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EXPLANATORY FOREWORD

1. The Council's Statement of Accounts for the year ended 31st March 2002 which is set out on pages 11 to 58 is the statutory summary of the Council's financial affairs for the 2001/02 financial year, in accordance with the Accounts and Audit Regulations 1996.

They consist of:

- i) the Consolidated Revenue Account - which shows the net cost for the year of the functions for which the Authority is responsible and demonstrates how that cost has been financed from general government grants and income from local tax payers;
 - ii) the Housing Revenue Account - which shows the major element of Housing revenue expenditure and how this has been financed by rents, subsidies and other income;
 - iii) the Collection Fund - which summarises the financial position regarding income from Council Tax and Business Rates, expenditure relating to Precepts and Business Rates and transactions relating to the residual Poll Tax (Community Charge);
 - iv) the Consolidated Balance Sheet - which sets out the financial position of the Council on the 31st March 2002 with regard to its assets and liabilities;
 - v) the Statement of Total Movements in Reserves - which brings together all the recognised gains and losses of the Authority during the period; and
 - vi) the Cash Flow Statement - which summarises the inflows and outflows of cash arising from the transactions with third parties for revenue and capital purposes.
2. The Council's accounts have been prepared in accordance with the 2001 Code of Practice on Local Authority Accounting published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code sets out the principles and proper accounting practices required to "present fairly" the financial position of the Council in accordance with statutory legislation. They also reflect the requirements of CIPFA's Best Value Accounting Code of Practice (BVACOP).
 3. The accounts are supported by the Statement of Accounting Policies and various notes to the accounts.

EXPLANATORY FOREWORD

FINANCIAL SUMMARY 2001-2002

4. Revenue

Revenue expenditure and income refers to the day to day transactions such as salaries and wages, running expenses, fees and charges etc. The Council is required to keep two main accounts; a Housing Revenue Account for transactions relating to the Council's stock of houses and a General Fund which covers the remaining services.

5. General Fund Summary

In March of 2001 the Council approved the revenue budget for 2001-02 amounting to £236.4m. A contribution of £1.12m was made from the Council's General Fund balances which were estimated would be £9.7m at 31st March 2001. Following finalisation of the 2000-01 accounts the balances actually achieved were £10.8m. However, of this amount some £6.1m related to balances unspent on delegated school budgets at year end which were earmarked for use by schools in 2002-03.

In February 2002 the Council considered variations from the 2001-02 original budget and gave approval to a revised budget of £235.2m. This represented a reduction in net expenditure of £1.2m increasing the Council's estimated General Fund balances at 31st March 2002 to £10.9m.

The table below summarises the cost of General Fund services provided by Oldham Council compared to the Original Estimate and Revised Estimate for 2001-02. In addition the summary shows how the cost of these services has been financed.

	Original Budget £m	Revised Budget £m	Actual £m	Variation to Revised £m
Net Expenditure	236.4	235.2	233.8	(1.4)
Income from RSG, NNDR and Council Taxpayers	235.3	235.3	235.3	-
Contribution from/(to) Balances	1.1	(0.1)	(1.5)	(1.4)

A comparison between the original budget and the actual shows an underspend of £2.5m. The main reasons for this were:-

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	£m
Underspending on salaries and wages	(2.1)
Effect of additional client numbers in Social Services	0.8
Effect of reduced capital financing costs	(1.0)
Overspend on delegated schools budgets funded from accumulated school reserves	0.9
Underspend on Standards Fund grant schemes earmarked for use in 2002-03	(0.7)

Reports explaining the variations between the original and revised budgets were presented to the Council's Executive as part of the 2002-03 budget exercise. A report was submitted to the Executive on 2nd September 2002 which reported on the out-turn position and provided details of the variations between the revised budget and the actual.

At 31st March 2002 the Council's General Fund balances stood at £12.8m. Of this amount £5.2m related to balances unspent on delegated school budgets at year end which are earmarked for use by schools in 2002-03. In addition amounts totalling around £1.6m which have arisen from underspendings have been earmarked for use in 2002-03 for specific purposes.

In 2002-03 balances of £0.743m have been used to support the revenue budget.

6. **Housing Revenue Account**

A form of resource accounting in the Housing Revenue Account (HRA) was introduced from 1st April 2001. The objectives of this included encouraging more efficient use of housing assets and increasing the transparency of the HRA. The format of the revenue account set out on page 21, has changed significantly under the new arrangements.

The table below summarises the income and expenditure on the Housing Revenue Account in 2001-02 compared to the Original Estimate and Revised Estimate.

	<i>Original Budget £m</i>	<i>Revised Budget £m</i>	<i>Actual £m</i>	<i>Variation to Revised £m</i>
Expenditure	90.9	89.2	87.9	(1.3)
Income	91.0	88.6	89.0	(0.4)
Contribution from/(to) Balances	(0.1)	0.6	(1.1)	(1.7)

EXPLANATORY FOREWORD

The comparison between the original budget and the actual shows an underspend of £1.1m. The main reasons for this were:-

	£m
Underspending on revenue contribution to capital outlay	(1.1)
Additional dwelling rent income	(0.5)
Reduced subsidy	0.3

Following the transfer of the surplus during the year, Housing Revenue Reserves stood at £3.4m at 31st March 2002.

7. Capital

Capital expenditure relates essentially to spending on assets which will last more than one year. The Council spent £49m on capital schemes in 2001-02 of which £12m was financed from borrowing, £8m from reserves and revenue, £23m from government grants and contributions and £6m from capital receipts. Major areas of expenditure included £15m on Housing schemes, £4m on Highway work, £7m on Education and Leisure Services and £11m on economic development/town centre.

In 2002-03 the Council plans to spend £58m on capital schemes.

8. Collection Fund

The Collection Fund is a separate account from the Council's General Fund and was established in accordance with Section 89 of the Local Government Finance Act 1988. Receipts relating to both Council Tax and Community Charge debts are paid into the Collection Fund. The Collection Fund pays out precepts made upon it by the Council, the Greater Manchester Police Authority and the Greater Manchester Fire and Civil Defence Authority. Oldham Metropolitan Borough Council is a statutory billing Authority and sets the overall Council Tax by adding these elements together.

The accounts for the Collection Fund are shown on page 27.

9. Best Value Performance Plan

The Council's Best Value Performance Plan for 2002-03, included coverage of the Council's financial performance in 2001-02. It was published in advance of the availability of the outturn figures. The Statement of Accounts provides a more up-to-date context for the Plan and the Authority's performance.

EXPLANATORY FOREWORD

10. Euro Costs

The Council had continued to monitor developments in the British participation in the EMU and its impact on Council systems and equipment. During 2001-02 there were no specific material costs incurred in dealing with the introduction of the Euro. However, the Council will continue compliance as potentially affected systems and equipment are replaced through the normal replacement cycle.

- 11.** Further information on the accounts is available from the Assistant Chief Executive (Finance, IT & Resources), Chief Executive's Department, Civic Centre, West Street, Oldham.

**J R BLAND CPFA
ASSISTANT CHIEF EXECUTIVE
(FINANCE, IT & RESOURCES)**

STATEMENT OF ACCOUNTING POLICIES

1. *Fixed Assets*

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the following groupings as required by the Code of Practice on Local Authority Accounting:

- land, operational properties and other operational assets are included in the balance sheet at the lower of net current replacement cost and net realisable value net of depreciation;
- non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value;
- infrastructure assets and vehicles, plant and equipment are included in the balance sheet at historical cost, net of depreciation. Items of plant and equipment below £10,000 with the exception of I.T. equipment are treated as de minimus and are charged to revenue;
- community assets are included at historical cost, net of depreciation, where appropriate.

The current asset values used in the accounts have been revised throughout the year on the bases certified by the Council's Property Services Officer as at 12th July 2002.

The surpluses arising on the initial valuation of fixed assets were credited to the fixed asset restatement reserve. Subsequently where expenditure during the year results in a change to asset values the appropriate amounts are brought into the accounts, otherwise expenditure is transferred to the fixed asset restatement reserve. Subsequent revaluations of fixed assets are planned at five yearly intervals, although material changes to asset valuations will be adjusted in the interim period, as they occur.

Impairment losses arising from a clear consumption of economic benefits, eg. physical damage, are recognized in the asset management revenue account and the service revenue account.

Assets acquired under finance leases are capitalised in the Authority's accounts, together with the liability to pay future rentals. Other assets previously acquired under advance and deferred purchase schemes are also recognised and included in the balance sheet at their fair value.

STATEMENT OF ACCOUNTING POLICIES

2. Capital charges to Revenue Accounts

General Fund service revenue accounts, central support services and trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge determined by applying a specified notional rate of interest to net asset values. The aggregate charge to individual services is determined on the basis of the capital employed in each service. The statutory charge to the Housing Revenue Account include provision for depreciation and debt redemption plus a proportion of the Council's interest.

External interest payable and the provision for depreciation are charged to the asset management revenue account. This account is also credited with capital charges made to services. These capital charges therefore have a neutral impact on the amounts required to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans to finance capital expenditure or as transfers to other earmarked reserves, are disclosed separately as appropriations on the face of the consolidated revenue account, below net operating expenditure.

3. Depreciation

In accordance with FRS 15 depreciation is provided for on all fixed assets with a finite useful life (which can be determined at the time of acquisition or revaluation) according to the following policy:

- for fixed assets other than non-depreciable land and non-operational investment properties, the only ground for not charging the depreciation is that the depreciation charge is immaterial;
- no depreciation charge is made in the year of construction or purchase;
- a £10,000 de minimus limit is applied to computer hardware and software. The former is depreciated over 5 years, the latter over 3 years;
- depreciation is calculated using the straight-line method.

4. Leasing

Rentals payable under operating leases are charged to revenue on an accruals basis.

The only ongoing finance lease pre-dates the current legislation. The full charge, both principal and interest elements, are charged to the Asset Management Revenue Account.

STATEMENT OF ACCOUNTING POLICIES

5. *Deferred Charges*

Deferred charges represent expenditure which may properly be capitalised, but which does not represent tangible fixed assets. Deferred charges are written off to revenue over an appropriate period, usually in the year in which the expenditure is incurred. This write off is offset by a matching transaction from the capital financing reserve.

6. *Investments*

Investments are shown in the Consolidated Balance Sheet at cost and further details are given in note 4 to the Consolidated Balance Sheet.

7. *Stocks and Work in Progress*

Stocks and work in progress are included in the accounts at cost price except in respect of trading accounts' work in progress which is stated at cost plus attributable profit less any foreseeable losses and progress payments received and receivable.

8. *Debtors and Creditors*

The accounts of the Authority are maintained on an accruals basis in accordance with the Code of Practice and SSAP2. Debtors and creditors are raised based on either known amounts or best estimates.

All significant sums due to the authority are recorded at the time they become due; the debtors appearing in the Balance Sheet therefore represent sums due to the Council which had not been received at 31st March 2002. Provision has been made for doubtful debts and known uncollectable debts have been written off.

Creditors included in the Balance Sheet relate to goods and services received or rendered during the year of account where payments had not been made by 31st March 2002.

9. *Government Grants and Contributions*

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants deferred account. Amounts are released to the asset management revenue account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

STATEMENT OF ACCOUNTING POLICIES

10. Provisions

The Council sets aside provisions for any liabilities of uncertain timing or amount that have been incurred. The setting aside of resources in provisions is recorded directly against the cost of services.

11. Reserves

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves and transfers to and from them are distinguished from service expenditure disclosed in the accounts.

In addition to statutory reserves such as the General Fund and Housing Revenue Account surplus, the Council maintains certain other reserves to meet specific, rather than general, future expenditure.

12. Capital Receipts

Income from the disposal of fixed assets is accounted for on an accruals basis and is a capital receipt. The portion of capital receipts specified by statute is set aside for the repayment of external loan debt or to meet liabilities on credit arrangements. The remaining capital receipts are held in the capital receipts unapplied account until such time as they are used either to finance capital expenditure or to voluntarily repay external loan debt or meet liabilities on credit arrangements.

13. Costs of Support Services

The costs of management and administration comprising both central support services and departmental support have been allocated to users on various bases which accord with practices recommended by CIPFA's Best Value Accounting Code of Practice. The allocation bases include actual time spent by staff, building floor space occupied and actual usage of support services.

14. Financial Relationships with Related Companies

The treatment of the financial relationship with OEDA is outlined in note 14 to the Consolidated Balance Sheet.

REPORT OF THE AUDITORS TO THE MEMBERS OF OLDHAM METROPOLITAN BOROUGH COUNCIL

We have audited the statement of accounts on pages 11 to 57 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 6 to 9.

Respective Responsibilities of Assistant Chief Executive (Finance, IT & Resources) and Auditors

As described on page 57, the Assistant Chief Executive (Finance, IT & Resources) is responsible for the preparation of the statement of accounts. Our responsibilities as independent auditor are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts presents fairly the financial position and results of operations of the Authority.

Basis of Opinion

We carried out our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards.

Our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures in the statement of accounts. It also included an assessment of the significant estimates and judgments made by the Authority in the preparation of the statement of accounts and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the statement of accounts presents fairly the financial position of Oldham Metropolitan Borough Council at 31st March 2002 and its income and expenditure for the year then ended.

Certificate

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

Date:

Signature:

***KPMG LLP
Manchester
Chartered Accountants***

THE ACCOUNTING STATEMENTS AND NOTES TO THE ACCOUNTS

CONSOLIDATED REVENUE ACCOUNT

	2001-02	2001-02	2001-02	2000-01
	GROSS	INCOME	NET	NET
	EXPEND.	EXPEND.	EXPEND.	EXPEND.
	£000	£000	£000	£000
Central Services to the Public	32,706	21,876	10,830	10,063
Exceptional Item – Town Square Rent Sale - Note 1	-	1,590	(1,590)	-
Cultural, Environmental & Planning Services	34,093	6,328	27,765	29,408
Education Services - Note 2	167,434	34,716	132,718	125,135
Highways, Roads & Transport Services	26,105	2,591	23,514	22,333
Housing Services	101,185	94,667	6,518	4,731
Social Services	72,529	25,268	47,261	47,152
Corporate and Democratic Core	4,476	-	4,476	4,422
Unapportionable Central Overheads	1,787	-	1,787	1,182
NET COST OF SERVICES	440,315	187,036	253,279	244,426
Precepts paid to Parish Councils - Note 4			211	202
Contribution to Council Tax benefit costs arising from subsidy limitation - Note 5			618	107
(Surpluses)/Deficits on trading undertakings - Note 6			(234)	(991)
Asset Management Revenue Account - Note 7			(13,999)	(1,079)
Interest and investment income - Note 8			(2,494)	(2,485)
NET OPERATING EXPENDITURE			237,381	240,180
APPROPRIATIONS				
Transfer to/(from) HRA balances			1,256	1,374
Contributions to/(from) earmarked reserves - Note 9			(525)	845
Provision for repayment of external loans - Note 10			(8,095)	(19,878)
Capital expenditure financed from revenue			3,969	4,618
AMOUNT TO BE MET FROM GOVERNMENT GRANTS & LOCAL TAXPAYERS			233,986	227,139
Demand on the Collection Fund			(59,044)	(53,277)
General government grants			(116,183)	(109,831)
Non-Domestic Rates re-distribution			(59,440)	(61,025)
Collection Fund transfer			(838)	(529)
(SURPLUS)/DEFICIT FOR THE YEAR			(1,519)	2,477
Balance on General Fund brought forward			(10,763)	(13,240)
Balance on General Fund carried forward			(12,282)	(10,763)

NOTES TO CONSOLIDATED REVENUE ACCOUNT

The Consolidated Revenue Account for 2001-02 presents the net cost of services using the Service Expenditure Analysis set out in the Best Value Accounting Code of Practice.

1. *Exceptional Item – Town Square Rent Sale*

The Council receives a share of rent income from the Town Square Shopping Centre. As part of its budget strategy for 2001-02, the Council resolved to reduce its share of the rent income to 5% and to use the subsequent receipt from the sale in support of the 2001-02 budget.

2. *School Delegated Budgets*

The Education Reform Act 1988 requires local education authorities to operate a scheme of financial delegation to schools. The budgets of all the Council's primary, secondary and special schools are now delegated to their respective governing bodies. The total delegated in 2001-02 was £98.2m (£92.4m in 2000-01).

3. *Contributions to Ex-Greater Manchester County Council Services*

The Council's net contributions to the services administered by the Greater Manchester County Council prior to the 1st April 1986 were:-

	2001-02 £000	2000-01 £000
Association of Greater Manchester Authorities		
Secretariat	37	39
County Records Office	24	24
Marketing Manchester	18	50
Coroner's Office	154	152
Ecology Unit	16	14
Geological Unit	8	11
Grants to Voluntary Bodies	270	265
Land Drainage (National Rivers Authority)	751	711
Peak District National Park	78	75
Planning Research and Information Unit	26	26
Probation Service	-	440
Transportation Modelling Unit	61	56
Urban Traffic	265	253
Waste Disposal	6,019	5,505
Pensions Increases - ex Highways Employees	15	23
Miscellaneous	66	40
Passenger Transport	8,671	8,462
Magistrates Court	339	-
	16,818	16,146

NOTES TO CONSOLIDATED REVENUE ACCOUNT

In accordance with the requirements of the Best Value Accounting Code of Practice these contributions are incorporated within the relevant services in the Consolidated Revenue Account.

A new Probation Service, wholly funded by Central Government, was established wef 1 April 2001. The contribution made by this Authority under the previous arrangements ceased from this date together with the matching contribution from the Government through the SSA.

Also from April 2001 an amalgamation of Magistrates Court Committees took place in the Greater Manchester Area. A contribution is made by Oldham towards the cost of this service from that date.

4. Precepts Paid to Parish Councils

Payments made to parishes in 2001-02 comprised:

	£000
Saddleworth	134
Shaw and Crompton	77
	<u>211</u>

5. Contribution to Council Tax Benefit Costs Arising from Subsidy Limitation

In 2000-01, the Government introduced a scheme to limit council tax benefit subsidy. Up to that point, subsidy had normally been paid to billing authorities by the Department of Social Security at a level of 95% of benefits awarded to the persons liable for council tax. The other 5% was met by the billing authority. However from 2000-01, billing authorities setting council tax above Government guidelines have been required to meet a proportion of the increase in benefits awarded attributable to their higher tax level.

The principles of the scheme are that where an authority sets a council tax that the Government regards as excessive, then it is required to raise further council tax from local taxpayers to share the increased benefits burden with the Government.

6. (Surpluses)/Deficits on Trading Undertakings

The Council has established 29 trading units where the service manager is required to operate in a commercial environment by generating income from other parts of the Authority, other organisations or the public in order to either match expenditure incurred or, in certain instances, operate within an approved level of subsidy. The Building Control trading account is set out in note 20, the remaining trading accounts are described below.

NOTES TO CONSOLIDATED REVENUE ACCOUNT

Since the demise of Compulsory Competitive Tendering (CCT) the former DLOs/DSOs have largely continued to operate as trading activities providing services on the basis of the contracts won under CCT arrangements. These mainly include:-

	2001-02			2000-01
	Turnover £000	Expenditure £000	(Surplus) / Deficit £000	(Surplus) / Deficit £000
Building Maintenance	9,500	9,665	165	172
Highways Maintenance	5,177	5,030	(147)	(210)
Catering	6,905	7,002	97	124
Cleaning	3,085	3,102	17	(24)
	24,667	24,799	132	62

The former Vehicle Maintenance DSO has been subsumed within fleet management. The new trading activity provides contract hire vehicles to service managers charging agreed vehicle hire rates. The former refuse collection contract, previously operated by an external contractor, was won by the in-house service under voluntary competitive tendering arrangements w.e.f. April 2000.

	2001-02			2000-01
	£000	£000	£000	£000
Fleet Management	3,954	3,860	(94)	87
Refuse Collection	2,330	2,310	(20)	16
	6,284	6,170	(114)	103

Trading services with the public mainly include markets, parking, the provision of industrial units and buildings for rent, the running of a hall facility for private and public events and elements of the Recreation Service including sports centres, swimming baths etc..

	2001-02			2000-01
	£000	£000	£000	£000
Markets	2,114	2,149	35	35
Parking	1,217	963	(254)	(457)
Industrial Buildings	1,395	1,218	(177)	(765)
Halls	465	1,194	729	123
Recreation	2,004	5,322	3,318	-
	7,195	10,846	3,651	(1,064)

NOTES TO CONSOLIDATED REVENUE ACCOUNT

The Trading objective of the halls is to restrict any deficit to less than £651k. The Trading objective of the Recreation service is to restrict any deficit to less than £3,377k. Such deficits have been charged to the cost of service under Cultural, Environmental and Planning Services.

The consolidated results of the other 17 trading activities are summarised below:

	2001-02			2000-01
	Turnover £000	Expenditure £000	(Surplus)/ Deficit £000	(Surplus)/ Deficit £000
Other trading activities	7,722	7,568	(154)	27

7. Transactions on the Asset Management Revenue Account

The Asset Management Revenue Account matches the charges made to services for the use of the assets by means of a credit to this Account. Interest charges, provisions for depreciation, finance lease interest and exchange hire costs are charged to the Account.

The net balance on the Asset Management Revenue Account in the Consolidated Revenue Account represents the effects of transactions relating to General Fund and the HRA. Details of General Fund transactions are shown below. Those relating to the HRA are shown in Note 6 to the revenue account.

	2001-02 £000	2000-01 £000
Income		
Capital Charges - General Fund	29,555	29,203
- Other	101	162
	29,656	29,365
Expenditure		
Provision for depreciation	7,954	19,083
External interest charges	12,315	8,776
Finance lease interest	427	427
	20,696	28,286
Balance to Consolidated Revenue Account	(8,960)	(1,079)

NOTES TO CONSOLIDATED REVENUE ACCOUNT

8. *Interest and Investment Income*

Income was received during 2001-02 in respect of

	2001-02 £000	2000-01 £000
External interest	2,132	2,447
Dividend from holding in Manchester Airport	362	38
	2,494	2,485

9. *Contributions to/(from) Earmarked Reserves*

Details of contributions to/(from) earmarked reserves are set out in Note 12 to the Consolidated Balance Sheet.

10. *Provision for Repayment of External Loans*

The Authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision is defined by statute. For 2001-02, the amount is £6.422m (£6.028m in 2000-01).

In the accounts the MRP charge is adjusted to negate the effect of depreciation and deferred charges charged to service revenue accounts (i.e. only the MRP charge should ultimately be a charge to council tax payers). Changes in accounting for depreciation on Housing Revenue Account (HRA) assets and the HRA element of the MRP affects the incidence of this charge in 2001/02.

As with Asset Management Revenue Account the net balance on Provision for Repayment of External Loans in the Consolidated Revenue Account represents the effects of transactions relating to General Fund and the HRA. Details of General Fund transactions are shown below.

	2001-02 £000	2000-01 £000
Minimum revenue provision	6,422	6,028
Less: HRA depreciation adjustment	-	(10,200)
General Fund depreciation adjustment	(7,953)	(8,883)
Deferred charge adjustment	(5,829)	(6,823)
Impairment charge adjustment	(735)	-
HRA share of MRP	(2,757)	-
	(10,852)	(19,878)

NOTES TO CONSOLIDATED REVENUE ACCOUNT

11. *Agency Services*

The Council carries out work on an agency basis for United Utilities PLC., for which it is fully reimbursed. The expenditure in 2001-02 amounted to £0.939m (£1.456m in 2000-01) and is in respect of the maintenance of pumping stations and repairs to the sewers system and sewerage disposal.

12. *Memorandum Publicity Account*

Under the requirements of Section 5 of the Local Government Act 1986 the Council's expenditure on publicity was as follows:

	2001-02	2000-01
	£000	£000
Recruitment Advertising	432	398
Promotions	264	233
Other Advertising	334	327
	1,030	958

13. *Leasing*

During 2001-02 the Council continued to lease vehicles, plant, machinery and equipment by means of operating leases. This type of leasing arrangement is not accommodated within the Council's capital financing limits. Rentals totalling £2.799m (£2.828m in 2000-01) were paid to lessors in the year. Operating leases entered into during the year amounted to £0.7m. Undischarged obligations under operating leasing arrangements at 31 March 2002 amounted to £6.7m and repayments under existing leases will continue until 2007-08.

The Council has a finance lease in respect of a wing of the Civic Centre, original capital value £4m was financed under a leasing agreement with a term of 40 years. The repayment in 2001-02 was £427k and was charged to the Asset Management Revenue Account. The outstanding liability at 31 March 2002 stood at £5.124m inclusive of interest, the principal element being £2.843m.

14. *Pensions*

Teachers

In 2001-02 the Council paid £4.626m to the Department of Education and Employment in respect of teachers' pension costs (£4.27m in 2000-01), which represents an average of 7.4% (7.4% in 2000-01) of teachers' pensionable pay. In addition, the Council is responsible for all pension payments relating to added years it has awarded, in addition to the related increases. In 2001-02 these amounted to £0.269m, representing 0.6% of pensionable pay (£0.357m in 2000-01).

NOTES TO CONSOLIDATED REVENUE ACCOUNT

Other Employees

In 2001-02 the Council paid an employer's contribution of £9.440m (£7.657m) based on 10.4% (8.7% in 2000-01) of employees pensionable pay into the Greater Manchester County Pension Fund, which provides members with defined benefits related to pay and service. In addition discretionary "ex gratia" and "added years" payments totalling £1.524m were made (£1.336m in 2000-01), representing 1.68% of employee's pensionable pay (1.5% in 2000-01).

The capital cost of discretionary increases in pension payments agreed by the Council are as follows:

a)	in year	£ 2.192m
b)	in earlier years for which payments are still being made	£15.991m

The employer's contribution rate is determined by the County Fund's Actuary based on triennial actuarial valuations. Under Pension Fund Regulations, contribution rates are set to meet 100% of the overall liabilities of the Fund. The recent actuarial report indicates that the value of the Fund at 31st March 2001 will be insufficient to meet its statutory liabilities, as a result of the withdrawal of tax credits on dividends and the effects of an increase in numbers who have recently taken early retirement. In order to meet the shortfall the rate of employer's contribution has increased substantially over a three year period with effect from 1st April 2001.

The costs of inflation awards on added years (Pensions Increase Act payments) and certain other costs not chargeable to the Fund are met by the Council and charged to Unapportionable Central Overheads.

Further information can be found in the Greater Manchester Pension Fund's Annual Report which is available on request from Tameside MBC, Concord Suite, Manchester Road, Droylsden, Tameside M43 6SF.

15. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies. The Operational Services Department provided building, grounds and highway maintenance services to Limehurst Village Trust during the year. The costs of £118k were fully recovered from the Trust. Operational Services Department also provided a range of services including catering and recreation management to a number of other public sector organisations located around the Oldham area at costs of around £177k which again were fully recovered from service users.

NOTES TO CONSOLIDATED REVENUE ACCOUNT

16. *General Fund Balance at Year End*

The General Fund Balance at 31 March 2002 includes an amount of £5.2m which is earmarked for use by schools during 2002-03. This amount represents the balances unspent on delegated school budgets at the end of 2001-02. In addition other earmarked balances total £1.59m which have been earmarked for use for specific purposes in 2001-02.

£0.743m was earmarked to support the Council Tax from balances in 2002-3.

17. *Members' Allowances*

The total allowances paid to Members during 2001-02 was £677,966 (£695,467 in 2000-01).

18. *Officers Emoluments*

The number of employees whose remuneration, excluding pension contributions, was £40,000 or more in bands of £10,000 were:

	<i>Number of Employees</i>	
	<i>2001-02</i>	<i>2000-01</i>
Band £40,000 - £49,999	69	24
£50,000 - £59,999	18	11
£60,000 - £69,999	5	8
£70,000 - £79,999	2	1
£80,000 - £89,999	1	1
£90,000 - £99,000	1	1

19. *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 with the Council.

The Council has substantial interests in companies and relevant transactions which arose during the year were as follows:

	<i>Receipts</i> <i>£000</i>	<i>Payments</i> <i>£000</i>
Oldham Broadway Developments Ltd	-	389

NOTES TO CONSOLIDATED REVENUE ACCOUNT

20. *Building Control Trading Account*

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

	<i>Chargeable 2001-02</i>	<i>Non Chargeable</i>	<i>Total Building Control 2001-02</i>	<i>Total Building Control 2000-01</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Expenditure				
Employees expenses	178	254	432	363
Transport	13	4	17	17
Supplies and Services	7	8	15	2
Central and support service charges	76	70	146	209
TOTAL EXPENDITURE	274	336	610	591
Income				
Building Regulation charges	(330)	-	(330)	(358)
TOTAL INCOME	(330)	-	(330)	(358)
(Surplus)/Deficit for the year	(56)	336	280	233

HOUSING REVENUE ACCOUNT

	<i>2001-02</i>	<i>2000-01</i>
	<i>£000</i>	<i>£000</i>
INCOME		
Dwellings rents (gross)	37,042	35,017
Non-dwelling rents (gross)	731	688
Charges for services and facilities	3,060	2,480
Contributions towards expenditure	1,265	1,183
Housing Revenue Account subsidy receivable (including MRA) - Note 10	29,657	30,766
	<u>71,755</u>	<u>70,134</u>
EXPENDITURE		
Contribution to Housing Repairs Account	8,098	7,365
Supervision and management	13,510	12,582
Rent, rates and other charges	77	55
Rent rebates	22,741	21,187
Increased provision for bad or doubtful debts	392	403
Cost of Capital charge	17,114	19,870
Depreciation and impairment of fixed assets	10,291	10,139
Debt Management Costs	70	70
	<u>72,293</u>	<u>71,671</u>
NET COST OF SERVICES	538	1,537
Net HRA income on the Asset Management Revenue Account	(5,740)	(8,028)
Amortised Premiums and Discounts	701	740
HRA Investment Income	(120)	(136)
NET OPERATING EXPENDITURE	<u>(4,621)</u>	<u>(5,887)</u>
Revenue contribution to capital expenditure	755	2,037
HRA contributions to Minimum Revenue Provision	2,757	2,757
Transfers to/from Major Repairs Reserve - Note 3	-	-
(SURPLUS)/DEFICIT FOR YEAR	<u>(1,109)</u>	<u>(1,093)</u>
Balance brought forward	(1,336)	(243)
Balance carried forward	(2,445)	(1,336)

NOTES TO HOUSING REVENUE ACCOUNT

1. *Housing Stock - Numbers*

As at 31st March 2002 the Council was responsible for managing 18,500 dwellings. The stock was made up as follows:-

Housing and bungalows	10,359
Flats and maisonettes	8,121
Hostel bed spaces	20
	18,500

The change in stock during the year can be summarised as follows:-

	2001-02	2000-01
Stock at 1 st April	18,796	19,049
Less: sales	(199)	(154)
demolitions and transfers	(97)	(99)
Stock at 31 st March	18,500	18,796

2. *Housing Stock - Valuations*

Two methods of valuing the housing stock are shown below.

The open market value of dwellings shows the full opportunity cost of public sector capital tied up in council housing. The vacant possession valuation reflects the fact that council dwellings are let to tenants below market rents. Thus the difference in valuation reflects the economic cost of providing council housing at less than open market rents.

The balance sheet value of housing stock, at open market value, was as follows:-

	Value at 31.3.2002 £000	Value at 1.4.2001 £000
Operational assets comprising dwellings, other land and buildings	290,507	290,662
Non-operational assets	284	284
Total	290,791	290,946

NOTES TO HOUSING REVENUE ACCOUNT

The vacant possession valuation of dwellings was as follows:-

	£000
At 1 st April 2001	493,131
At 31 st March 2002	493,516

3. **Transfers to/from Major Repairs Reserve**

This transfer ensures that the depreciation charges made do not impact on the HRA "bottom line". The depreciation charge in respect of HRA dwellings is effectively funded within the HRA by the Major Repairs Allowance (MRA).

	2001-02 £000
Major Repairs Reserve:-	
Balance at 1 st April 2001	-
Amount transferred to Major Repairs Reserve in year	(10,291)
Amount transferred from Major Repairs Reserve in year	-
Charges made in year in respect of capital expenditure	10,291
Balance at 31 st March 2002	-

4. **Housing Repairs Account**

The movement on this account during the year was as follows:

	2001-02 £000	2000-01 £000
<u>Expenditure</u>		
Repairs to property	8,030	7,113
Administration	55	95
Working balance ^c / _{fwd}	1,003	856
	9,088	8,064
<u>Income</u>		
Rechargeable repairs and insurance	134	124
Contribution from Housing Revenue Account	8,098	7,365
Working balance ^b / _{fwd}	856	575
	9,088	8,064

NOTES TO HOUSING REVENUE ACCOUNT

5. Type and Source of Capital Expenditure 2001-02

Capital Expenditure	£(00	Financing	£000
Capital Expenditure in year	11,068	Grant	22
		Revenue Contributions	755
		Major Repairs Reserve	10,291
	11,068		11,068

6. HRA Asset Management Revenue Account

This Account is credited with the capital charges included in net cost of services (the capital asset charges element of the Item 8 Debit, which includes depreciation, the 6% cost of capital charge and deferred charges). The Account is debited with the provisions made for depreciation and deferred charges, and with the HRA calculated contribution to interest payable.

	2001-02 £000
Income	
Capital charge and interest	17,113
Depreciation	10,291
	27,404
Expenditure	
Loan charges - interest	11,373
Depreciation	10,291
	21,664
Balance to Housing Revenue Account	(5,740)

7. Depreciation of Assets

The total charge for depreciation on HRA assets was as follows:-

	Operational Assets £000
Balance at 1 st April 2001	10,200
Depreciation written off during year	(10,200)
Depreciation during year	10,291
Balance at 31 st March 2002	10,291

HRA assets are revalued each year and the accumulated depreciation written off to the Fixed Asset Restatement Reserve.

NOTES TO HOUSING REVENUE ACCOUNT

8. *Impairment of Assets*

No formal review of assets was undertaken during the year in respect of impairment of assets.

9. *Deferred Charges*

No charge was made to the HRA during the year in respect of deferred charges.

10. *Housing Revenue Account Subsidy*

The Government subsidises Council housing. The present method of assessment requires each authority to prepare a notional Housing Revenue Account (HRA), the subsidy entitlement of an authority is the deficit on its notional HRA.

The notional HRA for Oldham for 2001-02 is as follows:-

	£000
Management and maintenance	17,586
Capital charges	15,733
Rent rebates	21,582
Other Allowances	104
Major Repairs Allowance	10,291
	<hr/>
	65,296
Less	
Notional dwelling rent income	35,545
Interest on mortgages	94
	<hr/>
Deficit (subsidy payable)	29,657
	<hr/>

The management and maintenance element is based not on actual costs but on a formula devised by the then Department of the Environment, Transport and the Regions (DETR) (the guideline figure). Subsidisable capital charges includes almost all the actual debt charges falling on the HRA. Similarly almost all rent rebates paid by the Council are included in the subsidy assessment.

The formula includes notional dwelling rents, and each year this is increased by an amount determined by the DETR (the guideline figure). It is this factor which enables the DETR to influence local rent levels (ie. if subsidy is reduced the Authority has to either increase its rents or reduce its expenditure).

NOTES TO HOUSING REVENUE ACCOUNT

The DETR are also concerned about rent levels in as much that rent rebates are eligible for subsidy, thus the freedom of authorities to increase rents has increased the Government's liability to pay subsidy. With effect from 1st April 1996 the DETR determined that rebates resulting from any increase in rents above its guideline figure would not qualify for subsidy. Decisions about local authority rent levels are therefore effectively now influenced by the DETR.

From 2001-02 housing subsidy also includes the Major Repairs Allowance (MRA), a key feature of the new financial framework of resource accounting. A new element of subsidy the MRA will reduce the need for credit approvals.

11. Housing Revenue Account Subsidy – Prior Year Adjustment

Following the audit of the 2000-01 housing subsidies and grants claim, a reduction of £306k has been made in respect of rent rebated. This adjustment has been reflected in the 2001-02 HRA final account.

12. Rent Arrears

The movement on rent arrears during the year was:-

	£000
Rent arrears at 1 st April 2001	1,329
Movement during year	(18)
Rent arrears at 31 st March 2002	1,311

Rent arrears as percentage of total rent debt 3.3%.

The provision in respect of uncollectable debts at 31st March 2002 was £1,086k (£1,109k at 31st March 2001).

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

		31st March	
		2002	2001
		£000	£000
INCOME			
Council Tax Payers	- Note 2	53,085	48,440
Transfers from General Fund:			
- Council Tax Benefits		12,094	11,221
- Compensation for Council Tax Benefit Subsidy Limitation		564	119
Income from Business Ratepayers	- Note 3	40,917	37,769
Adjustments for previous years' Community Charge	- Note 5	-	10
Deficit due to Council Tax Benefit Subsidy Limitation		54	0
		106,714	97,559
EXPENDITURE			
Precepts:			
- Oldham MBC		59,044	53,277
- Greater Manchester Police Authority		4,022	3,858
- Greater Manchester Fire & Civil Defence Authority		1,926	1,833
Business Rates:			
- Payments to National Pool		40,599	37,446
- Costs of Collection		318	323
Council Tax – Provision for Uncollectable Amounts		11	541
Adjustments for previous years' Community Charge	- Note 5	18	-
Transfer to General Fund:			
- Contribution from Previously Estimated Surplus	- Note 4	838	529
- Surplus due to Council Tax Benefit Subsidy Limitation		-	6
		106,776	97,813
COLLECTION FUND BALANCE			
(Surplus)/Deficit for the year		62	254
Balance brought forward at 1 st April		(1,217)	(1,471)
Balance carried forward at 31 st March		(1,155)	(1,217)

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1. *General*

As a billing authority Oldham MBC is required to maintain a Collection Fund, a statutory fund to be kept separate from the General Fund of the Council. The Collection Fund accounts independently for income relating to Council Tax, Non-Domestic Rates and residual Community Charge on behalf of those bodies, including the Council's own General Fund, for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

2. *Council Tax*

Council Tax derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council for the forthcoming year and dividing this by the Council Tax base (ie. the equivalent numbers of Band D dwellings).

The Council Tax base for 2001-02 was 61,292 (61,034 in 2000-01) calculated as follows:

Band	Chargeable Dwellings	Proportion of Band D Tax	Equivalent Band D Dwelling ;
A	42,921	$\frac{6}{9}$	28,614
B	13,744	$\frac{7}{9}$	10,690
C	13,052	$\frac{8}{9}$	11,602
D	5,324	1	5,324
E	2,629	$\frac{11}{9}$	3,213
F	1,251	$\frac{13}{9}$	1,806
G	740	$\frac{15}{9}$	1,232
H	31	$\frac{18}{9}$	62
Less allowance for non-collection 2%			(1,251)
Tax Base for the Calculation of Council Tax			<u>61,292</u>

NOTES TO THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

3. *Income from Business Ratepayers*

The Council collects Non-Domestic Rates (NNDR) for its area based on local rateable values multiplied by a uniform business rate set nationally by central government. The rate fixed was 43p in the pound for 2001-02 (41.6p for 2000-01). The increase in NNDR rate poundage took account of the revaluation, upwards, of NNDR properties wef 1st April 2000. The total amount due, less certain allowances, is paid to a central pool (the NNDR pool) which, in turn, pays to local authorities their share of the pool, such share being based on a standard amount per head of the local adult population. The rateable value for the area as at 31st March 2002 was £119,330,621 (£90,430,720 at 31st March 2001).

4. *Contributions to Collection Fund Surpluses and Deficits*

Of the surpluses which have accumulated at 31st March 2002, £87,000 was due to community charge transactions. This amount will be paid to the Council's General Fund over the next two financial years in accordance with government regulations. The remaining balance relates to Council Tax transactions and will be distributed in subsequent years to the Council's General Fund and the authorities who precept on the Collection Fund.

5. *Adjustment for Previous Year's Community Charges*

Although Council Tax has replaced community charge from 1 April 1994 the Council continues to account for residual adjustments in relation to the community charges raised in earlier years in the Collection Fund. The table below summarises the residual transactions in 2001-02:-

	£000
Decrease in Provision for Bad Debts	1,027

6. *Council Tax – Bad Debt Provision – Change in Accounting Policy*

Prior to 2001/02 the Council provided for bad debts on Council Tax on the basis of 100% of outstanding amounts at year end. In respect of the 2001/02 financial year this policy changed to one where the levels of provision reflected those recommended by the Audit Commission. The change in the method of calculation decreased provision by £649k.

CONSOLIDATED BALANCE SHEET

		31st March			
		2002	2002	2001	2001
		£000	£000	£000	£000
FIXED ASSETS	- Notes 1,2				
Operational assets					
Council dwellings		286,049		285,225	
Other land & buildings		234,891		238,668	
Vehicles, plant & equipment		321		225	
Infrastructure assets		61,740		58,189	
Community assets		2,500		1,190	
Non-operational assets		<u>46,870</u>	632,371	<u>49,967</u>	633,464
DEFERRED CHARGES	- Note 3		1,303		1,514
LONG TERM INVESTMENTS	- Note 4		20,590		20,590
LONG TERM DEBTORS					
Mortgages		926		1,142	
Other	- Note 5	15,542	16,468	15,814	16,956
TOTAL LONG TERM ASSETS			670,732		672,524
CURRENT ASSETS					
Stocks and work in progress	- Note 6	3,134		3,085	
Debtors	- Note 7	32,785		34,292	
Short term investments	- Note 4	35,537		36,422	
Cash		<u>710</u>	72,166	<u>1,206</u>	75,005
CURRENT LIABILITIES					
Temporary loans		(506)		(598)	
Creditors	- Note 8	(40,915)		(39,095)	
Bank overdraft		(13,833)	(55,254)	(9,019)	(48,712)
TOTAL ASSETS LESS CURRENT LIABILITIES			687,644		698,817
LONG TERM LIABILITIES					
Long term borrowing	- Note 9	(278,974)		(287,021)	
Deferred liabilities		(2,842)		(2,960)	
Deferred capital receipts	- Note 10	(708)		(836)	
Provisions	- Note 11	(7,876)	(290,400)	(8,005)	(298,822)
TOTAL ASSETS LESS LIABILITIES			<u>397,244</u>		<u>399,995</u>

CONSOLIDATED BALANCE SHEET

	<i>31st March</i>		
	<i>2002</i>	<i>2002</i>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>
RESERVES AND OTHER BALANCES			
Fixed asset restatement reserve	157,835		178,444
Capital financing reserve	156,646		151,275
Government Grants deferred account	54,940		44,622
Usable capital receipts reserve	-		20
Earmarked reserves - Note 12	10,937		11,462
Balances - General Fund	12,282		10,763
- Housing revenue account	3,449		2,192
- Collection fund	1,155		1,217
TOTAL EQUITY	397,244		399,995

NOTES TO CONSOLIDATED BALANCE SHEET

The 2001 Code of Practice on Local Authority Accounting requires the publication of a Consolidated Balance Sheet which includes the assets and liabilities of all activities of the Authority, excluding trust funds.

1. Fixed Assets

1.1. Movement of Fixed Assets 2001-02

Operational Assets

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant etc. £000	Infra- structure £000	Community Asset £000	Total £000	Non- Operational Asset £000
Certified valuation at 31 st March 2001	295,425	245,334	1,766	72,437	1,190	616,152	49,967
Accumulated depreciation and impairment	10,200	6,666	1,541	14,248	-	32,655	-
Net Book Value of assets at 31 st March 2001	285,225	238,668	225	58,189	1,190	583,497	49,967
Movement in 2001/02							
Additions	-	1,591	186	6,161	265	8,203	156
Disposals	(4,534)	217	(208)	-	-	(4,525)	(1,151)
Revaluations	15,601	1,481	166	-	(241)	17,007	(496)
Transfers	48	(97)	-	-	1,288	1,239	(1,239)
Depreciation	(10,291)	(6,234)	(48)	(2,610)	(2)	(19,185)	(367)
Impairments	-	(735)	-	-	-	(735)	-
Net Book Value of assets at 31 st March 2002	286,049	234,891	321	61,740	2,500	585,501	46,870

NOTES TO CONSOLIDATED BALANCE SHEET

1.2. Valuation of Fixed Assets Carried Out at Current Value

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The basis for valuation is set out in Note 1 of the Statement of Accounting Policies.

	Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & etc. £000	Investment Properties £000	Total £000
Valued at historical cost	-	3,444	641	2,528	6,613
Valued at current value in:					
2001/02	296,340	6,632	-	4,508	307,480
2000/01	-	82,005	-	25,137	107,142
1999/00	-	77,368	-	11,839	89,207
1998/99	-	77,398	-	3,457	80,855
1997/98	-	542	-	134	676
Total	296,340	247,389	641	47,603	591,973

No formal review of assets for impairment was undertaken during the year. However an adjustment for impairment was made in respect of the former Roundthorn School which had been demolished.

In connection with council dwellings the tenants of certain types of property are eligible to buy their council dwelling at a discounted price. The eligibility and rates of discount are determined by the length of tenancy. At 31st March 2002 it is estimated that current tenants would be entitled to discounts totalling £208m and this has been allowed for in the valuation of council dwellings shown in paragraph 1.1.

The properties were valued by Members of the Royal Institution of Chartered Surveyors employed by the Council.

1.3. Type and Source of Capital Expenditure 2001-02

Capital Expenditure	£000	Financing	£000
Fixed Assets	8,359	Loan	12,253
Deferred Charges	8,555	Government Grants	22,612
Fixed Asset Restatement Reserve	32,313	Internal Funds	3,366
		Revenue Contributions	3,029
		Capital Receipts	6,350
		Other	1,617
	<u>49,227</u>		<u>49,227</u>

NOTES TO CONSOLIDATED BALANCE SHEET

1.4. Main Items of Capital Expenditure 2001-02

	£000
Eustace Street Primary School – Construction	1,085
New Art Gallery – Construction	5,448
Westwood Cultural Centre – Construction	1,700
Failsworth District Centre	5,981
Central Area Townscape Initiative	1,514

1.5. Capital Commitments

The Council has contractual commitments in future years of £18m including the following significant schemes:

	2002/03 £000	2004/04 £000
Rochdale Canal Restoration – Construction	1,210	300
Limehurst Neighbourhood Centre - Construction	1,224	-
New Barn Infants – Construction	1,033	20

NOTES TO CONSOLIDATED BALANCE SHEET

2. Statement of Physical Assets

An analysis of the main items owned by Oldham Metropolitan Borough Council at 31st March 2002 and included in fixed assets is given below:-

BUILDINGS		LAND	
<u>Educational</u>		Hectares of Parkland	573
Nursery & Primary Schools	66		
Secondary Schools	11	INFRASTRUCTURE	
Youth & Community Centres	22	km of Principal Roads	93.7
Other	14	km of Other Classified Roads	65.8
		km of Unclassified Roads	653.7
<u>Cultural Services</u>			
Museums and Art Gallery	2	UNITS MANAGED	
Libraries	15	Shops	143
		Industrial Buildings	113
		Offices	46
		Other Managed Buildings	39
<u>Operational & Leisure Services</u>			
Leisure Centres & Pools	8	Town Centre Scheme – Land	18
		Other Commercial Land	105
		Industrial Land	163
		Car Parking	43
<u>Social Services</u>			
Childrens Homes	6	Advertising Sites	21
Homes for the Elderly	9	Agricultural Land	23
Homes for Mentally Ill/ Handicapped	3	Miscellaneous Sites	5,497
Day Centres	16	OTHER	
		Markets	4
		Cemeteries	7
<u>Administrative</u>			
Civic Centre	1	Crematorium	1
Other	2	Public Conveniences	14
<u>COUNCIL DWELLINGS</u>			
Houses	10,378		
Flats	8,122		

3. Deferred Charges

The category of deferred charge on which there is a balance in the Authority's accounts relates to the Authority's contributions to major and minor works in the Authority's church schools and to I.T. software.

	Balance at 1st April 2001 £000	Expenditure in Year £000	Written off to Revenue in Year £000	Balances at 1st March 2002 £000
Other	1,514	8,555	8,766	1,303
	1,514	8,555	8,766	1,303

NOTES TO CONSOLIDATED BALANCE SHEET

4. Investments

The long term investments consist of:-

	31 2001 £000	March 2000 £000
Manchester International Airport PLC		
- 10,214,000 fully paid £1 ordinary shares (at cost)	10,214	10,214
Manchester Airport Ringway Developments PLC		
- 359,292 fully paid £1 ordinary shares	359	359
Modesole - 851 fully paid £1 ordinary shares	1	1
Meridian Development Company Limited		
- 199 £1 "B" ordinary shares	-	-
- 1,311,021 £1 "B" voting shares	1,312	1,312
Oldham Property Partnership Limited		
- 8,604,000 £1 preference shares	8,604	8,604
- 50 fully paid £1 ordinary shares	-	-
Oldham Broadway Developments Limited		
- £100,000 £1 ordinary redeemable	100	100
- 50 fully paid £1 ordinary shares	-	-
Oldham Education Enterprises Ltd		
- 1 £1 share	-	-
	20,590	20,590

The shareholding in Manchester International Airport PLC represents 5% of the issued share capital and is based on historical cost. At the year ended 31st March 2002 the draft accounts showed the Company had net assets of £643m (£636m at 31st March 2001); profit before tax in 2001-02 was £2.4m (£36.6m in 2000-01) and the loss after tax was £3.8m (a profit of £24.9m in 2000-01). The Authority received a dividend in 2001-02 of £0.362m (£0.038m in 2000-01).

Modesole is the holding company for the interests of the ten Greater Manchester districts in the Midland Hotel and Conference Centre and G-Mex Ltd. There are 10,000 £1 shares issued in the company. The shareholding of each of the ten authorities is based on population.

Meridian Development Company Limited was established during 1995-96 as a joint venture company involving the Council and a partner for the purchase and development of Lumb Mill, Delph. The company has authorised share capital of £2.801m. During 1999-2000 the Council made further investments in the Company in respect of proposed developments at Hollinwood Business Centre and land at Crossbank Street, Oldham in exchange for further shares.

NOTES TO CONSOLIDATED BALANCE SHEET

Oldham Property Partnership Limited (formerly Hiretarget Limited) was established during 1994-95 as a joint venture company involving the Council and a partner in connection with the purchase and redevelopment of the Watersheddings site used by Oldham RLFC. Other developments have followed and during 1999-2000 the Council received 7,060,000 preference shares in exchange for land to the value of this amount in respect of the development of the former Westwood Athletics Track. The shares in Oldham Property Partnership Limited are held in trust by Southlink Developments, a company fully owned by the Council.

Oldham Broadway Developments Limited was established during 1997-98 as a joint venture company involving the Council and a partner in connection with the redevelopment of the Spring Road Tip on Oldham Broadway. During 1998-99 further land at Moston Road Sidings was transferred to the Company in exchange for a debenture as part of the development of an Improvement Area.

Oldham Education Enterprise Ltd was created to arrange the building of two replacements schools for the Council. Its ordinary share capital is 100 x £1 shares of which the Council owns a £1 "Golden Share" which prohibits the Company from engaging in any significant activity without the Council's express consent. The Council by 31st March 2001 had advanced £2.35m to the Company along with the sites for the schools (£0.4m) and Henshaw House (£2.75m) in exchange for loan notes. These amounts have been included in the Balance Sheet as Long Term Debtors.

The short term investments consist of:

	31	March
	2002	2001
	£000	£000
Co-operative Bank PLC	3,180	1,750
Abbey National PLC	7,098	-
Dresdner RCM Global Investors (UK) Ltd	15,259	15,522
Nationwide Building Society	-	5,000
Royal Bank of Scotland	-	5,000
Banc Commerciale Italiana	-	5,000
Greater Manchester Waste Disposal Authority	-	4,150
Britannia Building Society	2,500	-
Derbyshire Building Society	2,500	-
Depfa – Bank Europe plc	5,000	-
	35,537	36,422

Dresdner RCM Global Investors (UK) Ltd continued to manage cash on behalf of the Council. During the year £1m was repaid to the Council leaving a balance, inclusive of re-invested earnings and capital appreciation of £15.259m at year end.

NOTES TO CONSOLIDATED BALANCE SHEET

5. Long Term Debtors - Other

These are debtors that fall due after a period of at least one year. They are analysed below.

	31	March
	2002	2001
	£000	£000
Mortgages	926	1,142
Manchester Airport transferred debt	9,426	9,577
Pre 1974 functions transferred debt	482	515
Advance to Oldham Education Enterprise	5,500	5,500
Others	134	222
	16,468	16,956

6. Stocks and Work-in-Progress

	31	March
	2002	2001
	£000	£000
Stocks	1,436	1,319
Work in progress	1,698	1,766
	3,134	3,085

7. Debtors

	31	March
	2002	2001
	£000	£000
Inland Revenue	66	151
Government departments	11,992	10,128
Local taxpayers	7,464	7,707
Housing rents	1,296	1,307
Sundry debtors	13,766	16,195
	34,584	35,488
Provision for bad debts	(6,875)	(7,543)
	27,709	27,945
Payments in advance	5,076	6,347
	32,785	34,292

NOTES TO CONSOLIDATED BALANCE SHEET

8. Creditors

	31	March
	2002 £000	2001 £000
Inland Revenue	3,807	3,824
Government departments	4,654	3,381
Loan Interest	6,811	6,857
Employees	1,250	1,240
Prepayments	2,806	2,037
Sundry creditors	21,587	21,756
	40,915	39,095

9. Long-term Borrowing

Analysis by type of loan	rates payable (%)	31	March
		2002 £000	2001 £000
Public Works Loan Board	2.50 - 11.875	259,618	267,779
Money Market	7.58 - 8.33	12,000	12,000
Individuals	4.00 - 12.40	7,356	7,242
		278,974	287,021

An analysis of loans by maturity is:-

	£000	£000
Maturing in 1 - 2 years	7,890	741
Maturing in 2 - 5 years	712	7,646
Maturing in 5 - 10 years	62,972	43,845
Maturing in 10 - 15 years	53,030	71,589
Maturing in more than 15 years	154,370	163,200

10. Deferred Capital Receipts

These are items which represent capital income still to be received after disposals have taken place and wholly consist of principal outstanding from the sale of council houses.

NOTES TO CONSOLIDATED BALANCE SHEET

11. Provisions

	Balance at 1st April £000	Receipts in year £000	Payments in Year £000	Balance at 31st March £000
Insurance Fund	6,290	2,077	2,440	5,927
Developers Deposits	1,422	596	427	1,591
Other	293	67	2	358
	8,005	2,740	2,869	7,876

The Insurance Fund had for a number of years been maintained to cover personal accident risks to employees whilst carrying out their duties (subject to an external excess insurance for large claims), default risk on employees granted assisted car purchase loans and losses arising from the inability of contractors to fulfill obligations. The purpose of the Fund was extended with effect from 1st April 1992 to include provision for liability insurance claims currently under £100,000 in respect of property and under £25,000 in respect of other types of liability claims.

12. Earmarked Reserves

	Balance at 1st April £000	Transfers to Reserves £000	Transfers From Reserves £000	Balance at 31st March £000
Capital Fund	2,411	-	366	2,045
Repairs & Renewals Fund	1,013	-	575	438
Insurance Reserve	4,248	-	200	4,048
Redundancy & Pension Reserve	1,100	300	1,100	300
Special Projects Reserve	750	400	500	650
Beal Valley	819	129	-	948
Beal Valley Compensation – Reserve	-	500	-	500
Pensions Reserve	409	2,527	1,901	1,035
Other	712	734	473	973
	11,462	4,590	5,115	10,937

The Capital Fund and Repairs and Renewals Fund are available to finance capital expenditure.

NOTES TO CONSOLIDATED BALANCE SHEET

In addition to maintaining an Insurance Fund (see note 11 Provisions) the Authority established an Insurance Reserve in 1998-99 to meet expenditure relating to various types of claim which are not covered by the Insurance Fund.

The Redundancy and Pensions Reserve was established to cover the potential redundancy and associated costs arising from budget initiatives in respect of 2002-03.

During 2001-02 a Special Projects Reserve was established to meet the costs of addressing a number of issues facing the local authority in the future. Examples include work towards implementing the possible introduction of the Euro and costs associated with the introduction of job evaluation.

The current balance on the Beal Valley Reserve arises from income from tipping fees in the Beal Valley. Such income was earmarked for the construction of a Golf Course on the Beal Valley site. The Council subsequently sought to vary the original terms of the agreement with the developer in order to stop non-inert waste being deposited on the Beal Valley site. Under the terms of a Deed of Variation the Council undertook to repay in six annual equal instalments the tipping fees received to date. In addition a compensation payment to the developer of £0.5m was approved. This sum has been earmarked in the Beal Valley Compensation Reserve at 31st March 2002.

The Pensions Reserve was established in 1999 from which is funded the additional costs to the Council of non teaching staff who have taken early retirement from that date. The estimated lifetime costs of each early retirement is funded by the employing department who make a contribution equal to these costs into the Reserve.

A reserve relating to countywide services balance £31k, previously included within the Council's reserves, was deleted from the Council's accounts as a prior year adjustment.

13. *Analysis of Net Assets Employed*

Net assets employed represent the aggregate of reserves attributable (both revenue and capital) to the following areas of the Council's activities:-

	2001-0: £000	2000-0 £000
General Fund	194,699	204,458
HRA	202,545	195,537
	397,244	399,995

NOTES TO CONSOLIDATED BALANCE SHEET

14. *Oldham Economic Development Association Ltd. (OEDA Ltd)*

The Company was formed in November 1980, on the initiative of Oldham Metropolitan Borough Council, with wide powers to assist industry by way of grants, loans, purchase of land and any other means which could assist employment prospects in Oldham. In practice it operates as an investment and property holding company and is controlled by the Council. Its Board of Directors consists of seven Members and two officers.

Up to 1997 the Company was active in undertaking a development programme which created industrial, commercial and office accommodation within Oldham. The programme, in total, amounted to some £20.0m and was funded by contributions from the Council under the general powers contained in Section 131 of the Local Government Act 1972 (£1.2m), external borrowings (£13.0m) and external grants and contributions (£5.8m).

In 1997 the Company became "regulated" in accordance with Part V of the Local Government and Housing Act 1989, which meant that borrowings or the use of credit by the Company would count against the Council's limit on borrowings and credit, imposed by Central Government.

Since 1997, therefore, the Company has not been as active and has only undertaken one further development - that of providing an office block at Southlink Business Park. This was funded by external grant and the proceeds from the sale of one of the Company's assets. This did not therefore, impact on the Council's borrowing limit.

To enable repayment of its borrowings, the Company had in place a strategy of disposing of its completed developments and by March 2000 all the completed developments were sold and total borrowings repaid. The remaining asset in the Company was the undeveloped land at Southlink Business Park.

The Company's accounts to 31st March 2002 show that the Company has remained inactive. Total assets (including the undeveloped land at Southlink Business Park which is still held by the Company) less current liabilities amount to £0.939m (£0.983m in 2000-01) and a loss before tax of £0.044m (£0.61m in 2000-01). The finalisation of the audit of the accounts is not yet completed.

Copies of the Company's Annual Report and Accounts can be obtained from the Company Secretary, Civic Centre, West Street, Oldham.

The future use of the Company has yet to be determined. Under consideration is the transfer of the undeveloped land at Southlink Business Park to the Company's subsidiary, Southlink Developments Ltd (which is a share based company totally owned by the Company which has been totally inactive since its formation) with a view to attracting a private investor and as a joint financing venture to undertake the development of the Southlink Business Park and possible surrounding area.

NOTES TO CONSOLIDATED BALANCE SHEET

15. *Net Pensions Asset/Liability*

As part of its terms and conditions of employment of its non-teaching staff, the Authority offers retirement benefits. Although these will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Greater Manchester County Pension Scheme. This is a funded scheme, meaning that the Authority and employees pay contributions into a fund, at a level estimated to balance the pensions liabilities with investment assets.

The 2001/02 pension costs have been charged to the consolidated revenue account on the basis of contributions payable for the year to the Greater Manchester County Pension Scheme (based on a formal actuarial valuation at 31st March 2001) and the pensions payable in the year to retired staff. However at 31st March 2002, the Authority had the following overall assets and liabilities for pensions that have not been included in the balance sheet.

	£000
Earmarked liabilities in scheme	363,571
Estimated assets in scheme	381,276
	<hr/>
Net Pension Asset	17,705
	<hr/>

Liabilities have been assessed by rolling forward the previous valuation data to 31st March 2002 allowing for changes in financial assumptions as prescribed by the relevant accounting standard. Other factors allowed for in the rolling forward process were the effect of contributions paid into and estimated benefits paid from the Fund by the Authority and its employees. The Pension Scheme liabilities have been assessed by Hymans Robertson, an independent firm of actuaries. The main assumptions used in their calculations are:-

Rate of inflation	2.8%
Rate of increase in salaries	4.3%
Rate of increase in pensions	2.8%
Rate for discounting scheme liabilities	6.4%

Assets in the Pension Scheme are valued at fair value, principally market value for investments and consist of the following categories by proportion

Equity investment	60%
Bonds	24%
Property	8%
Cash	8%

NOTES TO CONSOLIDATED BALANCE SHEET

16. *Contingent Liabilities*

a) Insurance

In March 1993 the Council's insurers, Municipal Mutual Insurance (MMI) ceased accepting new business. The Council had a number of outstanding claims with MMI and arrangements are in place to ensure an orderly settlement of the sums due.

The value of the outstanding claims at 31st March 2002 totalled £260k. Since that date no further claims have been settled.

MMI were taken over by Zurich Insurance in March 1993 to form Zurich Municipal Limited. Claims arising as from April 1993 are now secured by Zurich's financial backing and are therefore deemed secure.

With regard to claims prior to April 1993 these are still funded by MMI under a scheme of arrangement with its creditors, whereby claims are initially paid out in full, but in the event that the eventual winding up of the company results in insufficient assets to meet all liabilities, a claw back clause will be triggered which would affect claims already paid. At the present time it is not known whether the claw back clause will be invoked and therefore, no provision for the potential liability has been made in the balance sheet.

b) Manchester Airport plc

The Airport agreed to reimburse the Council for the financial costs of various loans used to fund capital expenditure. These loans have varying maturity dated up to 2027 and in value amount to £9.426m. No provision has been made in the balance sheet for any potential losses arising from this agreement.

c) Repayment of Government Grants

The Council has for many years received government grants towards the cost of acquiring and enhancing assets. When such assets are disposed of within specified period of time, the Council is required to repay an element of the grant. The full extent of this liability is not known at this time.

d) Oldham Coliseum Theatre: Overdraft Guarantee

In 1997-98 the Council agreed to act as guarantor up to £100,000 for the overdraft facilities of Oldham Coliseum Theatre. Due to the continued improved financial position of the Theatre they had no overdraft requirement at 31st March 2002. Any new overdraft facility making use of the guarantee would require approval by the Council.

NOTES TO CONSOLIDATED BALANCE SHEET

- f) Oldham Property Partnerships Limited – Loan Guarantee
The Council, some years ago, formed a joint venture company with Oldham Property Partnership Limited (formerly Hiretarget Limited) in connection with the purchase and redevelopment of the Watersheddings site used by Oldham RLFC. Other developments have followed, the most recent being the development of the former Westwood Athletics Track. At the time of the Watersheddings development the Council guaranteed half the borrowings of the Company up to £1m. That guarantee is still in place. The risk of the guarantee being called upon is remote.
- g) Contractual Claims Pending
Amounts totalling £3m are being claimed in respect of 8 contracts relating to the construction of new building. The Council disputes the claims and has made no provision in the accounts.
- h) Oldham Business Management School
The Council has a lease on a wing of the Oldham Business Management School and payments on this lease are charged to the revenue account of the Authority. It also acts as guarantor on the lease for another wing of this building. The potential liability should Oldham Business Management School have been unable to meet its lease obligations in 2001/02 was £261k. The guarantee was not called upon.

17. Trust Funds

The Council is responsible for the administration of 101 individual trust funds. The funds are not owned by the Council but are used in accordance with the aims of the particular charity or trust. The funds are invested in marketable securities and are no longer in the Consolidated Balance Sheet. The funds vary considerably in purpose and amount and can be broadly classified as follows:

	Balance at 1st April £000	Income £000	Expenditure £000	Balance at 31st March £000
Education related funds:				
Scholarship funds	382	17	1	398
Prize funds	183	23	22	184
Social Services related Funds	1,598	919	1,306	1,211
Other	238	377	229	386
	2,401	1,336	1,558	2,179

NOTES TO CONSOLIDATED BALANCE SHEET

The above balances are represented by:

	Cash/Other Balance ; £000	External Investment ; at cost £000	Total £000
Education related funds:			
Scholarship funds	215	183	398
Prize funds	52	132	184
Social Services related funds	1,210	1	1,211
Other	268	118	386
	1,745	434	2,179

The Education related funds comprise 12 scholarship funds and 73 prize funds which provide sums to qualifying pupils in schools within the Borough for educational purposes.

The Social Services related funds include a fund used for the collection of pensions on behalf of clients from which pocket money and accommodation charges are paid.

THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

The Statement of Total Movements in Reserves brings together all the recognised gains and losses of the Authority during the period and identifies those which have not been reported through the Consolidated Revenue Account. The statement separates the movements between revenue and capital reserves.

		<i>2001-02</i>	<i>2000-01</i>
		<i>£000</i>	<i>£000</i>
Surplus/(deficit) for the year:			
- General Fund		1,519	(2,477)
- Housing Revenue Account		1,256	1,374
Add back Movements on specific revenue reserves	(Note 1)	<u>(586)</u>	<u>591</u>
Total increase/(decrease) in revenue resources		2,189	(512)
Increase in usable capital receipts		(20)	20
Total increase in realised capital resources	(Note 2)		
Total decrease in unrealised capital resources in year	(Note 3)	(14,932)	(41,138)
Value of assets sold, disposed of or decommissioned	(Note 4)	(5,677)	(5,699)
Capital receipts set aside		3,454	11,088
Revenue resources set aside		1,917	(13,524)
Movement on Government Grants Deferred		<u>10,318</u>	<u>4,225</u>
Total increase in amounts set aside to finance capital investment	(Note 5)	<u>15,689</u>	<u>1,789</u>
Total recognised gains and losses		<u>(2,751)</u>	<u>(45,540)</u>

THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	<i>£000</i>
1. Movement on specific revenue reserves	
Movement on reserves per Note 12 to the Balance Sheet	(525)
Movement on Collection Fund	(61)
	<u>(586)</u>
2. Movements in realised capital resources	
Amounts receivable from capital receipts	9,625
Less: Right to Buy admin costs	(148)
Amounts set aside as a provision for credit liabilities	(3,148)
Amounts applied as a provision for credit liabilities	(6,349)
	<u>(20)</u>
Total increase in realised capital resources in year	<u>(20)</u>
Balance brought forward at 1 st April 2001	20
	<u> </u>
Balance carried forward a 31 st March 2002	-
	<u> </u>
<p>The above movements are reflected in the Usable Capital Receipts Reserve. The Local Government and Housing Act 1989 requires that a percentage of all capital receipts be set aside as a provision for credit liabilities. The balance remaining known as usable capital receipts, is applied to finance new capital expenditure.</p>	
	<i>£000</i>
3. Movements in unrealised value of fixed assets	
Gains/losses on revaluation of fixed assets	16,512
Capital expenditure	(31,444)
	<u>(14,932)</u>
Total decrease in unrealised capital resources in year	<u>(14,932)</u>
4. Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals	(5,677)
	<u>(20,609)</u>
Total movement in reserve in year	<u>(20,609)</u>
Balance brought forward at 1 st April 2001	<u>178,444</u>
Balance carried forward at 31 st March 2002	<u>157,835</u>
	<u> </u>

THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

The above movements are reflected in the Fixed Asset Restatement Reserve. The initial balance on the reserve represented the difference between the valuation of assets under the previous system of capital accounting and the revaluation under the new system introduced with effect from 1st April 1994. Subsequent changes to the reserve reflect the acquisition, disposal and revaluation of assets. The balance on this reserve cannot be called upon to support spending.

	<i>Capital Financing Reserve £000</i>	<i>Government Grants Deferred £000</i>	<i>Total £000</i>
5. Movements in amounts set aside to finance capital expenditure			
Capital receipt set aside			
- reserved receipts	3,148	-	3,148
- government grants	306	-	306
Total capital receipts set aside	3,454	-	3,454
Revenue resources set aside			
- capital expenditure financed from revenue	10,320	-	10,320
- reconciling amount for provisions for loan repayment	(8,403)		(8,403)
Total revenue resources set aside	1,917	-	1,917
Grants applied to capital investment	-	14,553	14,553
Amounts credited to revenue		(4,235)	(4,235)
Movement on Government Grants Deferred	-	10,318	10,318
Total increase/(decrease) in amounts set aside to finance capital investment			15,689
Total movement on reserve in year	5,371	10,318	
Balance brought forward at 1 st April 2001	151,275	44,622	
Balance carried forward at 31 st March 2002	156,646	54,940	

The Capital Financing Reserve contains the amounts requested 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 amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on this reserve cannot be called upon to support spending.

The Government Grants Deferred Account is credited with all government grants and other capital contributions. Such grants and contributions are written off to revenue over the useful life of the asset to match the depreciation of the asset to which they relate.

THE CASH FLOW STATEMENT

	2000-02 £000	2000-02 £000	2000-01 £000	2000-01 £000
Revenue Activities				
<u>Cash Outflows</u>				
Cash paid to and on behalf of employees	(212,741)		(193,725)	
Other operating cash payments	(186,635)		(155,860)	
Housing benefit paid out	(12,125)		(11,483)	
NNDR payments to national pool	(40,599)		(40,969)	
Precepts paid	(5,948)		(5,691)	
<u>Cash Inflows</u>				
Rents (after rebates)	14,311		13,828	
Council Tax income	52,470		47,852	
NNDR receipts from national pool	59,440		61,025	
Non-domestic rate receipts	40,867		37,863	
Revenue support grant	116,183		109,831	
DSS grants for benefits	22,933		20,607	
Other government grants	66,103		56,800	
Cash received for goods and services	45,896		35,674	
Other operating cash receipts	99,528		55,307	
		59,683		31,059
Servicing of Finance				
<u>Cash Outflows</u>				
Interest paid	(23,688)		(23,893)	
Interest element of finance lease rentals	(427)		(427)	
<u>Cash Inflows</u>				
Interest received	7,651		6,168	
		(16,464)		(18,152)
Capital Activities				
<u>Cash Outflows</u>				
Purchase of fixed assets	(8,422)		(10,419)	
Purchase of long term investments	0		0	
Other capital cash payments	(38,466)		(40,370)	
<u>Cash Inflows</u>				
Sale of fixed assets	9,477		8,019	
Capital grants received	(3,748)		9,390	
Other capital cash receipts	0		0	
		(41,159)		(33,380)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		2,060		(20,473)

THE CASH FLOW STATEMENT

	2001-02 £000	2001-02 £000	2000-01 £000	2000-01 £000
Financing				
<u>Cash Outflows</u>				
Repayments of amounts borrowed	(18,161)		(145)	
Purchase of short-term investments	(1,410,107)		(1,381,198)	
Capital element of finance lease rentals	(118)		(106)	
<u>Cash Inflows</u>				
New loans raised	10,114		26,528	
New short-term loans	0		0	
Maturity of short-term investments	1,410,900		1,374,802	
		(7,372)		19,881
INCREASE/(DECREASE) IN CASH AND IN CASH EQUIVALENTS		(5,312)		(592)

NOTE 1 reconciliation of revenue activities net cash flow to surplus/deficit on Consolidated Revenue Account.

	2001-02 £000	2001-02 £000	2000-01 £000	2000-01 £000
<u>Surplus/(Deficit) for the year</u>				
- General Fund	1,519		446	
- Collection Fund	(61)		41	
- HRA	1,256		(386)	
- DSO's	0		(1,923)	
		2,714		(1,822)
<u>Non cash transactions</u>				
Add: minimum revenue provision	6,422		6,028	
Add: provisions set aside in year	523		869	
Add: contributions to/(from) reserves	2,599		(345)	
Add: other non cash transactions	27,445		16,767	
		36,989		13,952
<u>Items on an accruals basis</u>				
(Increase)/decrease in stocks	(49)		706	
Decrease/(increase) in debtors (revenue items only)	1,745		(4,865)	
Increase/(decrease) in creditors (revenue items only)	1,820		2,810	
		3,516		(1,349)

THE CASH FLOW STATEMENT

	2001-02 £000	2001-02 £000	2000-01 £000	2000-01 £000
<u>Items classified elsewhere in cash flow statement</u>				
Add: interest payments	23,688		24,150	
Add: finance leasing rental payments	427		427	
Less: investment income	<u>(7,651)</u>		<u>(4,090)</u>	
		<u>16,464</u>		<u>20,487</u>
Net cash flow from revenue activities		<u>59,683</u>		<u>31,268</u>

NOTE 2a reconciliation of the movement in cash to the movement in net debt

	£000
Increase in bank overdraft in the period	(4,814)
Decrease in cash at bank	(498)
Decrease in new debt	(10,114)
Increase in debt through debt repayment	18,161
Decrease in debt through finance lease capital payments	118
Decrease in debt from new temporary loans	0
Increase in debt from sale of short term investments	(1,410,900)
Decrease in debt from purchase of short-term investments	<u>1,410,107</u>
Change in net debt resulting from cash flows	2,060
Net debt at 1 st April 2001	<u>(261,970)</u>
Net debt at 31 st March 2002	<u>(259,910)</u>

NOTE 2b Analysis of changes in net debt

	31 March 2002 £000	Change in Year £000	31 March 2001 £000
Cash at bank	708	(498)	1,206
Bank overdraft	(13,833)	(4,814)	(9,019)
Long-term debtors	(278,974)	8,047	(287,021)
Deferred liabilities	(2,842)	118	(2,960)
Temporary loans	(506)	92	(598)
Short-term investments	<u>35,537</u>	<u>(885)</u>	<u>36,422</u>
	<u>(259,910)</u>	<u>2,060</u>	<u>(261,970)</u>

NOTE 3 Reconciliation of items shown within the financing and management of liquid resources sections of the cash flow statement to the related items in the opening and closing balance sheets for the period.

THE CASH FLOW STATEMENT

The ACOP definition of liquid resources is "...current assets held as readily disposable stores of value....., readily convertible into known amounts of cash"

The short-term investments shown on the Consolidated Balance Sheet as Current Assets (£35,537) are in fact fixed term deposits and are not readily convertible on demand. For this reason, the movement in these investments has not been shown in Management of Liquid Resources, but as Cash Inflows from Financing.

NOTE 4 Analysis of other Government Grants

	2001-02
	£000
Standards Fund	7,111
Provision for 3 Year Olds	1,458
Class Size Reductions	965
Teachers Pay Reform	3,471
School Access Fund	4
School Standards Grant	3,384
Sure Start	37
Child Care and Early Years	968
Social Services Training Support Programme	291
AIDS Support	76
Mental Health	813
Promoting Independence: Partnership	1,347
Children's Social Services	1,529
Promoting Independence: Carers	319
Asylum Seekers	197
Charges on Homes	58
NCET	51
Emergency Planning	63
Housing Benefit Administration	327
Council Tax Benefit Administration	343
Neighbourhood Renewal Fund	306
Supporting People Implementation Grant	64
Mandatory Student Awards	521
Mandatory Rent Allowances: subsidy	20,686
Mandatory Rent Rebates outside HRA: subsidy	154
Fraud Incentive Scheme	405
Council Tax Benefit Grant	11,447
Milk Grant (Milk Intervention Board)	143
Single Regeneration Budget (SRB)	3,874
European Community Grants	1,509
New Opportunities Fund	59
New Deals for Communities	227
On-Track	374
Education Maintenance Allowances	2,834
Youth Justice Board	661
Slum Clearance Administration Grant	27
	<hr/>
	66,103

GLOSSARY OF TERMS

Agency Services

Services which are performed by or for another authority or public body, where the authority responsible for the service reimburse the authority carrying out the work for the costs of the work.

Assets

Items of worth which are measurable in terms of value.

Current assets are ones which may change in value on a day to day basis (eg. stocks)

Fixed assets are tangible assets which yield benefit to the Authority for a period of more than one year.

They can be further classified into:

Operational assets - assets held and occupied, used or consumed by the Authority in the direct delivery of these services for which it has either a statutory or discretionary responsibility eg. schools.

Community assets - assets that the Authority intends to hold in perpetuity, which have no determinate finite useful life and may have restrictions on their disposal eg. parks, works of art.

Intrastructure assets - these are inalienable assets the benefit on which is received only by their continued use eg. highways, footpaths.

Non-operational assets - assets held by the Authority but not directly occupied, used or consumed in the delivery of services eg. surplus buildings held pending sale or redevelopment.

Balances

The reserves of the authority, both revenue and capital, which represent the accumulated surplus of income over expenditure on any of the Funds.

Capital

Expenditure on the acquisition or improvement of tangible assets which yields benefit to the Authority for more than one year and/or income from the sale of such assets.

Capital Charge

Each service committee is charged with an annual capital charge for each fixed asset they use. This charge comprises two elements:-

- i) a depreciation element based on the expected life of an asset; and
- ii) a notional interest element based on the value of the asset in the balance sheet.

Capital Receipts

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

Contingent Liabilities

Amounts due to individuals or organisations which may arise in the future but which cannot be determined accurately.

GLOSSARY OF TERMS

Creditors

Amounts owed for goods and services received by the Authority within the financial year and which have not been paid.

Debtors

Amounts owed for work or services rendered by the Authority within the financial year and which have not been paid.

Deferred Charges

Items of capital expenditure which do not result in, or remain matched by, tangible fixed assets. Examples include improvement grants made to private landlords. These items of expenditure are written off to revenue in the year in which the expenditure is incurred.

Deferred Liabilities

These are liabilities which are payable beyond the next year at some point in the future or paid off by an annual sum over a period of time eg. deferred purchase arrangements.

Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

Expenditure

Amounts paid by the authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if they have not been paid for.

General Fund

The main revenue fund of the Authority includes the net cost of all services financed by local taxpayers and Government grants.

Income

Amounts due to the Authority for goods supplied or services rendered of either a capital or revenue nature. This does not necessarily involve cash being received since income is deemed to have been earned once the goods or services have been supplied even if cash has not been received.

Leasing

A method of financing capital expenditure where a rental is paid for an asset for a specified period of time. Two forms of lease exist:- a Finance Lease involves the payment of the full cost of the asset over the period of the lease, at the end of which the asset will belong to the Authority; and an Operating Lease which involves the payment of a rental for the use of the asset and at the end of the leasing agreement the asset will not belong to the Authority.

GLOSSARY OF TERMS

Liabilities

Amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Precepts

The method by which a non-charging authority obtains the income it requires by making a levy on the appropriate charging authorities. Charging authorities, which include the Authority, will themselves precept on the Collection Fund to obtain their own income.

Provisions

These are amounts set aside to provide for any liabilities of uncertain timing or amount that have been incurred.

Public Works Loan Board (PWLB)

A central government agency which lends money to local authorities at lower rates than those generally available from the private sector. Local authorities are able to borrow a proportion of their requirements to finance capital expenditure from this source.

Reserves

These are amounts set aside for specific purposes where there is no certainty about the level and timing of expenditure.

Revenue Contributions

The method of financing capital expenditure directly from revenue.

Revenue Expenditure

Expenditure incurred on the day to day running of the Council. This mainly includes employee costs, general running expenses and capital financing costs.

Revenue Support Grant

This is a Central Government Grant paid each year as a contribution towards the cost of the Authority's services in general.

Ring Fenced

This refers to the statutory requirement that certain accounts such as the Housing Revenue Account must be maintained separately from General Fund.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. *The Authority's Responsibilities*

The Authority is required:

- i) 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 these affairs. In this Authority, that officer is the Assistant Chief Executive (Finance, IT & Resources); and
- ii) to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

2. *The Assistant Chief Executive's Responsibilities*

The Assistant Chief Executive (Finance, IT & Resources) is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in Great Britain, is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2002. In preparing this statement of accounts, the Assistant Chief Executive (Finance, IT & Resources) has:

- i) selected suitable accounting policies and then applied them consistently;
- ii) made judgements and estimates that were reasonable and prudent; and
- iii) complied with the Code of Practice.

The Assistant Chief Executive (Finance, IT & Resources) has also:

- i) kept proper accounting records which were up to date; and
- ii) taken reasonable steps for the prevention and detection of fraud and other irregularities.