund	1,299,843	825,678
Surplus / (Deficit) for the year	407,939	2,906,917
<b>Non Cash Transactions :-</b>		
Minimum Revenue Provision	2,123,900	1,969,474
Provisions set aside	2,004,639	1,742,788
Contributions to/(from) Reserves	4,713,135	1,890,411
Revenue Contributions to Capital including Reserves	6,101,405	4,067,987
Net-Off Between Accounts	3,352,517	4,292,772
<b>Items on an Accrual Basis :-</b>		
(Increase) / Decrease in Stocks	(66,351)	55,684
(Increase) / Decrease in Debtors	(5,957,005)	3,722,836
Increase / (Decrease) in Creditors	306,972	5,271,806
<b>Items classified in another classification in the Cash Flow Statement :-</b>		
Add Interest Paid	1,841,567	2,056,372
Less Interest/Investment Income	(1,835,374)	(1,580,569)
Capital Grants Received (re Deferred Charges written off treated as revenue)	(1,685,866)	(1,058,179)
Net Cash Flow from Revenue Activities	11,307,478	25,338,299

## 2 Reconciliation of Net Cash Flow to movement in Net Debt

	2004/2005 £	2003/2004 £
Increase in Cash in the Year	(4,605,657)	4,268,132
Increase in Liquid Resources	9,650,000	(200,000)
Cash Flow from increase in Debt	(11,975,656)	9,683,158
Movement in Net Debt in the Year	(6,931,313)	13,751,290
Net Debt 1 April	2,205,113	(11,546,177)
Net Debt 31 March	(4,726,200)	2,205,113

## Management of Liquid Resources and Financing

	Balance 1 April 2004 £	Balance 31 March 2005 £	Movement in Year £
<b>Liquid Resources :-</b>			
Short Term Investments	25,350,000	35,000,000	(9,650,000)
<b>Financing :-</b>			
Temporary Borrowing	(1,415,303)	(8,716,097)	7,300,794
Long Term Borrowing	(26,025,138)	(30,700,000)	4,674,862
			11,975,656

## 3 Liquid Resources

Liquid Resources consist of the surplus cash that the Authority has on a day to day basis. This cash is lent out to other Local Authorities and Financial Institutions in accordance with the Authority's Treasury Management Policy Statement.

## 4 Analysis of Grants

	2004/2005	2003/2004
	£	£
Revenue Support Grant	57,611,361	53,648,691
Contribution from NNDR Pool	45,759,516	49,544,952
DWP Grants for Rebates	45,609,153	43,465,869
Education	23,256,169	19,341,455
Social Services	9,187,386	12,273,705
Housing Revenue Account Subsidy	(3,095,109)	5,585,212
Allowance for Collection of NNDR	259,823	261,811
Supporting People	11,275,478	11,382,033
Other Miscellaneous	14,413,913	3,717,580
Capital Grants	4,053,863	8,033,216
	<u>208,331,553</u>	<u>207,254,524</u>

## THE GROUP ACCOUNTS

## 1 Introduction to the Group Accounts

The Authority has a 100% shareholding in Bournemouth Transport Ltd., a company set up from the previous Transport Undertaking in accordance with the provisions of the Transport Act 1985. Its main business is the running of local bus and coach operations known as Yellow Buses and Yellow Coaches.

The summarised group financial statements show the consolidated financial position of the Authority and its interest in Bournemouth Transport Ltd. The main effect of this consolidation has been to increase revenue reserves by £ 5 million, representing the authority's share of accumulated net profits in the company.

The Group Revenue Account has been produced by removing the dividend from the company and showing the Authority's share of the surplus of Bournemouth Transport for 2004/2005.

The Group Balance Sheet has been produced by eliminating all inter group indebtedness and consolidating the balance sheets. All major categories that have been affected are shown in the summarised Balance Sheet.

The Comparatives for 2003/2004 have been amended to reflect a prior year adjustment to Bournemouth Transport's Accounts explained in Note 9 to the Consolidated Balance Sheet.

## 2 Group Revenue Account

	2004/2005	2003/2004
	£'000s	Restated £'000s
<b>NET COST OF SERVICES</b>	186,486	180,643
Levies	117	5,739
Asset Management Revenue Account	(21,452)	(19,413)
Contribution to Housing Pooled Capital Receipts	1,871	-
Interest and Investment Income	(1,868)	(1,592)
Premium on Debt Redemption	153	143
Pensions Interest and Expected Return	5,462	5,510
Share of Surplus of Subsidiaries	(452)	(966)
<b>NET OPERATING EXPENDITURE</b>	170,317	170,064
Surplus / (Deficit) transferred to / (from) HRA Balances	69	106
Net Contributions to / (from) Reserves	9,705	4,833
Contribution from Reserves for Capital Finance	(4,991)	(2,943)
Application of Reserves to Capital Finance	4,991	2,943
Revenue Contributions to Capital	1,110	1,125
Depreciation Adjustment	(5,386)	(5,539)
Transfers to / (from) Major Repairs Reserve	(36)	(30)
Pensions Appropriations	(4,732)	(3,186)
From Capital Receipts re Housing Pooled Capital Receipts	(1,871)	-
Deferred Charges Written Off	(4,315)	(8,870)
Deferred Debtors Written Off	-	(9)
<b>AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS</b>	164,861	158,494
Demand from the Collection Fund	(60,399)	(58,041)
Contribution from the Collection Fund	(538)	-
Revenue Support Grant	(57,611)	(53,649)
Contribution from the Non-Domestic Rate Pool	(45,760)	(49,545)
<b>(SURPLUS) / DEFICIT FOR THE YEAR</b>	553	(2,741)
Balance Brought Forward 1 April	(11,167)	(8,426)
(Surplus) / Deficit for the year	553	(2,741)
<b>Balance Carried Forward 31 March</b>	(10,614)	(11,167)



## 3 Group Balance Sheet

	2004/2005	2003/2004
	£'000s	Restated £'000s
<b>Long Term Assets :-</b>		
Fixed Assets excluding Investments	704,064	636,654
Investments	5	11
Long Term Debtors	1,070	1,166
<b>Total Long Term Assets</b>	<u>705,139</u>	<u>637,831</u>
<b>Current Assets :-</b>		
Work in Progress	214	141
Stocks and Stores	948	964
Debtors	26,856	19,226
Temporary Lending	35,000	25,350
Cash at Bank and in Hand	8,849	8,289
	<u>71,867</u>	<u>53,970</u>
<b>Less Current Liabilities :-</b>		
Creditors	37,646	36,356
Temporary Borrowing	8,716	1,415
Cash at Bank and in Hand	7,452	1,994
	<u>53,814</u>	<u>39,765</u>
<b>Net Current Assets</b>	18,053	14,205
<b>Total Assets Less Current Liabilities</b>	<u>723,192</u>	<u>652,036</u>
<b>Long Term Liabilities and Provisions :-</b>		
Long Term Borrowing	32,692	27,411
Deferred Capital Receipts	820	916
Deferred Credits	1,479	1,479
Provisions / Long Term Creditors	12,013	9,963
<b>Pensions Liability</b>	(142,343)	(93,979)
<b>Capital Reserves</b>	642,658	584,265
<b>Revenue Reserves</b>	33,530	28,002
<b>Pensions Reserve</b>	142,343	93,979
<b>Total Equity</b>	<u>723,192</u>	<u>652,036</u>

## STATEMENT OF INTERNAL CONTROL

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

1.1. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable 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,
- evaluate the likelihood of those risks being realised and the impact should they occur,
- manage risks efficiently, effectively and economically.

1.2. The system of internal control has been in place in the Council for the year ended 31st March 2005 and up to the date of approval of the annual report and accounts.

### 2. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the Council's internal control environment are summarised below. Where reference is made to documents or bodies within the Council, details are available from the Council on request. Additionally, information may be viewed on the Council's website :-

[www.bournemouth.gov.uk](http://www.bournemouth.gov.uk)

2.1. Establishing and monitoring the achievement of the Council's objectives :-

- The Community Plan
- The Corporate Plan (including the Best Value Performance Plan)
- The Annual Report on Council Performance
- Service Planning and Performance Management Framework
- The Council's Constitution
- Cabinet and Council

2.2. Facilitation of policy and decision-making :-

- The Council's Constitution
- Published Council papers
- Cabinet and Council

2.3. Ensuring compliance with established policies, procedures, laws and regulations :-

- Scrutiny and Review Panels
- Statutory Boards
- Cabinet and Council
- Corporate Governance – Statement of Assurance
- Risk Management Policy
- Internal Audit
- External Audit and Inspection
- Whistle Blowing Procedure
- Irregularity Investigation Protocol
- Personnel Handbook
- Statement of Anti-Fraud and Corruption Strategy
- Disciplinary and Grievance Procedures
- Financial Framework
- Code of Conduct for Members
- Code of Conduct for Employees
- Health and Safety policies

2.4. Ensuring the economical, effective and efficient use of resources and securing continuous improvement in the way functions are exercised :-

- Cabinet and Council
- Corporate Plan (including the Best Value Performance Plan)
- Fundamental Service Reviews
- Business and Service Planning
- Performance Management Framework
- Financial Management Reports
- Published Statement of Accounts
- Procurement Framework
- Audit and Inspection
- Risk Profiling

**2. THE INTERNAL CONTROL ENVIRONMENT - (Continued)**

## 2.5. Financial Management of the Council :-

- Cabinet and Council
- Financial Framework
- Audit and Inspection
- Scrutiny and Review Panels
- Financial Management and Reporting
- Regular meetings of the Officers Finance Strategy Group chaired by the Head of Resources
- The Council's Constitution

## 2.6. Performance Management :-

- Service Planning and Performance Management Framework
- The Performance Management Group

**3. REVIEW OF EFFECTIVENESS**

3.1. The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of the internal auditors and the executive managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates. The Council has established its future priorities in the Corporate Plan and continues to operate a Service Planning and Performance Management Framework which regularly monitors achievement against these priorities.

## 3.2. External Audit and Inspection

3.2.1. The Comprehensive Performance Assessment refreshment in 2004 scored the Council four out of four for use of resources, which was a significant improvement on the previous score. This demonstrates a commitment by the Council to manage its affairs wisely. The assessment covered :-

- Financial standing
- Internal financial control
- Standards of financial conduct and prevention of fraud
- Financial statements
- Legality of financial transactions

The overall CPA assessment for the Council remained "Fair".

3.2.2. The Audit Commission's Annual Audit and Inspection Letter for 2004 was very positive and did not identify any significant weaknesses in internal control arrangements.

3.2.3. Ad hoc reports are presented to the Council by various Government Inspectorates on their statutory inspections of Council services. A summary of inspections for the year is set out below :-

- Community Safety (Fair service, uncertain prospects for improvement)
- Waste management and street cleaning service (Fair service, poor prospects for improvement)
- Housing management (Fair service, uncertain prospects for improvement)
- Homelessness and housing advice service (Good service, uncertain prospects for improvement)
- Commission for Social Care Inspection (one star service, promising prospects for improvement).

Improvement plans have been developed to respond to the recommendations made.

## 3.3. Internal Audit

3.3.1. The Council's risk based Internal Audit Plan is consulted upon with Heads of Business Unit and approved by the Quality Services and Value for Money Scrutiny and Review Panel. This provides the basis for the review of internal control within the Council. Achievement of the Internal Audit Plan is monitored by the Quality Services and Value for Money Scrutiny and Review Panel, which acts as the Council's Audit Committee. An Audit and Governance sub panel to QSVM has been established to enhance the governance framework, and consider issues relating to Audit, review of compliance to the Code of Corporate Governance and Risk Management issues in future.

3.3.2. Internal Audit provide a formal Internal Audit Opinion in both annual and interim reports to the Quality Services and Value for Money Scrutiny and Review Panel. These reports contain an assurance about the system of internal control throughout the Council.

### 3. REVIEW OF EFFECTIVENESS (Continued)

3.3.3. Whilst Internal Audit are unable to give absolute assurance, the results of the reviews completed during the year have, subject to specific issues referred to the Quality Services and Value for Money Scrutiny and Review Panel, resulted in an overall audit opinion that :-

- Systems and internal control arrangements continue to be effective and ensure that the Council achieves its overall objectives and uses its resources economically, efficiently and effectively.
- Accounting arrangements are sound.
- Agreed policies, regulations and the Constitution are complied with.
- Managers throughout the Council are aware of the importance of maintaining internal controls and the recommendations made by Internal Audit are accepted as practical and a valuable contribution to the continued operation of those systems. Instances where implementation of recommendations is not achieved by the dates agreed are brought to the attention of the appropriate Head of Business Unit.
- Appropriate arrangements are operated to deter and detect fraud.

#### 3.4. Heads of Business Unit Assurance Statements

3.4.1. Each Head of Business Unit is required to compile an annual assurance statement on internal control arrangements within their service area(s). They are responsible for monitoring and reviewing internal controls as an integral part of the risk management process. Any significant control issues identified are included in the Improvement Plan.

### 4. SIGNIFICANT INTERNAL CONTROL ISSUES

4.1. The Leader of the Council and Chief Executive have been advised on the implications of the result of the review of the effectiveness of the system of internal control operated by the Council. Weaknesses identified are included in the Improvement Plan, together with details of actions proposed to ensure continuous improvement of the system.

4.2. The following actions have been noted as high priorities in the Improvement Plan to improve identified weaknesses in the current internal control framework :-

- Development of the Partnership Governance Framework;
- Finalising and publishing of the revised Procurement Strategy;
- Continual review and further development of the Council's risk registers;
- Enhancing the Council's service continuity arrangements and meetings its obligations within the Civil Contingencies Act;
- Approval and promotion of Health and Safety policy;
- Implementing action plans arising from external inspections

4.3. The Council undertook a review of its Directorate and Business Unit structure during 2004/05 ("Organising for Excellence"), in recognition of a need to change the way it plans and delivers its services, with particular emphasis on the needs of its customers. The agreed structure became effective from 1 April 2005, with a reduction in number and change of Directors role, and a reduction and greater accountability delegated to Heads of Business Unit. Corporate Directors have the responsibility for driving forward key strategic issues, with Heads of Business Unit becoming more responsible for the direction and operational delivery of their service. The intention of the revised structure is to achieve excellence, but in the short term the loss of a number of previous Heads of Business Unit and the integration and splitting of certain services has presented a degree of difficulty during the Assurance gathering process. This will be subject to review and improvement during 2005/06.

To the best of our knowledge the internal control environment as described above has been operated during 2004/05.

Signed:  
Councillor Richard Smith,  
Leader Of The Council

On behalf of the Elected Members and Senior  
Officers of Bournemouth Borough Council

Signed:  
Paul Godier,  
Chief Executive

Signed:  
Judith Martin,  
Head of Resources

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### 1 The Authority's Responsibilities

The Authority is required :-

to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Resources;

to manage its affairs to secure economic, efficient and effective use of the resources and safeguard its assets.

to approve the Statement of Accounts

### 2 Head of Resources' Responsibilities

The Head of Resources is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice')

In preparing this Statement of Accounts, the Head of Resources has :-

selected suitable accounting policies and then applied them consistently;

made judgements and estimates that were reasonable and prudent;

complied with the Code of Practice.

The Head of Resources has also :-

kept proper accounting records which were up to date;

taken reasonable steps for the prevention and detection of fraud and other irregularities.

### 3 Head of Resources Certificate

I hereby certify that the Statement of Accounts for the year ended 31 March 2005 required by the Accounts and Audit Regulations 1996 are set out on pages 1 to 43.

I further certify that the Statement of Accounts presents fairly the financial position of Bournemouth Borough Council at 31 March 2005 and its income and expenditure for the year ended 31 March 2005.

**Judith A Martin CPFA**  
Head of Resources

## AUDITORS REPORT TO BOURNEMOUTH BOROUGH COUNCIL

### Audit report with unqualified opinion and certificate

#### Auditors' Report to Bournemouth Borough Council

We have audited the Statement of Accounts on pages 8 to 39 and the notes to those statements which have been prepared in accordance with the accounting policies applicable to local authorities as set out in the Statement of Accounting Policies.

This report is made solely to Bournemouth 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 the Chief Financial Officer and Auditors

As described in the Statement of Responsibilities for the Statement of Accounts, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2004. Our responsibilities, as auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the Statement of Accounts presents fairly the financial position and results of operations of the Council.

We review whether the Statement on Internal Control reflects compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the Statement of Accounts. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the Statement of Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Statement of Accounts. The other information comprises only the Foreword to the Accounts.

#### Basis of audit opinion

We conducted our 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 auditing 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 Statement of Accounts. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the statement of accounts, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

#### Opinion

In our opinion the Statement of Accounts presents fairly the financial position of Bournemouth Borough Council as at 31 March 2005 and its income and expenditure for the year then ended.

#### Certificate

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

Signature - PricewaterhouseCoopers LLP

Date - 28 October 2005

PricewaterhouseCoopers LLP  
The Quay  
30 Channel Way  
Southampton  
SO14 3QG

## GLOSSARY

**Accruals**

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

**Borrow to Invest Schemes**

The scheme allows services to borrow from the Council's reserves and repay the loan.

**Capital Charge**

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services. The charge is for notional interest (to represent the cost of tying up resources in those assets) and may include depreciation (intended to represent the cost of using the asset).

**Capital Expenditure**

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

**Capital Financing Account**

This account represents the amounts set aside from capital receipts for the repayment of external loans.

**Capital Receipt**

The proceeds from the sale of a fixed asset. The government prescribes the amount of the receipt which must be set aside to repay debt and the usable amount which may be utilised to finance capital expenditure.

**Charging Authority**

The Authority responsible for administering the Collection Fund, including raising bills for and collecting the appropriate council tax and national non-domestic rates (NDR)

**Contingent Asset**

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

**Contingent Liability**

A contingent liability is either:

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

**Council Tax**

A charge on the residential property within the Authority's area to finance a proportion of the Authority's expenditure.

**Creditors**

Amounts owed by the Authority for work done, goods received or services rendered within the accounting period but for which payment was not made at the balance sheet date.

**Current Assets**

Assets which can be expected to be consumed or cease to have material value during the next accounting period, examples are stock and debtors.

**Current Liabilities**

Amounts which will become due or could be called upon during the next accounting period, examples are creditors.

**Debtors**

Amounts due to the Authority for goods or services provided within the accounting period but not received at the balance sheet date.

**Deferred Charges**

Expenditure which may be properly capitalised, but which does not result in, or remain matched with, tangible fixed assets.

## GLOSSARY

### **Deferred Capital Receipts**

Amounts due to the Authority from the sale of fixed assets which are not receivable immediately on sale.

### **Depreciation**

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

### **Fixed Assets**

Tangible assets which can be expected to be of use or benefit to the Authority in providing its service for more than one accounting period.

### **General Fund**

The main account of the Authority which records the cost of service provision.

### **Government Grants**

Payments by central government towards the cost of Local Authority services either specifically (e.g. improvement grants) or generally (e.g. revenue support grant).

### **Housing Benefits**

A system of financial assistance to individuals towards certain housing costs administered by authorities and subsidised by Central Government.

### **Housing Revenue Account**

A separate account to the General Fund recording all the transactions relating to the provision of housing accommodation by the Authority.

### **Infrastructure Assets**

Fixed assets that are not able to be transferred or sold, expenditure on which is recoverable only by continued use of the asset created. Examples are highways and footpaths.

### **Leasing**

A method of financing capital expenditure where a rental charge is paid for the asset over a specified period of time.

### **Liquid Resources**

Current asset investments that are readily disposable by the Authority without disrupting its business and are either:

- Readily convertible to known amounts of cash as or close to the carrying amount; or
- Traded in an active market.

### **Minimum Revenue Provision (MRP)**

Is the minimum amount which must be charged to the revenue account each year in order to provide for the repayment of loans and other amounts borrowed by the Authority.

### **Non-Domestic Rates (NDR)**

An flat rate is set annually by central government and levied on businesses in the Borough. The money is collected by the Authority and then passed to Central Government who reallocate the proceeds to all Councils.

### **Non-Operational Assets**

Fixed assets held but not directly occupied, used or consumer in the delivery of services. Examples are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

### **Operational Assets**

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

### **Post Balance Sheet Events**

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



## GLOSSARY

### **Precept**

The amount which a Precepting Authority requires from a Charging Authority to meet its expenditure requirements, requiring the Charging Authority to collect income from council taxpayers on their behalf.

### **Precepting Authority**

Local Authorities, including parish councils and police authorities, which cannot levy a council tax directly on the public but have the power to precept Charging Authorities.

### **Private Finance Initiative (PFI)**

The PFI is a government policy designed to increase private sector involvement in the provision of public services. The authority does not own the asset, for example, the Bournemouth Library, but pays the PFI contractor payments over the period of the contracts for the use of the facilities under the contract period.

### **Provisions**

Amounts set aside in the accounts for future liabilities which cannot accurately be quantified.

### **Public Works Loan Board (PWLB)**

A Central Government Agency which lends money to public bodies for capital purposes at interest rates only slightly higher than those at which the Government itself can borrow.

### **Related Party Transaction**

This is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made.

### **Reserves**

Amounts set aside in the accounts for the purpose of providing money for future expenditure. A distinction is drawn between reserves and provisions which are set up to meet known liabilities. Earmarked reserves are allocated for a specific purpose. Unallocated reserves are often described as balances.

### **Revenue Account**

An account which records the Authority's day to day expenditure and income on such items as salaries and wages, running costs of service provision and the financing of capital expenditure.

### **Revenue Budget Comparison**

This statement reports the actual expenditure and income of the services for which the Authority is responsible. It demonstrates how the new cost has been financed from general Government Grants and from Local Taxpayers. It brings together expenditure and income relating to all of the Authority's functions.

### **Revenue Expenditure**

The day to day running costs relating to the accounting period irrespective of whether or not the amounts due have been paid. Examples are salaries, wages, materials, supplies and services.

### **Revenue Support Grant (RSG)**

A general central government grant paid to the Consolidated Revenue Account in support of the Charging Authority's revenue expenditure.

### **Stocks**

Items of raw materials and stores purchased by the Authority to use on a continuing basis and which has not been used. The value of those items not used at the balance sheet date are included as assets of the Authority.

### **Support Services**

The cost of departments which provide professional and administrative assistance to services.

### **Surplus Assets**

Assets no longer used in the provision of services

### **Temporary Borrowing/Investment**

Money borrowed or invested for an initial period of less than one year.

### **Work in Progress**

The value of work done on an uncompleted project which has not been recharged to the appropriate account at the balance sheet date.