



**BOURNEMOUTH
STATEMENT
OF ACCOUNTS**

2005/2006

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EXPLANATORY FOREWORD

1 Introduction

The Statement of Accounts for 2005/2006 has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom 2005 : 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 Councils. Any departures from this standard are referred to in the notes.

The Statement of Accounts for the Council 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 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 2005/2006

This Statement reports the actual expenditure and income of the services for which the Council 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 Council's functions.

A summary of the Consolidated Revenue Account for 2005/2006 is shown below in comparison with the revised budget. This shows what actually happened in the year compared with what was planned.

	Actual £	Revised Year End Budget £	Difference £
Net Cost of Services	196,619,038	197,674,079	(1,055,041)
Other Operating Income and Expenditure	(29,944,570)	(29,674,017)	(270,553)
Net Operating Expenditure	166,674,468	168,000,062	(1,325,594)
Appropriations	8,454,441	9,314,376	(859,935)
Amount to be met from Government Grant and Local Taxpayers	175,128,909	177,314,438	(2,185,529)
Government Grant	(109,308,986)	(109,309,109)	123
Local Taxpayers	(67,491,136)	(67,491,090)	(46)
(Surplus) for the Year	(1,671,213)	514,239	(2,185,452)
Balance Brought Forward (Surplus)	(5,657,061)	(5,657,061)	-
Balance Carried Forward (Surplus)	(7,328,274)	(5,142,822)	(2,185,452)

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

The main reason for the difference between the revised budget and the actual was increased interest receipts. The balance was mainly made up of the net under/overspends made by services some of which have been carried forward into 2006/2007.

3 The Housing Revenue Account

The Housing Revenue Account reflects the statutory obligation to account separately for the Council'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 Housing Revenue Account Surplus 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 Council's General Fund.

5 The Consolidated Balance Sheet

The Consolidated Balance Sheet shows the financial position of the Council at 31 March 2006. It shows the balances and reserves at the Council'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 Council 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 Council 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

This Statement of Accounts no longer contains a Group Accounts Section as Bournemouth Transport Limited was sold during the year.

9 The Statement on Internal Control

The Council needs to demonstrate that there is a sound system of internal control in place. This Statement details the framework and processes the Council 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 Council and Head of Resources for the accounts.

11 Current Borrowing and Asset Utilisation

The Council increased its overall long-term borrowing from the PWLB in 2005/2006 by £9.7m. 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 Council'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 Council's strategy is to maintain a balanced maturity portfolio such that debt repayable in any one year is not excessive.

12 Capital Expenditure

Capital Expenditure in the year totalled £ 37,272,380. The major schemes during the year were :-

	Actual £	Budget £
Housing :-		
Renovation Grants	955,301	900,000
Grants to Social Housing Providers	1,274,671	1,563,000
Council House Enhancements	4,641,539	4,641,700
Education :-		
Hill View Primary - Accommodation and Hard Play	644,885	646,291
King's Park Primary - Reception & Building Improvements	719,600	760,647
Bournemouth Learning Support Centre	502,453	520,006
Adult Education - New Head Quarters	861,101	867,296
Other :-		
BIC Redevelopment	12,329,273	12,328,883
Beach Replenishment	2,659,079	3,118,000
Mallard Road Improvements - Section 278	542,202	542,202
Office Accommodation Strategy	699,468	560,575
Local Transport Plan	2,860,463	2,624,000

13 Summary of Revenue and Capital Investment Plans for 2006/2007

2006/7 was the first year of the new grant formulae. Nationally the average percentage increase in Government Grant for single tier Councils was 2.45%. Bournemouth received a grant increase of 2%, which was the lowest percentage grant increase for a single tier Council. The grant paid to Bournemouth included £4.7m grant protection to bring the amount up to the grant floor.

Sustainability is a cornerstone of the Council's strategy. The 2006/7 budget has been set within a 5 year timeframe. As in previous years the Council has had to balance the level of service provision with an increase in council tax.

The Council set a council tax increase of 3.4% for 2006/7. The increase was less than the 5% increase in council tax predicted in the Medium Term Financial Plan approved in February 2005. To be able to deliver the approved council tax increase and address the demands from budget pressures and service growth the Council needed to identify cashable efficiency gains and service reductions of £2.8m.

Planned service improvements and developments reflect the Council's statutory responsibilities and the approved service improvement priorities. These include a new household recycling scheme, CCTV upgrades, the implementation of an integrated Children's System/Adult Care Management System and Customer First.

From 2006/7 schools are to be funded with a specific grant, Dedicated Schools Grant of £69.8m. The Council funded additional expenditure on schools of £0.2m to support Special Educational Needs.

During 2005/6 the Council disposed of its interest in Bournemouth Transport Limited. The capital receipt of £13.8m will enable the Council to invest in its core statutory activities and support the "Vision for Bournemouth". During 2006/7 the Council plans to invest over £46m in capital expenditure. Some of the schemes are linked to specific capital receipts being achieved.

The Council has integrated the efficiency agenda into the Medium Term Financial Planning process. By the end of 2006/7 the Council plans to exceed the Government's efficiency targets by over 50%.

During 2006/7 Sir Michael Lyons is due to report on the future funding arrangements for Local Councils. Once the details are released the full financial implications for Bournemouth will need to be assessed.

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) (2005 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 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 Council 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.

	2005/2006 %	2004/2005 %
Assets carried at Historical Cost	4.95	4.80
Assets carried at Current Value	3.50	3.50

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	Historical Cost as a proxy for 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. All assets are considered for impairment during each year with any material impairment being reflected in the accounts in the year it arose.

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 Council, 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.

There was a change in the accounting basis from 1 April 2004 which eliminated balances brought forward. This was achieved by a direct charge to the Capital Financing Account in 2004/2005. Since then all expenditure in the year on Deferred Charges is written back to revenue in the year resulting in no balances being carried forward.

6 Capital Receipts

Capital Receipts arise from the sale of Fixed Assets. These are proceeds are 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 Council 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

Where the acquisition of a fixed asset is financed either wholly or in part by a grant, the amount of the grant is credited initially to the Government Grants Deferred. Amounts are released to the asset management revenue account over the useful life of the asset consistent with the period of the depreciation charges on the asset to which it relates.

Revenue Grants are accounted for within the Consolidated Revenue Account, both Revenue and Capital Grants are accounted for on an accruals basis.

8 Debtors and Creditors

The revenue and capital transactions of the Council are recorded on an accrual basis. That is, all sums due to or from the Council 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 Council 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 :-

Cost	Basis of Allocation
Central Directorates :-	
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
Technical Services :-	
Technical Business Units	Time allocation Sheets

11 Provision for Pensions

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

The Council 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 cost and amounts for curtailment and settlements 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.

Actuarial Gains and Losses are accounted for within the Statement of Total Movements in Reserves as was the change in the scheme relating to lump sums on retirement - see Note 18 to the Consolidated Balance Sheet.

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 Council has to its current staff and pensioners.

12 Long Term Investments

In December 2005 the Council's main investment, its shareholding in Bournemouth Transport Limited, was disposed of resulting in a Capital Receipt. (See Note 18 of the Consolidated Revenue Account)

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

There were no material changes in Accounting Practice in the year.

16 Group Accounts

The 2004 SORP called for modified Group Accounting arrangements. However, that SORP allowed for transitional arrangements to delay the full implementation for one year. This delay allowed the Council to review all of the joint working arrangements that it has with subsidiaries, associates and joint ventures, to provide a complete picture of the Council's control over them. This review has been undertaken in liaison with the Council's Auditors and, coupled with the sale of the Council's shareholding in Bournemouth Transport Limited, it has been concluded that there are no material transactions requiring the preparation of Group Accounts.

THE CONSOLIDATED REVENUE ACCOUNT 2005/2006

Service / Division	Expenditure	Income	Net	Net
	2005/2006 £	2005/2006 £	2005/2006 £	Comparative 2004/2005 £
Central Services to the Public	15,360,021	13,751,201	1,608,820	1,966,451
Court Services	732,603	425,572	307,031	622,466
Cultural, Environmental and Planning	67,781,108	33,933,606	33,847,502	32,519,852
Education	119,031,742	40,660,127	78,371,615	74,079,134
Highways, Roads and Transport	21,196,404	8,500,889	12,695,515	10,828,727
Housing	90,044,705	78,544,075	11,500,630	12,196,089
Social Services	74,271,470	20,961,451	53,310,019	48,096,703
Corporate and Democratic Core	4,307,288	44,302	4,262,986	3,975,362
Non-Distributed Costs	714,920	-	714,920	2,201,631
NET COST OF SERVICES	393,440,261	196,821,223	196,619,038	186,486,415
Other Operating Income and Expenditure :-		Note		
Environment Agency - Levy			143,920	117,476
Dividends			-	(45,000)
Asset Management Revenue Account	1		(21,685,938)	(21,451,867)
Contribution to Housing Pooled Capital Receipts	17		698,729	1,871,137
Surplus on Investments Sold	18		(11,314,165)	-
Interest and Investment Income			(2,585,866)	(1,868,223)
Premium on Debt Redemption			140,750	153,127
Pensions Interest and Expected Return			4,658,000	5,462,000
NET OPERATING EXPENDITURE			166,674,468	170,725,065
Appropriations :-				
Surplus transferred to HRA Balances			269,721	68,912
Net Contributions to Reserves	4		9,688,760	9,704,540
Contribution from Reserves for Capital Finance			(5,153,595)	(4,991,405)
Application of Reserves to Capital Finance			5,153,595	4,991,405
Revenue Contributions to Capital			1,640,000	1,110,000
Reconciling Amount for Provision of Loan Repayment	10		(5,165,031)	(5,385,555)
Transfers to / (from) Major Repairs Reserve	10		(31,261)	(36,163)
Pensions Appropriations	9		(4,271,158)	(4,731,903)
From Capital Receipts re Housing Pooled Capital Receipts	17		(698,729)	(1,871,137)
From Capital Financing Account re Investments sold	18		11,314,165	-
Deferred Charges Written Off			(4,292,026)	(4,315,155)
AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS			175,128,909	165,268,604
Demand from the Collection Fund	3		(65,591,141)	(60,398,835)
Contribution from the Collection Fund	3		(1,899,995)	(538,076)
Revenue Support Grant			(54,759,357)	(57,611,361)
Contribution from the Non-Domestic Rate Pool			(54,549,629)	(45,759,516)
(SURPLUS) / DEFICIT FOR THE YEAR			(1,671,213)	960,816
Balance Brought Forward 1 April			(5,657,061)	(6,617,877)
(Surplus) / Deficit for the year			(1,671,213)	960,816
Balance Carried Forward 31 March			(7,328,274)	(5,657,061)

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.

Income	2005/2006	2004/2005
	£	£
Capital Charges for use of Assets	36,312,528	35,592,598
Capital Grants Released	807,437	670,154
	<u>37,119,965</u>	<u>36,262,752</u>
Less :-		
External Interest Payable	2,299,993	1,841,568
Depreciation	13,134,034	12,969,317
	<u>15,434,027</u>	<u>14,810,885</u>
Consolidated Revenue Account	<u><u>21,685,938</u></u>	<u><u>21,451,867</u></u>

2 Operating Leases

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

	2005/2006	2004/2005
	£	£
Amounts paid in the year	456,291	824,363
The Council is committed to making payments of £403,368 under these leases in 2006/2007 comprising the following elements:		
Leases expiring within 1 year		124,975
Leases expiring 2 - 5 years		226,743
Leases expiring 5 + years		51,650
		<u><u>403,368</u></u>

The total of all payments under these leases from 2007/2008 onwards is £681,680.

3 Demand and Contribution 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 :-

	2005/2006	2004/2005
	£	£
School's Balances	232,371	1,193,594
Other Reserves	2,786,486	3,737,220
Renewal Funds	63,376	51,104
Repairs and Improvements	1,172,922	600,267
Capital Fund	4,749,285	3,291,710
Insurance & Contingent Liabilities	338,471	(125,175)
Borrow to Invest Scheme	345,849	955,820
Total Appropriations to / (from) Reserves	<u><u>9,688,760</u></u>	<u><u>9,704,540</u></u>

5 Trading Operations

The Council 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 Council 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 £643,000 from the Council. During 2004/2005 to 2005/2006 the BIC undertook a major refit. Normal operations resumed in October 2005.

	2005/2006	2004/2005
	£	£
Income	12,318,679	10,468,982
Less Expenditure	14,797,098	12,841,067
Net Surplus / (Deficit)	<u>(2,478,419)</u>	<u>(2,372,085)</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.

	2005/2006	2004/2005
	£	£
Income	1,101,997	1,056,069
Less Expenditure	570,230	686,480
Net Surplus / (Deficit)	<u>531,767</u>	<u>369,589</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 Council's total waste management costs. During the year all out of Borough business was stopped but vehicle costs continued to rise due to the age of the fleet.

	2005/2006	2004/2005
	£	£
Income	825,443	885,614
Less Expenditure	706,223	684,355
Net Surplus / (Deficit)	<u>119,220</u>	<u>201,259</u>

Golf Course Management

An 18 hole golf course is provided which also offers bar and buffet facilities. The improved management introduced in 2004/2005 has continued to improve the result.

	2005/2006	2004/2005
	£	£
Income	471,858	490,771
Less Expenditure	564,429	604,069
Net Surplus / (Deficit)	<u>(92,571)</u>	<u>(113,298)</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 reduced result for 2005/2006 was due to uncertainties associated with tendering the service and the closure of a venue. Despite the reduction in turnover costs continued to be kept under control minimising the increase in deficit.

	2005/2006	2004/2005
	£	£
Income	1,499,740	1,739,351
Less Expenditure	1,542,668	1,764,928
Net Surplus / (Deficit)	<u>(42,928)</u>	<u>(25,577)</u>

Littledown Centre

The facility offers a variety of sports/recreation activities ranging from gym facilities, exercise classes, swimming and spa facilities. The deteriorating result is due in the main to increased competition from a new venue in the area.

	2005/2006	2004/2005
	£	£
Income	4,120,986	4,068,861
Less Expenditure	5,319,181	4,986,538
Net Surplus / (Deficit)	<u>(1,198,195)</u>	<u>(917,677)</u>

6 Section 137 Expenditure

Section 137 (3) of the Local Government Act 1972 empowers the Council to make charitable donations. Under this section the Council is required to account separately for any such expenditure.

The actual amount the Council spent in 2005/2006 was £ 438,870 (2004/2005 £ 461,452) made up of grants to various charitable organisations eg. 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 Council's spending on Publicity.

	2005/2006	2004/2005
	£	£
Tourism and Publicity	42,557	44,669
Bournemouth Guide	271,076	530,551
Bournemouth Journal	65,967	52,235
Other Advertising and Publicity	830,033	855,032
General Staff Advertising	819,304	674,604
Total	2,028,937	2,157,091

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 Council provides.

8 Income derived from Other Bodies

The Council receives income in the form of contributions towards services and income for services provided as laid out below :-

	2005/2006	2004/2005
	£	£
Social Services :-		
Contributions from Other Authorities	817,443	950,604
Health Authorities Contributions	630,108	784,063
Education :-		
Special Education Recoupment -		
Teaching out of Borough Children	1,437,831	1,099,944
Courses Workshops etc.	60,579	138,265
Other :-		
Magistrates / Coroners	379,716	616,309
Dorset Interactive Centre	49,779	49,566
Miscellaneous Income from other Bodies	141,433	63,113
	3,516,889	3,701,864

Some of the Miscellaneous Income shown above relates to services provided under the terms of the Local Authority (Goods and Services) Act 1970.

9 Pensions

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

The Council 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 Council 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 Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries fixed each year.

	2005/2006	2004/2005
Amount paid to Teachers' Pensions Agency £	4,951,226	4,823,586
Percentage of pensionable pay %	13.50	13.50

9 Pensions - (Continued)

Defined Benefit Schemes

LOCAL GOVERNMENT PENSION SCHEME

The Council participates in the Local Government Pension Scheme (LGPS) administered by Dorset County Council - this is a funded scheme, meaning that the Council 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.

	2005/2006	2004/2005
	£	£
Net Cost of Service		
Current Service Cost	11,491,000	10,682,000
Past Service Costs	-	-
Loss on Curtailment	379,000	1,525,000
	<u>11,870,000</u>	<u>12,207,000</u>
Net Operating Expenditure		
Interest Cost	19,106,000	17,968,000
Expected Return on Assets	(14,448,000)	(12,506,000)
	<u>16,528,000</u>	<u>17,669,000</u>
Amounts to be met from Government Grants & Local Taxation		
Movement on Pensions Reserve and year end Creditors	(4,496,101)	(4,572,897)
Actual amount charged against Council Tax for Pensions in the year	<u><u>12,031,899</u></u>	<u><u>13,096,103</u></u>

Note 18 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 Council 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 Council over the life of the pensioner. This additional liability is not covered by the normal contributions paid to the scheme.

	2005/2006	2004/2005
	£	£
Net Cost of Service		
Past Service Costs	352,241	724,672
Amounts to be met from Government Grants & Local Taxation		
Movement on Pensions Reserve and year end Creditors	224,943	(159,006)
Actual amount charged against Council Tax for Pensions in the year		
Employer's contributions payable to scheme	<u><u>577,184</u></u>	<u><u>565,666</u></u>

10 Revenue Provision for the Repayment of Loans

The Council 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.

With the advent of the Prudential Code the Council is free to borrow any sums of money without Government Support. This unsupported borrowing is only allowed where a robust business case has shown that the investment can be repaid during the life of the investment. If the Council only made provision for repayment in accordance with the Minimum Revenue Provision requirements there would not be sufficient charge for the repayment of unsupported borrowing during the life of the asset. To allow for this the Council makes additional Voluntary Revenue Provision (VRP) to ensure that repayment is made in accordance with the life of the assets.

10 Revenue Provision for the Repayment of Loans - (Continued)

	2005/2006	2004/2005
	£	£
The amounts charged to Revenue are made up as follows :-		
Reconciling Amount for the Provision of Loan Repayment	(5,165,031)	(5,385,555)
Depreciation for the year	13,134,034	12,969,317
Capital Grants transferred to Revenue	(2,064,086)	(2,356,019)
Transfer from Major Repairs Reserve	(31,261)	(36,163)
Major Repairs Allowance	(3,287,677)	(3,067,680)
	<u>2,585,979</u>	<u>2,123,900</u>
General Fund - Minimum Revenue Provision	2,530,160	2,123,900
General Fund - Voluntary Revenue Provision	55,819	-
Total Revenue Provision	<u>2,585,979</u>	<u>2,123,900</u>

11 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	2005/2006	2004/2005
	No. of Employees	No. of Employees
£50,000 - £59,999	23	28
£60,000 - £69,999	17	8
£70,000 - £79,999	4	5
£80,000 - £89,999	1	4
£90,000 - £99,999	3	-
£100,000 - £109,999	1	1
Total	<u>49</u>	<u>46</u>

12 Members' Allowances

In accordance with the Local Authorities (Members' Allowances) Regulations 2003 the Council 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.

	2005/2006	2004/2005
	£	£
Total Allowances Paid	572,964	556,009

13 Related Party Transactions

The Council is required to disclose material transactions with related parties. Related parties are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Central Government has effective control over the general operations of the Council. It is responsible for providing the statutory framework within which the Council operates, provides a significant amount of its funding in the form of grants and prescribes the terms of many of the transactions the Council has with other parties (e.g. Housing Benefit). Details of transactions with Government Departments are set out in Note 5 to the Cash Flow Statement - Analysis of Grants .

Other Local Councils and Bodies provide income to the Council. Details of transactions with other Councils and Bodies are set out in Note 8 to the Consolidated Revenue Account.

Members of the Council have direct control over the Council's financial and operating policies. During 2005/2006 the Council entered into transactions totalling £15,741,289 with companies and other organisations declared in the register of Members' interests. The major items relate to Dorset Fire Authority (£3,108,928), and Dorset Police Authority (£11,137,453). Any declarations of interest are properly recorded in the register of Members' interests which is open to public inspection.

Chief Officers have the ability to influence the Council. During 2005/2006 the Council entered into transactions totalling £22,358 with organisations declared in their register of interests.

The Council exercised control over its subsidiary Bournemouth Transport Ltd. Until its disposal in December 2005. Details of the relationship are included in Note 10 of the Consolidated Balance Sheet

The Council provided material financial assistance to a number of organisations, however, it does not exercise any form of control over those organisations.

14 Disclosure of Audit Costs

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

	2005/2006	2004/2005
	£	£
External audit services carried out by the appointed auditor	242,300	237,230
Statutory Inspection	84,509	78,716
Certifying Grant Claims and Returns	64,594	80,089
Other services provided by the appointed auditor	2,500	-
Total	393,903	396,035

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 2005/2006.

Building Regulations Charging Account 2005/2006	Chargeable	Non Chargeable	Total Building Regulations
	£	£	£
Expenditure :-			
Employee Expenses	426,436	102,165	528,601
Transport	13,719	3,287	17,006
Supplies and Services	71,537	11,679	83,216
Central and Support Service Charges	141,821	33,654	175,475
Total Expenditure	653,513	150,785	804,298
Income :-			
Building Regulation Charges :-			
Deposit of Plan Fees	224,161	-	224,161
Inspection Fees	350,053	-	350,053
Building Notice Fees	109,580	-	109,580
Total Income	683,794	-	683,794
Surplus / (Deficit) for Year	30,281	(150,785)	(120,504)
Surplus / (Deficit) for 2004/2005	32,957	(136,738)	(103,781)

16 Private Finance Initiative - (PFI)

In 2006/2007 the Council is committed to making Payments of £1,791,559 (actual 2005/2006 £1,768,339) 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. See Note 21 to the Consolidated Balance Sheet.

17 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 Council for debt repayment.

18 Surplus on Investments Sold

This represents the difference between the amount that Bournemouth Transport Limited was sold for and the amount that the investment had been held in the Balance Sheet. However, this does not represent Revenue Funds available as the money received is treated as a Capital Receipt. In order to remove the surplus from the Revenue Account a transfer from the Capital Financing Account is used to remove the impact on the Amount to be met from Government Grant and Local Taxpayers.

	2005/2006	2004/2005
	£	£
Proceeds of Disposal	13,826,165	-
Value Investments held in accounts	2,512,000	-
Surplus on disposal	11,314,165	-

THE HOUSING REVENUE ACCOUNT

	Note	2005/2006	2004/2005
		£	£
INCOME			
Gross Rent from Dwellings		14,255,537	13,711,345
Gross Rent from Other Property		188,900	181,262
Charges for Services and Facilities		1,123,905	694,102
Total Income		15,568,342	14,586,709
EXPENDITURE			
Supervision and Management		4,139,064	3,472,474
Repair and Maintenance	4	3,161,399	3,086,479
Rent, Rates and Local Taxes		104,190	25,257
Rent Rebate Payments		176,369	349,797
Housing Revenue Account Subsidy	10	2,235,770	2,839,879
Provision for Doubtful Debts		96,699	51,419
Capital Financing Charges			
- Cost of Capital Charge	7	9,571,636	9,743,218
- Depreciation	2 & 7	3,318,938	3,103,843
Amortisation of Deferred Charges	7	48,735	18,658
Debt Management Expense		44,302	42,606
Non Distributed Costs		16,321	48,041
Total Expenditure		22,913,423	22,781,671
Net Cost of Services		7,345,081	8,194,962
Asset Management Revenue Account		(8,993,938)	(9,145,672)
Premium on Debt Redemption		74,682	87,059
Pensions Interest Cost and Return	11	200,588	172,067
Investment Income		(227,818)	(204,072)
Net Operating Expenditure		(1,601,405)	(895,656)
Appropriations			
Revenue Contribution to Capital Expenditure	5	1,640,000	1,110,000
Minimum Revenue Provision	7	-	-
Transfer from Major Repairs Reserve	3	(31,261)	(36,163)
Contributions to /(from) Pensions Reserve	11	(228,320)	(228,435)
Deferred Charges Written Off		(48,735)	(18,658)
(Surplus)/Deficit for the year		(269,721)	(68,912)
Balance Brought Forward 1 April (Surplus)		(3,081,192)	(3,012,280)
Balance Carried forward 31 March (Surplus)		(3,350,913)	(3,081,192)

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 Council was responsible for managing the following housing stock :-

		31 March 2006	31 March 2005
		No.	No.
Houses	- 2 Bed	671	677
	- 3 Bed	1,080	1,082
	- 4 Bed	92	87
Flats	- 1 Bed	2,093	2,096
	- 2 Bed	781	784
	- 3 Bed	19	22
Bungalows	- 1 Bed	283	283
	- 2 Bed	112	112
	- 3 Bed	30	30
		5,161	5,173

2 Balance Sheet Value of HRA Assets

Operational Assets	Council Houses £	Other Land and Buildings £	Total Council Dwellings £
At Cost / Revaluation :-			
Balance Sheet value at 1 April 2005	324,276,640	3,331,563	327,608,203
Additions	4,464,039	204,274	4,668,313
Disposals	(752,236)	-	(752,236)
Revaluations	(57,676,182)	(372,780)	(58,048,962)
Balance Sheet Value at 31 March 2006 :-	270,312,261	3,163,057	273,475,318
Depreciation Brought Forward	(3,067,680)	(36,163)	(3,103,843)
Depreciation for year	(3,287,677)	(31,261)	(3,318,938)
Revaluations	3,067,680	36,163	3,103,843
Total Depreciation	(3,287,677)	(31,261)	(3,318,938)
Net Book Value at 31 March 2006	267,024,584	3,131,796	270,156,380

The Balance Sheet value is based on existing use value as Social Housing.

The Government also requires a Housing Council to value its housing stock as if it was not tenanted and they could be sold with vacant possession. This form of valuation is higher than for existing social use. For Bournemouth the vacant possession value of dwellings on the 1 April 2005 was £616,264,360. The difference between these two methods of valuation for dwellings within the HRA shows the economic cost to the Government of providing council housing at less than market rent.

The adjustment factor applied to this Vacant Possession valuation in order to determine the Existing Use Value for Social Housing has been reduced from 56% to 44% from April 2005. This revised adjustment factor is intended to reflect changes in the residential housing market over the last 5 years and will increase the difference in valuation between the two valuation methods. It also results in a lower Existing Use value compared to the equivalent valuation in 2004/05 and this is reflected in the revaluation adjustment of £57,676,182.

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.

	2005/2006	2004/2005
	£	£
Balance Brought Forward 1 April	1,217,485	1,133,848
HRA Depreciation from Capital Financing Account	3,318,938	3,103,843
Excess Depreciation to HRA	(31,261)	(36,163)
Financing of HRA Capital Expenditure - Council Housing	(3,069,182)	(2,984,043)
Balance Carried Forward 31 March	1,435,980	1,217,485

4 Repair and Maintenance

	2005/2006	2004/2005
	£	£
Responsive Repairs	2,132,439	2,261,944
Programmed Repairs	528,960	324,535
Support Costs	500,000	500,000
Charge to Housing Revenue Account	<u>3,161,399</u>	<u>3,086,479</u>

The Council does not maintain a separate Housing Repair Account.

5 Summary of Capital Expenditure and Sources of Finance

	2005/2006	2004/2005
	£	£
Opening Capital Financing Requirement	9,452,768	9,289,768
Capital Investment :-		
Fixed Assets	4,668,313	4,197,726
Deferred Charges	48,735	18,658
Sources of Finance :-		
Government Grants and Contributions	(7,866)	-
Revenue Finance	(1,640,000)	(1,110,000)
Major Repairs Reserve	(3,069,182)	(2,984,043)
Creditors	-	40,659
Closing Capital Financing Requirement	<u>9,452,768</u>	<u>9,452,768</u>

Explanation of movements in year :-

Increase in underlying need to borrow (supported by Government financial assistance)	-	163,000
Increase / (decrease) in Capital Financing Requirement	<u>-</u>	<u>163,000</u>

6 Capital Receipts

	2005/2006	2004/2005
	£	£
Usable Capital Receipts Brought Forward 1 April	2,673,492	2,405,086
Capital receipts in year :-		
- Sale of Council Houses	756,360	2,408,580
- Discounts Repaid	60,000	59,680
- Rent To Mortgage	87,600	-
- Housing Advances Repaid	51,521	64,796
- Other	274,000	-
Reserved	-	-
Pooled Capital Receipts	(698,729)	(1,871,137)
Applied to finance Capital Expenditure -HRA	-	-
- Housing Non-HRA	(153,472)	(393,513)
Balance Carried Forward 31 March	<u>3,050,772</u>	<u>2,673,492</u>

7 Cost of Capital Charge

Capital Charges in 2005/06 have been calculated in accordance with Resource accounting. Initial asset charges have been calculated on the basis of 3.5% of the closing HRA valuation of £273,475,318. This has produced an asset rental charge of £9,571,636. In addition to this depreciation of £3,318,938 and deferred charges of £48,735 create the total revenue charge within the Net Cost of Service of £12,939,309.

Within the Operating Account the depreciation charge of £3,318,938 is transferred to the Major Repairs Reserve, the deferred charges of £48,735 are written off and an adjustment is drawn from the Asset Management Revenue Account to reduce the asset rental charge down to the external interest cost of £577,698 attributed to the HRA.

8 Impairment Charges

There were no Impairment Charges for 2005/2006 (nil 2004/2005).

9 Rent Arrears

	31 March 2006	31 March 2005
	£	£
Cumulative Gross Arrears	510,326	457,155
Provision for Uncollected Debts	259,674	226,638

10 Housing Revenue Account Subsidy

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

	2005/2006	2004/2005
	£	£
Expenditure on Notional Account	11,548,260	10,513,609
Income on Notional Account	(13,784,454)	(13,349,186)
Surplus on Notional Account	(2,236,194)	(2,835,577)
Housing Benefit Grant due	-	-
Housing Subsidy Grant due	(2,236,194)	(2,835,577)
Previous Year Adjustment	424	(4,302)
Housing Subsidy Grant Receivable / (Payable)	(2,235,770)	(2,839,879)

Housing Benefit for Council tenants is accounted for within the General Fund, the Government contribution towards the benefits being within the Revenue Support Grant payment. The HRA subsidy system requires the Council to make a payment to the Government. The amount that should be received in Council House Rents within the HRA should both pay for the management and maintenance of the properties and leave a surplus to cover the payment required by the Government. This payment is pooled by the Government through the negative subsidy system.

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

	2005/2006	2004/2005
	£	£
Net Cost of Service		
Current Service Cost	494,843	337,037
Past Service Costs	-	-
Loss on Curtailment	16,321	48,041
	511,164	385,078
Net Operating Expenditure		
Interest Cost	822,764	566,038
Expected Return on Assets	(622,176)	(393,971)
	200,588	172,067
Appropriations		
Movement on Pensions Reserve and year end Creditors	(228,320)	(228,435)
Actual Amount Charged against HRA for Pensions for the Year	483,432	328,710

THE COLLECTION FUND

	Note	2005/2006 £	2004/2005 £
INCOME			
Income from Council Tax		66,621,079	63,872,155
Transfers from General Fund :- - Council Tax Benefit		11,007,496	9,904,744
Sub-Total - Council Tax	1	77,628,575	73,776,899
Income Collectable from Business Ratepayers (N.N.D.R.)		46,027,312	42,989,688
Total Income		123,655,887	116,766,587
EXPENDITURE			
Precepts and Demands	3	77,494,974	71,334,607
Business Rate :- - Payment to National Pool - Costs of Collection		45,759,910 267,402	42,729,865 259,823
Bad and Doubtful Debts :- Council Tax :- - Write Offs - Provisions		36,120 978,731	220,072 316,981
Surpluses - Distribution to Authorities	4	2,244,000	605,396
Total Expenditure		126,781,137	115,466,744
Movement in Fund Balance (Surplus)/Deficit		3,125,250	(1,299,843)
Balance Brought Forward 1 April		(2,537,324)	(1,237,481)
Balance Carried Forward 31 March (Surplus)/Deficit		587,926	(2,537,324)

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.

The increase in the bad debts provision for Council Tax is due to the introduction of a new system which caused a delay in the processing of write-offs and interrupted the normal collection cycle causing an increase in the level of outstanding debt. This position is being actively managed by the Council.

NOTES TO THE COLLECTION FUND

1 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 eight 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 2005/2006 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	9	5 / 9	5
A	10,835	6 / 9	7,223
B	13,207	7 / 9	10,272
C	19,024	8 / 9	16,910
D	13,133	9 / 9	13,133
E	6,955	11 / 9	8,501
F	3,127	13 / 9	4,517
G	1,431	15 / 9	2,385
H	96	18 / 9	192
Total	67,817		63,138

The above Band D Equivalent figure is adjusted by the expected collection rate of 99% to give the Tax Base for the year. The Tax Base for 2005/2006 was set by the Council at 62,507.

2 Income from Business Ratepayers

	2005/2006	2004/2005
Total Rateable Value at 31 March (£)	149,575,227	108,169,529
The Multiplier (rate in the £) as set by Government (Pence)	42.20	45.60

The increase in the Rateable Value between the years was due to a revaluation carried out. The Rate in the £ was adjusted to ensure that the National Gross Yield did not increase by more than inflation between the two years.

3 Precepts and Demands

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

	2005/2006 £	2004/2005 £
Bournemouth Borough Council	65,591,141	60,398,835
Dorset Police Authority	8,882,870	8,138,249
Dorset Fire and Rescue Service	3,020,963	2,797,523
Total	77,494,974	71,334,607

4 Distribution of Surplus

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

	2005/2006 £	2004/2005 £
Bournemouth Borough Council	1,899,995	538,076
Dorset Police Authority	256,040	67,320
Dorset Fire and Rescue Service	87,965	-
Total	2,244,000	605,396

THE CONSOLIDATED BALANCE SHEET

	Note	2005/2006 £	2005/2006 £	2004/2005 £
TANGIBLE FIXED ASSETS				
Operational Assets				
- Council Dwellings		270,156,380		324,504,360
- Other Land and Buildings		313,893,605		288,994,743
- Vehicles Plant and Equipment		4,507,307		2,831,269
- Infrastructure		59,290,775		57,816,820
- Community Assets		3,849,000		3,773,557
Non-operational Assets				
- Investment Properties		14,611,489		10,874,192
- Surplus Assets		2,522,600		2,514,600
	1		668,831,156	691,309,541
Long Term Investments	10		4,550	2,516,550
Long Term Debtors	3		990,659	1,069,649
TOTAL LONG TERM ASSETS			669,826,365	694,895,740
CURRENT ASSETS :-				
Stock and Work in Progress		954,260		1,040,595
Debtors	7	25,461,001		26,051,860
Short Term Investments	10	52,600,000		35,000,000
Landfill Allowances	8	1,206,102		-
Cash and Bank		7,911,800		7,141,731
		<u>88,133,163</u>		<u>69,234,186</u>
LESS CURRENT LIABILITIES :-				
Creditors		42,286,890		35,630,802
Temporary Borrowing		2,109,034		8,716,097
Bank Overdraft		8,558,308		7,451,835
		<u>52,954,232</u>		<u>51,798,734</u>
NET CURRENT ASSETS			35,178,931	17,435,452
TOTAL ASSETS LESS CURRENT LIABILITIES			705,005,296	712,331,192
Long Term Borrowing	11	40,700,000		30,700,000
Provisions	15	9,812,320		8,101,208
Pensions Liability	18	144,262,129		142,342,523
			194,774,449	181,143,731
TOTAL ASSETS LESS LIABILITIES			510,230,847	531,187,461
Fixed Asset Restatement Account			518,910,219	561,234,925
Capital Financing Account			44,662,752	45,356,625
Deferred Premiums	22		(345,796)	(486,546)
Unapplied Capital Grants and Contributions	19		4,702,506	3,427,121
Capital Grants and Contributions Deferred	19		29,383,463	23,084,621
Usable Capital Receipts Reserve			21,599,752	6,311,512
Deferred Capital Receipts			740,659	819,649
Deferred Credits	20		1,479,000	1,479,000
Pensions Reserve	18		(144,262,129)	(142,342,523)
Major Repairs Reserve	12		1,435,980	1,217,485
Transport Realisation Account			-	2,512,000
Earmarked Reserves	12		21,833,180	17,298,015
Balances				
- General Fund	12		7,328,274	5,657,061
- Housing Revenue Account	12		3,350,913	3,081,192
- Collection Fund			(587,926)	2,537,324
TOTAL EQUITY			510,230,847	531,187,461

Judith Martin
Head of Resources
27 June 2006

NOTES TO THE CONSOLIDATED BALANCE SHEET

1 Fixed Assets

	Council Dwellings £	Other Land and Buildings £	Vehicles Plant and Equipment £	Infrastructure £
Assets at Valuation or Historical Cost				
Brought Forward	327,608,203	301,501,721	5,691,507	87,945,580
Depreciation Brought Forward	(3,103,843)	(12,506,978)	(2,860,238)	(30,128,760)
Net Book Value 31 March 2005	324,504,360	288,994,743	2,831,269	57,816,820
Movements in year :-				
Reclassification	-	(1,092,079)	82,887	(210,000)
Additions	4,668,313	19,431,250	2,205,847	6,052,599
Revaluations	(54,945,119)	11,336,955	-	-
Disposals	(752,236)	(418,872)	(17,430)	-
Depreciation for year	(3,318,938)	(4,358,392)	(595,266)	(4,368,644)
Net Book Value 31 March 2006	270,156,380	313,893,605	4,507,307	59,290,775

Fixed Assets Continued :-

	Community Assets £	Investment Property £	Surplus Assets £	Total Fixed Assets £
Assets at Valuation or Historical Cost				
Brought Forward	5,095,350	10,909,003	3,135,000	741,886,364
Depreciation Brought Forward	(1,321,793)	(34,811)	(620,400)	(50,576,823)
Net Book Value 31 March 2005	3,773,557	10,874,192	2,514,600	691,309,541
Movements in year :-				
Reclassification	(54,108)	1,273,300	-	-
Additions	622,345	-	-	32,980,354
Revaluations	-	2,463,997	8,000	(41,136,167)
Disposals	-	-	-	(1,188,538)
Depreciation for year	(492,794)	-	-	(13,134,034)
Net Book Value 31 March 2006	3,849,000	14,611,489	2,522,600	668,831,156

During each year the assets are reviewed as to their classification and if necessary they are moved between asset types. When assets are reclassified from operational, where depreciation is chargeable, to non operational, where depreciation is not chargeable they are transferred with their cumulative depreciation. This continues to be shown until the asset is revalued.

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 Valuation £	Depreciation £	Investment and Surplus Assets Valuation £	Depreciation £
Historic	-	-	210,000	-
1999/2000	32,929,147	3,469,492	-	-
2000/2001	934,309	286,722	3,330,000	642,811
2001/2002	48,933,919	2,478,101	2,096,000	-
2002/2003	69,276,527	3,035,869	603,000	12,400
2003/2004	74,476,461	2,547,095	3,302,000	-
2004/2005	45,835,291	1,463,757	5,350,000	21,700
2005/2006	55,526,545	737,558	2,920,000	-
	327,912,199	14,018,594	17,811,000	676,911

2 Deferred Charges

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

	Balance 1 April 2005 £	Expenditure £	Discharged to Service Accounts £	Balance 31 March 2006 £
Renovation Grants	-	955,301	(955,301)	-
HRA	-	48,735	(48,735)	-
Housing Association Grants	-	1,274,671	(1,274,671)	-
Coast Protection	-	285	(285)	-
General Fund Items	-	2,013,034	(2,013,034)	-
	-	4,292,026	(4,292,026)	-

3 Long Term Debtors

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

	Balance 1 April 2005	Additions	Reductions	Balance 31 March 2006
	£	£	£	£
Police and Probation Loans	656,489	-	(26,525)	629,964
Housing Advances / Mortgages	163,160	-	(52,465)	110,695
AFC Bournemouth Loan	250,000	-	-	250,000
	<u>1,069,649</u>	<u>-</u>	<u>(78,990)</u>	<u>990,659</u>

The AFC Bournemouth Loan due for repayment in 2005/2006 has been extended and the Council has agreed to proposals from the club involving the provision of community services commensurate with the value of the loan over a number of years.

4 Summary of Capital Expenditure and Sources of Finance

	2005/2006	2004/2005
	£	£
Opening Capital Financing Requirement	61,883,370	51,726,860
Capital Investment :-		
- Fixed Assets	32,980,354	23,493,130
- Deferred Charges	4,292,026	4,315,155
- Deferred Debtors	-	-
Sources of Finance :-		
- Capital Receipts	(2,219,345)	(703,835)
- Government Grants and Contributions	(8,362,928)	(6,943,581)
- Revenue Finance	(6,793,595)	(6,101,405)
- Major Repairs Reserve	(3,069,182)	(2,984,043)
- Creditors	-	1,204,989
Other Sums set aside from Revenue :-		
- Minimum Revenue Provision	(2,530,159)	(2,123,900)
- Voluntary Revenue Provision	(55,819)	-
Closing Capital Financing Requirement	<u>76,124,722</u>	<u>61,883,370</u>
Explanation of movements in year :-		
Increase in underlying need to borrow (supported by Government financial assistance)	4,294,928	2,763,793
Increase in underlying need to borrow (unsupported by Government financial assistance)	9,946,424	7,392,717
Increase / (decrease) in Capital Financing Requirement	<u>14,241,352</u>	<u>10,156,510</u>

5 Significant Commitments under Capital Contracts

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

	2006	2005
	£	£
BIC Redevelopment	-	10,490,407
Bournemouth Learning Support Centre	1,184,749	-
Children and Adult Care Management Systems	785,770	-

6 Assets Owned at 31 March

The fixed assets figures includes the Council'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 Council :-

	2006	2005
Council Housing	5,161	5,173
Main Administrative Buildings	2	2
Sports Pavilions	23	24
Beach Catering Outlets	25	25
Sports Centres	3	3
Entertainment Complexes	3	3
Libraries	11	12
Youth Centres	7	8
Schools - Local Education Authority's	23	32
Social Services Establishments	19	19
Public Conveniences	51	52
Golf Course	3	3
Amusement Centres	3	3
Piers	2	2
Length of Roads (km)	530	530

7 Provision for Bad Debts

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

	31 March 2006	31 March 2005
	£	£
Total Gross Debtors	31,155,253	30,073,922
Bad Debts Provisions :-		
Collection Fund	3,356,193	2,307,455
Benefit Overpayments	1,652,018	1,352,018
Cost of Collection	287,289	903
Housing Revenue Account	259,647	226,638
General Fund	139,105	135,048
Total Provisions carried forward 31 March	5,694,252	4,022,062
Net Debtors per Balance Sheet	25,461,001	26,051,860

8 Landfill Allowances

During 2005/2006 the landfill allowance trading scheme was introduced, whereby Councils were given landfill allowances to enable it to landfill waste. It is possible under the scheme for the Council to use less allowances than it has been given, and, sell its surplus allowances to other Councils who do not have sufficient.

At the year end the accounts show the balance of allowances the Council has - valued in accordance with guidance from the Department for Environment, Food and Rural Affairs - and the expected liability in terms of allowances required for the estimated amount of landfill during the year. The actual allowances used are calculated in September at which stage the allowances used are "cashed in" leaving any allowances unused to be carried forward to future years or sold to other Councils.

	31 March 2006	31 March 2005
	£	£
Stock of Allowances Held	1,206,102	-
Estimated Liability for year	1,081,932	-

9 Analysis of Net Assets Employed

	31 March 2006	31 March 2005
	£	£
General Fund	247,281,790	213,256,887
Housing Revenue Account	262,949,057	317,930,574
	510,230,847	531,187,461

10 Investments

Short Term Investments

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

Long Term Investments

The Investments consist of :-

	31 March 2006	31 March 2005
	£	£
Bournemouth Transport Ltd.	-	2,512,000
Other Investments	4,550	4,550
	4,550	2,516,550

BOURNEMOUTH TRANSPORT LTD.

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

The Council disposed of its interest in Bournemouth Transport during 2005/2006. Details of the transaction can be found in Note 18 to the Consolidated Revenue Account.

11 Analysis of Borrowings

	Range of Interest Rates Payable %	Outstanding 31 March 2006 £	Outstanding 31 March 2005 £
Source of Loan :- Public Works Loan Board		40,700,000	30,700,000
An Analysis of Loans by Maturity is :-			
1 - 2 years	-	-	-
2 - 7 years	4.375 - 10.125	7,000,000	2,000,000
7 - 15 years	5.125	4,200,000	9,200,000
over 15 years	4.450 - 8.000	29,500,000	19,500,000
		<u>40,700,000</u>	<u>30,700,000</u>

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 Council to risk.

12 Reserves

The movements on Reserves during the year were :-

	Balance 31 March 2005 £	Surplus / (Deficit) in Year £	Transfers In / (Out) £	Balance 31 March 2006 £
Other Reserves	8,041,423	-	2,012,432	10,053,855
School's Balances - see note below	4,297,445	-	232,371	4,529,816
Renewal Funds	193,269	-	63,291	256,560
Repairs and Improvements	781,147	-	300,567	1,081,714
Capital Fund	2,050,758	-	1,242,184	3,292,942
Insurance & Contingent Liabilities	2,411,067	-	338,471	2,749,538
	<u>17,775,109</u>	-	<u>4,189,316</u>	<u>21,964,425</u>
Borrow to Invest Scheme	(477,094)	-	345,849	(131,245)
Net Earmarked Reserves	17,298,015	-	4,535,165	21,833,180
Major Repairs Reserve	1,217,485	-	218,495	1,435,980
General Fund	5,657,061	1,671,213	-	7,328,274
Housing Revenue Account	3,081,192	269,721	-	3,350,913
	<u>27,253,753</u>	<u>1,940,934</u>	<u>4,753,660</u>	<u>33,948,347</u>

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. One of 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 Council has a consistent level of Earmarked Reserves at any one time. The scheme allows Business Units to put forward schemes which although costing the Council in the short term lead to long term savings. The amounts are appropriated from Reserves in the year that the scheme is implemented. The Business Units then repay the "borrowing" from its savings over a maximum of 4 years.

13 Contingent Liabilities

During the year the Council entered into a number of warranties associated with the sale of its holding in Bournemouth Transport Limited. The warranties are subject to a cap of £5m in total and cover a period of seven years from the date of sale and relate to possible claims against the current owner that relate to events before the sale date.

In addition to this a warranty of up to £1m has been given should the Council as the Highway Authority require additional services to be operated in association with a Section 106 Planning Agreement.

A further warranty exists for £0.4m which relates to an amount payable in connection with the exchange of land that occurred when the Bus Depot was relocated.

All of these warranties are being actively managed by the Council to minimise their impact. A proportion of the Capital Receipt will be retained until these warranties expire to protect the Council against the possible impact of these contingent liabilities materialising.

14 Amounts Administered on behalf of Third Parties**TRUST FUNDS**

The Council 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 Council 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.

14 Amounts Administered on behalf of Third Parties (Continued)

TRUST FUNDS (Continued)

The transactions for the funds are summarised below :-

	2005/2006 Registered Charities £	2005/2006 Non-Registered Charities £	2005/2006 Total £	2004/2005 Total £
Balance at 1 April brought forward	5,111	286,038	291,149	230,636
New Funds	-	6,000	6,000	99,000
Income	224	13,200	13,424	13,235
Expenditure	-	(28,942)	(28,942)	(51,722)
Balance at 31 March carried forward	5,335	276,296	281,631	291,149

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

Investment Analysis

	2005/2006 Registered Charities £	2005/2006 Non-Registered Charities £	2005/2006 Total £	2004/2005 Total £
Funds with the Council	4,335	273,297	277,632	287,150
External Investments	1,000	2,999	3,999	3,999
Total	5,335	276,296	281,631	291,149

REGISTERED CHARITIES

The Council 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 Council'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 Council

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

	Balance 31 March 2006 £	Balance 31 March 2005 £
Performance Bonds	37,406	16,785
Court of Protection Clients	168,127	100,151
Criminal Injury Compensation Payments	39,433	37,713
Other	49,523	34,187
	294,489	188,836

15 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 £34,850 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 £1,273,600. The Fund is financed by contributions from all Business Units.

On 30 September 1992 the Council's insurers at the time, Municipal Mutual Insurance, ceased accepting new business. The Council 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 2006 was £517,283.

The movements on Insurance Provisions during the year were :-

	31 March 2005 £	In / (Out) £	Balance 31 March 2006 £
Insurance Provisions	8,101,208	1,711,112	9,812,320

16 Bank Overdraft

The figure shown in the Balance Sheet includes un-presented cheques at 31 March 2006. The actual bank balance includes the Council'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.

17 The Euro

The Council 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.

18 Net Pensions Liability

LOCAL GOVERNMENT PENSION SCHEME

Note 9 to the Consolidated Revenue Account contains details of the Council'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 Council at 31 March 2006 are as follows :-

	2005/2006	2004/2005
	£	£
Estimated Assets in scheme	279,335,557	218,445,774
Present Value of Scheme Liabilities	(399,758,000)	
Present Value of Unfunded Liabilities	(13,993,000)	
Estimated Liabilities in scheme	(413,751,000)	(351,612,000)
Net Asset / (Liability)	<u>(134,415,443)</u>	<u>(133,166,226)</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 Council has made Creditor Provisions in the Revenue Account at 31 March.

	2005/2006	2004/2005
	£	£
Accrued Pensions Contributions	1,729,388	2,875,272

The provision for 31 March 2005 contained an amount of £1,282,465 which related 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 Barnett Waddingham LLP, an independent firm of actuaries.

The main assumptions used in their calculations have been :-

	2005/2006	2004/2005
	%	%
Retail Price Inflation	3.00	2.90
Increase in Salaries	4.80	4.70
Increases in Pensions and Deferred Pensions	3.00	2.90
Discount Rate	4.90	5.40

During the year the discount rate used by the actuary in the assessment of pensions liability was changed. The rate was reduced in the year and this has had a significant negative effect on the Council's position relative to the Pension Fund although this was offset by a better performance than expected by the investments.

This discount rate was also changed in 2004/2005 and the impact of this change was separately disclosed on the face of the Statement of Total Movements in Reserves in that year.

18 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.

	Long Term Return %	31 March 2006 %	31 March 2005 %
Equities	7.00	63.62	61.79
Gilts	4.20	15.01	24.09
Other Bonds	4.90	6.57	0.35
Property	6.50	10.38	9.84
Cash	4.00	4.42	3.93
		<u>100.00</u>	<u>100.00</u>

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension.

On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the Council's pension liabilities by £7.46m and this has been included in the Statement of Total Movements in Reserves within Actuarial Gains and Losses.

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 Council 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 Council 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.

	2005/2006 £	2004/2005 £
(Liability) - Unfunded	(9,846,686)	(9,176,297)
Accrued Pensions Contributions - within Revenue Account	29,847	35,188

TOTAL PENSIONS LIABILITY

The liabilities as detailed show the underlying commitments that the Council has in the long run to pay retirement benefits. The total liability of £144m has a substantial impact on the net worth of the Council as recorded in the Consolidated Balance Sheet, resulting in a reduced balance of £510m. However, statutory arrangements for funding the Council mean that the financial position of the Council remains unchanged.

	2005/2006 £	2004/2005 £
LGPS Liability	(134,415,443)	(133,166,226)
Teacher's Additional Benefits Liability	(9,846,686)	(9,176,297)
Total Liability	<u>(144,262,129)</u>	<u>(142,342,523)</u>

19 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.

20 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.

21 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 Council. For that reason it is not included in the Consolidated Balance Sheet.

22 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

	2005/2006 £	2005/2006 £	2004/2005 £
Surplus / (Deficit) for the year			
- General Fund	1,671,213		(960,816)
- HRA	269,721		68,912
- Collection Fund	(3,125,250)		1,299,843
Add back movements on Specific Revenue Reserves	4,535,165		4,713,135
Deduct Non-Actuarial Movements on Pensions Reserve	(3,119,933)		(6,243,556)
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	1,200,327		9,623,069
Total Increase / (Decrease) in Revenue Resources (Note 1)		1,431,243	(43,242,413)
Increase / (Decrease) in Usable Capital Receipts	15,288,240		1,608,234
Increase / (Decrease) in Unapplied Capital Grants and Contributions	1,275,385		(1,083,539)
Total Increase / (Decrease) in Realised Capital Resources (Note 2)		16,563,625	524,695
Gains / (Losses) on Revaluation of Fixed Assets	(41,136,168)		60,669,327
Impairment Losses on Fixed Assets due to general changes in prices	-		-
Total Increase / (Decrease) in unrealised Value of Fixed Assets (Note 3)		(41,136,168)	60,669,327
Value of Assets sold, disposed of or decommissioned (Note 3)		(1,188,538)	(4,056,817)
Capital Receipts set aside	2,219,345		703,835
Revenue Resources set aside	1,628,564		715,850
Capital Grants Deferred	6,298,842		4,587,562
Total Increase / (Decrease) in amounts set aside to finance Capital Investment (Note 6)		10,146,751	6,007,247
Deferred Charges (See Note 5 to the Statement of Accounting Policies)	-		(553,148)
Deferred Charges Written Off	(4,292,026)		(4,315,155)
Transfer from Major Repairs Reserve to HRA	(31,261)		(36,163)
(Note 6)		(4,323,287)	(4,904,466)
Transport Realisation Account (Note 4)		(2,512,000)	-
Deferred Capital Receipts (Note 8)		(78,989)	(96,308)
Deferred Credits (Note 9)		-	-
Deferred Premiums (Note 5)		140,750	153,127
Total Recognised Gains and Losses		(20,956,613)	15,054,392

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	1,671,213	269,721	(3,125,250)
Balance Brought Forward 1 April 2005	5,657,061	3,081,192	2,537,324
Balance Carried Forward 31 March 2006	<u>7,328,274</u>	<u>3,350,913</u>	<u>(587,926)</u>
		Earmarked Revenue Reserves £	Pensions Reserve £
Appropriations / Non Actuarial movements to / (from) revenue		4,535,165	(3,119,933)
Actuarial gains / (losses) relating to pensions			1,200,327
		<u>4,535,165</u>	<u>(1,919,606)</u>
Balance Brought Forward 1 April 2005		17,298,015	(142,342,523)
Balance Carried Forward 31 March 2006		<u>21,833,180</u>	<u>(144,262,129)</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 Council 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 2005/2006	17,507,585	9,638,313
Amounts applied to finance new Capital Investment in 2005/2006	(2,219,345)	(8,362,928)
Total Increase / (Decrease) in Realised Capital Resources in 2005/2006	<u>15,288,240</u>	<u>1,275,385</u>
Balance Brought Forward 1 April 2005	6,311,512	3,427,121
Balance Carried Forward 31 March 2006	<u>21,599,752</u>	<u>4,702,506</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

	£
Movements in unrealised value of Fixed Assets	
Gains / (Losses) on revaluation of Fixed Assets in 2005/2006	(41,136,168)
Impairment Losses on Fixed Assets due to general changes in prices in 2005/2006	-
Total Increase / (Decrease) in unrealised Capital Resources in 2005/2006	(41,136,168)
Value of Assets sold, disposed of or decommissioned	
Amounts written off Fixed Asset balances for disposal in 2005/2006	(1,188,538)
Total movement on Reserve in 2005/2006	(42,324,706)
Balance Brought Forward 1 April 2005	561,234,925
Balance Carried Forward 31 March 2006	518,910,219

The Council's Assets are subject to revaluation on a 5 year rolling programme to ensure they are held in the Council'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 Council 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 Council's Transport Undertaking. It represented the unrealised value of the Council's investment. The sale of Bournemouth Transport Ltd. during this year has resulted in the closure of this account.

	Transport Realisation Account £
Change in Balance	(2,512,000)
Balance Brought Forward 1 April 2005 :-	2,512,000
Balance Carried Forward 31 March 2006 :-	-

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	(140,750)
Balance Brought Forward 1 April 2005 :-	486,546
Balance Carried Forward 31 March 2006 :-	345,796

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 2005/2006 :-				
- Reserved Receipts	-	-	-	-
- Usable Capital Receipts Applied	2,219,345	-	-	2,219,345
Capital Receipts set aside in 2005/2006	2,219,345	-	-	2,219,345
Revenue resources set aside in 2005/2006 :-				
- Capital Expenditure Financed from Revenue	6,793,595	-	-	6,793,595
- Reconciling amount for provisions for Loan repayment	(5,165,031)	-	-	(5,165,031)
Revenue Resources set aside in 2005/2006	1,628,564	-	-	1,628,564
Grants Applied to Capital in 2005/2006	-	-	8,362,928	8,362,928
Credited to Revenue in 2005/2006	-	-	(2,064,086)	(2,064,086)
Capital Grants Deferred	-	-	6,298,842	6,298,842
Deferred Charges Written Off	(4,292,026)	-	-	(4,292,026)
Transfer Major Repairs Reserve to HRA	-	(31,261)	-	(31,261)
Internal Transfers :-				
Major Repairs Reserve Transfer	(3,318,938)	3,318,938	-	-
Financing of Capital from Major Repairs Reserve	3,069,182	(3,069,182)	-	-
Total movement on reserve in 2005/2006	(693,873)	218,495	6,298,842	5,823,464
Balance Brought Forward 1 April 2005 :-	45,356,625	1,217,485	23,084,621	69,658,731
Balance Carried Forward 31 March 2006 :-	44,662,752	1,435,980	29,383,463	75,482,195

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 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 2005/2006 can be analysed into the following categories, measured in absolute amounts and as a percentage of assets or liabilities at 31 March 2006.

Local Government Pension Scheme

	2005/2006	2004/2005	2003/2004	2002/2003
Differences between the expected and actual return on assets	40,297,000	13,975,000	23,958,000	(45,259,000)
Value of Assets	279,335,557	218,445,774	193,565,546	153,703,288
Percentage of Assets - %	14.43	6.40	12.38	(29.45)
Differences between actuarial assumptions about liabilities and actual experience	-	(50,000)	-	630,000
Value of Liabilities	413,751,000	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	(38,196,000)	(3,700,000)	(659,000)	-
Value of Liabilities	413,751,000	351,612,000	279,136,000	259,152,000
Percentage of Liabilities - %	(9.23)	(1.05)	(0.24)	-
Effect of Change in Accounting Methodology	-	(51,743,000)	n/a	n/a
Value of Liabilities	413,751,000	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	(900,673)	(601,931)	(530,184)	(691,697)
Value of Liabilities	9,846,686	9,176,297	8,408,582	8,337,138
Percentage of Liabilities - %	(9.15)	(6.56)	(6.31)	(8.30)
Changes in the demographic and financial assumptions used to estimate liabilities	-	-	-	-
Value of Liabilities	9,846,686	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.

	Deferred Capital Receipts £
Amounts received in year	(78,990)
Balance Brought Forward 1 April 2005 :-	819,649
Balance Carried Forward 31 March 2006 :-	<u>740,659</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.

	Deferred Credits £
Movement in Year	-
Balance Brought Forward 1 April 2005 :-	1,479,000
Balance Carried Forward 31 March 2006 :-	<u>1,479,000</u>

CASH FLOW STATEMENT

	Note	2005/2006	2005/2006	2004/2005
		£	£	Restated £
REVENUE ACTIVITIES				
Cash Outflows :-				
Cash paid to Employees		152,571,479		144,279,389
Other Operating Costs		135,329,716		131,110,031
Housing Benefit paid out		48,210,139		47,421,198
Disbursements from the Collection Fund :-				
Dorset Police Authority		9,138,910		8,205,569
Dorset Fire and Rescue Service		3,108,928		2,797,523
Non Domestic Rate Pool		46,216,026		42,273,749
Payments to the Capital Receipts Pool		864,561		1,487,173
			395,439,759	377,574,632
Cash Inflows :-				
Rents (after Rebates)		16,678,264		15,651,549
Council Tax Income		65,133,761		62,362,962
Non-Domestic Rate Income		43,219,835		44,897,863
Receipts from NNDR Pool	5	54,549,629		45,759,516
Revenue Support Grant	5	54,759,357		57,611,361
DWP Grants for Rebates	5	50,621,396		45,609,153
Other Government Grants	5	63,993,538		55,297,659
Cash Received for Goods & Services		52,928,733		47,965,065
Other Revenue Cash Payments/Income		14,342,070		13,726,982
			416,226,583	388,882,110
Net Revenue Activities	1		20,786,824	11,307,478
SERVICING OF FINANCE				
Cash Outflows :-				
Interest Paid (inc redemption premia)		2,120,932		1,765,054
			2,120,932	1,765,054
Cash Inflows :-				
Interest Received		2,248,996		1,723,193
			2,248,996	1,723,193
Net Servicing of Finance			128,064	(41,861)
CAPITAL ACTIVITIES				
Cash Outflows :-				
Purchase of Fixed Assets		32,113,108		22,118,844
Other Capital Cash Payments :-				
Deferred Charges (including advances to Housing Associations)		4,292,026		4,315,155
			36,405,134	26,433,999
Cash Inflows :-				
Capital Receipts		18,206,313		4,183,206
Capital Grants Received	5	11,154,592		4,053,863
			29,360,905	8,237,069
Net Capital Activities			(7,044,229)	(18,196,930)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING			13,870,659	(6,931,313)
MANAGEMENT OF LIQUID RESOURCES				
Net (Increase) / Decrease in Short Term Deposits	2		(17,600,000)	(9,650,000)
FINANCING				
Cash Outflows :-				
Repayments of Amounts Borrowed		77,218,370		102,902,265
			77,218,370	102,902,265
Cash Inflows :-				
New Loans Raised		10,000,000		5,000,000
New Short Term Borrowing		70,611,307		109,877,921
			80,611,307	114,877,921
Net Financing			3,392,937	11,975,656
INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS			(336,404)	(4,605,657)

NOTES TO THE CASH FLOW STATEMENT

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

	2005/2006 £	2004/2005 £
General Fund	1,671,213	(960,816)
HRA	269,721	68,912
Collection Fund	(3,125,250)	1,299,843
Surplus / (Deficit) for the year	(1,184,316)	407,939
Non Cash Transactions :-		
Minimum Revenue Provision	2,585,979	2,123,900
Provisions set aside	1,711,112	2,004,639
Contributions to/(from) Reserves	4,535,165	4,713,135
Revenue Contributions to Capital including Reserves	6,793,595	6,101,405
(Increase) / Decrease in Other Balance Sheet Items	4,965,080	3,352,517
Items on an Accrual Basis :-		
(Increase) / Decrease in Stocks	86,335	(66,351)
(Increase) / Decrease in Debtors	(1,613,773)	(5,957,005)
(Increase) / Decrease in Landfill Allowances	(1,206,102)	-
Increase / (Decrease) in Creditors	5,609,778	306,972
Items classified in another classification in the Cash Flow Statement :-		
Add Interest Paid	2,299,993	1,841,567
Less Interest/Investment Income	(2,539,372)	(1,835,374)
Capital Grants Received (re Deferred Charges written off treated as revenue)	(1,256,650)	(1,685,866)
Net Cash Flow from Revenue Activities	20,786,824	11,307,478

2 Reconciliation of Net Cash Flow to movement in Net Debt

	2005/2006 £	2004/2005 £
Increase in Cash in the Year	(336,404)	(4,605,657)
Increase in Liquid Resources	17,600,000	9,650,000
Cash Flow from increase in Debt	(3,392,937)	(11,975,656)
Movement in Net Debt in the Year	13,870,659	(6,931,313)
Net Debt 1 April	(4,726,201)	2,205,113
Net Debt 31 March	9,144,458	(4,726,200)

3 Management of Liquid Resources and Financing

	Balance 1 April 2005 £	Balance 31 March 2006 £	Movement in Year £
Liquid Resources :-			
Short Term Investments	35,000,000	52,600,000	(17,600,000)
Financing :-			
Temporary Borrowing	(8,716,097)	(2,109,034)	(6,607,063)
Long Term Borrowing	(30,700,000)	(40,700,000)	10,000,000
			3,392,937

4 Liquid Resources

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

5 Analysis of Grants

	2005/2006 £	2004/2005 £
Revenue Support Grant	54,759,357	57,611,361
Contribution from NNDR Pool	54,549,629	45,759,516
DWP Grants for Rebates	50,621,396	45,609,153
Education	28,401,372	23,256,169
Social Services	8,681,823	9,187,386
Housing Revenue Account Subsidy	(2,219,018)	(3,095,109)
Allowance for Collection of NNDR	267,402	259,823
Supporting People	11,016,469	11,275,478
Other Miscellaneous	17,845,490	14,413,913
Capital Grants	11,154,592	4,053,863
	<u>235,078,512</u>	<u>208,331,553</u>

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1 The Council's Responsibilities

The Council 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 Council, 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 Council'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 2006 required by the Accounts and Audit Regulations 2003 are set out on pages 1 to 41.

I further certify that the Statement of Accounts presents fairly the financial position of Bournemouth Borough Council at 31 March 2006 and its income and expenditure for the year ended 31 March 2006.

Judith A Martin CPFA
Head of Resources
27 June 2006

STATEMENT OF INTERNAL CONTROL

As At 31 March 2006

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. Therefore it can 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,
- identify and manage positive risk (opportunities).

1.2. The system of internal control has been in place in the Council for the year ended 31st March 2006 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

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 :-

· Quality Services and Value for Money (Audit and Governance) Sub Panel (This panel 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).

- Scrutiny and Review Panels
- Statutory Boards
- Cabinet and Council
- Code of 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
- Business Continuity Planning and Management

2. THE INTERNAL CONTROL ENVIRONMENT - (Continued)

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
- Fundamental Service Reviews
- Service Planning
- Performance Management Framework
- Financial Management Reports
- Published Statement of Accounts
- Procurement Framework
- Audit and Inspection
- Risk Profiling
- Partnership Governance Toolkit

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
- Strategic and Operational Risk Register framework
- Corporate Governance Self Assessment

3. REVIEW OF EFFECTIVENESS

3.1. The Council is responsible 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. It continues to operate a Service Planning and Performance Management Framework which regularly monitors achievement against these priorities. Both threats and opportunities are reflected within the Council's Strategic and Operational Risk Registers.

3.2. External Audit and Inspection

3.2.1. The Comprehensive Performance Assessment in 2005 rated the Council as a three star Authority for use of resources. This was considered to be a significant achievement in view of the stricter assessment criteria now applied. It 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

3.2.2. The Council achieved a Comprehensive Performance Assessment 3* rating. A Corporate Improvement Programme is being established following the CPA to identify what further actions are needed to improve, focussing on the areas of "Vision", "Equalities and Diversity", "Performance Management", "People" and "Efficiency".

3.2.3. The Audit Commission's Annual Audit and Inspection Letter for 2005 was positive and did not identify any significant weaknesses in internal control arrangements.

3. REVIEW OF EFFECTIVENESS (Continued)

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 (Audit and Governance) Sub Panel. This provides the basis for the review of internal control within the Council. The content of the Strategic and Operational Risk Registers also inform the Audit Plan.

3.3.2. Achievement of the Internal Audit Plan and the work of Internal Audit generally is monitored by the Quality Services and Value for Money (Audit and Governance) Sub Panel.

3.3.3. Internal Audit provides a formal Internal Audit Opinion in both annual and interim reports to the Quality Services and Value for Money (Audit and Governance) Sub Panel. These reports contain an assurance about the system of internal control throughout the Council.

3.3.4. Whilst Internal Audit is unable to give absolute assurance, the results of the reviews completed during the year have 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.

3.3.5 The assurance provided in 3.3.4 above is subject to specific exceptions referred quarterly to the Quality Services and Value for Money (Audit and Governance) Sub Panel.

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 a Governance Improvement Plan.

3.4.2. Business Units maintain Operational Risk Registers in respect of the risks to the achievement of their Service Plans and service delivery. This process is closely aligned to the Service Planning framework, and acts as a significant part of the evidence for the Assurance Statements.

4. SIGNIFICANT INTERNAL CONTROL ISSUES

4.1. The Leader of the Council and Chief Executive have been advised on the implications arising from the review of the effectiveness of the system of internal control operated by the Council.

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

No	Governance Improvement Action
RM1	Implement risk management training for members, to ensure that risk is appreciated and considered as part of the decision making process
SD8	Target support for implementing the Partnership Governance Framework at the local strategic partnership and high risk service partnerships
SD12	Project management approach to improve the Council's procurement processes
SD14	Develop and respond to action plan following ODPM inspection report re Planning Standards
RM17, RM39	Implementation of 2006/07 Health and Safety action plan, following HSE inspection, including a revised focus for the central Health and Safety team

4. SIGNIFICANT INTERNAL CONTROL ISSUES (Continued)

4.3. The Council's Strategic Risk Register was established following a risk profile session with Directors in 2003. Risks are led by individual Directors and Heads of Business Units, with Improvement Action Plans monitored and reported quarterly to the Quality Services and Value for Money (Audit and Governance) Sub Panel. The Risk Register was refreshed following a risk profiling workshop in April 2006 with Directors and Heads of Business Units. The following risks are identified as High:-

No	Risk
9	Management and Utilisation of Assets
10	Inability to Recruit or Retain Staff
24	Effectiveness of Project Management
31	Significant Increase in Pension Fund Deficit
33	Negative Impact of Pay and Grading Review
36	Pavilion Development
37	Boscombe Spa Redevelopment
38	Winter Gardens Development
39	Long Term Waste Treatment Facilities
40	Ability to respond to a major occurrence / event
41	Failed or Uncompetitive Procurement
42	Pandemic Flu
43	Serious Injury or Death to an Employee or Service User

To the best of our knowledge the internal control environment as described above has been operated during 2005/06.

Signed:

Councillor Richard Smith,
Leader Of The Council

Pam Donnellan,
Chief Executive

Judith Martin,
Head of Resources (Section 151 Officer)

Independent Auditors report to the members of Bournemouth Borough Council

Opinion on the Financial Statements

We have audited the financial statements for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise 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 and the related notes. The financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Chief Financial Officer and Auditors

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

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

This report, including the opinion, has been prepared for and only for Bournemouth Borough Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's 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 financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of Bournemouth Borough Council as at 31 March 2006 and its income and expenditure and cash flows for the year then ended.

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

Council's Responsibilities

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

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

Independent Auditors report to the members of Bournemouth Borough Council - contd.

Auditor's Responsibilities

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

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

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

Conclusion

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

Best Value Performance Plan

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2005/06 in December 2005. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the financial statements 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 - 27 September 2006

PricewaterhouseCoopers LLP
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30 Channel Way
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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 Business Units to borrow from the Council's reserves, the loan repayments are subject to interest.

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 Council responsible for administering the Collection Fund, including raising bills for and collecting the appropriate council tax and 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 Council'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 Council'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 Council's area to finance a proportion of the Council's expenditure.

Creditors

Amounts owed by the Council 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 Council 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 Council 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 Council in providing its service for more than one accounting period.

General Fund

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

Government Grants

Payments by central government towards the cost of Local Council 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 Councils and subsidised by Central Government.

Housing Revenue Account

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

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 Council 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 Council.

Non-Domestic Rates (NDR)

A flat rate is set annually by central government and levied on businesses in the Borough. The money is collected by the Council 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 Council to meet its expenditure requirements, requiring the Charging Council to collect income from council taxpayers on their behalf.

Precepting Authority

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

Projected Unit Method

The value of the assets held in the fund is compared directly to the value of pension liabilities accrued in respect of service prior to the valuation date. For active members, this method allows for pensionable service to date, but account is taken of the expected final pensionable salary (projected forward to allow for future pay increases).

Private Finance Initiative (PFI)

The PFI is a government policy designed to increase private sector involvement in the provision of public services. The Council 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 of 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 Council'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 Council 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 Council'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 Council's revenue expenditure.

Stocks

Items of raw materials and stores purchased by the Council 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 Council.

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.