

Crawley Borough Council

Minutes of General Purposes Committee

25 September 2006 at 8.00 p.m.

Present:

Councillor R D Burrett (Chair)

Councillors B K Blake, C A Cheshire, D G Crow, M T Head, R A Lanzer,
J Mortimer, D J Shreeves, J G Smith and L A Walker

Officers Present:

P Tinsley
J Green

(Head of Democratic Services)
(Principal Democratic Services Officer)

Apology for Absence:

Councillor D English

6. Minutes

The minutes of the meeting of the Committee held on 27 June 2006 were approved as a correct record and signed by the Chair.

7. Members' Disclosure of Interests

No disclosures of interest were made by Members.

8. Audit and Governance Sub Committee

(a) 29 June 2006

RESOLVED

That the following minutes of the meeting of the Audit and Governance Sub Committee held on 29 June 2006 be received.

Minutes of Audit and Governance Sub-Committee

29 June 2006 at 6.30 p.m.

Present:

Councillor L A Walker (Chair)

Councillor R D Burrett.

Officers Present:

J Green (Principal Democratic Services Officer)
G Jarvis (Head of Finance)
J Molloy (Interim Head of Finance)

Apologies for Absence:

Councillors C A Cheshire, M T Head and D J Shreeves

1. Members' Disclosure of Interests

No disclosures of interests were made.

2. Introductions

Mr Jim Molloy (who was acting as Interim Head of Finance due to the departure of Gary Jarvis) was introduced to the Sub Committee.

The Chair then outlined the terms of reference of the Sub Committee which were set out in the Council's Constitution and noted that arrangements were in progress to provide training for members of the Sub Committee to enable them to carry out their duties. At the request of the Chair, officers undertook to circulate a copy of the CIPFA guidance on Audit Committees to all members of the Sub Committee.

It was also suggested that a flexible approach should be taken in organising dates and times of future meetings to ensure maximum attendance.

3. Approval of 2005/06 Statement of Accounts

The Sub-Committee had before it report FIN/88 of the Head of Finance, together with an updated version of the Statement of Accounts which had been subsequently circulated to all members of the Sub Committee.

Statement on Internal Control

The Sub Committee was advised that the Council was required to keep under review its system of internal control and to produce a Statement of Internal Control as part of the accounts. The 2005/06 review was set out in Appendix 1 to the report and the Sub

Committee was disappointed and concerned to note the lack of improvement in the Housing Repairs and Maintenance System which had been identified as an area of significant weakness in the Statement. The Sub Committee requested that a meeting be arranged at the beginning of September at which the Director of Environment and Housing and the Head of Crawley Homes would be invited to update members on the progress being made in implementing the recommendations contained in the recent Internal Audit report and the outstanding issues.

The Sub Committee also asked to be updated on a quarterly basis on the other issues identified in the Statement as other areas where the operation of controls required to be strengthened. These areas included the need to update the Anti-Fraud and Anti-Corruption Policy Document, the risk resulting from the departure of key staff in the Finance Division, the embedding of the Risk Management Arrangements and issues surrounding Corporate Governance.

Statement of Accounts

The Head of Finance introduced the Statement of Accounts, the main points from which were summarised in paragraph 5.2. of the report. Members were then invited to ask questions relating to the document.

In response to a question from the Chair, the Head of Finance indicated that, should the Council's housing stock be transferred, the cost to the General Fund of overheads such as office accommodation vacated by Crawley Homes and of the central staff supporting the housing service would be in the region of £1million. This could only be funded by restructuring and reducing the Council's services.

The Sub Committee discussed the fact that 20% of the cost of the Council's services was funded by the £4million generated from reserves and that there was a risk involved in relying so much on this method of funding services if interest rates were to fall significantly.

It was noted that savings of £3 million would need to be achieved between now and 2010 to fund the budget or otherwise reserves would be used up. This would increase by £1 million per year if the housing stock were to be transferred. However, extra funding could be generated by the sale of land or, possibly, by retaining the Council's garages. The retention of the garages could generate an additional £½ million for the General Fund but, of course, would reduce the amount of capital receipts. This issue would be the subject of a future report to the Executive.

Councillor Burrett drew attention to the fact that the dates on pages 5 and 13 of the document were incorrect and should have read 31 March, 2006. The date for the 'Member sign off' of the document on page 5 also needed revision, due to the fact that the meeting had been put back a couple of days.

There was a query as to why the reference to the pension backlog on page 3 of the document should be categorised as capital spending. The Sub Committee was advised that special dispensation had been sought from the Government to treat this sum as capital rather than revenue in view of the Council's advantageous position with regard to capital receipts. However, it was agreed that the pension backlog figure of £14m should not be included in the sum spent on capital assets in the first line of paragraph 3 on page 3.

The Sub Committee asked why the figure of £1,462,206 in paragraph 7 on page 24 (relating to the amount paid by the Housing Revenue Account to the General Fund in 2005/06) differed from the figure of £2,352,000 contained elsewhere in the accounts. The Head of Finance responded that the figure reflected the amount recouped from the Government towards the £2,352,000 Housing Revenue Account contribution to the General Fund and would be corrected.

(Note by Head of Democratic Services

The Head of Finance later advised the Sub Committee that he had given an incorrect response to this question and that the figure of £1,462,206 was, in fact, the statutory amount that the Housing Revenue Account had to pay towards the cost of rent rebates which are now held in the General Fund. This is a separate contribution from the £2,352,000 which is a discretionary contribution. No correction to the Statement of Accounts is, therefore, necessary).

There was a final query from the Sub Committee with regard to the sum of £6,000 shown on page 26 relating to Community Charge Surplus. Members were advised that this figure related to income still being received under Court Orders.

In conclusion, the Chair indicated that he recognised the difficult circumstances in which the Finance Officers were operating, due to the loss of a significant number of experienced staff. However, he stressed the importance of committee documentation being received in plenty of time to enable members to study the paperwork.

RESOLVED

- (1) *That the Statement of Accounts for the financial year ended 31 March 2006, amended to reflect the changes proposed in this minute (and a copy of which is set out in Appendix A hereto) be approved and signed by the Chair of the Audit and Governance Sub Committee;*
- (2) *That the Statement of Internal Control for the financial year ended 31 March 2006 be signed by the Chief Executive and the Leader of the Council;*
- (3) *That a meeting be arranged at the beginning of September at which the Director of Environment and Housing and the Head of Crawley Homes will be invited to update members on the progress being made in implementing the recommendations relating to housing maintenance contained in the recent Internal Audit report and the outstanding issues;*
- (4) *That the Sub Committee be updated on a quarterly basis on the other issues identified in the Statement of Internal Control as other areas where the operation of controls requires to be strengthened;*
- (5) *That, for the future, the Council be asked to ensure that there are sufficient experienced staff within the authority to enable the annual Statement of Accounts to continue to be delivered within the statutory timescales.*

Note by the Head of Democratic Services:

Due to the length of the document concerned, the Appendix referred to in part (1) of this resolution is set out in Appendix B to the Minutes of the meeting of the General Purposes Committee.

4. Head of Finance

This would be the last meeting to be attended by Gary Jarvis, Head of Finance, who had been employed by the Council for sixteen years.

The Sub Committee, therefore, placed on record its grateful thanks to Gary for the huge contribution which he had made to the work of the Council during his time at Crawley and wished him well for the future.

5. Date of Next Meeting

- Sub Committee Meeting* - *Early September on a date to be agreed*
(to be attended by the
Director of Environment
and Housing and the
Head of Crawley Homes)
- Training* - *Date to be agreed*
- Sub Committee Meeting* - *Monday 25 September at 6.00 p.m.*

6. Closure of Meeting

With the business of the Sub-Committee concluded, the Chair declared the meeting closed at 7.25 pm.

L A WALKER
Chair

(b) 7 September 2006

In considering the minutes of the meeting of the Sub Committee held on 7 September, 2006, the Chair of the Audit and Governance Sub Committee asked the Committee to note that in view of alleged irregularities with regard to invoices, an investigation was being carried out, the results of which would be shared with internal audit and reported back to the Sub Committee.

RESOLVED

That the following minutes of the meeting of the Audit and Governance Sub Committee held on 7 September 2006 be received.

Minutes of Audit and Governance Sub-Committee

7 September 2006 at 5.30 p.m.

Present:

Councillor *L A Walker (Chair)*

Councillors *R D Burrett, C A Cheshire and M Head*

Officers Present:

<i>Y Campbell</i>	<i>Head of ICT</i>
<i>D Covill</i>	<i>Director of Resources</i>
<i>J Green</i>	<i>Principal Democratic Services Officer</i>
<i>J Hills</i>	<i>Interim Audit Manager</i>
<i>J Redwood</i>	<i>Director of Environment and Housing</i>
<i>A Smithers</i>	<i>Head of Crawley Homes</i>

Apology for Absence:

Councillor D Shreeves

7. Councillor Shreeves

In accepting Councillor Shreeves' apologies for absence, the Sub Committee asked that their best wishes for a speedy recovery be conveyed to Councillor Shreeves.

8. Minutes

The minutes of the meeting of the Sub-Committee held on 29 June 2006 were approved as a correct record and signed by the Chair.

9. Members' Disclosure of Interests

No disclosures of interests were made.

10. Housing Repairs and Maintenance System

At its meeting on 29 June, the Sub Committee had been advised that the Council was required to keep under review its system of internal control and to produce a Statement of Internal Control as part of the accounts. As part of the 2005/06 review, the Sub Committee had been disappointed and concerned to note the lack of improvement in the Housing Repairs and Maintenance System which had been identified as an area of significant weakness in the Statement.

As requested by the Sub Committee, this meeting had been arranged to update members on the progress being made in implementing the recommendations contained in the recent Internal Audit report. The Director of Environment and Housing and the Head of Crawley Homes had been invited to attend the meeting for this purpose.

The Sub Committee had before it for information a copy of the summary of the Housing Repairs and Maintenance Audit carried out by Haines Watts. The full report by Haines Watts contained exempt information by virtue of paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) (Information relating to the financial or business affairs of any particular person) and had therefore been circulated to the Sub-Committee but not been made publicly available. The Sub-Committee received an update on the Management Implementation Plan contained in the report at the meeting including a summary and a full schedule of responses to the recommendations. The Sub Committee was asked to note that several Divisions had responsibilities which were relevant and that this was not just an issue for Crawley Homes, though clearly this Division had a lead role.

The Sub Committee voiced its disappointment over the fact that the schedule of responses had not been circulated to the Sub Committee in advance of the meeting and requested that, in future, all documentation be made available in good time to enable the Sub Committee to study the material prior to the meeting.

The recommendations contained in the Management Implementation Plan had been identified as high, medium and low priority and it was decided to concentrate on the 'high priority' recommendations at this meeting.

The first of the recommendations which had been afforded high priority (ref.8), related to the perceived problems with the number of erroneous orders being raised by the Contact Centre. The Sub-Committee was advised that a project to evaluate the possibility of a contractor handling repairs calls and raising works orders was expected to be completed in time for a report to be submitted to the Executive in December. Any such arrangement would need to be subject to a number of safeguards regarding probity, cost and procedure and there would need to be an appropriate lead-in period to enable the procedures and systems to be tested. The Sub-Committee asked to receive an update on this project on a regular basis.

The Sub-Committee then went on to discuss issues relating to the cancellation of orders which had been identified in recommendations 19 and 20 of the Implementation Plan. The Sub-Committee was advised that one of the reasons for this was a contention of the principal contractor that the Council regularly cancelled orders when they realised that they had been sent to the wrong contractor. However, the contractor maintained that costs had often already been incurred and that the Council was contractually obliged to pay them. Recommendation 19 suggested that a works order should only be cancelled by a member of the Technical Admin Team, following the approval of the action by a Surveyor confirming that the work was no longer wanted. However, the Head of Crawley Homes was of the view that, if the number of staff who were authorised to cancel a works order were to be reduced, this would cause further delays in implementing the cancellation, resulting in more abortive calls. Negotiations were taking place with the contractor about this aspect of the contract (whilst the Council was seeking to achieve a 'right first time' scenario to ensure that repairs were carried out effectively and efficiently for tenants). In response to a question from the Sub-Committee, it was confirmed that the use of sub-contractors was permissible under the terms of the contract with the principal contractor. However, it was felt that, if any job was not carried out to the Council's satisfaction, the contractor should be asked who had undertaken the work to establish whether there was an emerging pattern.

Recommendation 20 related to the necessity for the prompt notification of contractors of the cancellation of orders. The Head of Crawley Homes took the view that a telephone call would be the best way of achieving this, since there would be a time lapse if cancellation notices were to be electronically generated.

With reference to recommendation 25 relating to outstanding credit notes, the Sub-Committee was advised that, following the restructure of the maintenance team which had streamlined and improved management control, the backlog of invoices and credit notes had been cleared in July 2006. The Head of Crawley Homes reported that changes to the system had been implemented in the Autumn of 2005 which meant that invoices should no longer be paid unless they had been checked for discrepancies. It was confirmed that a check of completed work was carried out on a random sample basis although all jobs over a specified financial limit were inspected. The Chair questioned the robustness of the system as there had been alleged irregularities with regard to invoices which would be passed on to the Director of Environment and Housing as part of ongoing investigations. The Sub Committee requested that the results of these investigations should be shared with internal audit and that the Sub Committee should receive a report back.

In response to recommendation 34, the Head of Crawley Homes confirmed that sufficiently robust procedures were in place to enable the Council to demonstrate that it complied with its legal responsibilities as a landlord in respect of gas safety legislation. It was reported that the ICT Division had worked with the contractor to provide for information relating to gas inspections to be imported into iWorld.

The Sub-Committee noted that it had been decided to appoint a dedicated IT resource to work with staff in Crawley Homes and the ICT Division to ensure that the best use could be made of existing systems by appropriate technical support and 'fixes'.

It was also noted that the improved management control put in place by the Interim Maintenance Manger should ensure that, within the limitations of the existing systems, the shortcomings identified in the audit report were addressed.

It was agreed that the Interim Audit Manager should give detailed consideration to the management response provided in respect of the recommendations in the Management Implementation Plan, ensuring that audit were satisfied with the responses. The Sub Committee should then receive a report on a quarterly basis on action not implemented by the appropriate date. In this connection, officers were asked to ensure that there were action dates against each of the items in the Management Implementation Plan.

RESOLVED

- (1) *That the update on the Management Implementation Plan on the Housing Repairs and Maintenance Service be noted;*
- (2) *That the Sub-Committee receive further reports on this matter as indicated in this minute.*

11. Closure of Meeting

With the business of the Sub-Committee concluded, the Chair declared the meeting closed at 7.00 pm.

*L A WALKER
Chair*

9. Changes to the Constitution

(a) Budget Procedure Rules

The Committee was advised that minor changes were being proposed in respect of the budget process and it was, therefore, necessary to make amendments to the Constitution to facilitate these changes.

Under the revised procedure the views of Members on the Budget Strategy would be sought through the Overview and Scrutiny Commission meeting.

In addition, the recommendations of the Budget Advisory Group (which would replace the Service Priority Working Group) on savings and growth would be considered by the Executive in January of each year. The Executive's recommendations from the January meeting together with those on the final budget and the level of Council Tax from the meeting of the Executive in February would be considered by the full Council at its meeting in February/March. Previously these matters were considered by full Council in two stages. However, the new procedure would have the effect of streamlining the process.

RECOMMENDATION

That the Council be recommended to substitute the wording set out in the appendix to these minutes for paragraphs 2(a) to (h) of the Budget Procedure Rules in the Council's Constitution.

(b) Council Procedure Rules

RECOMMENDATION

That the Council be recommended to add the following wording to paragraph 2.1 of the Council Procedure Rules in the Council's Constitution:-

'There shall be no debate on any item included in a report of the Executive, Overview and Scrutiny Commission, or of a regulatory committee, where the item in that report has been previously debated at an Extraordinary Meeting of the Council and where a decision was made on the matter at that Extraordinary Meeting.'

(c) Changes to the delegation scheme

RECOMMENDATION

That the Council be recommended to amend the following delegation (through the functions of the General Purposes Committee) in the Council's Constitution by the addition of the words shown in bold text :-

'This function is delegated to the **appropriate Head of Service and the Head of Legal Services**

The enforcement of byelaws'

10. Closure of Meeting

With the business of the Committee concluded, the Chair declared the meeting closed at 8.10 pm.

R D BURRETT
Chair

BUDGET PROCEDURE RULES – AMENDMENT

2. Process for developing the framework

The process by which the budget shall be delivered is:-

- (a) The Executive will publicise by including in the Forward Plan a timetable for making proposals to the Council for the adoption of the budget.
- (b) The Council will inform itself, through appropriate methods, about the views of stakeholders on the relative priorities of key issues and services. On a three year basis, this will include a household survey; other devices such as the Citizens' Panel and the Business Panel may be utilised.
- (c) Every municipal year the Executive will review the Council's Budget Strategy.
- (d) The Overview and Scrutiny Commission will meet prior to the review to hear the views of Members on the draft Budget Strategy set out in the report to the Executive and to consider any other comments put before them in writing. If necessary, the Overview and Scrutiny Commission will put forward to the Executive recommendations for consideration.
- (e) The Executive will take into account the response from the Overview and Scrutiny Commission together with any other representations received from stakeholders, etc. in approving the Budget Strategy Review. Nevertheless, the option to amend the Budget Strategy following the outcome of the review of savings and growth is retained
- (f) The Budget Strategy will then provide the financial framework within which the Budget Advisory Group will undertake its work and subsequently make recommendations to the Executive on savings and growth.
- (g) The Executive will meet in January of each year to make recommendations to full Council on the savings and growth recommended by the Budget Advisory Group and on adjustments to the Budget Strategy. The Executive will take into account the views of the Overview and Scrutiny Commission on the recommendations. The report will reflect the comments made by consultees during the budget process and the Executive's response.
- (h) The Executive will subsequently make recommendations to the full Council on the final budget and on the level of Council Tax in February or March of each year.
- (i) to (n) remain as worded in the current Constitution

Appendix B

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Statement of Accounts 2005/06

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Foreword

1. The accounts for 2005/2006, set out on the following pages, show the financial performance of the Council for the year, together with its overall financial position as at 31 March 2006. The purpose of the published statement of accounts is to give local taxpayers, members of the Council and other interested parties clear information about the Council's finances. The accounts provide the reader with information on the cost of services provided by the Council in the year 2005/06, how these services were paid for and a statement of the Council's assets and liabilities at the year end.

The Council's accounts are presented in the following order:

- Statement of Accounting Policies

The Council's accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance Accountants (published March 2005) and the Accounts and Audit Regulations 2003. Details of these accounting policies start on page 11. In addition, supporting notes have been included where appropriate.

- Consolidated Revenue Account

The purpose of this account is to report expenditure and income relating to all the services provided by the Council and how the net cost of those services have been financed by local taxpayers and central government. The account and explanatory notes are shown on pages 14 - 20.

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- Council Housing Account (Housing Revenue Account)

This account shows the major element of expenditure on the provision of Council housing, and how this has been financed by rents and other income. This account is shown on pages 21 - 24.

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- Collection Fund

The Collection Fund summarises the income received from tax payers and how it has been distributed to the three authorities providing services to residents - West Sussex County Council, Crawley Borough Council and Sussex Police Authority. In addition, this financial statement, covering pages 25 - 27, includes transactions relating to the Business Rates collected and distributed to the Government.

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- Consolidated Balance Sheet

This statement shows the balances and reserves at the Council's disposal as well as the liabilities as at 31 March 2005. It also summarises the fixed and current assets used to carry out the Council's functions. This statement is shown on pages 28 - 39.

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- Total Movement of Reserves

This statement and its notes which show the movement in the Council's reserves is on pages 40 - 43.

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- Cash Flow Statement

This statement summarises on pages 44 - 45, the inflows and outflows of cash arising from the transactions with third parties for revenue and capital purposes. It differs from other accounts in that creditors and debtors are excluded.

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- Glossary of Terms

A glossary of the most commonly used technical terms in these accounts is provided on page 46 - 48.

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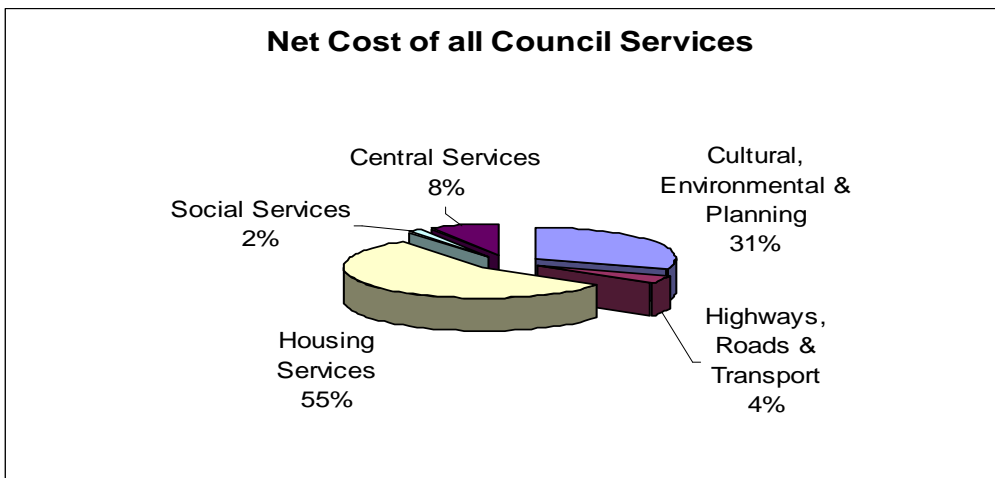
Foreword (Continued)

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2. Revenue Spending in 2005/06

This is shown within the Consolidated Revenue Account, which includes all the Council's spending and income except that in relation to the Council's assets. Expenditure incurred on the purchase and/or enhancement to assets plus any income received from asset sales is shown under the section on capital.

The net cost of services in 2005/06, after taking into account income from users, was £59 million, which is broadly in line with the Council's plans approved when setting the level of Council Tax for the year. The following chart indicates how this spending is allocated between the various services.



* Note: Central Services includes Corporate & Democratic Core, Central Services to the public and Non Distributed Costs

Funding for the net service costs comes from investment interest (£4.3 million), Government Grants (£6.2 million), share of Business Rates (£2.9 million), Council Tax (£5.9 million), Appropriations (£11.2 million) and internal rent for the use of assets (£24.5 million). At the outset, the Council had planned to use £1.3 million from reserves. The level of funding raised from Council Tax of £5.9 million required a Council Tax level of £151.44 for a Band C property being the band with the highest number of properties.

For the Housing Revenue Account, the gross revenue expenditure was £62.6 million for 2005/06 before taking account of income from rents. Actual spending for the year less income shows a surplus of £64,000. The Housing Revenue Account continues to be affected by the loss of rental income due to right to buy sales.

3. Capital Spending and Finance in 2005/06

In 2005/06 the Council spent £22 million on capital assets and made a £14 million capital injection into its pension fund in order to clear the deficit that existed as at April 2004. The total capital spending of £36 million was funded from the sale of assets, capital grants and revenue resources. The major schemes relating to the spending on capital assets were:

- Completion of the K2 Leisure Centre and other sports facilities (£12.3 million)
- Improvement to Council housing (£4.7 million)
- New affordable housing units (£1 million)
- Environmental improvements (£0.5 million)

Deleted: This is shown within the Consolidated Revenue Account, which includes all the Council's spending and income except for the purchase of and enhancement to assets. These costs are included under capital. The account brings together in one statement, the Council's General Fund and Housing Revenue Account transactions and shows how the net cost has been financed from government grants and income from local taxpayers.¶

¶ The net cost of general fund services in 2003/04 was £21 million. This was 0.3% more than budgeted for the year, producing a deficit of £0.4 million. The deficit occurred for a number of reasons including a reduction in investment interest reduction (£477k), Council tax benefits (£269k), increased rent allowance payments (£187k) and a shortfall in Community income (£102k).¶

¶ <sp><sp>¶

¶ The net revenue expenditure is funded from various sources, including Government Grant (£5,659,000), the Council's share of Business Rates (£3,480,000) and Council Tax payments. The expenditure to be funded from the council tax was £5,302,000 which required a tax level of £136.80 for the average Crawley Band C property.¶

¶ For the Housing Revenue Account, the gross revenue expenditure was £59 million for 2003/04 before taking account of income from rents. Actual spending for the year less income shows a deficit of £47,400, which is very small when compared to the Housing Revenue Account turnover. The Housing Revenue Account continues to be affected by the loss of rental income due to right to buy sales.¶

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Foreword (Continued)

4. Reserves and Balances

The Council holds reserves and balances of £78 million which decreased by £10 million during 2005/06. This Use of these reserves is planned as explained in the following section on the medium term financial strategy.

Further details of movements in individual reserves are contained within the statement of accounts.

5. Medium Term Financial Strategy

The Council's Medium Term Financial Strategy (MTFS) determines the level of resources that are likely to be available over the planning period and from this, sets the limits within which spending should be contained. The council's target is to achieve a balanced budget by 2010. However, the current forward projection shows that revenue services will operate at an increasing deficit, unless there are reductions in net expenditure or higher Council Tax. The Council has sufficient resources to continue funding the revenue deficit until such time as the budget is balanced.

The Government has removed all restrictions on borrowing, subject to local authorities having sufficient resources to repay any debt. As this Council is in a revenue deficit position, it has no plans to re-enter into any long term borrowing arrangements and will continue to remain debt free. The Council is currently planning to spend £55.5 million on capital schemes over the next three years. The Council is debt free and has adequate capital receipts to fund this capital expenditure, but other methods of financing are always being reviewed and considered.

6. If, however, after examining the information you require any further information or clarification, please contact

Mr R Asirwatham, Technical Accountant, Town Hall, The Boulevard, Crawley, West Sussex, RH10 1UZ (01293) 438657 email Richard.Asirwatham@crawley.gov.uk.

G JARVIS CPFA
Head of Finance

Date : June 2006

Deleted: The Council holds reserves and balances of £63 million which decreased by £x million during 2003/04. These reserves support the provision of Council services.¶
¶ Major contributions made to reserves and balances included:¶

... [1]

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Statement of Responsibility for the Statement of Accounts

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 authority, that officer is the Head of Finance.
- * to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * to approve the statement of accounts

The Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Council's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code"), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2006.

In preparing this statement of accounts, the Head of Finance is responsible for:

- * selecting suitable accounting policies and then applying them consistently;
- * making judgements and estimates that are responsible and prudent;
- * complying with the Code of Practice and fully disclosing any significant non-compliance.

The Head of Finance is also responsible for:-

- * keeping proper accounting records which are up-to-date;
- * taking responsible steps for the prevention and detection of fraud and other irregularities.

G JARVIS CPFA
Head of Finance
Date : 28 June 2006

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Member Sign Off

I confirm that these accounts were approved by the Audit and Governance Sub Committee under delegated Powers at a meeting held on 29 June 2006.

COUNCILLOR L WALKER
Chair of the Audit and Governance Sub Committee

Statement on the System of Internal Control

1. Scope of Responsibility

The Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically and efficiently. The Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

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

2. The Purpose of the System of Internal Control

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

The system of internal control has been in place at the Borough Council for the year ended 31 March 2006 and up to the date of the approval of the Financial Report & Accounts.

3. The Internal Control Environment

The key elements of the internal control environment are summarised below:

3.1 Establishing and Monitoring the Achievement of the Authority's Objectives

A revised corporate plan has been in place since January 2004 which sets out clear commitments for the Borough Council to dovetail with the Community strategy. These commitments are fed into service plans established at directorate level and more detailed work plans at divisional level. This cascade of accountability forms the top three layers of the Borough Council's performance management model as shown at fig 1 below.



The processes that drive the final two layers in fig.1 were enhanced during the year by additional training and competency framework for all managers at third tier level and above. Management training has been prepared for the next level of managers and will be delivered in the coming year.

Statement on the System of Internal Control

Progress towards achievement of the work plans, and therefore the Borough Council's commitments, is monitored on a quarterly basis through a performance management system (see 3.5 below).

3.2 Policy and Decision Making

The Borough Council operates according to its constitution which sets out how decisions are made, what decisions are delegated and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. The constitution is revised on an annual basis to take into account changing circumstances, the most recent review being implemented in May 2006.

The Council's Executive has responsibility for most day-to-day decisions. It is made up of a Leader and seven councillors appointed by the Council. Key decisions to be made by the Executive are published in the Executive's forward plan (public document) in so far as they can be anticipated. Generally, most decisions are taken in meetings open for the public to attend except where personal or confidential matters are being discussed.

An Overview and Scrutiny Commission (and its panels) that supports the work of the Executive and the Council as a whole is also in operation. It allows citizens to have a greater say in Council matters by holding public inquiries into matters of local concern. These lead to reports and recommendations which advise the Executive and the Council as a whole on its policies, budget and service delivery. The Scrutiny process also monitors the decisions of the Executive via a 'call-in' procedure. This allows Scrutiny to review decisions to be considered by the Executive thus presenting challenge and the opportunity for a decision to be reviewed.

3.3 Compliance with Established Policies, Procedures, Laws and Regulations

The Executive has to make decisions which are in line with the Council's overall policies and budget. If it wishes to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to be decided. The Head of Democratic Services holds the statutory post of monitoring officer and is responsible for ensuring that the Borough Council acts in accordance with the Constitution. However, Directors and Heads of Service have the primary responsibility for ensuring decisions are properly made.

At operational level, while compliance is the responsibility of all staff, audit reviews undertaken by internal audit provide an independent check on all major systems and services. The Internal Audit service undertake reviews which have been agreed as part of a three year risk based audit programme and is supported by an external contractor that can provide differing levels of audit expertise where required. Audit recommendations classified as high priority were reported to the Overview and Scrutiny Commission up to May 2006. Other reviews such as those undertaken by the Audit Commission (as the Borough Council's external auditors), statutory inspections and performance reviews also contribute towards ensuring compliance is achieved.

The Council has recently established an Audit and Governance Sub Committee with responsibility for ensuring that adequate processes and procedures are maintained and to ensure that audit recommendations are implemented. This sub Committee will meet for the first time in June 2006.

3.4 Financial Management

A ten year high level financial projection is maintained together with a more detailed three year projection linked to an annual budget setting process. These aid the planning of resources available for services. Variations from the annual budget are reviewed on a monthly basis and reported to members quarterly together with the action taken by

Statement on the System of Internal Control

managers to stay within the approved limits. In the recent 'use of resources' testing undertaken by the

Audit Commission, the Council was assessed at level 3 (out of 4) for both financial management and financial reporting recognising the Council's above average performance.

Financial controls over actual spending and income generation is based on a framework of separation of duties, financial regulations as contained within the constitution, regular reconciliations and reviews undertaken by Internal Audit. Enhanced reporting facilities have recently been made available to budget holders to improve manager's access to relevant financial information held within the financial management system.

3.5 Performance Management

A comprehensive and integrated performance management framework has been adopted by the Borough Council with performance targets being set for services and for employees (appraisals) as shown in fig.1 above. Improvements were made to the process following a review by the Audit Commission and further improvements have been recently.

Targets are monitored on a quarterly basis at directorate level with the progress towards key targets being reported upwards to members. The performance management system includes a system of 'traffic lights' whereby the performance of service areas or progress on projects is coloured coded. For those services that are failing, assistance is given from the Council's Performance team to improve the service and achieve the targets.

A series of best value and performance led reviews are also undertaken on a regular basis.

4. Review of Effectiveness

The Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review is informed by the work of internal audit and the Directors and Heads of Service within the Authority that have responsibility for the development and maintenance of the internal control environment. Comments made by the Council's external auditors and other review agencies and inspectorates also aid this process.

5. Significant Internal Control Issues

The following significant control issue has been identified as part of the review of the Council's internal control system:

- Housing repairs system – due to inadequate maintenance of the data within the system, reliance cannot be placed on the information produced by the system regarding the financial liabilities outstanding for repair work.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control and plan to improve the repairs system and ensure continuous improvement of the internal control system is in place.

Councillor Lanzer
Leader of Council

Michael Coughlin
Chief Executive

Auditor's Report to Crawley Borough Council

Auditor's Report to Crawley Borough Council (Continued)

Auditor's Report to Crawley Borough Council (Continued)

Opinion

Certificate

**Audit Commission
16 South Park
Sevenoaks
Kent
TN13 1AN**

Statement of Accounting Policies

General

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in Great Britain (ACOP 2004), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), and the Accounts and Audit Regulations 2003.

Accounting policies and estimation techniques have been selected and exercised having regard to the accounting principles and concepts set out in Financial Reporting Standard No. 18, specifically:

- the qualitative characteristics of financial information consisting of relevance, reliability, comparability and understandability
- materiality
- pervasive accounting concepts, consisting of accruals, going concern and the primacy of legislative requirements

Fixed Assets

Valuation

The assets within the asset register fall into three principal categories - operational properties, non-operational properties and housing stock. Operational assets are those assets which are used in the direct delivery of Council services. The valuation of these assets is Existing Use Value, other than where there is insufficient evidence of suitable comparable properties or where the asset is of a specialised nature, in which case Depreciated Replacement Cost is used. Non-operational assets are those assets which are not directly occupied, used or consumed in the delivery of services. These assets have been valued on an Open Market Value. Housing stock has been valued on an Existing Use Value for Social Housing basis in accordance with the Department of Transport, Local Government and the Regions' 'Guidance on Stock Valuation'. The Open Market Value for community assets, such as parks, has been taken as zero.

The asset values in the accounts are based upon a certificate issued by the Council's Valuation Officer. Works still in progress at the end of the year have been included in the accounts at their construction cost.

Assets included

All land and buildings owned by the Council have been included. Vehicles and equipment have been included where the purchase price was greater than £10,000 or have a life of more than 3 years.

Revaluation

Assets will be revalued every 5 years. The fixed assets figure is amended to allow for new valuations with a corresponding adjustment being made in the Fixed Asset Restatement Reserve.

Deleted: next valuation is due before March 2003. The

Disposals

Upon disposal, the asset is removed from the balance sheet by crediting the fixed assets account and debiting the Fixed Asset Restatement Reserve. As the Council has achieved debt free status, the majority of income from the disposal of assets is available for investment in new assets and is credited to the Usable Capital Receipts Reserve.

Charges to revenue

All services are charged with a capital charge for the use of the fixed assets. This charge includes a capital financing amount based on 3.5% notional interest rate and, where applicable, an amount to cover depreciation of the asset. For the Housing Revenue Account, the charge is in accordance with statutory requirements. The amounts charged to service accounts are credited to the Asset Management Revenue Account which forms part of the Council's net operating expenditure for the year.

Statement of Accounting Policies (Continued)

Depreciation

In accordance with Financial Reporting Standard 15 and the Code of Practice, depreciation should be provided for on all fixed assets with a finite useful life, other than non-depreciable land and non-operational investment properties.

The Council fully complies with this requirement, in that depreciation is provided for on all depreciable assets. The Council's commercial buildings which are held for investment purposes are exempt from this requirement. Within the attached accounts, depreciation has been provided on a straight-line basis on all depreciable assets which includes buildings, vehicles and major computer systems.

Deferred Charges

Deferred charges refer to expenditure which qualifies as capital for control purposes but which does not result in the acquisition, creation or enhancement of a tangible fixed asset, e.g. improvement grants

Expenditure is written off to the service revenue account in the year in which that expenditure is incurred on the basis that no long-term benefit accrues directly to the authority from the expenditure.

Net operating expenditure contains accounting entries that are not revenue-based and should not have an impact on Council Tax. Consequently, after the disclosure of net operating expenditure, a second reconciliation is needed to reverse out capital financed deferred charges. This is done by an adjustment to the Capital Financing Reserve.

Deferred Capital Grants

The Statement of Recommended Practice recommends that government grants should be processed through a Deferred Capital Grants account over a period of time. As a debt free authority we apply the whole of the grant in the year in which it is received and so do not comply with this.

Leasing

The cost of operating leases is charged to revenue as per note 10, on page 18. No finance leases were held by the Council during the year.

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Government Grants

Grants and subsidies have been credited to the appropriate revenue accounts and an accrual has been made for balances known to be receivable for the period to 31 March 2006.

Stocks and Work in Progress

Stocks held by the Council are recorded on the basis of the latest price paid. Uncompleted jobs are valued at the lower of cost or net realisable value.

Central Support Service Costs

These costs relate to the various support services provided by central departments including legal, finance, personnel, administrative buildings and technical services. Where a regular service is provided, a fixed charge for the year is agreed based on estimated usage and costs. Other services are charged at an agreed unit cost for actual usage in the year. The difference between the cost of central support services and charges levied is included in the consolidated revenue statement as a separate item and not re-allocated to users.

Pensions

Pension contributions have been determined on the basis of rates that are set to meet 100% of the liabilities of the Pension Fund, in accordance with relevant Government regulations. The accounting disclosure is in line with FRS17, "Retirement Benefits", as detailed in note 3 to the Consolidated Revenue Account and note 16 to the Balance Sheet.

Statement of Accounting Policies (Continued)

Debtors and Creditors

The accounts of the Council are maintained on an accruals basis in accordance with the Code of Practice and FRS18. Thus sums due to or from the Council are included whether or not the cash has changed hands.

At the end of each financial year an estimate is made of doubtful debts – amounts due to the Council, but unlikely to be received. The total value of these amounts is provided for and deducted from the Debtors balance in the Consolidated Balance Sheet.

Provisions and Reserves

The Council maintains a number of provisions and reserves for specific future expenses which are expected to be incurred, financing of the capital programme and support of revenue services. These amounts are detailed in a note to the Consolidated Balance Sheet.

Investments

All are cash investments and are shown at cost to comply with relevant SSAP.

Consolidated Revenue Account

	2005/06 Expenditure £'000	2005/06 Income £'000	2005/06 Net £'000	2004/05 Net £'000
Central Services to the Public	9,516	(8,429)	1,087	1,122
Cultural, Environmental & Planning Services	35,639	(17,107)	18,532	17,587
Highways, Roads and Transport	3,599	(967)	2,632	2,443
Housing Revenue Account	62,818	(34,891)	27,927	25,293
Housing Services General Fund	28,369	(24,158)	4,211	2,764
Social Services	1,046	(71)	975	951
Corporate and Democratic Core	4,588	(805)	3,783	3,758
Non Distributed Costs	-	-	-	440
Net Cost of Services	145,575	(86,428)	59,147	54,358
Asset Management Account			(33,749)	(29,057)
Contribution of housing capital receipts to Government Pool			4,036	2,008
Net Interest Receivable			(4,328)	(4,489)
Other Income			(123)	-
Pension interest cost and expected return			(254)	(320)
Net Operating Expenditure			24,729	22,500
Appropriations				
Capital Expenditure Financed from Revenue			433	317
Contribution to/(from) Earmarked Reserves				
Strategic Policy Reserve			(126)	(138)
Renewals Fund			254	346
LABGI			120	-
HRA renewals			34	-
HRA Reserve			64	927
Community Liaison			38	-
Planning Services Delivery			342	88
Transfer for Usable Capital Receipts			(4,036)	(2,008)
Contribution from Capital Financing Account			(2,041)	(3,186)
Transfer to/from Major Repairs Reserve			(4,044)	(4,106)
Contribution from Pension Reserve			(717)	(393)
Amount to be met from Government Grant and Local Taxpayers			15,050	14,347
Collection Fund Surplus			34	42
Demand on the Collection Fund			(5,914)	(5,610)
Revenue Support Grant			(6,318)	(6,123)
Contribution from Non-Domestic Rate Pool			(2,869)	(2,718)
Total Government Grant/Local Taxpayers			(15,067)	(14,409)
(Surplus)/Deficit for Year			(17)	(62)
General Fund Balance				
Balance as at 1 April 2005			4,585	4,523
Surplus/(Deficit) for year funded from General Fund			17	62
Balance as at 31 March 2006			4,602	4,585

Notes to Consolidated Revenue Account

1. Analysis of Service

Revenue expenditure/income is shown in accordance with the Best Value Accounting code of practice. A brief indication of the services provided by each area is as follows:

Corporate & Democratic Core

Corporate & Democratic Core comprises activities that the Council undertakes as an elected organisation. This area includes democratic representation and management together with corporate management.

Central Services to the Public

Corporate management of the authority and collection of local taxes.

Non Distributed Costs

Non Distributed Costs consist of costs, which cannot be attributed directly to a service. For Crawley in 2005/06 there are no such items of expenditure for this category.

Cultural, Environmental and Planning Services

The Hawth Theatre and Arts Complex. Arts development and support, community centres, indoor and outdoor sports and recreation facilities, golf courses, community parks and open spaces, tourism and visitor information centres. Pollution and pest control, public health education and control of infectious diseases, public conveniences. Community safety, defences against flooding and land drainage, consumer protection, street cleansing, waste collection and disposal. Building regulations and development control, planning policy and environmental initiatives, economic development and town centre management, community development.

Highways, Roads and Transport Services

Environmental and safety maintenance, car-parking services, concessionary travel.

Housing Services

Housing strategy, housing advice, private sector housing renewal. Council housing repairs, maintenance and management including sheltered accommodation for the elderly, provision of temporary accommodation for the homeless and a waiting list for housing accommodation. Housing benefits payments: rent rebates (council housing) and allowances (private sector housing).

Social Services

Family and play centres, training for childcare.

2. Prior Year, Exceptional and Extraordinary Items

There were no material adjustments in 2005/06 relating to prior years and no exceptional or extraordinary items included within this account.

3. Pensions

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

Crawley Borough Council pays contributions to the West Sussex County Council's Pension Fund, which provides its members with defined benefits relating to pay and service. The contributions are based on rates determined by the Fund's professionally qualified actuaries based on triennial valuations of the Fund, the most recent of which was 31 March 2004.

Notes to Consolidated Revenue Account (Continued)

In 2005/06 the Council paid £14.1 million to cover the deficit on the pension fund. In 2005/06 the authority paid an employer's contribution of £1.9 million (2004/05 - £1.9 million) based on 12.6% of pensionable employees' reckonable pay. Employees are required to pay a contribution, calculated as 6% of pensionable pay, towards their pension. Discretionary payments amounted to £296,012. There have been no added years or any related increases awarded by the Council during the year. During the year, 3 members of staff were awarded discretionary payments of £76,150. A payment of £117,654 was made in respect of the capital costs of prior year discretionary payments.

Further details on pension liabilities are provided in note 16 to the Consolidated Balance Sheet and note 6 to the Statement of Total Movement in Reserves.

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The actuarial valuation states that assets held at the valuation date were sufficient to cover 91% of accrued liabilities assessed at that date. The Council has sufficient reserves to cover any costs, although it is expected that the market returns will improve thereby eliminating this deficit. The Council's contribution to the scheme will be re-evaluated at the next triennial actuarial valuation of the fund at 31 March 2007.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

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	Local Government Pension Scheme	
	2005/06 £'000	2004/05 £'000
<i>Net Cost of Services:</i>		
Current service cost	2,893	2,599
Reversal of employers contributions	(16,129)	(1,886)
<i>Net Operating Expenditure:</i>		
Interest cost	6,181	4,797
Expected return on assets in the scheme	(6,435)	(5,117)
<i>Appropriations:</i>		
Movement on pensions reserve	(2,639)	(2,279)
Employers' contributions payable to scheme	16,129	1,886

4. Publicity Expenditure

Set out below, under the requirements of Section 5(1) of the Local Government Act 1986, is the Council's spending on publicity.

	2005/06 £'000	2004/05 £'000
Public Relations Department	328	320
Recruitment Advertising	190	259
Other Publicity	146	151
	664	730

Notes to Consolidated Revenue Account (Continued)

5. **Section 137, Local Government Act 1972 & Chapter 22, Local Government Act 2000**
Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service and mayoral appeals. Actual expenditure was £184,939 mainly on donations to voluntary bodies working in the local area (£185,050 in 2004/05).

6. **Building Regulations**

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding setting of charges for the administration of the building control function and details of scheme for setting charges. 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:

Building Regulations Charging Account 2005/06

	Chargeable	Non Chargeable	Total Building Control
Expenditure			
Employee expenses	119	64	183
Operating Costs	21	6	28
Central & Support Service Recharges	96	52	148
Total Expenditure	237	122	359
Income			
Building Regulation Charges	230	-	230
Miscellaneous Charges	2	-	2
Total Income	232	-	215
Surplus/(Deficit) for Year	(5)	(122)	(127)

7. **Agency Arrangements**

The Council operates one agency as detailed below, the cost of which is fully reimbursable but the Council also undertakes additional cuts in relation to the verge maintenance contract.

	2005/06 £'000
Highways Verge Maintenance	191

Notes to Consolidated Revenue Account (Continued)

8. Charges for Capital

The net cost of services includes capital charges calculated as follows:

General Fund

A notional interest charge plus depreciation for assets with a finite life. An explanation of the charges to revenue and depreciation and the Council's compliance with the capital financing regulations is included in the Statement of Accounting Policies (page 11 - 13).

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The Council had no Statutory Minimum Revenue Provision for repayment of debt as the Council achieved debt free status at 31 March 1996. Interest and repayment of principal for the Commission for New Towns transferred services obligation is charged direct to General Fund at the fixed rate annuity applicable and financed by a revenue contribution. It should be noted that the Commission for New Towns liability is not debt as defined by statute.

Housing Revenue Account

Principal repayments are based on 2% of HRA debt. However as a result of achieving debt free status, no interest was payable, but interest was receivable at the average investment rate of 4.69%. The deferred purchase liability was repaid during the year.

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9. Asset Management Revenue Account

The charges to the General Fund and the Housing Revenue Account for capital are reversed within the Asset Management Revenue Account, together with external interest payable, so that the net effect of accounting for the use of assets is zero.

	2005/06 £'000	2004/05 £'000
Capital Charges Reversed	(34,830)	(37,333)
Interest Paid	47	50
Depreciation	1,034	8,226
	<u>(33,749)</u>	<u>(29,057)</u>

10. Leases

The Council's policy is generally to acquire vehicles and equipment through operating leases when it is financially advantageous to do so. £33,847 was paid during the year in lease rentals (2004/05 £37,982).

The primary period has expired on all outstanding obligations on operating leases. The only rentals payable will be secondary if the one outstanding lease agreement is extended.

11. Net Interest Receivable

All external borrowing and investment transactions were kept in a Central Loans and Investment Account. The interest paid and received on this account is shown under net interest receivable in the Consolidated Revenue Account. In accordance with statutory requirements interest was credited to the Housing Revenue Account at the average rate of interest earned on approved investments.

12. Contribution To Reserves And Provisions

The provisions and reserves made in the year are shown in notes 7, 8, 10, 11, 12, to the Consolidated Balance Sheet.

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Notes to Consolidated Revenue Account (Continued)

13. Contribution from Housing Revenue Account

The housing resource accounting requirements have reduced the amount that may be statutorily transferred from the Housing Revenue Account (HRA) to the General Fund. To reduce the impact to the General Fund, transitional measures have been introduced which allow authorities to make a transfer if they wish (Section 80(2) transfer). The contribution involves a transfer from the Major Repairs Reserve to the HRA to finance it before the funds are moved to the General Fund, (see note 3, on page 22). For 2005/06, the General Fund has received £2,352,000 from the HRA.

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14. Disclosure of Employees Remuneration

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

Remuneration Band	Number of Employees
£50,000 - £59,999	4
£60,000 - £69,999	7
£70,000 - £79,999	3
£80,000 - £89,999	0
£90,000 - £99,999	0
£100,000-£109,999	1

15. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely within the Council.

Relevant Chief Officers and Members were canvassed and signed declarations obtained from them to ascertain any material transactions with related parties. No material transactions were declared.

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 the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement.

There are no material items to report for this year.

16. Members Allowances

Members' allowances for the year 2005/06 were £290,651. (£275,141 in 2004/05).

Notes to Consolidated Revenue Account (Continued)

17. Disclosure of Audit Costs

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In 2005/06 Crawley Borough Council incurred the following fees relating to external audit and inspection:

	2005/06 £'000	2004/05 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	50	111
Fees payable to the Audit Commission in respect of statutory inspection	70	13
Fees payable to the Audit Commission for the certification of grant claims	42	59
Fees payable to the Audit Commission for the certification of grant claims re: previous years	-11	6
Fees payable in respect of other services provided by the appointed auditor	6	10

Housing Revenue Account

	Note	2005/06 £'000	2004/05 £'000
Income			
Dwelling rents (gross)	9	29,583	28,727
Non-dwelling rents (gross)		1,596	1,535
Charges for Services & facilities		936	1,207
Contributions towards expenditure		2	7
Housing Revenue Account subsidy receivable		-	36
Housing Benefits Transfers		-	-
Total Income		32,118	31,512
Expenditure			
Repairs and maintenance		7,370	5,355
Supervision & management		7,533	7,634
Rent rebates		1,462	1,702
Contribution to the General Fund		2,352	2,822
Subsidy Payable to the Secretary of State		10,341	10,726
Increased provision for bad & doubtful debts		49	61
Cost of Capital Charge	5	26,146	24,613
Depreciation & impairments of fixed assets	6	7,319	6,714
Total Expenditure		62,572	59,627
Net Cost of Services		(30,454)	(28,115)
Net HRA income or expenditure on the asset management revenue account		26,180	24,613
HRA Investment income (including mortgage interest and interest on notional cash balances)		175	249
Net Operating Expenditure		(4,099)	(3,253)
Appropriations			
Transfer to / from Major Repairs Reserve	3	4,044	4,106
Transfer to Renewals Fund		(34)	(35)
Appropriation to Pension Reserve		153	109
Total : Surplus or (Deficit) for year		64	927
Balance Brought Forward		2,935	2,008
Balance Carried Forward		2,999	2,935

Notes to the Housing Revenue Account

1. Housing Stock

The Council was responsible for over 8,500 dwellings in 2005/06. The stock at the year-end was made up as follows:

	31 March 2006	31 March 2005
Houses	4,650	4,704
Flats and Maisonettes	3,065	3,094
Bungalows	438	438
Hostels – lettable units	115	112
Number of rented units	8,268	8,348
Shared Ownership *	159	169
Total Stock	8,427	8,517

* Shared ownership properties are owned in part by the Council. A rent, based on the proportion of the dwelling owned by the Council, is charged to the occupier who is also responsible for maintaining the property.

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The change in stock can be summarised as follows:

	2005/06	2004/05
Stock at 1 April	8,517	8,657
Less Sales	(91)	(104)
Demolitions/Disposals	(3)	(36)
Add New Build	-	-
Acquisitions	4	-
Stock at 31 March	8427	8,517

Note: for valuations see Balance Sheet, note 1.

2. Vacant Possession Value

The vacant possession value of dwellings within the authority's HRA as at 1 April in the financial year was £ 1,297,249,023 (£1,220,879,125 in 2004/05). The vacant possession value and the balance sheet value of dwellings within the HRA show the economic cost to Government of providing council housing at less than open market rents.

3. Major Repairs Reserve (MRR)

Authorities are required to set up a major repairs reserve, and to transfer into it a sum not less than the Major Repairs Allowance (MRA). The MRA is calculated as part of the HRA subsidy and indicates the resources needed to maintain the value of the housing stock over time. In 2005/06 £3.3 million was spent on major repairs which were funded from the proceeds from the sale of council houses. As a consequence the balance in the MRA has increased to £5,596,094 and will be used to fund repairs in 2006 to 2008

	£'000
Balance on MRR 1 April 2005	123
Amounts transferred to MRR in year	
Depreciation on HRA assets	7,285
Transfers to HRA	(1,692)
Cost of programme works	0
Negative subsidy transfer to General Fund	(2,352)
Transitional Subsidy Measures	1,568
Net Surplus (Deficit)	<u>4,932</u>

Notes to the Housing Revenue Account (Continued)

4. Capital Expenditure

Capital expenditure on land, houses and other property within the authority's HRA during the financial year was as follows:

	£'000
Capital Investment	
Enhancements to Council Housing	3,629
Sources of Finance	
Usable Capital Receipts	3,629

	£'000	£'000
A summary of capital receipts is as follows:		
Capital Receipts		
Sale of houses	10,395	
Less Pooled Housing Capital Receipts	(4,044)	6,351
Miscellaneous HRA Land Sales		1
		<u>6,352</u>

5. Cost of Capital Charges

The cost of capital charge is calculated as 3.5% of the value of HRA operational assets, carried out in accordance with the Guidance on Stock Valuation. In 2005/06 this charge amounted to £26,146. No impairment or deferred charges were incurred in the year.

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The new cost of capital charge is included in the net cost of services in the HRA. This is to show the cost of capital tied up in housing assets. This charge does not affect rents as the charge is reversed out within HRA accounting to the Asset Management Revenue Account (AMRA).

6. Depreciation Charges

Depreciation charges for land, houses and other property within the authority's HRA totalled £7,284,911.

7. Government Subsidy

Housing Revenue Account subsidy is based on a notional Housing Revenue Account which takes into consideration certain notional costs relating to repairs, management and maintenance, capital financing costs and other minor items of expenditure. Notional income, mainly from rent and interest is deducted from the total notional expenditure and any resultant surplus is required to be transferred to the Secretary of State under the Local Government Act 2003. In 2005/06, the Council paid £10,341,806 to the Secretary of State from the housing account to meet these requirements.

Prior to 2004/05, rent rebates were also included within the notional Housing Revenue Account. This resulted in a small deficit on the notional account and therefore, subsidy was payable to the Council by the Secretary of State. From 2004/05, the Local Government Act 2003 moved the funding of rent rebates from the HRA to the General Fund and subsidy for rent rebates is received from the Department of Work and Pensions directly into the General Fund. However, the subsidy only covers the cost of rent rebates up to the level of the notional rent (determined by the Secretary of State). The element of rent rebates for rents above the notional level is met by the HRA. In 2005/06, the amount paid by the Housing Revenue Account to the General Fund towards the cost of rent rebates was £1,462,206.

Notes to the Housing Revenue Account (Continued)

- 8. Appropriation from Pension Reserve**
The HRA share of the contribution to the pension reserve (£153,351), is based on the HRA share of the actuarial FRS17 'current service cost' of £2.9 million, pro rata to the employers pensions contributions made in 2005/06.
- 9. Rent Arrears**
Rent arrears at the end of the financial year totalled £1,392,558 (£1,464,466 in 2004/05) provision of £707,147 (£670,966 2004/05) for bad or doubtful debts has been made in the balance sheet.
- 10. Sums Directed by the Secretary of State to be debited to the HRA**
Prior to 31 March 2001, the Council was required to transfer an amount from the Housing Revenue Account to the General Fund equal to any surplus on the Notional Housing Revenue Account. Under the housing resource accounting requirements introduced by the Local Government Act 2003, this transfer is no longer statutorily permitted. However, to reduce the impact to the General Fund, transitional measures have been introduced which allow authorities to phase out the transfer over a 10 year period. The contribution involves a transfer from the Housing Major Repairs Reserve to the HRA to finance this, before the funds are moved to the General Fund. For 2005/06, the HRA made a contribution of £2,352,000 to the General Fund under the transitional scheme.

Collection Fund

	Notes	2005/06 £'000	2004/05 £'000
1. Income and Expenditure Account			
Income			
Council Tax	3	42,775	40,690
Business Rates (NNDR) due	2	88,224	81,587
Contributions			
- Adjustment of previous years' Community Charge		0	-
			Deleted: community charge
Total Income		130,999	122,277
Expenditure			
Precepts and Demands on the Fund	4	42,863	40,692
Business Rate			
- payment due to National Pool	2	87,999	81,353
- contribution to cost of collection		225	234
Bad and doubtful debts (Council Tax)		530	426
Total Expenditure		131,617	122,705
(Deficit) for Year		(618)	(428)
2. Fund Balance			
Deficit Brought Forward		(386)	(263)
Add Deficit for Year		(618)	(428)
Less Contribution to Deficit			
Council Tax			
- Crawley Borough Council		34	42
- West Sussex County		189	236
- Sussex Police Authority		22	27
Balance at the End of the Year		(759)	(386)
Balance relates to:			
Community Charge Surplus		6	6
Council Tax Deficit	1	(765)	(392)
		(759)	(386)

Notes to the Collection Fund

1. General

The Collection Fund is a statutory account administered separately by the Council as the billing authority for the area. The account reflects income due from the Council Tax payers, Non-Domestic Rate payers, residual Community Charge payments and the distribution of such sums.

The year-end surplus or deficit on the Council Tax element of the Collection Fund must be distributed between billing and precepting authorities in the following financial years. This in turn will reduce/increase the relevant authority's requirement from the Collection Fund in future years. Surpluses and deficits relating to Community Charge are retained by the Authority to reduce its demand on the Collection Fund. The balance as at 31 March 2006 will be distributed as follows:

	£'000
Retained by Crawley Borough Council	
- Community Charge Surplus	6
- Council Tax Deficit	(105)
Due to	
- West Sussex County Council	(592)
- Sussex Police Authority	(68)
	<u>(759)</u>

2. Income from Business Rates (NNDR)

Business Rates are set by the Government but collected locally by the Council. The amount collected is paid into a central pool administered by the Government after the deduction of an allowance towards collection costs. The Government specifies a uniform rate in the pound (42.2 p for 2005/06) which is multiplied by the rateable value for each property to arrive at the charge per property for the year. For businesses that qualify for Small Business Rate Relief, the rate multiplier was 41.5p for 2005/06. At year-end, the total rateable value was £259 million.

Deleted: rates

3. Income from Council Tax

This figure represents the total Council Tax due for the year compiled as follows:

	£'000
Council Tax benefits paid by the General Fund	5,419
Balance payable by Council Tax Payers	<u>37,356</u>
Total Council Tax due for year	<u>42,775</u>

Notes to the Collection Fund (Continued)

Each domestic property has been placed by the Inland Revenue into one of eight bands according to April 1991 valuations. The Council Tax due from each property varies according to the band it has been placed into. Band D has been assumed to be the national average with A having the lowest tax and H the highest. Statutory discounts relating to particular circumstances such as single occupancy reduce the Council Tax charged for relevant properties. An estimate of the Council Tax to be collected after allowing for discounts, changes in valuation, new properties and bad debts is made prior to the commencement of the year. This estimate is converted to a Band D equivalent number of properties described as the Council Tax Base. The figures for 2005/06 are shown in the following table.

Band	Number of Properties (a)	Net Properties (b)	Ratio to Band D	Equivalent Number of Band D
A	842	731	6/9	488
B	5,602	4,803	7/9	3,736
C	19,386	17,506	8/9	15,561
D	8,038	7,426	9/9	7,426
E	3,669	3,478	11/9	4,251
F	2,082	1,982	13/9	2,863
G	467	437	15/9	729
H	12	4	18/9	8
				35,062
				(349)
				34,713

Less provision for bad debts
Council Tax Base

Notes

- (a) Number of properties per November 2004 valuation list.
(b) Net properties after allowing for discounts and other estimated charges.

To arrive at the Council Tax payable per band, the precepts and demands on the fund are divided by the estimated Council Tax Base to arrive at a Band D charge for the year. Other bands are calculated pro rata to Band D by the proportions shown in the table above.

The Band D charge for the year was £1,234.80.

The Council Tax deficit for the year was (£618,000).

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4. Precepts and demands from County and District

The Collection Fund is required to meet in full during the financial year precept and demands made on it by precepting authorities and this Council. Demands made on the 2005/06 Collection Fund are shown below:

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	£'000
West Sussex County Council	33,123
Sussex Police Authority	3,827
Crawley Borough Council	5,913
	42,863

Consolidated Balance Sheet

	Note	31 March 2006 £'000	31 March 2005 £'000	
Fixed Assets				
Operational Assets				
Council Dwellings	<u>1</u>	705,829	661,589	
Other Land & Buildings	<u>1</u>	72,880	74,345	
Vehicles, plant, furniture & equipment	<u>1</u>	2,274	2,325	Deleted: x¶ x¶ x
Non Operational Assets		65,528	62,166	
Total Fixed Assets		846,511	800,425	
Long-Term Investments	<u>3</u>	16,540	685	Deleted: X
Long-Term Mortgage Debtors	<u>9</u>	391	495	Deleted: X
Total Long-Term Assets		863,442	801,605	
Current Assets				
- Stocks		74	64	
- Debtors	<u>4</u>	14,984	15,227	Deleted: X
- Investments	<u>3</u>	81,356	83,053	Deleted: X
Total Current Assets		96,414	98,344	
Current Liabilities				
- Creditors	<u>5</u>	(14,926)	(10,416)	Deleted: X
- Cash Overdrawn		(559)	(359)	
- Temporary Borrowing		(3,000)	-	
Total Current Liabilities		(18,485)	(10,775)	
Net Current Assets		77,929	87,569	
Total Assets Less Current Liabilities		941,371	889,174	
Deferred Liabilities	<u>6</u>	(794)	(845)	Deleted: x
Provisions	<u>7</u>	(48)	(5)	Deleted: x
Liability related to defined benefit pension scheme		(16,546)	(30,099)	
Pension Accrual Benefit		(56)	(175)	
TOTAL ASSETS LESS LIABILITIES		923,927	858,050	
Fixed Asset Restatement Account	<u>8</u>	633,812	612,866	Deleted: x
Deferred Capital Receipts	<u>9</u>	391	495	Deleted: x
Capital Financing Account	<u>10</u>	212,093	186,901	Deleted: xx
Usable Capital Receipts Reserve	<u>11</u>	58,472	57,334	Deleted: xx
Pension Reserve		(16,546)	(30,099)	
Earmarked Reserve	<u>12</u>	23,932	23,296	Deleted: Xx
Major Repairs Reserve		4,932	123	
Balances				
- General Fund	<u>13</u>	4,602	4,585	Deleted: xx
- Housing Revenue Account	<u>13</u>	2,998	2,935	Deleted: xx
- Collection Fund	<u>14</u>	(759)	(386)	Deleted: Xx
TOTAL EQUITY		923,927	858,050	

Notes to the Balance Sheet

1. Fixed Assets

(a) Movement of fixed assets in 2005/06

	Council Dwellings	Other Land & Buildings	Vehicles, Plant & Equipment	Non- Operational Assets	TOTAL
	£'000	£'000	£'000	£'000	£'000
Valuation at 1 April 2005	685,676	77,788	4,403	62,166	830,033
Accumulated Depreciation and Impairment	(24,087)	(3,443)	(2,078)	-	(29,608)
	661,589	74,345	2,325	62,166	800,425
Net Book Value of Assets as at 1 April 2005					
Movement in 2005/06					
Additions	4,706	12,305	280	-	17,291
Disposals	(14,744)	(7,125)	-	(11)	(21,880)
Revaluations	61,563	(5,557)	-	3,373	59,379
Depreciation Impairments	(7,285)	(1,088)	(331)	-	(8,704)
Net Book Value of Assets at 31 March 2006	705,829	72,880	2,274	65,528	846,511

(b) Valuation Information

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. Valuation of the Council's fixed assets are carried out in-house by Jonathan Macdonald BSc (Hons) PG dip. MRICS. The basis for valuation is set out in the Statement of Accounting Policies.

	Council Dwellings	Other Land and Buildings	Vehicles, Plant, etc	Investment Properties	TOTAL
	£'000	£'000	£'000	£'000	£'000
Valued at historical cost	-	-	-	-	-
Valued at current value in:					
2005/2006	736,931	36,428	280	15,348	788,987
2004/2005	271	20,127	3,564	16,495	40,186
2003/2004	-	20,856	691	31,984	53,802
2002/2003	-	-	56	-	56
2001/2002	-	-	72	1,702	1,774
2000/2001	-	-	20	-	20
TOTAL	737,202	77,411	4,683	65,529	884,825

Notes to the Balance Sheet (Continued)

(c) Depreciation

Depreciation has been provided for on all operational assets with a finite useful life on a straight-line basis. Vehicles & plant have been depreciated over between 7 and 5 years according to estimated useful life. Council dwellings and other Council property have been depreciated between 60 and 100 years, again according to estimated useful life. Any estimated residual values have been taken into account when calculating the depreciation charge.

The total depreciation charged for the period is £ 8,704,284 as shown in the above table.

(d) Capital Expenditure and Financing

Total capital expenditure for 2005/06 amounted to £ 36 million which relates to the following services:

	2005/06 £'000	2004/05 £'000
Capital Investment		
Provision of Council Housing	1,107	1,011
Improvements to Council Housing	4,706	4,432
Improvements to town centre, residential car parking and the local environment	1,185	723
Leisure Services	12,685	17,030
Other Services	2,604	845
Pension deficit	14,100	-
	36,387	24,041

Capital expenditure has been financed as follows:

	2005/06 £'000	2004/05 £'000
Sources of Finance		
Capital receipts and provision for credit liabilities	35,534	18,949
Major Repairs Reserve	-	4,432
Government <u>Grants</u> and other contributions	471	343
Revenue contributions	382	317
	36,387	24,041

Deleted: grants

Notes to Balance Sheet (Continued)

(e) Contractual Commitments

The Council commitment to existing, new or approved contracts as at 31 March 2006 was:

	Expenditure approved and contracted at 31 March 2006	Expenditure approved but not contracted at 31 March 2006
	£'000	£'000
Council Housing		
NIL	-	-
Housing		
Walstead House	220	
Hogs Hill House	382	
	602	-
Environment		
Flood alleviation projects		885
Broomdashers		145
West Green		147
	-	1,177
Leisure & Cultural		
West Green bowls pavilion		19
K2 Leisure Centre	246	45
Skate Park		412
CPH unit	23	
Public Art		11
Facilities for Young People APG Refurbishments		57
Playground refurbishment 2006/06 program		5
Vehicle replacement program 2005/06		57
All Weather Pitch & Pavilion		898
Mini Leisure Centres		700
	269	2,204
Executive		
IT Projects	50	53
	921	3,434

Notes to Balance Sheet (Continued)

(f) Physical Assets Held

The main items of Fixed Assets owned by the Council at 31 March 2006 are:

Land and Buildings

Council Dwellings	8510
Leisure and Arts Centres, Stadium	4
Play Centres/Adventure Playgrounds	13
Community and Recreation Centres	47
Golf Centres	1
Public Conveniences	16
Car Parks (Multi-Storey)	2
Commercial Properties	390
Offices	1

Other Land

Playing Fields	21
Parks	7
Playgrounds	71
Cemetery	1
Allotments (number of plots)	650

2. Deferred Charges

Deferred charges are created when expenditure has been incurred on items that are not capitalised as fixed assets. All deferred charges and expenditure is written down to the revenue account in the same year in which expenditure has been incurred. The movements on the deferred charges account for 2005/06 are as follows:

	£'000
Balance as at 1 April 2005	-
Expenditure in year:	
Disabled Facilities & Improvement Grants	330
Street Scene Works	562
Flood Prevention Works	113
Other	1,216
Less write down in year	(2,221)
Balance as at 31 March 2006	<u>-</u>

Notes to Balance Sheet (Continued)

3. Investments

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
Long Term Investments consist of:		
Property company debenture	50	50
Fixed interest securities (Treasury Bonds)	6,490	635
Deposit with Building Societies	10,000	-
	16,540	685
Short Term Investments consist of:		
Deposits with Building Societies	39,000	32,500
Deposits with Banks and Subsidiaries	26,356	18,352
Certificates of Deposit	16,000	32,201
	81,356	83,053
TOTAL all investments	97,896	83,738

4. Debtors

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
Amounts falling due in one year		
Government Departments	7,559	3,349
Housing Rents	1,472	1,464
Sundry Debtors	3,984	7,614
Business Rates and Council Tax	4,837	4,810
Accrued Interest	1,148	1,633
	19,000	18,870
Amounts falling due after one year	50	43
Total Debtors	19,050	18,913
Provision for Doubtful Debts	(4,066)	(3,686)
	14,984	15,227

Notes to Balance Sheet (Continued)

5. Creditors

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
<u>Government Departments</u>		
- Business Rates due	3,426	-
- Other	1,283	494
<u>Housing Rents</u>	286	298
<u>Sundry Creditors</u>	9,931	9,624
	14,926	10,416

Deleted: Government
Departments

Deleted: Housing Rents

Deleted: Sundry Creditors

6. Deferred Liabilities

	As at 31 March 2006 £'000	As at 31 March 2005 £'000
Commission for New Towns	794	845

The Commission for New Towns obligation relates to a loan agreement with English Partnerships (formerly the Commission for New Towns) in respect of transferred assets such as neighbourhood shopping parades, which are now General Fund assets. The accounting for revenue costs of this liability is shown in note 8 to the Consolidated Revenue Account.

7. Provisions

	1 April 2005 £'000	Movement in Year £'000	31 March 2006 £'000
Investment Capital loss	5	43	48

The purpose of this provision is to provide for potential capital loss in relation to the externalised investment portfolio.

Notes to Balance Sheet (Continued)

8. Fixed Asset Restatement Account

The introduction of capital accounting required the establishment of the Fixed Asset Restatement Account. The balance represents the difference between the valuation of assets under the previous capital accounting system and the surpluses/deficits on revaluations since April 1994. The account will be written down as assets are disposed of and will be debited or credited with the deficits or surpluses arising on future revaluations. The movement in this account is shown as notes 3 and 4 of the Notes to the Statement of Total Movement in Reserves on page 42.

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9. Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets which will be received by instalments over agreed periods of time. They arise principally from mortgages on sales of Council dwellings, which form part of mortgages under long-term debtors. The other element of long-term debtors relates to loans to private individuals and one housing association advance.

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10. Capital Financing Account

The purpose of the account is to record capital amounts (reserved capital receipts) and revenue amounts set aside to repay debt. As the Council is debt free it is not required to make a provision for the repayment of debt.

	£'000	£'000
Balance at beginning of year		186,901
Less		
Depreciation	(8,704)	
Write down of deferred charges	<u>(2,041)</u>	(10,745)
Financing		
Capital Receipts Applied in the Year	35,354	
Government Grant	150	
Revenue contributions to capital	433	
Major Repairs Reserve	<u>-</u>	<u>35,937</u>
Balance at end of year		<u>212,093</u>

11. Usable Capital Receipts Reserve

These receipts are from the sale of assets which have not yet been used to finance capital expenditure or set aside to repay debt.

	£'000
Balance at beginning of year	57,334
Receipts in year	<u>36,492</u>
Gross capital receipts available	93,826
Capital receipts applied to finance capital expenditure	<u>35,354</u>
Balance at end of year	<u>58,472</u>

Notes to Balance Sheet (Continued)

12. Earmarked Reserves

	1 April 2005 £'000	Transfers £'000	Contributions £'000	Payments £'000	31 March 2006 £'000
Services Maintenance	18,212			-	18,212
Strategic Policy	526			(126)	400
Implementing eGovernment	150		150	(150)	150
Council Tax 2 nd home income	-		38	-	38
Planning Service Improvement Delivery	194		380	(38)	536
LABGI Grant			120	-	120
Section 106 Commutations	385		1,060	(1,086)	359
Renewals Fund	2,096		671	(382)	2,384
Insurance Fund	1,020		-	-	1,020
Amenity Space Commutations	714				714
	<u>23,296</u>		<u>2,419</u>	<u>(1,783)</u>	<u>23,932</u>

The purpose of the reserves are to provide finance for the following activities:

- Services Maintenance - Changes in local authority finance has removed/reduced certain funding streams previously available to the Council. The reserve was established to protect discretionary services pending the identification of alternative funding sources or adjustments being made to the level of service provided.
- Strategic Policy - to assist with the implementation of the [Councils](#) strategic policies
- Implementing eGovernment & Planning Service Delivery - Reserves set aside for the implementation and improvement of the specified services
- Renewals Fund - Provision for the future replacement of assets
- Amenity Space and other Commutations - to fund the ongoing maintenance of land transferred to the Council
- Insurance Fund - Provision for self insurance of risks and insurance settlements pending a decision on future replacement of assets

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13. Revenue Balances

	2005/06 £'000	2004/05 £'000
General Fund	4,602	4,585
Housing Revenue Account	2,998	2,935
	<u>7,600</u>	<u>7,520</u>

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Notes to Balance Sheet
(Continued)¶

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14. Collection Fund

See Collection Fund details on pages 25 to 27.

15. Contingent Liabilities

The Council has guaranteed loans to local organisations. At 31 March 2006 the total amount guaranteed was £ 37,500 of which £8,750 is still outstanding.

The Council has entered into indemnity agreements with financial institutions in respect of mortgages granted by the institutions on shared ownership sales of certain Council dwellings. At 31 March 2006 the total amount guaranteed was £1,744,564 .

Notes to Balance Sheet (Continued)

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Notes to Balance Sheet
(Continued)¶

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16. Pensions

Employees of Crawley Borough Council may participate in the West Sussex County Council Pension Fund, part of the Local Government Pension Scheme, a defined benefit statutory scheme. The Fund is administered by the County Council in accordance with the Local Government Pension Scheme Regulations 1997.

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Employees are required to pay a contribution, calculated as 6% of pensionable earnings, towards their pension. The Council's contribution is set to meet the balance of the fund liabilities as required under the pension regulations. In 2005/06 the Council paid £14.1 million to cover the deficit on the fund. The agreed contribution rate for future years currently stands at 12.6%. In 2005/06, the Council made a contribution of £1.9 million, 10.3% (2004/05 - £1.9 million, 10.5%) of pensionable pay. Discretionary payments amounted to £296,012.

The most recent formal valuation was carried out as at 31 March 2004, and has been updated by independent qualified actuaries to the West Sussex County Council Pension Fund to take account of the requirements of the Financial Reporting Standard No. 17 – Retirement Benefits (FRS17), which requires an assessment of the liabilities of the fund as at 31 March 2005. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the futures liabilities discounted to their present value.

The main financial assumptions used for the purposes of the FRS17 calculations are as follows:

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Notes to Balance Sheet
(Continued)¶

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	31 March 2006	31 March 2005
Discount Rate	4.9%	5.4%
Rate of increase in salaries	4.6%	4.4%
Rate of increase in pensions in payment	3.1%	2.9%
Rate of inflation	3.1%	2.9%

The total fund operated by West Sussex County Council has assets valued at an estimated £1,398 million. Assets are valued at fair value, principally market value for investments. The main assumptions used in this valuation are:

	31 March 2006	31 March 2005
Rate of return on Equities	7.4%	7.7%
Rate of return on Bonds	4.6%	5.1%
Rate of return on Property	5.5%	6.5%
Rate of return on Other Assets	4.6%	4.0%

Notes to Balance Sheet (Continued)

Crawley Borough Council's share of the estimated assets is £83.5 million and comprises:

	31 March 2006		31 March 2005	
	Asset Share £'000	% of Total Fund	Asset Share £'000	% of Total Fund
Equities	92,419	77.3%	63,537	76.0%
Bonds	14,762	12.4%	10,511	12.6%
Property	7,806	6.5%	5,583	6.7%
Other	4,553	3.8%	3,888	4.7%
TOTAL	119,540		83,519	

Scheme liabilities have been valued as being higher than the value of the assets at £131.4 million, producing a deficit of £11.9 million. In addition, there are £4.687 million of liabilities arising from pension enhancement awards to former employees. These are classified as unfunded, although the Council is making annual payments to cover this cost. Sufficient reserves are available to cover the cost of the deficit, although it is expected that the market returns will improve over the next year, thereby eliminating the deficit. Annual contributions are already built into the Council's budget to cover the unfunded elements.

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Notes to Balance Sheet
(Continued)¶
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	31 March 2006 £'000	31 March 2005 £'000
Total estimated liabilities in scheme	(136,086)	(113,618)
Estimated assets in scheme	119,540	83,519
Net asset/(liability)	(16,546)	(30,099)

Notes to Balance Sheet (Continued)

The movement in the net pension liability for the year to 31 March 2006 is as follows:

	Year to 31 March 2006 £'000
Surplus/(deficit) as at 1 April 2005	(30,099)
Other costs	(759)
Employer contributions	16,129
Current service cost	(2,893)
Contributions in respect of unfunded benefits	281
Past service costs	151
Other income	-
Impact of settlements and curtailments	(238)
Interest on pension scheme liabilities	(6,181)
Expected return on employer assets	6,435
Actuarial gains/(losses)	661
Surplus/(deficit) at 31 March 2006	(16,546)

The actuarial gains can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	Year to 31 March 2006 £'000	%
Difference between the expected and actual return on assets	15,644	13.1
Experience gains/(losses) arising on the scheme liabilities	263	0.2
Changes in the demographic and financial assumptions used to estimate liabilities	-	-
Value of scheme liabilities	(15,246)	0.5
Actuarial gain/(loss) in pension plan	661	
Increase/(decrease) in irrecoverable surplus from membership fall and other factors	-	-
Actuarial gain/(loss) recognised in the Statement of Total Recognised Gains and Losses	661	

17. Euro Costs

The Council has not incurred any expenditure to-date on making modifications to assets in preparation for the conversion to the Euro. The possible date for British participation in the Economic & Monetary Union is being monitored and the implications of participation are being kept under review.

18. Post Balance Sheet Events

None

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¶ Notes to Balance Sheet (Continued)¶ ... [6]

Statement of Total Movements in Reserves

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	2005/06 £'000	2004/05 £'000
Surplus/(deficit) for the year		
General Fund	17	62
Housing Revenue Account	64	927
Collection Fund	(373)	(123)
<i>Add back</i> Movements on specific revenue reserves	636	396
<i>Deduct</i> Appropriation from pensions reserve	12,774	52
<i>Deduct</i> Payments for past service costs	(118)	(151)
Actuarial gains and losses relating to pensions	661	(15,415)
Total increase/(decrease) in revenue resources(note 1)	13,661	(14,252)
Increase/(decrease) in usable capital receipts	1,807	(2,167)
Increase/(decrease) in unapplied capital grants and contributions	-	-
Total increase/(decrease) in realised capital resources (note 2)	1,807	(2,167)
Gains/(losses) on revaluation of fixed assets	59,380	49,028
Enhancement costs not resulting in realisable asset	-	(5,218)
Impairment losses on fixed assets due to general changes in prices	-	-
Total increase/(decrease) in unrealised value of fixed asset (note 3)	59,380	43,810
Value of assets sold, disposed of or decommissioned (note 4)	(21,868)	(16,662)
Capital receipts set aside	33,845	22,645
Revenue resources set aside	382	317
Adjustment in relation to depreciation and deferred charges	10,745	(9,901)
Increase/(decrease) in deferred capital receipts	(104)	(183)
Increase/(decrease) in major repairs reserve	4,809	57
Total increase/(decrease) in amounts set aside to finance capital investment (note 5)	49,677	12,935
TOTAL RECOGNISED GAINS AND LOSSES	102,657	23,664

Notes to the Statement of Total Movements in Reserves

1. Movements in revenue resources

	General Fund Balances £'000	HRA Balances £'000	Collection Fund Balances £'000	Earmarked Revenue Reserves £'000	Pensions Asset/ (Liability) £'000
Surplus/(Deficit) for 2005/06	17	63	(373)	-	-
Appropriations to/from revenue				636	(13,011)
Actuarial gains and losses relating to pensions					(661)
	17	63	(373)	636	(13,672)
Balance brought forward at 1 April 2005	4,585	2,935	(386)	23,296	30,274
Balance carried forward at 31 March 2006	4,602	2,998	(759)	23,932	16,602

The earmarked reserves are amounts set aside in the accounts for future purposes. These have been earmarked for specific policy purposes.

The pensions reserve reflects the differences between the actual payments into the pension scheme and the authority's recognised asset or liability for the period.

2. Movement in realised capital resources

	Usable Capital Receipts £'000
Amounts receivable in 2005/06	
Capital Receipts Unapplied	32,148
HRA Capital Receipts Retained Under Transitional Measures	4,343
	<u>36,491</u>
Amounts applied to finance new capital investment in 2005/06	
Capital Receipts Unapplied	35,354
HRA Capital Receipts Retained Under Transitional Measures	-
	<u>35,354</u>
Total increase/(decrease) in realised capital resources in 2005/06	
Balance brought forward at 1 April 2005	<u>57,334</u>
Balance carried forward at 31 March 2006	<u>58,472</u>

The usable capital receipts are receipts from the sale of assets which have not yet been used to finance expenditure or set aside to repay debt.

Notes to the Statement of Total Movements in Reserves (Continued)

3. Movement in unrealised value of fixed assets

	<u>Fixed Asset Restatement Account £'000</u>
Gains/Losses on revaluation of fixed assets in 2005/06	59,380
Enhancement costs not resulting in realisable asset	-
Impairment losses on fixed assets	-
Total increase/(decrease) in unrealised capital resources 2005/06	<u>59,380</u>

4. Value of assets sold, disposed of or decommissioned

Amounts written off fixed asset balances for disposals in 2005/06	7,136
Total movement on reserve in 2005/06	<u>28,082</u>
Balance brought forward at 1 April 2005	<u>612,866</u>
Balance carried forward at 31 March 2006	<u>633,812</u>

The introduction of capital accounting required the establishment of the Fixed Asset Restatement Account. The balance represents the difference between the valuation of assets under the previous capital accounting system and the surpluses/deficits on revaluations since April 1994. The reserve will be written down as assets are disposed of and will be debited or credited with the deficits or surpluses arising on future revaluations.

Notes to the Statement of Total Movements in Reserves (Continued)

5. Movements in amounts set aside to finance capital investment

	Capital Financing Account £'000
Capital receipts set aside in 2005/06	
	-
Usable Receipts Applied	35,354
Major Repairs Reserve	-
Government Grants	150
Third Party Contributions	-
Total capital receipts set aside in 2005/06	<u>35,504</u>
Revenue resources set aside in 2005/06	
Capital expenditure financed from revenue	385
Reconciling amount for provisions for loan repayment	48
Total revenue resources set aside in 2005/06	<u>433</u>
Adjustments	
Adjustment in relation to depreciation	(8,704)
Write down of deferred charges	(2,041)
Total adjustments	<u>(10,745)</u>
Total increase/(decrease) in amounts set aside to finance capital investment	
Total movement on reserve in 2005/06	25,192
Balance brought forward at 1 April 2005	186,901
Balance carried forward at 31 March 2006	<u>212,093</u>

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

6. Movements on the Pensions Reserve

The actuarial gains identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006

	Year to 31 March 2006		Year to 31 March 2005	
	£'000	%	£'000	%
Differences between the expected and actual return on assets	15,644	13.1	3,520	4.2
Difference between actuarial assumptions about liabilities and actual experience	263	0.2	(279)	(0.3)
Value of scheme liabilities	(15,246)	0.5	(18,656)	(22.3)
Actuarial Gain / (Loss)	661		(15,415)	(18.4)

Cash Flow Statement

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

	2005/06 £'000	2004/05 £'000
Revenue Activities		
Cash Outflows		
Cash paid to and on behalf of employees	27,187	24,942
Other operating costs	24,187	19,589
Housing benefit paid out	8,494	7,626
Housing subsidy payable	12,437	9,023
National non-domestic rate payments to national pool	81,353	83,953
Payments to precepting authorities	40,692	34,820
Payments to capital receipts pool	4,035	2,008
	<u>198,385</u>	<u>181,961</u>
Cash Inflows		
Rents (after rebates)	(14,148)	(18,402)
Precept receipts	(40,690)	(34,764)
Non-domestic rate receipts from national pool	(2,700)	(2,718)
Non-domestic rate income	(81,587)	(81,684)
Revenue support grant	(6,318)	(6,123)
DWP subsidy for rebates	(26,680)	(25,392)
Other Government Grants/subsidies	(22,578)	(686)
Cash received for goods and services	(2,605)	(2,219)
Other revenue cash	(2,505)	(1,738)
	<u>(199,811)</u>	<u>(173,726)</u>
Net Revenue	(1,426)	8,235
Returns on Investments & Servicing of Finance		
Cash Outflows		
Interest Paid	51	48
Cash Inflows		
Interest Received	(2,747)	(3,622)
	<u>(2,696)</u>	<u>(3,574)</u>
Capital Activities		
Cash Outflows		
Purchase of fixed assets	33,845	23,797
Purchase of long term investments	15,855	635
Cash Inflows		
Sale of fixed assets	(21,879)	(17,854)
Sale of long term investments	-	-
Capital cash	(891)	(861)
	<u>26,930</u>	<u>5,717</u>
Net Cash (inflow) / outflow before financing	22,808	10,378
Management of Liquid Resources		
Net increase/(decrease) in short term deposits	(9,505)	(12,461)
Financing		
Cash Outflows		
Repayments of amounts borrowed	50	48
Cash Inflows		
New loans raised	-	-
New short term loans	3,000	-
	<u>3,050</u>	<u>48</u>
Net (Increase)/Decrease in Cash	16,353	(2,034)

Deleted: Council tax

Deleted: grants

Notes to Cash Flow Statement

1. Reconciliation of net revenue activities shown above with Consolidated Revenue Statement on page 14.

	£'000
Surplus/deficit for year	
Movement in	
Creditors	(4,510)
Debtors	(243)
Stocks	10
Collection Fund	(373)
Non cash items	
Revenue contribution to capital	382
Change in provisions	(43)
Use of reserves	(636)
Items included under other headings in cash flow	
Net interest received	2,747
Payments to the Capital Receipts Pool	4,035
Capital repayments	
e-Government Grant	150
Fixed assets	2,351
	<u>3,870</u>

2. Increase in cash is compiled of

	£'000
Increase in cash overdrawn at Bank	(200)

3. Analysis of Changes in Management of Liquid Resources & Financing

	£'000
Management of Liquid Resources	
Movement in short term investments	(1,697)
Financing	
Repayment of Borrowings	47
Increase/(Decrease) in Liquid Resources	<u>(1,650)</u>

Note: The liquid resources in the above statement are defined as cash investments held for less than 12 months

4. Details of Government Grants

	£'000
DWP Subsidy for Rent Allowances and Council Tax benefits	26,529
Housing Benefit & Council Tax Benefit Administration Grant	564
Housing Benefit Verification Framework	102
Housing Subsidy	12,437
Rent Rebate Subsidy Limitation	1,462
Contribution to Home Improvement Grants	180
e-Government Grant	150
Planning Performance Improvement	91
Homeless Strategy	66
Other Government Grants	2,578
	<u>44,159</u>

Glossary of Terms

Accruals

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

Actuarial Gains and Losses

The changes in actuarial deficits or surpluses that arise because:

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

Agency Arrangements

Services which are performed by or for another Authority or public body, where the agent is reimbursed for the cost of the work done.

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to the life or value of an existing fixed asset.

Capital Receipts

Monies received from the sale of assets, which may be used to finance new capital expenditure or to repay outstanding loan debt as laid down within rules set by Central Government.

Creditors

Amounts owed by the Council for goods and services provided for which payment has not been made at the end of the financial year.

Current Service (Pensions) Cost

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

Debtors

Sums of money due to the Council but not received at the end of the financial year.

Deferred Charges

Capital expenditure which does not create a tangible asset e.g. improvement grants.

Defined Benefit Scheme

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

Defined Contribution Scheme

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

Expected Rate Of Return On Pensions Assets

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

Finance and Operating Lease

A finance lease transfers all of the risks and rewards of ownership of a fixed asset to the lessee and such assets have been valued and included within Fixed Assets in the Balance Sheet. With an operating lease the ownership of the asset remains with the Leasing Company and the annual rent is charged to the relevant service account.

Fixed Assets

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

General Fund

The General Fund is the main revenue account of the Council which provides the finance for all of its services other than council housing (e.g. leisure services, environmental services etc).

Housing Revenue Account

Local authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of council housing.

Interest Cost (Pensions)

The expected increase during the year in the present value of the scheme liabilities because the benefits are one year closer to settlement.

Investments (Non-Pensions Fund)

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

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

Investments (Pensions Fund)

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

Past Service Costs

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

Precepts

Amounts which the Borough Council is required to raise from Council Tax on behalf of other authorities.

Provision

An amount set aside to provide for a liability which is likely to be incurred but the exact amount and the date on which it will arise is uncertain.

Reserves

A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years.

Glossary of Terms

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by employees.

Revenue Expenditure

Day to day expenses, mainly salaries and wages, general running costs and debt charges.

Revenue Support Grant

Central Government Grant towards the cost of Local Authority Services.

Scheme Liabilities

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

Standard Spending Assessment

An assessment by Central Government of how much a Local Authority should spend in providing a common level of service, having regard to its individual circumstances and responsibilities.

The Council holds reserves and balances of £63 million which decreased by £x million during 2003/04. These reserves support the provision of Council services.

Major contributions made to reserves and balances included:

	£'000
Renewals fund	
Capital Receipts	
Section 106	
Major Repairs Reserve	
Services Maintenance	16
	0

Major drawings included:

	£'000
Housing Revenue Account	47
Insurance Fund	100
General Reserve	477
Major Repairs Reserve	
Use of Strategic Initiatives Fund	65
Use of IT Fund	
Use of Capital Receipts	
Use of Renewals Fund	

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Notes to Balance Sheet (Continued)

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