

# **Erewash Borough Council**

## **Statement of Accounts 2010/11**



# STATEMENT OF ACCOUNTS 2010 - 2011

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# EXPLANATORY FOREWORD

## Background

These accounts set out the financial position for Erewash Borough Council (which is a local authority providing statutory services such as Refuse Collection, Environmental Health, Street Cleaning, Planning, Building Control and Housing Benefits alongside other services such as Leisure, Green Spaces, Housing Strategy and Markets) for the year ended 31<sup>st</sup> March 2011. They have been prepared in accordance with the Code of Practice on Local Authority Accounting in the UK 2010 (The Code). For the current year, and for the comparators for the previous year, the accounting policies follow Internal Financial Reporting Standards (IFRS) to the extent that they are meaningful and appropriate to local government. The Council had previously prepared statements based on accounting policies drawn up under UK GAAP (Generally Accepted Accounting Principles). The date of the first time adoption of IFRS was 1<sup>st</sup> April 2009. In accordance with IFRS 1 (First Time Adoption of International Financial Reporting Standards) the balances as at 1<sup>st</sup> April 2009 and 31<sup>st</sup> March 2010, together with the figures for the 2009/10 financial year, have been restated. These restatements have no effect upon the financing of the Council's expenditure or the level of balances and usable reserves held by the Council.

IFRS 1 requires the Council to explain how the transition from the previous UK GAAP to IFRS has affected its reported financial position, financial performance and cash flows by presenting:

(a) Reconciliations of its net worth under previous UK GAAP to its net worth under IFRS for both of the following dates:

- the date of transition to IFRS (1<sup>st</sup> April 2009),
- the end of the latest period presented in the Council's most recent annual, financial statements under previous UK GAAP (31<sup>st</sup> March 2010),

(b) A reconciliation of its total comprehensive income and expenditure under IFRS for the latest period in the Council's most recent annual financial statements. The starting point for that reconciliation shall be the total comprehensive income and expenditure under previous UK GAAP for the same period (year ending 31<sup>st</sup> March 2010).

This information is presented in Notes 3, 4 and 5 to the Financial Statements.

## The Transition to IFRS Based Accounting

The retrospective transition to an IFRS based Code has resulted in a number of amendments to the previously published accounts. The detail of these amendments is shown in Notes 3, 4 and 5 to the Core Statements. A number of the Council's Accounting Policies have been reviewed. The Council's Audit Committee (29<sup>th</sup> September 2010) agreed revised accounting policies in order that the restatement of the Balance Sheet at 1<sup>st</sup> April 2009 and the 31<sup>st</sup> March 2010 could be undertaken. These were updated in the report to the Council's Audit Committee on 5<sup>th</sup> July 2011. Full details of the policies that have been revised are included in the introduction to the Accounting Policies section on page 12.

As a consequence of the move to an IFRS based Code, and the adoption of revised accounting policies, amendments have been made to the following categories of assets and liabilities:

- Property, Plant and Equipment,

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# EXPLANATORY FOREWORD

- Government Grants,
- Cash and Cash Equivalents,
- Provisions
- Short Term Accumulating Compensated Absences.

In addition, Bramcote Joint Crematorium Committee's accounts were treated as group accounts in the original Balance Sheet at 1<sup>st</sup> April 2009 but consolidated into the Council's accounts in the Balance Sheet at 31<sup>st</sup> March 2010. In order to make meaningful comparisons, the relevant figures at 1<sup>st</sup> April 2009 have been consolidated into the Council's accounts in the restated 1<sup>st</sup> April 2009 Balance Sheet.

**None of the adjustments arising as a result of the adoption of the IFRS based Code impact upon the Council Tax or the level of balances held by the Council.**

## **The Statement of Accounts**

The Statement of Accounts comprises the following core statements:

### **Movement in Reserves Statement**

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'other' reserves. The 'Surplus (or Deficit) on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

### **Comprehensive Income and Expenditure Statement**

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Council raises taxation to cover expenditure in accordance with regulations but this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

### **Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level and any statutory limitations on their use (for example, capital receipts that may only be used to fund capital expenditure or repay debt). The second category of reserves include those that hold unrealised gains and losses (for example, the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding under regulations'.

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## **Cash Flow Statement**

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

For the 2010/11 Statement, the Council has produced the Cash Flow Statement on an indirect basis, rather than on the direct basis that has been used in previous years. The comparator for 2009/10 has also been altered. The Council believes that the indirect method provides a more readily understandable analysis of cash flow, and is also consistent with the requirements for the Whole of Government Accounts Return.

The Statement also contains the following supplementary statement:

## **Collection Fund**

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and Government of Council Tax and non-domestic rates. The following authorities are the major preceptors on the Council:

- Derbyshire County Council,
- Derbyshire Police Authority,
- Derbyshire Fire and Rescue.

## **A Summary of the Council's Financial Performance for the Financial Year 2010/11**

The Council's revenue and capital budgets are allocated between the portfolio holders who make up the Council Executive and committees of the Council. Spending against these budgets is carefully monitored throughout the year and reported quarterly to Executive. The following table below compares the actual expenditure in the year in accordance with regulations with the revised budget for 2010/11.

## EXPLANATORY FOREWORD

<b>Revenue Outturn</b>			
<b>Directorate</b>	<b>Revised Budget</b>	<b>Actual Expenditure</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Expenditure</b>			
Operational Services	7,466	7,456	(10)
Resources	5,620	5,709	89
Executive Office	1,103	865	(238)
Non Directorate	1,954	1,192	(762)
<b>Net Cost of Services</b>	<b>16,143</b>	<b>15,222</b>	<b>(921)</b>
<b>Financed By</b>			
Revenue Support Grant	(1,228)	(1,228)	0
Redistributed Non Domestic Rates	(8,458)	(8,458)	0
Council Tax	(5,825)	(5,825)	0
Collection Fund Surplus	(23)	(23)	0
Other Non Specific Grants	(151)	(94)	57
Transfer from Balances	(458)	406	864
<b>Total Income</b>	<b>(16,143)</b>	<b>(15,222)</b>	<b>921</b>

This underspend position also includes a significant contribution (£850,000) to the Council's Vehicles and Plant Renewals Reserve which it is deemed prudent to make given the overall level of savings and the likely call on this reserve over the next few years.

The significant saving is a result of managers starting to work towards the anticipated lower levels of funding announced in the Comprehensive Spending Review (CSR10). It supports the robustness of the 2011/12 budget as it shows that the level of savings taken out of the budget can be achieved.

The savings were a combination of employee costs savings resulting from a policy of maintaining vacant posts wherever possible, service restructuring e.g. the reorganisation of the refuse collection rounds and savings in running costs. Across the directorates, employee budgets were underspent by approximately £680,000.

The Table above shows that instead of a contribution from balances of £458,000, the outturn position allowed a transfer back to general reserves of £406,000. This resulted in a year end General Fund balance of £5.287m (which excludes any balances relating to Bramcote Crematorium) and which is approximately 8% of the Council's gross revenue expenditure. This remains above the Council's policy of maintaining a minimum working balance of 5% and it is a healthy financial position as the effect of government grant cuts will continue over the period of the Medium Term Financial Forecast.

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As part of a comprehensive financial planning process, the Council also sets aside other revenue funds as earmarked reserves to provide for known spending commitments, these totalled £1.289m as at 31 March 2011. The reduction from last year's balance (£2.559m) is partially due to a change in the accounting treatment of the former Job Evaluation Reserve (£0.984m) and the effective transfer to general reserves of the Concessionary Fares reserve (which is no longer needed due to the transfer of responsibility to the County Council) and the Disaster Recovery reserve (as there is no specific anticipated use for this and any future issue would be picked up out of general reserves).

The table below shows the Council's actual capital expenditure for 2010/11 compared with the planned capital programme.

<b>Capital Outturn</b>			
<b>Committee / Service</b>	<b>Budget</b>	<b>Actual Expenditure</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Operational Services</b>			
Decent Homes Grants	845	652	(193)
Disabled Facilities Grants	1,184	687	(497)
Play Area Refurbishment	234	1	(233)
War Memorial, Ilkeston	5	0	(5)
Vehicle Replacement Programme	303	303	0
CCTV System Replacement and Digital Storage of Images	150	0	(150)
Dog Bin Waste Removal Van and Bins	15	5	(10)
Energy Efficiency Measures	50	0	(50)
West Park Leisure Centre Changing Rooms Improvements	188	126	(62)
Duchess Theatre and Chatsworth Centre Renovation	55	55	0
West Park Leisure Centre Condition Survey Works	175	2	(173)
West Park Leisure Centre Reception Improvements and Tactile Signage	19	2	(17)
Victoria Park Leisure Centre Refurbishment	800	477	(323)
Victoria Park Bandstand Repairs	18	0	(18)
Merlin Way Installation of CCTV	40	2	(38)
Rutland Sports Park	0	(8)	(8)
<b>Resources</b>			
Heritage Economic Regeneration Scheme	2	2	0
Long Eaton Environmental Improvement Scheme	13	13	0
Sandiacre Environmental Improvements	2	2	0
Council Buildings Major Repairs Programme	155	156	1

## EXPLANATORY FOREWORD

<b>Committee / Service</b>	<b>Budget</b>	<b>Actual Expenditure</b>	<b>Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Improvements to Football Field, Haddon Way, Sawley	35	0	(35)
Refurbishment of Albion Centre, Ilkeston	22	22	0
Ilkeston Town Hall and Bridge House Window Replacement Programme	30	30	0
West Park Changing Room Improvements	28	28	0
West Park Car Park Renovation	2	2	0
West Park Electricity Supply Improvements	42	42	0
West Park Planned Preventative Maintenance Programme	20	20	0
ICT – Email Archiving	24	24	0
Voice and Data Network Cabling	14	14	0
Long Eaton Townscape Heritage Initiative Scheme – Public Realm Works	309	309	0
Long Eaton Townscape Heritage Initiative Scheme – Grant Payments	532	465	(67)
Social Housing Grant	214	30	(184)
	<b>5,525</b>	<b>3,463</b>	<b>(2,062)</b>
<b>Financed By</b>			
Capital Receipts	(3,326)	(1,473)	(1,853)
Grants and Contributions	(1,954)	(1,674)	(280)
Miscellaneous Income	0	(13)	13
Vehicle Renewals Fund	(245)	(296)	51
Revenue Contributions to Capital	0	(7)	7
<b>Total Financing</b>	<b>(5,525)</b>	<b>(3,463)</b>	<b>(2,062)</b>

There are a number of significant variations between the budgeted and actual capital expenditure for the year:

**Decent Homes Grants and Disabled Facilities Grants** (underspend of £690,000) – although the underspend is £690,000, all but £20,000 of this was committed during the year. There will always be a time lag between the grant approval and payment because of the need to commission, undertake and finally inspect the work prior to the release of the grant.

**Play Area Refurbishment** (underspend of £233,000) – the multi-use games area at Kirk Hallam has now been completed and payment has been made in 2011/12. Construction of the Skate Park at West Park is due to commence in the summer of 2011 following an extensive consultation exercise. Consultation has also been completed on the Splash Zone at West Park, and the tender process is in place. The scheme should be completed in the autumn of 2011. Consultation on the BMX / Wheeled Sports Area at Kirk Hallam identified difficulties, leading to another site having to be selected. Installation is now expected to be completed by March 2012.

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**CCTV System Replacement and Digital Storage of Images** (underspend of £150,000) – this has been delayed to allow for a wider strategic review of the whole network.

**West Park Leisure Centre Condition Survey Works** (underspend of £173,000) – as a result of the contractor for the West Park Changing Room Improvement scheme going into administration there were delays in completing that scheme, which in turn delayed the condition survey works.

**Victoria Park Leisure Centre Refurbishment** (underspend of £323,000) – the scheme did not commence until January 2011 as a consequence of delays over the specification of the works within the target cost.

**Social Housing Grant** (underspend of £184,000) – these funds have been allocated to specific schemes but will not actually be spent until 2011/12, or in some cases, 2012/13. On the rural housing schemes there have been delays due to funding changes at the Homes and Communities Agency, and delays in securing specific sites.

### **Borrowing**

The Council has a policy of remaining debt free and therefore does not have any external borrowing. This policy may have to be reviewed in the future as capital resources to fund new projects diminish. All capital expenditure during 2010/11 was financed from grants, other contributions and the Council's own resources.

### **Provisions, Contingencies and Material Items Written Off**

The Council formerly had an earmarked revenue reserve of £984,000 to cover the cost of the Job Evaluation exercise and any potential equal pay claims. Under the terms of IAS 37 it was considered more appropriate to treat this as a provision rather than a reserve, in that an obligation has arisen from a past event. In addition the Council has established a Short Term Compensated Absences Adjustment Account to match the liability for the future payments to staff for additional hours worked and accrued annual leave. Both of these provisions have been reflected in the restated Balance Sheet as at 1<sup>st</sup> April 2009.

Fuller details of these contingencies can be found in Note 33 to the financial statements.

There were no material amounts written off during 2010/11.

# EXPLANATORY FOREWORD

## Material Liabilities

### Pensions

There is currently a net shortfall that will be reviewed periodically by the Derbyshire County Pension Fund actuary and steps will be taken to address the shortfall. The Council's share of the shortfall is £23.754m at 31<sup>st</sup> March 2011. Whilst the figure is substantial the following factors should also be taken into consideration:

- it is not an immediate deficit that has to be met from existing resources. The sum is the current assessment of the future liabilities for existing pensioners and current employees who are accruing a pension entitlement,
- it is not unique to this Council, but affects all councils in the UK,
- the Derbyshire County Fund is regularly reviewed and additional contributions have already been raised to address the problem over future years.

Full details of the pension's liability are contained in Note 32 to the financial statements.

### Other Liabilities

There are no other significant liabilities.

### Current Economic Climate

The Council produced a self assessment for the external auditors in line with the principles of the going concern concept. This covered four areas, all of which are likely to be affected by the current economic conditions.

- **Budgets and Forecasts - Revenue**

The Council has a robust balanced budget for 2011/12 and a comprehensive Medium Term Financial Forecast covering the four year period of the latest Comprehensive Spending Review. Some of the key variables are unlikely to affect the viability of the budget e.g.

- pay awards have been set at nil by the government,
- interest rates are unlikely to get any lower and the effect of such low rates is already factored into the investment budget,
- fees and charges budgets have been reduced significantly over the last few years to reflect reducing levels of activity,
- a policy of keeping posts vacant as officers leave has given a high degree of flexibility in managing the coming years' budgets within the tight funding constraints.

Consideration is also given to issues which may add costs in future so that they can be managed in alongside the other issues.

- the Agency Workers Directive - this will add costs to employing temporary workers,
- energy costs - given the global market conditions this needs monitoring,
- pensions – there is a national pressure for changes which will need to be assessed,
- job evaluation – estimated costs are factored into the medium term forecast,
- fleet renewal – options are being appraised.

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- **Capital**

Similarly a three year Capital Programme has been set and this is all capable of being funded by existing capital resources or external grants without the need to resort to borrowing. At the end of that period there may be the need to borrow for capital purposes but this would only be undertaken in the context of affordability by the General Fund.

- **Financial Health**

The Council has significant levels of reserves which could be used to ensure the ongoing viability of the Council if need be. The drive for efficiency savings to bridge future budget gaps should ensure that these reserves remain at healthy levels into at least the medium term.

Also the Council has a comprehensive virement scheme which allows managers to utilise savings to cover unanticipated costs elsewhere. There is also a reasonable level of contingency budget in the General Fund which allows the Director for Resources to manage the budget if issues arise during the year.

- **Contingent Liabilities and Provisions**

The Council makes an annual assessment of contingent liabilities (and assets) to ensure future cost surprises are kept to a minimum and these are outlined in Note 33.

### **Material Events after the Reporting Date**

No material events have occurred since the end of the reporting period that would significantly affect the Statement of Accounts.

# STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

## The Council's Responsibilities

Section 151 of the Local Government Act 1972 requires the Council to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director for Resources.

The Council is required to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

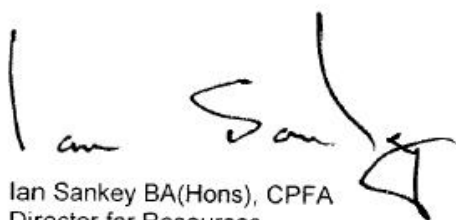
The Council is required to arrange proper approval of the Statement of Accounts.

## The Director for Resources Responsibilities

The Director for Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'). The accounts should present a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this Statement of Accounts the Director for Resources has:

- selected suitable accounting policies and then applied them consistently,
- made judgements and estimates that were reasonable and prudent,
- complied with the Code of Practice on Local Authority Accounting,
- kept proper accounting records which were up to date,
- taken reasonable steps for the prevention and detection of fraud and other irregularities,
- considered and disclosed all material events up to 30 June 2011.

  
Ian Sankey BA(Hons), CPFA  
Director for Resources

Date: 27th September 2011

  
Councillor Alan Summerfield  
Chairman of the Audit Committee

Date: 27 SEPT 2011

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EREWASH BOROUGH COUNCIL



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EREWASH BOROUGH COUNCIL

### **Opinion on the Council's accounting statements**

We have audited the accounting statements of Erewash Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

This report is made solely to the Members of Erewash Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of the Director for Resources and auditor***

As explained more fully in the Statement of the Director for Resources' Responsibilities, the Director for Resources is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. Our responsibility is to audit and express an opinion on the Statement of Accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### ***Scope of the audit of the accounting statements***

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the accounting statements. We read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### ***Opinion on accounting statements***

In our opinion the accounting statements:

- give a true and fair view of the state of Erewash Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (based on International Financial Reporting Standards).

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# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EREWASH BOROUGH COUNCIL



## **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

## **Matters on which we report by exception**

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounting statements are not in agreement with the accounting records and returns; or
- the Annual Governance Statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we have not received all the information and explanations we require for our audit.

## **Conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### ***Council's responsibilities***

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

### ***Auditor's responsibilities***

We are required, under Section 5 of the Audit Commission Act 1998, to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Basis of conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Council has proper arrangements for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EREWASH BOROUGH COUNCIL



The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

## **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, we are satisfied that, in all significant respects, Erewash Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

## **Certificate**

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

A handwritten signature in blue ink, appearing to read "J D Roberts", written over a faint circular stamp.

**J D Roberts**  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Birmingham  
Friday, 30 September 2011

## STATEMENT OF ACCOUNTING POLICIES

The following table summarises the changes to accounting policies from the previous financial year, mainly arising as a result of the introduction of IFRS and the following paragraphs summarise the policies themselves.

	<b>New policy (IFRS)</b>	<b>Previous policy (UK GAAP)</b>	<b>Comments</b>
1	General Principles	<i>General</i>	Amended to generally comply with CIPFA guidance
2	Debtors	<i>New</i>	Drafted to comply with CIPFA guidance
3	Creditors	<i>New</i>	Drafted to comply with CIPFA guidance
4	Accruals of Income and Expenditure	<i>Accruals of Income and Expenditure</i>	Amended to generally comply with CIPFA guidance
5	Employee Benefits	<i>Retirement Benefits</i>	As presented to Audit Committee with some minor amendments but with the addition of a final paragraph headed 'Statutory Powers' in accordance with CIPFA guidance
6	Property, Plant and Equipment	<i>Tangible Fixed Assets</i>	As presented to Audit Committee with some minor amendments
7	Leases	<i>Leases</i>	As presented to Audit Committee with some minor amendments
8	Financial Instruments	<i>Financial Liabilities / Financial Assets</i>	Amended to generally comply with CIPFA guidance
9	Investment Property	<i>New</i>	As presented to Audit Committee with some minor amendments but with the addition of a final paragraph covering the treatment of rentals received and gains and losses in accordance with CIPFA guidance
10	Intangible Assets	<i>Intangible Fixed Assets</i>	As presented to Audit Committee with some minor amendments but with the addition of a final paragraph dealing with the impact of gains and losses on the General Fund Balance in accordance with CIPFA guidance

## STATEMENT OF ACCOUNTING POLICIES

	<b>New policy (IFRS)</b>	<b>Previous policy (UK GAAP)</b>	<b>Comments</b>
11	Non Current Assets Held For Sale	<i>New</i>	As presented to Audit Committee but amended to include part of CIPFA guidance policy for Property, Plant and Equipment that relates to assets held for sale
12	Joint Venture	<i>New</i>	Presentation to Audit Committee significantly amended to generally comply with CIPFA guidance
13	Government Grants and Contributions	Government Grants and Contributions (Revenue)	Presentation to Audit Committee significantly amended to generally comply with CIPFA guidance particularly as it relates to entries in the General Fund balance and the Movement in Reserves Statement
14	Inventories	<i>Stocks and Work in Progress</i>	As presented to Audit Committee
15	Cash and Cash Equivalents	<i>New</i>	As presented to Audit Committee
16	Provisions, Contingent Liabilities and Contingent Assets	<i>Provisions</i>	Presentation to Audit Committee significantly amended to generally comply with CIPFA guidance including a paragraph relating to the treatment of back pay arising from the equal pay strategy
17	Exceptional Items	<i>New</i>	Added to generally comply with CIPFA guidance
18	Prior Year Adjustments, Changes in Accounting Policies and Estimates and Errors	<i>New</i>	Added to generally comply with CIPFA guidance
19	Charges to Revenue for Non Current Assets	<i>Charges to Revenue for Fixed Assets</i>	Amended to generally comply with CIPFA guidance
20	Events after the Balance Sheet Date	<i>New</i>	Added to generally comply with CIPFA guidance
21	Overheads and Support Services	<i>Overheads and Support Services</i>	Amended to generally comply with CIPFA guidance

## STATEMENT OF ACCOUNTING POLICIES

	<b>New policy (IFRS)</b>	<b>Previous policy (UK GAAP)</b>	<b>Comments</b>
22	Reserves	<i>Reserves</i>	Amended to generally comply with CIPFA guidance
23	Revenue Expenditure Funded from Capital under Statute	<i>Revenue Expenditure Funded from Capital under Statute (REFCUS)</i>	Amended to generally comply with CIPFA guidance
24	Area Based Grant	<i>New</i>	Drafted to comply with CIPFA guidance
25	VAT	<i>Value Added Tax</i>	Amended to generally comply with CIPFA guidance
26	Amounts Reported for Resource Allocation Decisions	<i>New</i>	Drafted to comply with CIPFA guidance
27	Collection Fund	<i>New</i>	Drafted to comply with CIPFA guidance

# STATEMENT OF ACCOUNTING POLICIES

## 1. General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the end of that year. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2003 in accordance with proper accounting practices.

These accounting practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non current assets and financial instruments.

## 2. Debtors

Debtors are not recognised when the Council becomes committed to supply goods or services, but when the ordered goods or services have actually been delivered or rendered. Debtors are recognised and measured at fair value of the consideration receivable when revenue has been recognised.

The Council is required to distinguish between long term debtors (payable for periods of more than one year) and short term debtors (payable within one year).

## 3. Creditors

Creditors are not recognised when the Council becomes committed to purchase the goods or services, but when the ordered goods or services have been delivered or rendered. Creditors are recognised at fair value of the consideration payable.

The Council is required to distinguish between long term creditors (payable for periods of more than one year) and short term creditors (payable within one year).

## 4. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council,
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council,
- supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories in the Balance Sheet,

# STATEMENT OF ACCOUNTING POLICIES

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made,
- interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

## 5. Employee Benefits

### Benefits Payable During Employment

Benefits payable during employment cover short-term employee benefits (other than termination benefits) that are due to be settled within 12 months after the end of the reporting period. Short-term employee benefits include wages, salaries and social security contributions, compensated absences and non-monetary benefits (i.e. benefits in kind).

Compensated absences are periods during which an employee does not provide services to the employer, but benefits continue to be paid. Compensated absences may be accumulating or non-accumulating.

Accumulating absences are those that are carried forward and can be used in future periods if the current period entitlement is not used in full. Annual leave, flexi-time and time in lieu are usually accumulating absences which may be either vesting or non-vesting. Where vesting, employees who leave are entitled to a cash payment in respect of any unused entitlement. Where non-vesting, benefits lapse if an employee leaves before the vesting date.

Non-accumulating absences are those that cannot be carried forward for use in future periods if the current period entitlement is not used in full. Sick leave, maternity leave, paternity leave and jury service will usually be non-accumulating absences which are recognised at the time the absence occurs.

The cost of providing non-monetary benefits, for example housing, cars and free or subsidised goods or services, is recognised according to the same principles as benefits payable in cash. The amount recognised as an expense is the cost of providing the benefit.

### Termination Benefits

Termination benefits are dealt with separately from other employee benefits because the event which gives rise to an obligation is the termination rather than employee service. Termination benefits are payable as a result of either:

- a) an employer's decision to terminate an employee's employment before the normal retirement date, or
- b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

Termination benefits are often lump-sum payments, but also include:

- a) enhancement of retirement benefits, and
- b) salary until the end of a specified notice period if the employee renders no further service that provides economic benefits.

Voluntary early retirement benefits under scheme rules are not termination benefits since such benefits are a right of all scheme members. They are accounted for as post-employment benefits rather than termination benefits.

# STATEMENT OF ACCOUNTING POLICIES

## Post-Employment Benefits

Employees of the Council are members of The Local Government Pensions Scheme which is accounted for as a defined benefit scheme.

### Estimating the benefit that employees have earned

Actuarial techniques are used to:

- a) Estimate the variables that will determine the ultimate cost of providing post-employment benefits. The main actuarial assumptions for pension benefits comprise demographic assumptions such as mortality, employee turnover and expected early retirement where the employee has the right under the scheme rules and financial assumptions such as the discount rate and salary and benefit levels.
- b) Determine how much benefit is attributable to the current and prior periods. Benefits are attributed to periods of service in accordance with the scheme's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, benefit is attributed on a straight-line basis until the date when further service by the employee will lead to no material amount of further benefits.

Actuarial assumptions are unbiased and mutually compatible. They are unbiased if they are neither imprudent nor excessively conservative. Financial assumptions are based on market expectations at the end of the reporting period for the period over which the obligations are to be settled.

### Discounting the benefit to determine the present value of the defined benefit obligation

The projected unit credit method is used to determine the present value of the Council's defined benefit obligation and the related current service cost and, where applicable, past service cost. This method views each period of service as giving rise to an additional unit of benefit entitlement, with each unit being measured separately to build up the obligation.

The rate used to discount post-employment benefit obligations is determined by reference to market yields at the Balance Sheet date on high quality corporate bonds. The currency and term of the corporate bonds are consistent with the currency and estimated term of the post-employment benefit obligations. The interest cost is computed by multiplying the discount rate as determined at the start of the period by the present value of the defined benefit obligation throughout that period, taking account of any material changes in the obligation.

### Determining the fair value of scheme assets

The fair value of scheme assets is deducted in determining the defined benefit liability. When no market price is available, the fair value of scheme assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the scheme assets and the maturity or expected disposal date of those assets. Scheme assets exclude unpaid contributions due from the Council to the fund and are reduced by any liabilities of the fund that do not relate to employee benefits, for example, trade and other payables and liabilities resulting from derivative financial instruments.

### Determining the amount of actuarial gains and losses

Actuarial gains and losses are experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. The movement in actuarial gains and losses for the year is recognised in the Pensions Reserve.

## STATEMENT OF ACCOUNTING POLICIES

### Where a scheme has been changed, determining the resulting past service cost

Past service cost usually arises when the benefits payable for past service under an existing defined benefit scheme are changed. Past service cost is measured as the change in the liability resulting from the amendment. Where the amendment vests immediately, the past service cost is recognised immediately regardless of the fact that the cost refers to employee service in previous periods. Sometimes there is a vesting period, in which case the past service cost is amortised on a straight-line basis over the average period until the benefits become vested. The amortisation schedule for past service cost is fixed when the amendment is introduced and is not revised unless there is a curtailment or settlement.

Where benefits payable under an existing defined benefit scheme attributable to past service are changed so that the present value of the defined benefit obligation decreases, the resulting reduction in the defined benefit liability is recognised as a negative past service cost over the average period until the change in benefits becomes vested. Where, at the same time as the reduction in liability, other changes are made that result in an increase in the liability under the plan for the same employees, the change is treated as a single net change.

With effect from 1 April 2011 public service pensions are up-rated in line with the Consumer Prices index (CPI) rather than the Retail Prices Index (RPI).

### Where a scheme has been curtailed or settled, determining the resulting gain or loss

Curtailments and settlements are events that change the liabilities relating to a defined benefit scheme and that are not covered by normal actuarial assumptions.

A curtailment occurs when the Council either:

- a) is demonstrably committed to making a significant reduction in the number of employees covered by a scheme; or
- b) amends the terms of a defined benefit scheme so that a significant element of future service by current employees will no longer qualify for benefits, or will qualify only for reduced benefits.

When a scheme amendment reduces benefits, only the effect of the reduction for future service is a curtailment. The effect of any reduction for past service is a negative past service cost.

A curtailment may arise from an isolated event, such as the discontinuance of an activity, or a reduction in the extent to which future salary increases are linked to the benefits payable for past service. Curtailments are often linked with a restructuring. When this is the case, a curtailment is accounted for at the same time as for a related restructuring.

A settlement arises when a transaction is entered into that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit scheme. Settlements have the effect of extinguishing a portion of the scheme liabilities, usually by transferring scheme assets to or on behalf of scheme members to their new employer or an insurance company in settlement of the obligation.

Gains or losses on the curtailment or settlement of a defined benefit scheme are recognised in the Surplus or Deficit on the Provision of Services when the curtailment or settlement occurs. The gain or loss comprises:

- a) any resulting change in the present value of the defined benefit obligation,
- b) any resulting change in the fair value of the scheme assets,
- c) any unamortised related past service costs.

Before determining the effect of a curtailment or settlement, the obligation and related scheme assets are re-measured using current actuarial assumptions.

# STATEMENT OF ACCOUNTING POLICIES

## Balance Sheet recognition

The amount recognised as a defined benefit liability is the net total of the following amounts:

- a) the present value of the defined benefit obligation at the Balance Sheet date,
- b) minus any past service cost not yet recognised (i.e. past service costs that have not vested at the Balance Sheet date),
- c) minus the fair value at the Balance Sheet date of scheme assets out of which the obligations are to be settled directly.

The defined benefit liability as determined above may be negative (i.e. an asset). Where this is the case there is a limit on the amount that can be recognised on the Balance Sheet as an asset. Any Minimum Funding Requirement of the pension scheme may also affect the amount that can be recognised as an asset.

The present value of defined benefit obligations and the fair value of any scheme assets are determined with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the Balance Sheet date. This is interpreted to mean that between formal actuarial valuations every three years, there are approximate assessments in intervening years. Acceptable approximations include adjusting full valuation results using the latest available membership data.

## Surplus or deficit on the provision of services

The net total of the following amounts is recognised in Surplus or Deficit on the Provision of Services:

- a) current service cost,
- b) interest cost,
- c) the expected return on any scheme assets and on any reimbursement rights,
- d) past service cost,
- e) the effect of any curtailments or settlements.

## Statutory Provisions

Statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, rather than the amount calculated in accordance with relevant accounting standards. In the Movement of Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for post-employment benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for post-employment benefits on the basis of cash flows rather than as benefits are earned by employees.

## **6. Property, Plant and Equipment**

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the supply of goods and services, for rental to others or for administrative purposes and are expected to be used during more than one financial year.

# STATEMENT OF ACCOUNTING POLICIES

## Recognition

The cost of an item of property, plant and equipment is recognised when it is probable that future economic benefits or service potential associated with the asset will flow to the Council and that the cost can be measured reliably.

Subsequent costs arising from day-to-day servicing of an asset (ie labour costs and consumables), commonly referred to as 'repairs and maintenance', are not recognised as property, plant and equipment because the expenditure does not add to the future economic benefits or service potential of the asset. Rather, the expenditure maintains the asset's potential to deliver future economic benefits or service potential that it was expected to provide when originally acquired.

Where a component is replaced or enhanced, the carrying amount of the old component is derecognised to avoid double counting and the new component reflected in the carrying amount, subject to the recognition principles, as set out above, being met.

## Measurement

An item of property, plant and equipment is initially measured at cost, comprising the purchase price and all expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of property, plant and equipment acquired other than by purchase is deemed to be its fair value unless the acquisition does not have commercial substance, in which case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council. Donated assets are measured initially at fair value.

Subsequently, items of property, plant and equipment are carried in the Balance Sheet using the following measurement bases:

- Land and buildings: Fair value (the amount that would be paid for land and buildings in their existing use);
- Items of a specialised nature (where no market-based evidence is available): Depreciated replacement cost;
- Infrastructure assets and community assets: Depreciated historical cost;
- Non-property assets with short useful lives and/or low values: Depreciated historical cost;
- All other classes of property, plant and equipment: Fair value (the amount for which an asset could be exchanged in an arms-length transaction).

Where non-property assets have short useful lives or low values (or both), depreciated historical cost is used as a proxy for fair value.

Land and buildings are revalued at intervals of no more than five years. Valuations are undertaken on a rolling basis by professionally qualified valuers.

Where the carrying amount of an item of property, plant and equipment is increased as a result of a revaluation, the increase is recognised in the Revaluation Reserve, unless the increase is reversing an impairment loss or a revaluation decrease on the same asset, previously charged to the Comprehensive Income and Expenditure Statement.

## STATEMENT OF ACCOUNTING POLICIES

Where the carrying amount of an item of property, plant and equipment is decreased as a result of a revaluation, (i.e. a significant decline in an asset's carrying amount during the period that is not specific to the asset) as opposed to an impairment, the decrease is recognised in the Revaluation Reserve up to the balance already existing in respect of the asset (i.e. up to its historical cost) and, thereafter, charged to the Comprehensive Income and Expenditure Statement.

### Impairment

At the end of each reporting period, an assessment is made as to whether there is any indication that an item of property, plant and equipment may be impaired. If there is indication of impairment, the recoverable amount of the asset is estimated to determine any impairment loss. If there has been an impairment loss, the item of property, plant and equipment is written down to its recoverable amount. The impairment loss is charged to the Revaluation Reserve, to the extent that it does not exceed the amount in the Revaluation Reserve for the same asset and, thereafter, to the Comprehensive Income and Expenditure Statement.

Where an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the carrying amount that would have been determined had there been no initial impairment loss. Any excess of the impairment loss reversed above this carrying amount is charged to the Revaluation Reserve.

### Depreciation

Depreciation applies to all items of property, plant and equipment with the exception of investment properties carried at fair value and land without a determinable finite useful life.

The methods of depreciation that reflect the pattern in which the future economic benefits or service potential of different items of property, plant and equipment are expected to be consumed, are determined as follows:

- buildings: Straight-line allocation over the life of the property,
- vehicles, plant and equipment: Straight-line allocation over the life of the asset of between 2 and 10 years,
- infrastructure: Straight-line allocation over the life of asset,
- community assets: Not depreciated as their life is non-determinable,
- intangible assets: Straight-line allocation over the life of the asset,
- surplus assets not held for sale, assets under construction and assets held for sale: are not depreciated.

Items of property, plant and equipment are not depreciated until they become available for use (i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management). Depreciation ceases at the earlier of the date that items of property, plant and equipment are classified as held for sale and the date they are derecognised.

Each major component of an item of property, plant and equipment whose cost is significant in relation to the total cost of the item is depreciated separately.

# STATEMENT OF ACCOUNTING POLICIES

The residual value of an item of property, plant and equipment, its useful life and depreciation method are reviewed at least at each financial year end and, if expectations differ from previous reviews or there has been a significant change in the pattern of consumption of the future economic benefits or service potential, the change is accounted for as a change in accounting estimate.

## Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from derecognition is the difference between the net disposal proceeds (if any) and the asset's carrying amount and is included in the Comprehensive Income and Expenditure Statement.

## **7. Leases**

Leases are classified as either finance leases or operating leases based on the extent to which risks and rewards incidental to the ownership of a leased item of property, plant and equipment lie with the lessor or the lessee. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract.

### The Council as Lessee

Finance leases (Note the Council does not currently have any of this type of lease)

The Council, as lessee, would recognise finance leases in the Balance Sheet as items of property, plant and equipment and equal and opposite liabilities at amounts equal to the fair value of the asset or, if lower, the present value of the minimum lease payments.

Lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciation policy for items of property, plant and equipment held under finance leases is consistent with the depreciation policy generally applied to such items.

### Operating leases

Lease payments under an operating lease are recognised as an expense in the Comprehensive Income and Expenditure Statement on a straight-line basis over the lease term.

### The Council as Lessor

#### Finance leases

The Council, as lessor, recognises items of property, plant and equipment held under finance leases as long-term receivables, rather than property, plant and equipment, at amounts equal to the net investment in the lease. Lease payments receivable are apportioned between finance income and repayment of principal. Finance income is calculated so as to produce a constant periodic rate of return on the net investment

# STATEMENT OF ACCOUNTING POLICIES

## Operating leases

Items of property, plant and equipment subject to operating leases are presented according to the nature of the asset. Income from operating leases is recognised in the Comprehensive Income and Expenditure Statement on a straight-line basis over the lease term.

The depreciation policy for depreciable leased items of property, plant and equipment is consistent with the depreciation policy for other similar assets.

## Arrangements Containing a Lease

An arrangement comprising a transaction that does not take the legal form of a lease but conveys a right to use an item of property, plant and equipment in return for a payment or series of payments, may be accounted for as though the arrangement is, or contains, a lease.

Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception and requires an assessment as to whether its fulfilment is dependent on the use of a specific asset and conveys a right to use the asset.

If it is determined that an arrangement is, or contains, a lease, the lease is classified as a finance lease or an operating lease, as appropriate.

## **8. Financial Instruments**

A financial instrument is any contract that gives rise to a financial liability of one entity and a financial asset of another entity. The term 'financial instrument' therefore covers both financial liabilities and financial assets. Typical financial liabilities include creditors, borrowings and financial guarantees. Typical financial assets include bank deposits, debtors, loans receivable and advances.

### Financial Liabilities

A financial liability is recognised when the Council becomes a party to the contractual provisions of a financial instrument and is initially measured at fair value and carried at amortised cost. For example, a loan debt contract would be recognised when the cash is received rather than when the Council becomes committed to the loan agreement.

Creditors are defined as financial liabilities arising from the contractual obligation to pay cash in the future for goods, services or other benefits that have been received and have been invoiced or formally agreed with the supplier.

Annual charges to the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

Derecognition is the term used for the removal of a liability from the Balance Sheet. A financial liability is derecognised when it is extinguished – i.e. when the obligation specified in the contract is discharged or cancelled or expires.

# STATEMENT OF ACCOUNTING POLICIES

## Financial Assets

Financial assets are classified into two categories:

- loans and receivables, which have fixed or determinable payments and are not quoted in an active market, and
- available for sale assets, which have a quoted market price and/or do not have fixed or determinable payments.

## Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Council's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Debtors are defined as financial assets not quoted in an active market with fixed or determinable payments that are contractual rights to receive cash or cash equivalents.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. The effective rate of interest is the rate that exactly discounts estimated future cash receipts over the life of the instrument to the amount at which it was originally recognised.

For most of the Council's loans and receivables, this means that the amount recognised on the Balance Sheet is the outstanding principal receivable, plus accrued interest, and the amount credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year.

Where loans and receivables are identified as impaired because of a likelihood, arising from a past event, that payments due under the contract will not be made, the asset is written down. A charge is made to the relevant service or to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the impairment loss, measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

For the impairment of debtors, a provision for bad and doubtful debts has been established and the debtor figure shown in the Balance Sheet is net of this provision.

Derecognition is the term used for the removal of an asset from the Balance Sheet. Loans and receivables are derecognised when the contractual rights to the cash flows from the asset have expired or have been transferred. Any gains or losses that arise on the derecognition of a loan and receivable asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

# STATEMENT OF ACCOUNTING POLICIES

## Available for sale assets

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions. They are initially measured and subsequently carried at fair value (i.e. market price).

Changes in fair value are balanced by an entry in the Available for Sale Reserve and the gain or loss is recognised in the Surplus or Deficit on Revaluation of Available for Sale Financial Assets. The exception is where an impairment loss is incurred. An impairment loss is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement together with any net gain or loss for the asset accumulated in the Available for Sale Reserve.

Where available for sale financial assets are identified as impaired because of a likelihood, arising from a past event, that fair value will fall below cost, the asset is written down. A charge is made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for the impairment loss, measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Derecognition is the term used for the removal of an asset from the Balance Sheet. Available for sale assets are derecognised when the contractual rights to the cash flows from the asset have expired or have been transferred. Any gains or losses that arise on the derecognition of an available for sale asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement together with any accumulated gains or losses previously recognised in the Available for Sale Reserve

## **9. Investment Property**

An investment property is one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property and is accounted for as property, plant and equipment.

An investment property is measured initially at cost and subsequently at fair value, which reflects market conditions at the Balance Sheet date. This means that a periodic revaluation approach may only be used where the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

A gain or loss arising from a change in the fair value of an investment property is credited or debited in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Similar treatment applies to a gain or loss on the disposal of an investment property.

Rentals received from an investment property are credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement reflecting a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted, by statutory arrangements, to have an impact on the General Fund Balance. Such gains and losses are therefore reversed out of the General Fund Balance in the

# STATEMENT OF ACCOUNTING POLICIES

Movement in Reserves Statement to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 10. Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance. It is controlled by the Council as a result of past events and future economic or service benefits are expected to flow from the intangible asset to the Council. The most common class of intangible asset in local authorities is computer software.

Internally generated intangible assets are recognised where it is demonstrable that the project is technically feasible and is intended to be completed with adequate resources being available. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase. The capitalisation of research expenditure is not permitted.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

An intangible asset is measured initially at cost. After initial recognition, an intangible asset may be carried at a revalued amount where its fair value can be determined by reference to an active market. Otherwise, an intangible asset will be carried at amortised cost.

The depreciable amount of an intangible asset with a finite useful life is amortised over its useful life to the relevant service lines in the Comprehensive Income and Expenditure Statement. The amortisation method used reflects the expected pattern of use of the economic benefits. If the pattern cannot be determined reliably, the straight-line method is used. The amortisation period and method is reviewed at least at the end of each reporting period.

An intangible asset with an indefinite life is not amortised, but is tested for impairment annually and any losses are charged to the relevant service lines in the Comprehensive Income and Expenditure Statement. The useful life of the asset is reviewed annually.

Any gain or loss arising on the disposal or abandonment of an intangible asset is credited or debited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on an intangible asset qualifies as capital expenditure for statutory purposes, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. Such gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## 11. Assets Held For Sale

An asset is classified as held for sale if the asset's carrying amount will be recovered principally through a sale transaction rather than through continued use and meets the following criteria:

- the asset must be available for immediate sale in its present condition subject to terms that are usual and customary for sales of such assets,
- the sale must be highly probable, the appropriate level of management must be committed to a plan to sell the asset and an active programme to locate a buyer and complete the plan must have been initiated,

## STATEMENT OF ACCOUNTING POLICIES

- the asset must be actively marketed for a sale at a price that is reasonable in relation to its current fair value,
- The sale should be expected to qualify for recognition as a completed sale within one year of the date of classification and action required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

An asset classified as held for sale is measured at the lower of its carrying value and fair value less costs to sell at initial reclassification and at the end of each reporting period.

Non current assets that are to be abandoned or scrapped are not classified as non current assets held for sale.

When an asset held for sale is disposed of, the carrying amount of the asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Receipts from disposals of assets held for sale in excess of £10,000 are categorised as capital receipts and credited to the Capital Receipts Reserve and can then be used for new capital investment. Receipts are appropriated to the Capital Receipts Reserve from the General Fund Balance in the Movement in Reserves Statement.

### **12. Joint Venture**

A joint venture is a contractual or binding arrangement whereby two or more parties are committed to undertake an activity that is subject to joint control. Jointly controlled assets form a type of arrangement which meets the definition of a joint venture.

Jointly controlled assets are items of property, plant and equipment jointly controlled by the Council and another venture and used to obtain benefits for both ventures. The joint venture does not involve the establishment of a separate entity. The Council accounts only for its share of the jointly controlled assets, liabilities and expenses that it incurs on its own behalf or jointly and income that it earns from the joint venture.

The Council's contractual arrangement with Broxtowe Borough Council regarding the Bramcote Crematorium is a joint venture.

### **13. Government Grants and Contributions**

Government grants and third party contributions and donations are recognised when there is reasonable assurance that:

- the Council will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

# STATEMENT OF ACCOUNTING POLICIES

Amounts recognised by the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as amounts payable. When conditions are satisfied, the grant or contribution is credited to the relevant service line or Taxation and Non-Specific Income in the Comprehensive Income and Expenditure Statement.

Where capital grants and contributions are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Receipts in Advance Reserve. Amounts in the Capital Grants Receipts in Advance Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

## **14. Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

## **15. Cash and Cash Equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than twenty four hours. Cash equivalents are investments held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Bank overdrafts which are repayable on demand and which form an integral part of the Council's cash management are included as a component of cash and cash equivalents.

## **16. Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year in which the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation.

Estimated settlements are reviewed at 31 March each year. Where it becomes less than probable that a transfer of economic benefits will be required or a lower than anticipated settlement is made, the provision is reversed and recognised as income for the relevant service.

# STATEMENT OF ACCOUNTING POLICIES

Where some or all of the payment required to settle a provision is expected to be recovered from a third party, the reimbursement is only recognised as income for the relevant service if it is certain that it will be received when the Council settles the obligation

## Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the Council. A contingent liability may also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent liability is not recognised in the Balance Sheet but is disclosed as a Note to the Statement of Accounts and the details are set out in Note 33.

## Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events, not wholly within the control of the Council.

A contingent asset is not recognised in the Balance Sheet but is disclosed as a Note to the Statement of Accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **17. Exceptional Items**

When items of income and expense are material, their nature and amount are disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or as a Note to the Statement of Accounts, depending on how significant the items are to an understanding of the Council's financial performance.

## **18. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. When a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the period as if the new policy had always been applied.

## **19. Charges to Revenue for Non Current Assets**

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non current assets during the year:

*Erewash Borough Council Statement of Accounts 2010/11*

## STATEMENT OF ACCOUNTING POLICIES

- depreciation attributable to the asset used by the relevant service,
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off,
- amortisation of intangible assets attributable to the service.

The Council is not required to raise Council Tax to fund depreciation, revaluation and impairment losses or amortisations. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

### **20. Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period. The Statement of Accounts is adjusted to reflect such events,
- those that are indicative of conditions that arose after the reporting period. The Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made as a Note to the Statement of Accounts of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

### **21. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used, the full cost of overheads and support services being shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core which are costs relating to the Council's status as a multi-functional, democratic organisation,
- Non-Distributed Costs which are the costs of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement as part of Net Expenditure on Continuing Services.

### **22. Reserves**

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and

## STATEMENT OF ACCOUNTING POLICIES

Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non current assets, financial instruments and employee benefits and do not represent usable resources for the Council.

### **23. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of Council Tax.

### **24. Area Based Grant**

Area Based Grant is a non-ring fenced general grant. No stipulations as to its use are imposed as part of the grant determination, and this ensures full local control over how funding can be used. It is paid directly to the Council by Central Government. In 2010/11 the grant was added to other non-ring fenced grants to provide overall funding for the Council's services.

### **25. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

# STATEMENT OF ACCOUNTING POLICIES

## **26. Amounts Reported for Resource Allocation Decisions**

During the year decisions about resource allocations are taken by Council Executive on the basis of budget reports analysed across Directorates. These reports are prepared on a different basis from the annual financial statements in that they do not include capital charges or an accrual for short term accumulated compensated absences, the amounts included for retirement benefits are based on cash flows rather than current service cost benefits accrued in the year and they do include expenditure and income arising from investment properties. The Directorates themselves are based on the Council's organisational structure.

## **27. Collection Fund**

### Collection Fund

The Council Tax income included in the Council's Comprehensive Income and Expenditure Statement is the accrued income for the year. The difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to an account called the Collection Fund Adjustment Account in the Balance Sheet. This amount becomes a reconciling item in the Movement in Reserves Statement as part of the Adjustment between accounting basis and funding basis under regulations.

The collection of Council Tax is now recognised in the accounts as an agency arrangement as the cash collected by the billing authority (Erewash Borough Council) from Council Tax debtors belongs proportionately to the billing authority and the major preceptors (Derbyshire County Council, Derbyshire Fire Authority and Derbyshire Police Authority). At the year end there is a debtor/creditor arrangement between the Council and major preceptors reflecting the difference between the precept amounts paid to each preceptor in the year and the share of the cash collected from Council Taxpayers.

The Cash Flow Statement now includes the cash flows only of Erewash Borough Council's share of the Council Tax collected from Council Taxpayers in the year; and the amount included for precepts paid excludes the amounts paid to major preceptors.

### National Non-Domestic Rates

The collection of National Non-Domestic Rates is carried out by the Council as an agent activity on behalf of Central Government and is accounted for accordingly. At the year end there is a debtor/creditor arrangement between the Council and Central Government reflecting the amounts paid and received in the year.

## ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council. Full adoption will be required for the 2011/12 financial statements. However, the Council is required to make a disclosure in 2010/11 of the estimated effect of the new standard.

### **FRS 30 Heritage Assets**

The Code of Practice on Local Authority Accounting in the United Kingdom (2011) (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Council. This is in accordance with FRS 30 and will need to be fully adopted for inclusion within 2011/12 Statement of Accounts.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued, but is not yet required to be adopted by the Council. Full adoption will be required for the 2011/12 financial statements. However, the Council is required to make a disclosure in 2010/11 of the estimated effect of the new standard.

Heritage assets are assets that are held by the Council principally for their contribution to knowledge or culture. The heritage assets held by the Council are the collection of over one hundred paintings exhibited in Council buildings and at Erewash Museum. Currently they are treated as community assets. The paintings have been measured at valuation, and this will continue to be the case when they are reclassified. No depreciation has been charged on these assets as they have a useful life of such length that any depreciation charge will be negligible and therefore not material.

The total value at 31<sup>st</sup> March 2011 of the assets that will be reclassified as heritage assets in 2011/12 is £266,100. The reclassification from community assets to heritage assets will not result in any revaluation gains or losses. The Council's other community assets are various items of civic regalia. The value at 31<sup>st</sup> March 2011 was £34,000 and these will remain as community assets in the Balance Sheet for 2011/12.

### **Annual Improvements 2010 (effective from 1<sup>st</sup> July 2010 and later)**

The International Accounting Standards Board has issued 'Improvements to IFRS 2010 (2010 Improvements)'. Most of these amendments become effective in annual periods beginning on or after 1<sup>st</sup> July 2010 or 1<sup>st</sup> January 2011. The 2010 Improvements amend certain provisions of IFRS 3R, clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The Council's preliminary assessments indicate that the 2010 Improvements will not have a material impact on the Council's financial statements.

### **IFRS 9 Financial Instruments (effective from 1<sup>st</sup> January 2013)**

The International Accounting Standards Board aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety. The replacement standard (IFRS 9) is being issued in phases. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1<sup>st</sup> January 2013. A further chapter dealing with impairment methodology is still being developed.

## ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT NOT YET ADOPTED

Management have yet to assess the impact that this amendment is likely to have on the Council's financial statements. However, they do not expect to implement the amendments until all chapters of IFRS 9 have been published and they can comprehensively assess the impact of all the changes.

# CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

## Critical Judgements

In applying the accounting policies the Council has to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- (i) There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- (ii) The Council has undertaken a review during the year of its leasing arrangements as a result of the revised treatment of leases under IFRS. The conclusion of this review was that the existing leases should continue to be categorised as operating, rather than finance leases.
- (iii) As part of its preparation for IFRS, the Council has also undertaken a review of all contractual arrangements to ascertain whether any of them have the substance of a lease. The conclusion of this review was that none of these arrangements matched the criteria of a lease.
- (iv) The depreciation periods applied to non current assets are set out in the Accounting Policies section of the Statement. There is a possibility that the actual depreciation differs from this so that there may be a misstatement in the accounts.
- (v) The Council has to take a judgement on when a potential future loss ceases to be a contingent liability and instead be matched by a provision in the Balance Sheet. An assessment is made by senior managers of the likelihood that events will come to fruition and at what point a provision should be made. Contingent liabilities are reviewed annually to assess the relevant treatment.

# ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

## Key Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Balance Sheet at 31<sup>st</sup> March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

- (i) Depreciation of non current assets. The length of time over which non current assets are fully depreciated is set out in the Accounting Policies section of the Statement. This is based on an average life span of each asset. However, in practice assets may depreciate at different rates and so there is the possibility that the depreciation charged to some assets may be mis-stated.
- (ii) Provisions. The Balance Sheet amounts for provisions are based on a best estimate of the likely financial impact. There is clearly a possibility that the amount of the provision is inadequate and that additional resources may have to be drawn from revenue reserves in order to fully fund the actual expenditure. For example, the Job Evaluation and Equal Pay Provision has been built up with the best information available but the total amount remains uncertain as the final scheme has not been agreed or implemented yet and the level of appeals and claims can only be estimated.
- (iii) Pension Liability. The Council's outstanding Pensions liability is based on advice provided to the Derbyshire County Pension Fund by their actuaries. Their forecasts are based on future assumptions about a wide variety of variables, such as the longevity of pensioners receiving pensions, the future size of the workforce contributing to the scheme, and the future returns on the assets of the fund. These are only forecasts and the actual future liability could vary considerably from the forecast.
- (iv) Debtors. The Debtors figure in the Balance Sheet is shown net of provision for bad debts that is currently about 8%. The Council consider that this is sufficient even in the current economic climate. However, if collection rates were to deteriorate then this provision would need to be reviewed.

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The 'Surplus (or Deficit) on the Provision of Services' line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for Council Tax setting purposes. The 'Net Increase / Decrease before transfers to Earmarked Reserves' line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Full Details of the Movement in Reserves Statement (Page 38) are shown in Note 6.

# MOVEMENT IN RESERVES STATEMENT

	General Fund Balance £'000	Earmarked General Fund Reserves £'000	Usable Capital Receipts Reserve £'000	Capital Reserve £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
<b>Restated Balance at 31<sup>st</sup> March 2009</b>	<b>5,414</b>	<b>1,444</b>	<b>6,378</b>	<b>1,926</b>	<b>15,162</b>	<b>19,176</b>	<b>34,338</b>
<b>Movement in Reserves during 2009/10</b>							
Surplus (Deficit) on the Provision of Services (Accounting Basis)	(6,834)	(4)	0	(1)	(6,839)	0	(6,839)
Other Comprehensive Income and Expenditure	0	0	0	0	0	(7,939)	(7,939)
<b>Total Comprehensive Income and Expenditure</b>	<b>(6,834)</b>	<b>(4)</b>	<b>0</b>	<b>(1)</b>	<b>(6,839)</b>	<b>(7,939)</b>	<b>(14,778)</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	6,674	0	(1,239)	0	5,435	(5,435)	0
<b>Net Increase (Decrease) before Transfers to Earmarked Reserves</b>	<b>(160)</b>	<b>(4)</b>	<b>(1,239)</b>	<b>(1)</b>	<b>(1,404)</b>	<b>(13,374)</b>	<b>(14,778)</b>
Transfer to (from) Earmarked Reserves	(258)	232	0	26	0	0	0
<b>Increase (Decrease) in 2009/10</b>	<b>(418)</b>	<b>228</b>	<b>(1,239)</b>	<b>25</b>	<b>(1,404)</b>	<b>(13,374)</b>	<b>(14,778)</b>
<b>Restated Balance at 31<sup>st</sup> March 2010</b>	<b>4,996</b>	<b>1,672</b>	<b>5,139</b>	<b>1,951</b>	<b>13,758</b>	<b>5,802</b>	<b>19,560</b>
<b>Movement in Reserves during 2010/11</b>							
Surplus (Deficit) on the Provision of Services (Accounting Basis)	2,215	0	0	0	2,215	0	2,215
Other Comprehensive Income and Expenditure	0	0	0	0	0	6,392	6,392
<b>Total Comprehensive Income and Expenditure</b>	<b>2,215</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,215</b>	<b>6,392</b>	<b>8,607</b>
Adjustments between Accounting Basis and Funding Basis under Regulations	(1,252)	(138)	(981)	(296)	(2,667)	2,667	0
<b>Net Increase (Decrease) before Transfers to Earmarked Reserves</b>	<b>963</b>	<b>(138)</b>	<b>(981)</b>	<b>(296)</b>	<b>(452)</b>	<b>9,059</b>	<b>8,607</b>
Transfer to (from) Earmarked Reserves	(579)	(235)	0	814	0	0	0
<b>Increase (Decrease) in 2010/11</b>	<b>384</b>	<b>(373)</b>	<b>(981)</b>	<b>518</b>	<b>(452)</b>	<b>9,059</b>	<b>8,607</b>
<b>Balance at 31<sup>st</sup> March 2011</b>	<b>5,380</b>	<b>1,299</b>	<b>4,158</b>	<b>2,469</b>	<b>13,306</b>	<b>14,861</b>	<b>28,167</b>
<b>Purpose Analysis</b>							
-Capital	0	0	4,158	2,469	6,627	38,627	45,254
-Revenue	5,380	1,299	0	0	6,679	(23,766)	(17,087)

# COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Gross Exp	Restated 2009/10 Income	Net Exp		Gross Exp	2010/11 Income	Net Exp	Note
£'000	£'000	£'000		£'000	£'000	£000	
9,830	(8,673)	1,157	Central Services to the public Cultural, Environmental & Planning Services	10,211	(9,363)	848	
19,599	(5,457)	14,142	Highways & Transport Services	17,711	(5,854)	11,857	
2,317	(1,106)	1,211	Housing Services	2,345	(1,558)	787	
28,799	(26,952)	1,847	Corporate and Democratic Core	31,098	(29,646)	1,452	
3,230	(98)	3,132	Non Distributed Costs	3,688	(759)	2,929	
278	0	278		(5,023)	0	(5,023)	1
<b>64,053</b>	<b>(42,286)</b>	<b>21,767</b>	<b>Net Cost of Services</b>	<b>60,030</b>	<b>(47,180)</b>	<b>12,850</b>	<b>24</b>
			Other Operating Expenditure:				
		192	Parish Council precepts			198	
		94	(Gains) losses on the Disposal of Non Current Assets			21	13
		(183)	Income relating to Non Asset Disposals			(271)	
			Financing and Investment Income and Expenditure:				
			Pensions Interest Cost and Expected Return on Pension Assets				
4,574	(2,507)	2,067	Interest Income	4,849	(3,351)	1,498	32
		(166)	Income, Expenditure and changes in the Fair Value of Investment Property			(351)	
58	(143)	(85)		253	(178)	75	
			Taxation and Non Specific Grant Income:				
		(6,007)	Council Tax Income			(6,093)	
		(7,807)	NNDR Redistribution			(8,458)	
		(2,171)	Non Ring Fenced Government Grants			(1,364)	29
		(862)	Capital Grants and Contributions			(320)	29
		<b>6,839</b>	<b>(Surplus) or Deficit on the Provision of Services</b>			<b>(2,215)</b>	
		(353)	(Surplus) or Deficit on the Revaluation of Non Current Assets			(427)	
		8,292	Actuarial (Gains) or losses on Pension Assets and Liabilities			(5,965)	32
		<b>7,939</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(6,392)</b>	
		<b>14,778</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(8,607)</b>	

## BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category are those that the Council is not able to use to provide services. This category of reserves includes reserves to hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets were sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Restated 31 <sup>st</sup> March 2009 £'000	Restated 31 <sup>st</sup> March 2010 £'000		Note	As at 31 <sup>st</sup> March 2011 £'000	As at 31 <sup>st</sup> March 2011 £'000
<b>Non Current Assets</b>					
<b>Property Plant and Equipment</b>					
35,668	31,085	Other land and buildings	13	29,727	
3,317	2,996	Vehicles, plant, furniture and equipment	13	2,488	
584	760	Infrastructure assets	13	1,083	
259	259	Community assets	13	300	
45	535	Assets Under Construction	13	477	
771	18	Surplus Assets not Held for Sale	13	487	
<b>40,644</b>	<b>35,653</b>	<b>Total Property Plant and Equipment</b>			<b>34,562</b>
<b>Other Long Term Assets</b>					
1,805	3,274	Investment Properties	14	3,736	
183	111	Intangible Assets	14	68	
1	1	Long Term Investments	17	1	
1,622	1,412	Long Term Debtors	19	1,355	
<b>3,611</b>	<b>4,798</b>	<b>Long Term Assets</b>			<b>5,160</b>
<b>44,255</b>	<b>40,451</b>	<b>Total Non Current Assets</b>			<b>39,722</b>
<b>Current Assets</b>					
105	108	Inventories	18	92	
8,233	7,720	Short Term Debtors	19	5,896	
772	584	Assets Held for Sale	15	375	
11,811	8,500	Cash and Cash Equivalents	20	10,176	
<b>20,921</b>	<b>16,912</b>	<b>Total Current Assets</b>			<b>16,539</b>
<b>65,176</b>	<b>57,363</b>	<b>Total Assets</b>			<b>56,261</b>
<b>Current Liabilities</b>					
5,350	2,859	Short Term Creditors	21	2,754	
140	143	Provisions	22	92	
0	0	Capital Grants Receipts in Advance	29	170	

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# BALANCE SHEET

Restated 31 <sup>st</sup> March 2009 £'000	Restated 31 <sup>st</sup> March 2010 £'000		Note	As at 31 <sup>st</sup> March 2011 £'000	As at 31 <sup>st</sup> March 2011 £'000
5,490	3,002	<b>Total Current Liabilities</b>			3,016
59,686	54,361	<b>Total Assets less Current Liabilities</b>			53,245
		<b>Long Term Liabilities</b>			
		Liability Relating to Defined Benefit			
24,188	33,679	Pension Scheme	32	23,754	
1,160	1,122	Provisions	22	1,324	
<b>25,348</b>	<b>34,801</b>	<b>Total Long Term Liabilities</b>			<b>25,078</b>
<b>34,338</b>	<b>19,560</b>	<b>Net Assets</b>			<b>28,167</b>
		<b>Financed by:</b>			
		<b>Usable Reserves</b>			
5,414	4,996	General Fund Balance	7	5,380	
1,444	1,672	Earmarked Revenue Reserves	8	1,299	
6,378	5,139	Usable Capital Receipts Reserve	7	4,158	
1,926	1,951	Capital Reserves	7	2,469	
<b>15,162</b>	<b>13,758</b>				<b>13,306</b>
		<b>Unusable Reserves</b>			
12,444	11,253	Revaluation Reserve	9	10,610	
30,991	28,338	Capital Adjustment Account	9	28,017	
67	33	Collection Fund Adjustment Account	9	80	
(24,188)	(33,679)	Pensions Reserve	9	(23,754)	
2	0	Deferred Capital Receipts		0	
(140)	(143)	Short Term Accumulating Compensated Absences	22	(92)	
<b>19,176</b>	<b>5,802</b>				<b>14,861</b>
<b>34,338</b>	<b>19,560</b>	<b>Total Reserves</b>			<b>28,167</b>

## CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of the services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

<b>Restated 2009/10 £'000</b>		<b>2010/11 £'000</b>
<b>6,839</b>	Net (surplus) or deficit on the provision of services	<b>(2,215)</b>
(4,639)	Adjust net surplus or deficit on the provision of services for non cash movements	(605)
235	Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities	572
<b>2,435</b>	<b>Net Cash flow from Operating Activities</b>	<b>(2,248)</b>
752	Investing Activities	551
124	Financing Activities	21
<b>3,311</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>(1,676)</b>
(11,811)	Cash and Cash Equivalents at the beginning of the Reporting Period	(8,500)
(8,500)	Cash and Cash Equivalents at the end of the Reporting Period	(10,176)
<b>(3,311)</b>	<b>Net Increase or (Decrease) in Cash and Cash Equivalents</b>	<b>1,676</b>

Full details of the above are shown in Note 23

# NOTES TO THE ACCOUNTS

## **1. Material Items of Income and Expenditure**

Although there were a number of individual material revenue transactions during the year, these are mostly itemised elsewhere in the Statement of Accounts. Those transactions that are not separately identified are considered to be expenditure incurred, or income received, in the normal course of the Council's business. Examples of this include the payment of insurance premiums and service contracts. In addition principal grants and subsidy payments from Central Government totalled £47,840,000. The Council disposed of some non current assets during the year, which is outside the Council's normal business activities. The aggregate of the transactions is shown in the Comprehensive Income and Expenditure Statement. The only individually significant transaction was the sale of property on Derby Road, Ilkeston for £168,000. In addition, the Council received a total of £194,000 from Three Valleys Housing Limited in respect of preserved Right to Buy receipts. The restated accounts for 2009/10 contain a number of material adjustments arising from the first time adoption of International Financial Reporting Standards. These are explained in Notes 3, 4 and 5.

The Net Cost of Services also includes a credit of £5,142,000 in respect of past service gain on the Pension Fund. This reduces the Council's liability to the Derbyshire County Council Pension Fund and a full explanation is provided in Note 32 Post Employment Benefits (Page 111). The regulations dictate that this type of adjustment has to be shown under Non Distributed Costs in the net cost of Services and it therefore produces a significant variation from the previous year.

## **2. Events after the Balance Sheet Date**

The Statement of Accounts was authorised for issue by the Director for Resources on 30 September 2011. Events taking place after this date are not reflected in the financial statements or Notes. When events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2011, the figures in the financial statements and Notes have been adjusted in all material respects to reflect the impact of this information.

## **3. First Time Adoption of IFRS – Restated Balance Sheet**

Under IFRS 1 (First Time Adoption of IFRS), the Council must prepare an opening IFRS Balance Sheet at the date of the transition to IFRS. This date was 1<sup>st</sup> April 2009. The following Balance Sheet shows the previously reported financial position under UK GAAP as at 31<sup>st</sup> March 2009 and 31<sup>st</sup> March 2010, and the restated financial position on an IFRS basis at the same two dates. The movements between the UK GAAP figure and the IFRS figure are explained in Note 5. The move to an IFRS basis does not have any impact on the reported financial performance or cash flow of the Council.

# NOTES TO THE ACCOUNTS

## Restated Balance Sheet as at 31<sup>st</sup> March 2009 and 2010

As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2009		As at 31 <sup>st</sup> March 2010	As at 31 <sup>st</sup> March 2010
UK GAAP	Restated IFRS		UK GAAP	Restated IFRS
£'000	£'000		£'000	£'000
<b>Non Current Assets</b>				
<b>Property Plant and Equipment</b>				
33,922	35,668	Other land and buildings	29,706	31,085
3,238	3,317	Vehicles, plant, furniture and equipment	2,996	2,996
584	584	Infrastructure assets	760	760
259	259	Community assets	259	259
45	45	Assets Under Construction	535	535
0	771	Surplus Assets not Held for Sale	0	18
<b>38,048</b>	<b>40,644</b>	<b>Total Property Plant and Equipment</b>	<b>34,256</b>	<b>35,653</b>
<b>Other Long Term Assets</b>				
2,734	1,805	Investment Property	4,456	3,274
183	183	Intangible Assets	111	111
1,121	0	Surplus Assets Held for Disposal	798	0
1	1	Long Term Investments	1	1
1,622	1,622	Long Term Debtors	1,412	1,412
<b>5,661</b>	<b>3,611</b>	<b>Long Term Assets</b>	<b>6,778</b>	<b>4,798</b>
<b>43,709</b>	<b>44,255</b>	<b>Total Non Current Assets</b>	<b>41,034</b>	<b>40,451</b>
<b>Current Assets</b>				
11,584	0	Short Term Investments	8,720	0
105	105	Inventories	108	108
8,210	8,233	Short Term Debtors	7,720	7,720
0	772	Non Current Assets Held for Sale	0	584
6	11,811	Cash and Cash Equivalents	8	8,500
<b>19,905</b>	<b>20,921</b>	<b>Total Current Assets</b>	<b>16,556</b>	<b>16,912</b>
<b>63,614</b>	<b>65,176</b>	<b>Total Assets</b>	<b>57,590</b>	<b>57,363</b>

## NOTES TO THE ACCOUNTS

As at 31 <sup>st</sup> March 2009	As at 31 <sup>st</sup> March 2009		As at 31 <sup>st</sup> March 2010	As at 31 <sup>st</sup> March 2010
UK GAAP £'000	Restated IFRS £'000		UK GAAP £'000	Restated IFRS £'000
<b>Current Liabilities</b>				
50	0	Bank Overdraft	229	0
5,321	5,350	Short Term Creditors	2,859	2,859
0	140	Provisions	0	143
<b>5,371</b>	<b>5,490</b>	<b>Total Current Liabilities</b>	<b>3,088</b>	<b>3,002</b>
<b>58,243</b>	<b>59,686</b>	<b>Total Assets less Current Liabilities</b>	<b>54,502</b>	<b>54,361</b>
<b>Long Term Liabilities</b>				
Liability Relating to Defined Benefit				
24,188	24,188	Pension Scheme	33,679	33,679
142	1,160	Provisions	139	1,122
750	0	Government Grants Deferred	633	0
142	0	Capital Contributions Deferred	951	0
<b>25,222</b>	<b>25,348</b>	<b>Total Long Term Liabilities</b>	<b>35,402</b>	<b>34,801</b>
<b>33,021</b>	<b>34,338</b>	<b>Net Assets</b>	<b>19,100</b>	<b>19,560</b>
<b>Financed by:</b>				
<b>Usable Reserves</b>				
5,319	5,414	General Fund Balance	4,996	4,996
2,327	1,444	Earmarked Revenue Reserves	2,655	1,672
6,378	6,378	Usable Capital Receipts Reserve	5,139	5,139
1,891	1,926	Capital Reserve	1,951	1,951
<b>15,915</b>	<b>15,162</b>		<b>14,741</b>	<b>13,758</b>
<b>Unusable Reserves</b>				
12,723	12,444	Revaluation Reserve	12,110	11,253
28,502	30,991	Capital Adjustment Account	25,895	28,338
67	67	Collection Fund Adjustment Account	33	33
(24,188)	(24,188)	Pensions Reserve	(33,679)	(33,679)
2	2	Deferred Capital Receipts	0	0
0	(140)	Short Term Accumulating Compensated Absences	0	(143)
<b>17,106</b>	<b>19,176</b>		<b>4,359</b>	<b>5,802</b>
<b>33,021</b>	<b>34,338</b>	<b>Total Reserves</b>	<b>19,100</b>	<b>19,560</b>

# NOTES TO THE ACCOUNTS

## 4. First Time Adoption of IFRS – Comprehensive Income and Expenditure Statement

The following table provides a reconciliation of the 2009/10 Income and Expenditure Account based on UK GAAP with the same information presented in the format of the Comprehensive Income and Expenditure Statement that is based on IFRS. The difference between the two is explained in Note 5. Under the revised accounting arrangements it is no longer necessary to produce a separate Statement of Recognised Gains and Losses, as this information is now contained under the heading 'Other Comprehensive Income and Expenditure'.

2009/10 Income and Expenditure Account (UK GAAP)	£'000	2009/10 Comprehensive Income and Expenditure (IFRS)	£'000
Central Services to the Public	1,091	Central Services to the Public	1,157
Cultural, Environmental, Regulatory and Planning Services	14,111	Cultural, Environmental, Regulatory and Planning Services	14,142
Highways and Transport Services	1,211	Highways and Transport Services	1,211
Housing Services	1,592	Housing Services	1,847
Corporate and Democratic Core	3,044	Corporate and Democratic Core	3,132
Non Distributed Costs	278	Non Distributed Costs	278
<b>Net Cost of Services</b>	<b>21,327</b>	<b>Net Cost of Services</b>	<b>21,767</b>
Parish Precept	192	Other Operating Expenditure	
Levies	0	- Parish Precepts	192
Interest Payable and Similar Charges	0	- Levies	0
Pensions Interest Cost and Expected Return on Pensions Assets	2,067	- (Gains) losses on the Disposal of Non Current Assets	94
(Gains) / Losses on the Disposal of Fixed Assets	94	- Gain on Preserved Right to Buy Receipts	(183)
Interest and Investment income	(166)	- Actuarial (Gains) and Losses on Defined Benefit Plans	0
<b>Net Operating Expenditure</b>	<b>23,514</b>	Financing and Investing Income and Expenditure	0
<b>Sources of Finance</b>		- Interest Payable and Similar Charges	0
Area Based Grant	0	- Impairment Losses relating to financial instruments	0
Revenue Support Grant	(2,171)	- Pensions Interest cost and Expected Return on Pensions Assets	2,067
Non Domestic Rate Redistribution	(7,807)	Interest Income	(166)
Council Tax	(6,041)	- Income, Expenditure and Changes in Fair Value of Investment Property	(85)
Council Share of collection Fund Surplus	0	Taxation and Non Specific Grant Income	0

## NOTES TO THE ACCOUNTS

2009/10 Income and Expenditure Account (UK GAAP)	£'000	2009/10 Comprehensive Income and Expenditure (IFRS)	£'000
<b>Deficit for the Year</b>	<b>7,495</b>	- Council Tax Income	(6,007)
		- NNDR Redistribution	(7,807)
		- Non Ring Fenced Government Grants	(2,171)
		- Capital Grants and Contributions	(862)
		<b>(Surplus)/Deficit on the Provision of Services</b>	<b>6,839</b>
		(Surplus) or Deficit on the Revaluation of Available for Sale Financial Assets	0
		(Surplus) or Deficit on the Revaluation of Non Current Assets	(353)
		Actuarial (Gains) or Losses on Pension Assets and Liabilities	8,292
		<b>Other Comprehensive Income and Expenditure</b>	<b>7,939</b>
		<b>Total Comprehensive Income and Expenditure</b>	<b>14,778</b>
<b>Statement of Total Recognised Gains and Losses</b>			
Deficit for the Year on the Income and Expenditure Account	7,495		
(Surplus)/Deficit arising on the Revaluation of Fixed Assets	90		
Actuarial (Gains)/Losses arising on Pension Fund Assets and Liabilities	8,292		
(Surplus)/Deficit arising on the Revaluation of Available for Sale Financial Assets	0		
Other Recognised Gains and Losses	(406)		
<b>Total Recognised Losses for the year</b>	<b>15,471</b>		

# NOTES TO THE ACCOUNTS

## 5. First Time Adoption of IFRS - Notes

The first time adoption of IFRS under the 2010 Code of Practice has resulted in a number of changes having to be made to the Statement of Accounts. The following paragraphs explain the nature of these changes.

### (i) Short Term Accumulating Compensated Absences

This refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render service that increases their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31<sup>st</sup> March each year. Under the previous accounting arrangements no accrual was required.

The Government has issued regulations that mean that local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used. For the opening Balance Sheet as at 1<sup>st</sup> April 2010 a provision and a reserve have been created.

### (ii) Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income immediately, unless there are any conditions that have not been met. Previously grants were held in a deferred grants account and recognised as income over the life of the assets that they were used to fund. In the restated Balance Sheets at 1<sup>st</sup> April 2009 and 31<sup>st</sup> March 2010 these have been written off to the Capital Adjustment Account.

### (iii) Cash and Cash Equivalents

There is a requirement to reclassify investments held for the purpose of meeting short term cash commitments rather than for investment purposes, together with bank overdrafts, as cash and cash equivalents.

### (iv) Property, Plant and Equipment

The Code introduced a revised classification of properties within this heading. The main impact is that a number of Council properties formerly classified as 'Investment' Properties have now been reclassified as either 'Assets held for Sale', 'Surplus Assets not Held for Sale' or 'Other Land and Buildings'.

# NOTES TO THE ACCOUNTS

## **(v) Provisions**

The Council has set aside money in revenue reserves in order to fund the likely cost of the Job Evaluation exercise. Under the Code this has to be shown as a separate provision.

## **(vi) Investment Properties**

Under the Code any balances relating to Investment Properties on the Revaluation Reserve are transferred to the Capital Adjustment Account. In addition, under the 2010 Code of Practice, income, expenditure and changes in the fair value of Investment Property in the Comprehensive Income and Expenditure Account is now shown as Financing and Investment Expenditure rather than within the Net Cost of Services.

## **(vii) Other Adjustments**

There has been an adjustment to Council Tax figure arising from the level of surplus or deficit on the Collection Fund. In addition the restatement of the 2009/10 accounts has necessitated some other minor adjustments as a result of rounding.

In addition the following adjustments have also been made:

## **(viii) Bramcote Crematorium Joint Committee**

In the original 2008/09 Statement of Accounts, Bramcote Joint Crematorium Committee was treated as being part of the Group Accounts. However, for the 2009/10 Statement of Accounts, it was considered to be a Joint Arrangement Not an Entity (JANE), and as such the Crematorium accounts were consolidated into the Council's accounts. In order to make meaningful comparisons the Crematorium balances as at 1<sup>st</sup> April 2009 have also been consolidated into the Council's accounts.

## **(ix) Capital Receipts**

The Council continues to receive a preserved Right to Buy entitlement from Three Valleys Housing Limited in respect of the transfer of its housing stock. These capital receipts are not related to the disposal of any non current assets. These were previously shown within the Housing line of the Net Cost of Services. It should be shown within Other Operating Expenditure in compliance with the Code of Practice. This adjustment has been made in the restated Comprehensive Income and Expenditure Account for 2009/10.

The impact of the above changes is shown on the next page:

## NOTES TO THE ACCOUNTS

Restated Balance Sheet as at 31 <sup>st</sup> March 2009	Original Balance Sheet at 31 <sup>st</sup> March 2009 £'000	Adjustment for Consolidation of Bramcote Crematorium see Note (viii) £'000	Restated Balance Sheet at 31 <sup>st</sup> March 2009 £'000	Adjustment for Short Term Accumulating Compensated Absences see Note (i) £'000	Adjustment for Government Grants see Note (ii) £'000	Adjustment for Cash and Cash Equivalent see Note (iii) £'000	Adjustment for Property Plant and Equipment see Note (iv) £'000	Adjustment for Provisions see Note (v) £'000	Adjustment for Investment Properties see Note (vi) £'000	IFRS Restated Balance Sheet at 31 <sup>st</sup> March 2009 £'000
<b>Non Current Assets</b>										
<b>Property Plant and Equipment</b>										
Other land and buildings	33,922	1,239	35,161	0	0	0	507	0	0	35,668
Vehicles, plant, furniture and equipment	3,238	79	3,317	0	0	0	0	0	0	3,317
Infrastructure assets	584	0	584	0	0	0	0	0	0	584
Community assets	259	0	259	0	0	0	0	0	0	259
Assets under Construction	45	0	45	0	0	0	0	0	0	45
Surplus Assets Not Held for Sale	1,121	0	1,121	0	0	0	(350)	0	0	771
<b>Total Property Plant and Equipment</b>	<b>39,169</b>	<b>1,318</b>	<b>40,487</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>157</b>	<b>0</b>	<b>0</b>	<b>40,644</b>
<b>Other Long Term Assets</b>										
Investment Property	2,734	0	2,734	0	0	0	(929)	0	0	1,805
Intangible Assets	183	0	183	0	0	0	0	0	0	183
Long Term Investments	1	0	1	0	0	0	0	0	0	1
Long Term Debtors	1,622	0	1,622	0	0	0	0	0	0	1,622
<b>Long Term Assets</b>	<b>4,540</b>	<b>0</b>	<b>4,540</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(929)</b>	<b>0</b>	<b>0</b>	<b>3,611</b>
<b>Total Non Current Assets</b>	<b>43,709</b>	<b>1,318</b>	<b>45,027</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(772)</b>	<b>0</b>	<b>0</b>	<b>44,255</b>
<b>Current Assets</b>										
Short Term Investments	11,584	254	11,838	0	0	(11,838)	0	0	0	0
Inventories	105	0	105	0	0	0	0	0	0	105
Short Term Debtors	8,210	23	8,233	0	0	0	0	0	0	8,233

# NOTES TO THE ACCOUNTS

Assets Held for Sale	0	0	0	0	0	0	772	0	0	772
	Original Balance Sheet at 31 <sup>st</sup> March 2009	Adjustment for Consolidation of Bramcote Crematorium see Note (viii)	Restated Balance Sheet at 31 <sup>st</sup> March 2009	Adjustment for Short Term Accumulating Compensated Absences see Note (i)	Adjustment for Government Grants see Note (ii)	Adjustment for Cash and Cash Equivalent see Note (iii)	Adjustment for Property Plant and Equipment see Note (iv)	Adjustment for Provisions see Note (v)	Adjustment for Investment Properties see Note (vi)	IFRS Restated Balance Sheet at 31 <sup>st</sup> March 2009
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	6	17	23	0	0	11,788	0	0	0	11,811
<b>Total Current Assets</b>	<b>19,905</b>	<b>294</b>	<b>20,199</b>	<b>0</b>	<b>0</b>	<b>(50)</b>	<b>772</b>	<b>0</b>	<b>0</b>	<b>20,921</b>
<b>Total Assets</b>	<b>63,614</b>	<b>1,612</b>	<b>65,226</b>	<b>0</b>	<b>0</b>	<b>(50)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65,176</b>
<b>Current Liabilities</b>										
Bank Overdraft	50	0	50	0	0	(50)	0	0	0	0
Short Term Creditors	5,321	29	5,350	0	0	0	0	0	0	5,350
Provisions	0	0	0	140	0	0	0	0	0	140
<b>Total Current Liabilities</b>	<b>5,371</b>	<b>29</b>	<b>5,400</b>	<b>140</b>	<b>0</b>	<b>(50)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,490</b>
<b>Total Assets less Current Liabilities</b>	<b>58,243</b>	<b>1,583</b>	<b>59,826</b>	<b>(140)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>59,686</b>
<b>Long Term Liabilities</b>										
Liability Relating to Defined Benefit Pension Scheme	24,188	0	24,188	0	0	0	0	0	0	24,188
Provisions	142	34	176	0	0	0	0	984	0	1,160
Government Grants Deferred	750	0	750	0	(750)	0	0	0	0	0
Capital Contributions Deferred	142	0	142	0	(142)	0	0	0	0	0
<b>Total Long Term Liabilities</b>	<b>25,222</b>	<b>34</b>	<b>25,256</b>	<b>0</b>	<b>(892)</b>	<b>0</b>	<b>0</b>	<b>984</b>	<b>0</b>	<b>25,348</b>
<b>Net Assets</b>	<b>33,021</b>	<b>1,549</b>	<b>34,570</b>	<b>(140)</b>	<b>892</b>	<b>0</b>	<b>0</b>	<b>(984)</b>	<b>0</b>	<b>34,338</b>

# NOTES TO THE ACCOUNTS

	Original Balance Sheet at 31 <sup>st</sup> March 2009 £'000	Adjustment for Consolidation of Bramcote Crematorium see Note (viii) £'000	Restated Balance Sheet at 31 <sup>st</sup> March 2009 £'000	Adjustment for Short Term Accumulating Compensated Absences see Note (i) £'000	Adjustment for Government Grants see Note (ii) £'000	Adjustment for Cash and Cash Equivalent see Note (iii) £'000	Adjustment for Property Plant and Equipment see Note (iv) £'000	Adjustment for Provisions see Note (v) £'000	Adjustment for Investment Properties see Note (vi) £'000	IFRS Restated Balance Sheet at 31 <sup>st</sup> March 2009 £'000
<b>Financed by:</b>										
<b>Usable Reserves</b>										
General Fund Balance	5,319	95	5,414	0	0	0	0	0	0	5,414
Earmarked Revenue Reserves	2,327	101	2,428	0	0	0	0	(984)	0	1,444
Usable Capital Receipts Reserve	6,378	0	6,378	0	0	0	0	0	0	6,378
Capital Reserve	1,891	35	1,926	0	0	0	0	0	0	1,926
Capital Grants Unapplied Account	0	0	0	0	0	0	0	0	0	0
Capital Grants Received in Advance	0	0	0	0	0	0	0	0	0	0
<b>Unusable Reserves</b>										
Revaluation Reserve	12,723	157	12,880	0	0	0	0	0	(436)	12,444
Capital Adjustment Account	28,502	1,161	29,663	0	892	0	0	0	436	30,991
Collection Fund Adjustment Account	67	0	67	0	0	0	0	0	0	67
Pensions Reserve	(24,188)	0	(24,188)	0	0	0	0	0	0	(24,188)
Deferred Capital Receipts	2	0	2	0	0	0	0	0	0	2
Short Term Accumulating Compensated Absences	0	0	0	(140)	0	0	0	0	0	(140)
<b>Total Reserves</b>	<b>33,021</b>	<b>1,549</b>	<b>34,570</b>	<b>(140)</b>	<b>892</b>	<b>0</b>	<b>0</b>	<b>(984)</b>	<b>0</b>	<b>34,338</b>

\*In the original Balance Sheet at 31<sup>st</sup> March 2009 Bramcote Crematorium was shown within the Group Accounts rather than consolidated within the Council's accounts

## NOTES TO THE ACCOUNTS

Restated Comprehensive Income and Expenditure Statement for 2009/10	Original Income and Expenditure Statement £'000	Adjustment for Short Term Accumulating Compensated Absences See Note (i) £'000	Adjustment for Government Grants See Note (ii) £'000	Adjustments for Investment Properties See Note (vi) £'000	Other Adjustments See Note (vii) £'000	Adjustment for Capital Receipts See Note (ix) £000	Restated Comprehensive Income and Expenditure Statement £'000
<b>Income and Expenditure Statement</b>							
Central Services to the Public Cultural, Environmental, Regulatory and Planning Services	1,091	0	66	0	0	0	1,157
Highways and Transport Services	14,111	3	32	(3)	(1)	0	14,142
Housing Services	1,211	0	0	0	0	0	1,211
Corporate and Democratic Core	1,592	0	72	0	0	183	1,847
Non distributed Costs	3,044	0	0	88	0	0	3,132
	278	0	0	0	0	0	278
<b>Net Cost of Services</b>	<b>21,327</b>	<b>3</b>	<b>170</b>	<b>85</b>	<b>(1)</b>	<b>183</b>	<b>21,767</b>
<b>Other Operating Expenditure</b>							
-Parish Precepts	192	0	0	0	0	0	192
-(Gains)/losses on the Disposal of Non Current Assets	94	0	0	0	0	0	94
-Gain on Preserved Right to Buy Receipts	0	0	0	0	0	(183)	(183)
<b>Financing and Investment Income and Expenditure</b>							
-Pension Interest cost and Expected Return on Pensions Assets	2,067	0	0	0	0	0	2,067
Interest Income	(166)	0	0	0	0	0	(166)

Erewash Borough Council Statement of Accounts 2010/11

## NOTES TO THE ACCOUNTS

<b>Restated Comprehensive Income and Expenditure Statement for 2009/10</b>	<b>Original Income and Expenditure Statement</b>	<b>Adjustment for Short Term Accumulating Absences</b>	<b>Adjustment for Government Grants</b>	<b>Adjustments for Investment Properties</b>	<b>Other Adjustments</b>	<b>Adjustment for Capital Receipts</b>	<b>Restated Comprehensive Income and Expenditure Statement</b>
	<b>£'000</b>	<b>See Note (i) £'000</b>	<b>See Note (ii) £'000</b>	<b>See Note (vi) £'000</b>	<b>See Note (vii) £'000</b>	<b>See Note (ix) £000</b>	<b>£'000</b>
-Income, Expenditure and Changes in Fair Value of Investment Property	0	0	0	(85)	0	0	(85)
<b>Taxation and Non Specific Grant Income</b>							
-Council Tax Income	(6,041)	0	0	0	34	0	(6,007)
-NNDR Redistribution	(7,807)	0	0	0	0	0	(7,807)
-Non Ring Fenced Government Grants	(2,171)	0	0	0	0	0	(2,171)
-Capital Grants and Contributions	0	0	(862)	0	0	0	(862)
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>7,495</b>	<b>3</b>	<b>(692)</b>	<b>0</b>	<b>33</b>	<b>0</b>	<b>6,839</b>
<b>Statement of Total Recognised Gains and Losses*</b>							
(Surplus) or Deficit on the Revaluation of Non Current Assets	(316)	0	0.	0	(37)	0	(353)
Actuarial (Gains) or losses on Pension Assets and Liabilities	8,292	0	0	0	0	0	8,292
<b>Other Comprehensive Income and Expenditure</b>	<b>7,976</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(37)</b>	<b>0</b>	<b>7,939</b>
<b>Total Comprehensive Income and Expenditure</b>	<b>15,471</b>	<b>3</b>	<b>(692)</b>	<b>0</b>	<b>(4)</b>	<b>0</b>	<b>14,778</b>

\*The Statement of Total Recognised Gains and Losses does not appear as a separate statement under the Code.

*Erewash Borough Council Statement of Accounts 2010/11*

# NOTES TO THE ACCOUNTS

The adjustments show the cumulative impact on the Balance Sheet arising from adjustments to both the opening and closing balances

<b>Restated Balance Sheet as at 31<sup>st</sup> March 2010</b>	<b>Original Balance Sheet at 31<sup>st</sup> March 2010</b>	<b>Adjustment for Short Term Accumulating Absences see Note (i)</b>	<b>Adjustment for Government Grants see Note (ii)</b>	<b>Adjustment for Cash and Cash Equivalent see Note (iii)</b>	<b>Adjustment for Property Plant and Equipment see Note (iv)</b>	<b>Adjustment for Investment Properties see Note (v)</b>	<b>Total Adjustments at 1<sup>st</sup> April 2009</b>	<b>Restated Balance Sheet at 31<sup>st</sup> March 2010</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Non Current Assets</b>								
<b>Property Plant and Equipment</b>								
Other land and buildings	29,706	0	0	0	871	0	507	31,084
Vehicles, plant, furniture and equipment	2,996	0	0	0	1	0	0	2,997
Infrastructure assets	760	0	0	0	0	0	0	760
Community assets	259	0	0	0	0	0	0	259
Assets under Construction	535	0	0	0	0	0	0	535
Surplus Assets Not Held for Sale	798	0	0	0	(430)	0	(350)	18
<b>Total Property Plant and Equipment</b>	<b>35,054</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>442</b>	<b>0</b>	<b>157</b>	<b>35,653</b>
<b>Other Long Term Assets</b>								
Investment Property	4,456	0	0	0	(254)	0	(929)	3,274
Intangible Assets	111	0	0	0	0	0	0	111
Long Term Investments	1	0	0	0	0	0	0	1
Long Term Debtors	1,412	0	0	0	0	0	0	1,412
<b>Long Term Assets</b>	<b>5,980</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(254)</b>	<b>0</b>	<b>(929)</b>	<b>4,798</b>
<b>Total Non Current Assets</b>	<b>41,034</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>188</b>	<b>0</b>	<b>(772)</b>	<b>40,451</b>
<b>Current Assets</b>								
Short Term Investments	8,720	0	0	3,118	0	0	(11,838)	0
Inventories	108	0	0	0	0	0	0	108
Short Term Debtors	7,720	0	0	0	0	0	0	7,720

# NOTES TO THE ACCOUNTS

Assets Held for Sale	0	0	0	0	(188)	0	772	584
	Original Balance Sheet at 31 <sup>st</sup> March 2010	Adjustment for Short Term Accumulating Compensated Absences see Note (i)	Adjustment for Government Grants  see Note (ii)	Adjustment for Cash and Cash Equivalent  see Note (iii)	Adjustment for Property Plant and Equipment  see Note (iv)	Adjustment for Investment Properties  see Note (v)	Total Adjustments at 1 <sup>st</sup> April 2009	Restated Balance Sheet at 31 <sup>st</sup> March 2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and Cash Equivalents	8	0	0	(3,297)	0	0	11,788	8,500
<b>Total Current Assets</b>	<b>16,556</b>	<b>0</b>	<b>0</b>	<b>(179)</b>	<b>(188)</b>	<b>0</b>	<b>722</b>	<b>16,912</b>
<b>Total Assets</b>	<b>57,590</b>	<b>0</b>	<b>0</b>	<b>(179)</b>	<b>0</b>	<b>0</b>	<b>(50)</b>	<b>57,363</b>
<b>Current Liabilities</b>								
Bank Overdraft	229	0	0	(179)	0	0	(50)	0
Short Term Creditors	2,859	0	0	0	0	0	0	2,859
Provisions	0	3	0	0	0	0	140	143
<b>Total Current Liabilities</b>	<b>3,088</b>	<b>3</b>	<b>0</b>	<b>(179)</b>	<b>0</b>	<b>0</b>	<b>90</b>	<b>3,002</b>
<b>Total Assets less Current Liabilities</b>	<b>54,502</b>	<b>(3)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(140)</b>	<b>54,361</b>
<b>Long Term Liabilities</b>								
Liability Relating to Defined Benefit Pension Scheme	33,679	0	0	0	0	0	0	33,679
Provisions	139	0	0	0	0	0	984	1,122
Government Grants Deferred	633	0	117	0	0	0	(750)	0
Capital Contributions Deferred	951	0	(809)	0	0	0	(142)	0
<b>Total Long Term Liabilities</b>	<b>35,402</b>	<b>0</b>	<b>(692)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>92</b>	<b>34,801</b>
<b>Net Assets</b>	<b>19,100</b>	<b>(3)</b>	<b>692</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(232)</b>	<b>19,560</b>

# NOTES TO THE ACCOUNTS

	Original Balance Sheet at 31 <sup>st</sup> March 2010	Adjustment for Short Term Accumulating Compensated Absences see Note (i)	Adjustment for Government Grants  see Note (ii)	Adjustment for Cash and Cash Equivalent  see Note (iii)	Adjustment for Property Plant and Equipment  see Note (iv)	Adjustment for Investment Properties  see Note (v)	Total Adjustments at 1 <sup>st</sup> April 2009	Restated Balance Sheet at 31 <sup>st</sup> March 2010
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financed by:</b>								
<b>Usable Reserves</b>								
General Fund Balance	4,996	0	0	0	0	0	0	4,996
Earmarked Revenue Reserves	2,655	0	0	0	0	0	(984)	1,672
Usable Capital Receipts Reserve	5,139	0	0	0	0	0	0	5,139
Capital Reserve	1,951	0	0	0	0	0	0	1,951
<b>Usable Reserves</b>								
Revaluation Reserve	12,110	0	0	0	0	(421)	(436)	11,253
Capital Adjustment Account	25,895	0	692	0	0	421	1,328	28,338
Collection Fund Adjustment Account	33	0	0	0	0	0	0	33
Pensions Reserve	(33,679)	0	0	0	0	0	0	(33,679)
Short Term Accumulating Compensated Absences	0	(3)	0	0	0	0	(140)	(143)
<b>Total Reserves</b>	<b>19,100</b>	<b>(3)</b>	<b>692</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(232)</b>	<b>19,560</b>

# NOTES TO THE ACCOUNTS

## 6. Adjustments between Accounting Basis and Funding Basis Under Regulations

This Note details the adjustments that are made to the total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

2010/11	Usable Reserves					Unusable Reserves
	General Fund Balance £'000	Earmarked Revenue Reserves £'000	Usable Capital Receipts Reserve £'000	Capital Reserve £'000	Capital Grants Unapplied £'000	
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation of non current assets	(2,113)	0	0	0	0	2,113
Impairment losses of non current assets	(169)					169
Amortisation of intangible assets	(53)					53
Movements in market value of Investment Properties	(197)	0	0	0	0	197
Donated Asset	41					(41)
Capital grants and contributions applied	320	138	0	296	0	(754)
Revenue expenditure funded from capital under statute	(833)	0	0	0	0	833
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(241)	0	0	0	0	241
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Capital expenditure charged against the General Fund balance	(53)	0	0	0	0	53
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	492	0	(492)	0	0	0
Use of Capital Receipts Reserve to finance new Capital Expenditure	0	0	1,473	0	0	(1,473)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	3,644	0	0	0	0	(3,644)
Employer's pension contributions and direct payments to pensioners payable in the year	316		0	0	0	(316)

# NOTES TO THE ACCOUNTS

2010/11	General Fund Balance £'000	Earmarked Revenue Reserves £'000	Usable Reserves Usable Capital Receipts Reserve £'000	Capital Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>						
Amounts by which Council Tax income credited to the Comprehensive Expenditure Statement is different from Council tax Income calculated for the year in accordance with Statutory requirements	47		0	0	0	(47)
<b>Adjustments primarily involving the Short Term Accumulating Compensated Absences Account</b>						
Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	51	0	0	0	0	(51)
<b>Total Adjustments</b>	<b>1,252</b>	<b>138</b>	<b>981</b>	<b>296</b>	<b>0</b>	<b>(2,667)</b>

# NOTES TO THE ACCOUNTS

2009/10 Comparative Figures	General Fund Balance £'000	Earmarked Revenue Reserves £'000	Usable Reserves		Capital Grants Unapplied £'000	Unusable Reserves £'000
			Usable Capital Receipts Reserve £'000	Capital Reserve £'000		
<b>Adjustments primarily involving the Capital Adjustment Account</b>						
<b>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Charges for depreciation of non current assets	(2,320)	0	0	0	0	2,320
Impairment losses of non current assets	(3,665)					3,665
Amortisation of intangible assets	(79)	0	0	0	0	79
Capital grants and contributions applied	862	0	0	0	0	(862)
Revenue expenditure funded from capital under statute	(512)	0	0	0	0	512
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	89	0	0	0	0	(89)
<b>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</b>						
Capital expenditure charged against the General Fund balance	71	0	0	0	0	(71)
<b>Adjustments primarily involving the Capital Receipts Reserve</b>						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	(251)	0	0	251
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	1,490	0	0	(1,490)
<b>Adjustments primarily involving the Pensions Reserve:</b>						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,067)	0	0	0	0	2,067
Employer's pension contributions and direct payments to pensioners payable in the year	984	0	0	0	0	(984)

# NOTES TO THE ACCOUNTS

2009/10 Comparative Figures	General Fund Balance £'000	Earmarked Revenue Reserves £'000	Usable Reserves Usable Capital Receipts Reserve £'000	Capital Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b> Amounts by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council tax Income calculated for the year in accordance with Statutory requirements	(34)	0	0	0	0	34
<b>Adjustments primarily involving the Short Term Accumulating Compensated Absences Account</b> Amounts by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(3)	0	0	0	0	3
<b>Total Adjustments</b>	<b>(6,674)</b>	<b>0</b>	<b>1,239</b>	<b>0</b>	<b>0</b>	<b>5,435</b>

# NOTES TO THE ACCOUNTS

## 7. Movement in Reserves

### Purpose of Reserves

General Fund	Resources available to meet future revenue expenditure
Other Earmarked General Fund Reserves	Various discretionary reserves established by the Council to fund specific items of revenue expenditure. These are shown in detail in Note 8.
Capital Reserve	Funds set aside to meet known capital commitments.
Unapplied Capital Receipts	Proceeds from non current assets available to meet future capital commitments.
Revaluation Reserve	Accumulated gains on revaluation of non current assets not realised through sales.
Capital Adjustment Account	Accumulated capital resources set aside to meet past capital expenditure.
Short Term Accumulating Compensated Absences	This is a balancing account to match the liability for untaken staff holiday pay.
Collection Fund Adjustment	This shows the adjustment between the actual Council Tax collected and that required by statute to be credited to the Comprehensive Income and Expenditure Statement.
Pensions Reserve	Balancing account to allow the inclusion of the pension's liability in the Balance Sheet.

### Note

The reserves relating to Bramcote Crematorium have been consolidated into the Councils accounts. Further details of the movement on the reserves are shown in Notes 8 and 9.

## NOTES TO THE ACCOUNTS

<b>Movement in Reserves</b>	<b>Restated Balance as at 01/04/2009</b>	<b>Restated Additions during 2009/10</b>	<b>Restated Expenditure during 2009/10</b>	<b>Restated Balance as at 31/03/2010</b>	<b>Additions during 2010/11</b>	<b>Expenditure during 2010/11</b>	<b>Balance as at 31/03/2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Usable Reserves</b>							
<b>Revenue Reserve</b>							
General Fund	5,414	0	(418)	4,996	384	0	5,380
Other Earmarked General Fund Reserves	1,444	374	(146)	1,672	135	(508)	1,299
<b>Total Revenue Reserves</b>	<b>6,858</b>	<b>374</b>	<b>(564)</b>	<b>6,668</b>	<b>519</b>	<b>(508)</b>	<b>6,679</b>
<b>Capital Reserves</b>							
Capital Reserve	1,926	43	(18)	1,951	893	(375)	2,469
Usable Capital Receipts Reserve	6,378	251	(1,490)	5,139	492	(1,473)	4,158
<b>Total Capital Reserves</b>	<b>8,304</b>	<b>294</b>	<b>(1,508)</b>	<b>7,090</b>	<b>1,385</b>	<b>(1,848)</b>	<b>6,627</b>
<b>Total Usable Reserves</b>	<b>15,162</b>	<b>668</b>	<b>(2,072)</b>	<b>13,758</b>	<b>1,904</b>	<b>(2,356)</b>	<b>13,306</b>
<b>Unusable Reserves</b>							
Revaluation Reserve	12,444	2,730	(3,921)	11,253	1,323	(1,966)	10,610
Capital Adjustment Account	30,991	3,556	(6,209)	28,338	2,931	(3,252)	28,017
Deferred Capital Receipts	2	0	(2)	0	0	0	0
Short Term Accumulating Compensated Absences	(140)	(143)	140	(143)	(92)	143	(92)
Collection Fund Adjustment	67	0	(34)	33	47	0	80
Pension Reserve	(24,188)	0	(9,491)	(33,679)	9,925	0	(23,754)
<b>Total Unusable Reserves</b>	<b>19,176</b>	<b>6,143</b>	<b>(19,517)</b>	<b>5,802</b>	<b>14,134</b>	<b>(5,075)</b>	<b>14,861</b>

# NOTES TO THE ACCOUNTS

## **8. Transfers to/from Earmarked Reserves**

The table on the next page shows the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure, and amounts transferred from earmarked reserves to meet General Fund expenditure. It also shows any transfers to and from the General Fund in respect of capital reserves.

## NOTES TO THE ACCOUNTS

Reserve	Restated Balance as at 01/04/2009	Receipts /(Payments) during 2009/10	Transfers (to)/ from General Fund during 2009/10	Restated Balance as at 31/03/2010	Transfers to General Fund during 2010/11	Transfers from General Fund during 2010/11	Balance as at 31/03/2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Earmarked Revenue Reserves</b>							
John Lally Bequest	6	0	0	6	0	0	6
VAT Partial Exemption	167	0	0	167	0	0	167
Local Lottery	69	0	0	69	0	0	69
Planning Delivery Grant	320	0	195	515	(198)	0	317
IT Equipment	130	0	(15)	115	0	0	115
Electoral Administration	40	0	0	40	(16)	0	24
Disaster Recovery	50	0	0	50	(50)	0	0
Concessionary Fares	150	0	0	150	(150)	0	0
Housing Benefit Employment and Software	5	0	0	5	(5)	0	0
Housing Research	11	0	10	21	0	67	88
Insurance	328	0	0	328	0	0	328
Long Eaton Flood Relief	9	0	0	9	0	0	9
Local Land Charges	0	0	100	100	0	35	135
Cotmanhay Neighbourhood Management	0	0	0	0	0	31	31
Procurement Efficiencies	58	0	(58)	0	0	0	0
Job Evaluation / Equal Pay Claims*	0	0	0	0	0	0	0
Crematorium Donations	1	1	0	2	0	0	2
Crematorium Memorialisation	1	5	0	6	0	2	8
Crematorium Mercury Abatement	99	(10)	0	89	(89)	0	0
	<b>1,444</b>	<b>(4)</b>	<b>232</b>	<b>1,672</b>	<b>(508)</b>	<b>135</b>	<b>1,299</b>
<b>Capital Reserves</b>							
Vehicle and Plant	1,247	0	0	1,247	(296)	850	1,801
Leisure Centre Equipment	115	0	30	145	0	30	175
Tesco CCTV Fund	10	0	0	10	0	0	10
Shopmobility	17	2	0	19	(1)	3	21
Museum Purchases	14	0	0	14	0	0	14
Museum Donations	8	0	(4)	4	0	2	6
VAT Exemption	335	0	0	335	0	0	335
Ropewalk Repairs	145	0	0	145	(78)	0	67
Crematorium Repairs and Renewals	35	(3)	0	32	0	8	40
	<b>1,926</b>	<b>(1)</b>	<b>26</b>	<b>1,951</b>	<b>(375)</b>	<b>893</b>	<b>2,469</b>

\*The amount of £984,000 previously shown as a reserve has been moved to Provisions in the Restated Balance Sheet at 1st April 2009

# NOTES TO THE ACCOUNTS

## 9. Movement in Reserves Statement – Movement on Unusable Reserves

### Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment, (and intangible assets). The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost,
- used in the provision of services and the gains are consumed through depreciation, or
- disposed and the gains are realised.

The Reserve only contains revaluation gains accumulated since 1<sup>st</sup> April 2007, the date of the creation of the Reserve. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10 £'000		2010/11 £'000
12,444	<b>Restated Balance at 1<sup>st</sup> April</b>	11,253
2,730	Upward Revaluation of Assets	1,323
(2,687)	Downward Revaluation of Assets and Impairment Losses not charged to the Surplus/Deficit on the Provision of Services	(700)
<b>43</b>	<b>Surplus (Deficit on Revaluation of Non Current Assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>623</b>
(397)	Difference between fair value depreciation and historical cost depreciation	(338)
(74)	Disposals	(325)
(45)	Adjustment for Reclassifications	0
0	IFRS Investment Property Reclassification	(603)
(718)	Impaired due to clear consumption of economic benefits	0
<b>11,253</b>	<b>Restated Balance at 31<sup>st</sup> March</b>	<b>10,610</b>

### Capital Adjustment Account

This account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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## NOTES TO THE ACCOUNTS

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. It also contains revaluation gains accumulated on Property, Plant and Equipment before 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

The following Note provides details of the movements on the account:

2009/10 £'000		2010/11 £'000
30,991	<b>Restated Balance at 1<sup>st</sup> April</b>	28,338
	<b>Reversal of items relating to capital expenditure showing in Comprehensive Income and Expenditure Statement:</b>	
	<b>Charges for Depreciation and Impairment on non current assets:</b>	
(2,396)	-Depreciation	(2,166)
(3,665)	-Impairment	(169)
	0 Revaluation losses on Investment Properties	(197)
	0 Revaluation losses on Property Plant and Equipment	(197)
(512)	Revenue expenditure funded from capital under statute	(833)
	Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the	
(89)	Comprehensive Income and Expenditure Statement	(241)
56	Additions	41
	Adjusting amounts written out to the Revaluation	
1,115	Reserve	663
	<b>Capital Financing applied in the year:</b>	
	Use of capital receipts to finance new capital	
1,490	expenditure	1,473
	Capital grants and contributions credited to the	
	Comprehensive Income and Expenditure Statement	
862	that have been applied in capital financing	755
	Capital expenditure charged against the General	
2	Fund	0
	Capital expenditure charged against Earmarked	
61	Revenue Reserves	(53)
47	Adjustment for Reclassifications	0
	Transfer of Balances in Revaluation Reserve in	
376	respect of reclassification of investment properties	603
<b>28,338</b>	<b>Restated Balance at 31<sup>st</sup> March</b>	<b>28,017</b>

## NOTES TO THE ACCOUNTS

### Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements requires benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

<b>2009/10</b> <b>£'000</b>		<b>2010/11</b> <b>£'000</b>
<b>(24,188)</b>	<b>Balance at 1<sup>st</sup> April</b>	<b>(33,679)</b>
(8,292)	Actuarial gains or (losses) on pensions assets and liabilities	5,965
(3,047)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	2,211
1,848	Employer's pension contributions and direct payments to pensioners payable in the year	1,749
<b>(33,679)</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>(23,754)</b>

## NOTES TO THE ACCOUNTS

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of the Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10 £'000		2010/11 £'000
67	<b>Balance at 1<sup>st</sup> April</b>	<b>33</b>
	Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the	
(34)	year in accordance with statutory requirements	47
<b>33</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>80</b>

### Short Term Compensated Absences Adjustment Account

The Short Term Compensated Absences Adjustment Account absorbs the differences that would otherwise have arisen on the General Fund balance from accruing for compensated absences earned but not taken in the year, for example annual leave entitlement carried forward at 31<sup>st</sup> March. Statutory arrangements require that the impact on the General Fund balance is neutralised by transfers to or from the account.

2009/10 £'000		2010/11 £'000
140	<b>Balance at 1<sup>st</sup> April</b>	<b>143</b>
(140)	Settlement or cancellation of accrual made at the end of the preceding year	(143)
<b>0</b>		<b>0</b>
143	Amounts accrued at the end of the current year	92
<b>143</b>	<b>Balance at 31<sup>st</sup> March</b>	<b>92</b>

# NOTES TO THE ACCOUNTS

## 10. Capital Expenditure

The Council's capital expenditure, on an accruals basis, including amounts owed but not paid during the financial year, have been analysed by type of asset and are set out below. The amounts also include revenue expenditure funded from capital under statute.

2009/10 £'000		2010/11 £'000
<b>0</b>	<b>Opening Capital Financing Requirement</b>	<b>0</b>
	Type of Asset	
483	Operational Land and Buildings	164
629	Vehicles, Plant, Furniture and Equipment	303
230	Infrastructure Assets	309
491	Assets under Construction and Work in Progress	477
7	Intangible Assets	10
2,387	Revenue Expenditure Funded from Capital Under Statute	2,200
<b>4,227</b>		<b>3,463</b>
	Source of Finance	
(1,490)	Capital Receipts	(1,473)
(1,920)	Grants and Contributions	(1,674)
(817)	Miscellaneous Income	(13)
0	Vehicle Renewals Fund	(296)
0	Revenue	(7)
<b>(4,227)</b>		<b>(3,463)</b>
<b>0</b>	<b>Closing Capital Financing Requirement</b>	<b>0</b>

# NOTES TO THE ACCOUNTS

## 11. Capital Commitments

The Council has a long term Capital Plan and has to plan work well in advance of actual spending. At 31<sup>st</sup> March 2011 a number of capital contracts had been let, and the following payments had therefore been committed for future years.

<b>Scheme</b>	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>	<b>2013/14 £'000</b>	<b>Total £000</b>
Decent Homes Grants	294	100	100	494
Disabled Facilities Grants	948	450	450	1,848
Development of Play Sites	74	0	0	74
Victoria Park Leisure Centre Refurbishment	1,863	0	0	1,863
Council Buildings Major Repairs Programme	77	50	50	177
Victoria Park Bandstand Repairs	30	0	0	30
Social Housing Grant	184	50	50	284
Long Eaton Townscape - Heritage Initiative Scheme	453	434	0	887
Long Eaton Sustainable Infrastructure Project	300	0	0	300
Improvements to Football Field, Haddon Way, Sawley	35	0	0	35
Play Area Refurbishment	233	0	0	233
CCTV System Replacement and Digital Storage of Images	150	0	0	150
Energy Efficiency Measures	50	0	0	50
West Park Leisure Centre Changing Room Improvements	61	0	0	61
West Park Leisure Centre Condition Survey Works	172	0	0	172
West Park Leisure Centre Reception Improvements and Tactile Signage	15	0	0	15
Merlin Way CCTV System	39	0	0	39
<b>Total Capital Commitments</b>	<b>4,978</b>	<b>1,084</b>	<b>650</b>	<b>6,712</b>

The above table includes the schemes for the years 2011/12 to 2013/14, approved by the Council Executive on 23<sup>rd</sup> February 2011, together with slippage on schemes included within the 2010/11 capital programme which were determined by the Section 151 Officer under delegated powers and subsequently ratified by Council Executive on 20th July 2011. It is intended that all of the above expenditure will be funded by either grants or usable capital receipts, without the need to borrow externally.

# NOTES TO THE ACCOUNTS

## 12. Valuation of Non Current Assets and Long Term Assets

Non current assets are initially recognised at their cost of acquisition or purchase, plus any expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Subsequent valuation of assets is based on the following:

- Land and Buildings, and Vehicles, Plant and Equipment - fair value in existing use
- Infrastructure Assets, Community Assets and Assets under Construction - depreciated historic cost
- Investment Properties - market value
- Intangible Assets - amortised historic cost

Plant, furniture and equipment that are normally regarded as forming part of the building service installation have been included in the property valuation figure. However, under International Financial Reporting Standard 16 (Property, Plant and Equipment) significant components within buildings have, from 1st April 2010, been valued and depreciated separately from the rest of the structure.

All valuations of non current assets are based upon a valuation exercise carried out by an external valuer, John Murray of the Valuation Office Agency, who is a member of the Royal Institute of Chartered Surveyors. The date of the last full valuation was 31st March 2009. Assets are now being valued each year as part of a five year rolling programme. Non current assets were valued in accordance with the Royal Institute of Chartered Surveyors Valuation Standards 6th Edition, in so far as that is consistent with International Financial Reporting Standards and the Chartered Institute of Public Finance interpretation.

# NOTES TO THE ACCOUNTS

## 13. Movement on Operational Non Current Assets - 2010/11

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Surplus Assets not Held for Sale	Community Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation as at 1<sup>st</sup> April 2010</b>	<b>31,936</b>	<b>8,552</b>	<b>1,039</b>	<b>13</b>	<b>259</b>	<b>535</b>	<b>42,334</b>
Additions	164	467	309	0	0	477	1,417
Donations	0	0	0	0	41	0	41
Disposals	(36)	(104)	0	0	0	0	(140)
Impairments							
-Recognised in Surplus / Deficit on Provision of Services							
- Losses in Year	(727)	(9)	0	0	0	0	(736)
- Reversal of Losses	0	0	0	0	0	0	0
Reclassifications	(562)	0	92	114	0	(535)	(891)
Revaluations	444	16	0	357	0	0	817
<b>Cost or Valuation as at 31st March 2011</b>	<b>31,219</b>	<b>8,922</b>	<b>1,440</b>	<b>484</b>	<b>300</b>	<b>477</b>	<b>42,842</b>

## NOTES TO THE ACCOUNTS

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Surplus Assets not Held for Sale	Community Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cumulative Depreciation as at 1st April 2010</b>	<b>(851)</b>	<b>(5,556)</b>	<b>(279)</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>(6,681)</b>
Depreciation charge for the year	(1,072)	(962)	(78)	(1)	0	0	(2,113)
Depreciation on Disposals	3	84	0	0	0	0	87
Depreciation on Reclassifications	18	0	0	(1)	0	0	17
Depreciation on Revaluations	410	0	0	0	0	0	410
<b>Cumulative Depreciation as at 31<sup>st</sup> March 2011</b>	<b>(1,492)</b>	<b>(6,434)</b>	<b>(357)</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>(8,280)</b>
<b>Net Book Value at 31<sup>st</sup> March 2011</b>	<b>29,727</b>	<b>2,488</b>	<b>1,083</b>	<b>487</b>	<b>300</b>	<b>477</b>	<b>34,562</b>
<b>Net Book Value at 1<sup>st</sup> April 2010</b>	<b>31,085</b>	<b>2,996</b>	<b>760</b>	<b>18</b>	<b>259</b>	<b>535</b>	<b>35,653</b>
<b>Asset Financing (31<sup>st</sup> March 2011)</b>							
-Owned	29,727	2,488	1,083	487	300	477	34,562
-Leased	0	0	0	0	0	0	0

## NOTES TO THE ACCOUNTS

### **Impairments (material items only)**

The following properties were subject to impairment during the year:

Sandiacre Friesland Sports Centre - impairment of £623,000 as a result of evidence of obsolescence.

Ilkeston Market - impairment of £105,000 as a result of changes in market demand.

Both of these properties are included within Cultural, Environmental, Regulatory and Planning Services in the net cost of Services.

# NOTES TO THE ACCOUNTS

## 13. Restated Movement on Operational Non Current Assets - 2009/10

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Surplus Assets not Held for Sale	Community Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or Valuation as at 1st April 2009 Post IFRS Adjustment</b>	<b>34,715</b>	<b>7,665</b>	<b>809</b>	<b>0</b>	<b>259</b>	<b>45</b>	<b>43,493</b>
IFRS Adjustment 2008-09	381	0	0	0	0	0	381
<b>Cost or Valuation (inc IFRS changes) as at 1<sup>st</sup> April 2009</b>	<b>35,096</b>	<b>7,665</b>	<b>809</b>	<b>0</b>	<b>259</b>	<b>45</b>	<b>43,874</b>
Additions	1,721	901	230	0	0	535	3,387
Disposals	0	(14)	0	0	0	0	(14)
Impairments							
- Recognised in Surplus / Deficit on Provision of Services							
- Losses in Year	(4,514)	0	0	0	0	0	(4,514)
- Reversal of Losses	0	0	0	0	0	0	0
Reclassifications	(3,634)	0	0	0	0	(45)	(3,679)
IFRS Reclassifications	954	0	0	13	0	0	967
Revaluations	2,313	0	0	0	0	0	2,313
<b>Cost or Valuation as at 31st March 2010</b>	<b>31,936</b>	<b>8,552</b>	<b>1,039</b>	<b>13</b>	<b>259</b>	<b>535</b>	<b>42,334</b>
<b>Cumulative Depreciation as at 1<sup>st</sup> April 2009 Pre IFRS Adjustment</b>	<b>(793)</b>	<b>(4,427)</b>	<b>(225)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,445)</b>
IFRS Adjustments 2008-09	(2)	0	0	0	0	0	(2)

## NOTES TO THE ACCOUNTS

	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Surplus Assets not Held for Sale	Community Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cumulative Depreciation as at 1st April 2009 post IFRS adjustments</b>	<b>(795)</b>	<b>(4,427)</b>	<b>(225)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(5,447)</b>
Depreciation charge for the year	(1,133)	(1,144)	(54)	0	0	0	(2,331)
Depreciation on Disposals	0	15	0	0	0	0	15
Depreciation on Reclassifications	64	0	0	0	0	0	64
Depreciation on IFRS Reclassifications	46	0	0	5	0	0	51
Depreciation on Revaluations	198	0	0	0	0	0	198
Depreciation on Other Movements	769	0	0	0	0	0	769
<b>Cumulative Depreciation as at 31<sup>st</sup> March 2010</b>	<b>(851)</b>	<b>(5,556)</b>	<b>(279)</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>(6,681)</b>
<b>Net Book Value at 1<sup>st</sup> April 2010</b>	<b>31,085</b>	<b>2,996</b>	<b>760</b>	<b>18</b>	<b>259</b>	<b>535</b>	<b>35,653</b>
<b>Net Book Value at 31<sup>st</sup> March 2009</b>	<b>34,301</b>	<b>3,238</b>	<b>584</b>	<b>0</b>	<b>259</b>	<b>45</b>	<b>38,048*</b>
<b>Asset Financing (31<sup>st</sup> March 2010)</b>							
- Owned	31,085	2,996	760	18	259	535	35,653
- Leased	0	0	0	0	0	0	0

\* The adjustments to incorporate Bramcote Crematorium have been included in the movements for 2009/10 rather than shown in the net book value at the 1<sup>st</sup> April 2009.

# NOTES TO THE ACCOUNTS

## 14. Movement on Non Operational Non Current Assets - 2010/11

	Investment Properties £'000	Assets Held for Sale £'000	Intangible Assets £'000	Total £'000
<b>Cost or Valuation as at 1<sup>st</sup> April 2010</b>	<b>3,332</b>	<b>572</b>	<b>403</b>	<b>4,307</b>
Additions				
-Acquisitions	0	0	10	10
-Enhancements	0	0	0	0
Disposals	0	(177)	0	(177)
Impairments				
- Recognised in Other Comprehensive Income and Expenditure				
- Losses on Revalued Assets	(299)	(235)	0	(534)
Reclassifications	676	215	0	891
Revaluations	92	0	0	92
<b>Cost or Valuation as at 31<sup>st</sup> March 2011</b>	<b>3,801</b>	<b>375</b>	<b>413</b>	<b>4,589</b>
<b>Cumulative Amortisation as at 1<sup>st</sup> April 2010</b>	<b>(58)</b>	<b>11</b>	<b>(292)</b>	<b>(339)</b>
Amortisation charge for the year	0	0	(53)	(53)
Disposals	0	(11)	0	(11)
Reclassifications	(17)	0	0	(17)
Revaluations	10	0	0	10
<b>Cumulative Amortisation as at 31<sup>st</sup> March 2011</b>	<b>(65)</b>	<b>0</b>	<b>(345)</b>	<b>(410)</b>
<b>Net Book Value at 31<sup>st</sup> March 2011</b>	<b>3,736</b>	<b>375</b>	<b>68</b>	<b>4,179</b>
<b>Net Book Value at 1<sup>st</sup> April 2010</b>	<b>3,274</b>	<b>583</b>	<b>111</b>	<b>3,968</b>
<b>Asset Financing (31<sup>st</sup> March 2011)</b>				
- Owned	3,736	375	68	4,179
- Leased	0	0	0	0

## NOTES TO THE ACCOUNTS

### **Impairments (material items only)**

The following properties were subject to impairment during the year:

- Mark Street, Sandiacre - impairment of £235,000 as a result of evidence of obsolescence. This is included in the Corporate and Democratic Core in the Net Cost of Services.
- West Park Tennis Centre - impairment of £299,000 as a result of both evidence of obsolescence and changes in market demand. This is included in Income, Expenditure and Changes in the Fair Value of Investment Property in the Comprehensive Income and Expenditure Statement.

### **Nature of Intangible Assets**

The Intangible Assets are all purchased computer software licenses.

### **Investment Property**

The following amounts are shown in the Comprehensive Income and Expenditure Statement for Investment Properties:

- direct operating expenditure £56,000,
- rental Income - £178,000.

# NOTES TO THE ACCOUNTS

## 14. Restated Movement on Non Operational Non Current Assets - 2009/10

	Investment Properties £'000	Assets Held for Sale £'000	Intangible Assets £'000	Total £'000
<b>Cost or Valuation as at 1st April 2009 Pre IFRS Adjustment</b>	<b>2,790</b>	<b>1,129</b>	<b>396</b>	<b>4,315</b>
IFRS Adjustment 2008-09	(166)	(215)	0	(381)
<b>Cost or Valuation as at 1<sup>st</sup> April 2009 Post IFRS Adjustment</b>	<b>2,624</b>	<b>914</b>	<b>396</b>	<b>3,934</b>
Additions				
- Acquisitions	4	0	7	11
- Enhancements	0	0	0	0
Disposals	0	(171)	0	(171)
Impairments				
- Recognised in Other Comprehensive Income and Expenditure				
- Losses on Revalued Assets	(1,991)	(360)	0	(2,351)
Reclassifications	3,563	69	0	3,632
IFRS Reclassifications	(967)	0	0	(967)
Revaluations	99	120	0	219
<b>Cost or Valuation as at 31st March 2010</b>	<b>3,332</b>	<b>572</b>	<b>403</b>	<b>4,307</b>
<b>Cumulative Amortisation as at 1st April 2009 pre IFRS Adjustment</b>	<b>(56)</b>	<b>(8)</b>	<b>(213)</b>	<b>(277)</b>
IFRS Adjustment 2008-09	2	0	0	2
<b>Cumulative Amortisation as at 1st April 2009 Post IFRS Adjustment</b>	<b>(54)</b>	<b>(8)</b>	<b>(213)</b>	<b>(275)</b>
Amortisation charge for the year	0	0	(79)	(79)
Disposals	0	8	0	8
Reclassifications	(19)	(45)	0	(64)
IFRS Reclassifications	(51)	0	0	(51)
Other Movements	66	56	0	122

## NOTES TO THE ACCOUNTS

<b>Movement on Non Operational Non Current Assets – 2009/10</b>	<b>Investment Properties</b>	<b>Assets Held for Sale</b>	<b>Intangible Assets</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cumulative Amortisation as at 31<sup>st</sup> March 2010</b>	<b>(58)</b>	<b>11</b>	<b>(292)</b>	<b>(339)</b>
<b>Net Book Value at 31<sup>st</sup> March 2010</b>	<b>3,274</b>	<b>583</b>	<b>111</b>	<b>3,968</b>
<b>Net Book Value at 1<sup>st</sup> April 2009</b>	<b>2,570</b>	<b>906</b>	<b>183</b>	<b>3,659</b>
<b>Asset Financing (31<sup>st</sup> March 2010)</b>				
- Owned	<b>3,274</b>	<b>583</b>	<b>111</b>	<b>3,968</b>
- Leased	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Investment Property

The following amounts are shown in the Comprehensive Income and Expenditure Statement for Investment Properties:

- direct operating expenditure £58,000,
- rental Income £143,000.

# NOTES TO THE ACCOUNTS

## 15. Assets Held for Sale

Restated 2009/10 £'000		2010/11 £'000
	<b>772 Restated Balance at 1<sup>st</sup> April</b>	<b>584</b>
	0 Assets Newly Classified as Held for Sale	215
	0 Impairment Losses	(235)
	0 Assets Sold	(189)
	(188) Reclassification	0
	<b>584 Restated Balance at 31<sup>st</sup> March</b>	<b>375</b>

The following properties have been included in the category of Assets Held for Sale:

	£'000
Bridge House, Long Eaton	215
Mark Street, Sandiacre	160
	<u>375</u>

## 16. Leasing

### Assets Held Under Leases (Council as Lessee)

#### Finance Leases

An independent review of the Council's leases undertaken during the year concluded that all the existing leases should continue to be treated as operating rather than finance leases.

#### Operating Leases

During 2010/11 the Council paid £113,000 (2009/10 £140,000) in operating lease rentals. The leases relate to the use of sport and leisure equipment, photocopiers, and the rental of Sandiacre - Friesland Sports Centre and of the Ropewalk Industrial Centre. The lease on the Ropewalk Industrial Centre ended on 31st December 2010. The sublease income relates to the Ropewalk. Expenditure in the year was split as follows:

## NOTES TO THE ACCOUNTS

	Restated 2009/10 £'000	2010/11 £'000
Minimum Lease Payments	140	113
Contingent Rents	0	0
Payments in respect of subleases	(51)	(38)
	89	75

The future minimum lease payments that the Council is contractually obliged to pay in respect of these operating leases are set out in the following table.

	Restated 2009/10 Other Land and Buildings £'000	2009/10 Vehicles, Plant, Furniture and Equipment £'000	Restated 2009/10 Total £'000	2010/11 Other Land and Buildings £'000	2010/11 Vehicles, Plant, Furniture and Equipment £'000	2010/11 Total £'000
Obligations no later than one year	38	75	113	14	34	48
Obligations between two and five years	56	139	195	56	49	105
Obligations later than five years	1,078	0	1,078	1,064	0	1,064

The lease on Sandiacre - Friesland Sports Centre is a 99 year lease expiring in 2092. There is no sublease income in relation to any of these remaining leases.

### Assets Held For Leases (Council as Lessor)

#### Operating Leases

The Council owns a number of properties that are rented out to other organisations. During the year it received rent of £198,000 (2009/10 £156,000). The future minimum lease payments that the Council will receive over the life of the current leases are set out in the table below:

	2009/10 £'000	2010/11 £'000
Receipts no later than one year	187	183
Receipts between two and five years	581	449
Receipts later than five years	940	889

# NOTES TO THE ACCOUNTS

The high value of lease income receivable later than five years arises from the 99 year lease on the Indoor Bowls Centre. The reduction in rent income in the next year results from the end of the lease on the Ropewalk Industrial Centre, and for the two to five year period arises from the current lease on Toll Bar House expiring in April 2014.

The properties included in the table above are:

Toll Bar House, Ilkeston - former Council offices now occupied by Derbyshire Primary Care Trust,

- 64 High Street, Long Eaton - let to a private company,
- St. Laurence's Pre School, Long Eaton - let to a pre school playgroup,
- Albion Centre, Ilkeston - former leisure centre now partly occupied by the Citizens Advice Bureau,
- Indoor Bowls Centre, Long Eaton - let to a private club,
- Land at Britannia Road/Bridge Street, Long Eaton - Lorry Park let to a private company.

## 17. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another. The term financial instrument covers both financial assets and financial liabilities. Typical financial instruments are:

Liabilities:

- trade payables and other payables,
- borrowings,
- financial guarantees.

Assets:

- bank deposits,
- trade receivables,
- loans receivable,
- other receivables and advances,
- investments.

The Code disclosure requirements for financial instruments are largely irrelevant for the Council in 2010/11 for the following reasons:

- The Council does not use an external fund manager. It manages its investments in-house, supported by external professional treasury advisers.
- The Council has historically, and continues to adopt a prudent and cautious approach to Treasury Management as set out in its Annual Treasury Management and Investment Strategy. All investments are simple loans to UK banks and building societies, and the Government's Debt Management Office and other Local Authorities.
- In response to the turbulence on the global financial markets in recent years, the Council took a decision to keep all of its new investments short term up to 3 months in order to minimise its exposure to financial risk. At 31st March 2011 the Council held only one long term financial instrument, a 4% consolidated stock investment.

## NOTES TO THE ACCOUNTS

The following categories of financial instrument are included in the Balance Sheet:

	Long Term			Current		
	Restated 1 <sup>st</sup> April 2009 £'000	31 <sup>st</sup> March 2010 £'000	31 <sup>st</sup> March 2011 £'000	Restated 1 <sup>st</sup> April 2009 £'000	31 <sup>st</sup> March 2010 £'000	31 <sup>st</sup> March 2011 £'000
<b>Financial Liabilities at Amortised Cost</b>						
Creditors	0	0	0	5,350	2,859	2,754
Cash Overdrawn	0	0	0	50	229	177
<b>Total Financial Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5,400</b>	<b>3,088</b>	<b>2,931</b>
<b>Loans and Receivables</b>						
Other Market Investments	0	0	0	(11,838)	(8,720)	(10,353)
Debtors	(1,622)	(1,412)	(1,355)	(8,233)	(7,720)	(5,896)
Cash in Hand	0	0	0	(23)	(8)	0
	<b>(1,622)</b>	<b>(1,412)</b>	<b>(1,355)</b>	<b>(20,094)</b>	<b>(16,448)</b>	<b>(16,249)</b>
Available for Sale	(1)	(1)	(1)	0	0	0
<b>Total Financial Assets</b>	<b>(1,623)</b>	<b>(1,413)</b>	<b>(1,356)</b>	<b>(20,094)</b>	<b>(16,448)</b>	<b>(16,249)</b>

## NOTES TO THE ACCOUNTS

### Comprehensive Income and Expenditure Statement

The amounts recognised in the Restated Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	<b>Financial Liabilities: Measured at Amortised Cost 31<sup>st</sup> March 2010 £'000</b>	<b>Financial Liabilities: Measured at Amortised Cost 31<sup>st</sup> March 2011 £'000</b>	<b>Loans and Receivables 31<sup>st</sup> March 2010 £'000</b>	<b>Loans and Receivables 31<sup>st</sup> March 2011 £'000</b>	<b>Financial Assets: Available for Sale Assets 31<sup>st</sup> March 2010 £'000</b>	<b>Financial Assets: Available for Sale Assets 31<sup>st</sup> March 2011 £'000</b>	<b>Total 31<sup>st</sup> March 2010 £'000</b>	<b>Total 31<sup>st</sup> March 2011 £'000</b>
<b>Total Expense in the Surplus or Deficit in the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Interest Income	0	0	(166)	(351)	0	0	(166)	(351)
<b>Total Income in the Surplus or Deficit in the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>(166)</b>	<b>(351)</b>	<b>0</b>	<b>0</b>	<b>(166)</b>	<b>(351)</b>
<b>Surplus / Deficit arising on Revaluation of Financial Assets in Other Comprehensive Income and Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Gain (Loss) for the Year</b>	<b>0</b>	<b>0</b>	<b>(166)</b>	<b>(351)</b>	<b>0</b>	<b>0</b>	<b>(166)</b>	<b>(351)</b>

# NOTES TO THE ACCOUNTS

## Fair Value of Financial Instruments

Financial liabilities and loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed using the present value of future cash flows that take place over the remaining life of the instruments. Where an instrument has a maturity of less than 12 months, or is a trade or other receivable, the fair value is taken to be the carrying amount. Although there is a difference between the fair value and the carrying amount of the available for sale financial instrument, this is not considered to be material.

	<b>Restated 1<sup>st</sup> April 2009 £'000</b>	<b>31<sup>st</sup> March 2010 £'000</b>	<b>31<sup>st</sup> March 2011 £'000</b>
<b>Financial Liabilities at Amortised Cost:</b>			
Creditors	5,350	2,859	2,754
Cash Overdrawn	50	229	177
<b>Total Financial Liabilities</b>	<b>5,400</b>	<b>3,088</b>	<b>2,931</b>
<b>Loans and Receivables</b>			
Other Market Investments	(11,838)	(8,720)	(10,353)
Debtors	(9,855)	(9,132)	(7,251)
Cash in Hand	(23)	(8)	0
<b>Total Loans and Receivables</b>	<b>(21,716)</b>	<b>(17,860)</b>	<b>(17,604)</b>
Available for Sale	(1)	(1)	(1)
<b>Total Financial Assets</b>	<b>(21,717)</b>	<b>(17,861)</b>	<b>(17,605)</b>

## Nature and Extent of Risks Arising from Financial Instruments and how the Council Manages those Risks

### Key Risks

The Council's activities expose it to a variety of risks relating to its financial instruments.

The main classes of risks are:

- (i) Credit Risk - the possibility that other parties might fail to pay amounts due to the Council.
- (ii) Liquidity Risk - the possibility that the Council may not have the funds available to meet its payment commitments.
- (iii) Market Risk - the possibility of financial loss due to changes in interest rates and market prices.

### Overall Procedures for Managing Risks

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework established by the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Service Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

## NOTES TO THE ACCOUNTS

- (i) by formally adopting the requirements of the Code of Practice,
- (ii) by the adoption of a Treasury Policy Statement and treasury management clauses within its Financial Regulations,
- (iii) by approving annually in advance prudential indicators for the following three years, limiting the Council's overall borrowing, its maximum exposure to fixed and variable rates, and the maturity structure of its debt,
- (iv) by approving an investment strategy for the forthcoming year and setting out its criteria for both investing and selecting investment counterparties in compliance with the government guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the Annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported to Members.

The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

### **Credit Risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poors Rating Services. The Annual Investment Strategy also considers the maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after this initial test is applied. Details of the Investment Strategy can be found on the Council's website. The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- credit ratings of Short Term of F1, Long Term A, Support C and Individual 3 (Fitch or equivalent rating), with the lowest available rating being applied to the criteria,
- Building Societies with assets in excess of £1 billion, but with a restriction on the level of investment to £2m per counterparty,
- in accordance with the investment strategy, investments have also been made with other Councils.

The Investment Strategy for 2010/11 to 2012/13 was approved by Council Executive on 24 February 2010 and ratified by full Council on 4 March 2010 and is accessible on the Council's website using the following link: [Agenda for Council Executive on Feb 24 2010 2:00PM](#)

Counterparties are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings determined by the Council.

## NOTES TO THE ACCOUNTS

The following table summarises the Council's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last eight years, adjusted to reflect current market conditions. The Debtors figure relates to debtors beyond their due date, but excludes Housing Benefit Overpayments.

<b>Deposits with Banks and Financial Instruments</b>	<b>Amount at 31<sup>st</sup> March 2011</b>	<b>Historical Experience of Default</b>	<b>Adjustment for Market Conditions at 31<sup>st</sup> March 2011</b>	<b>Estimated Maximum Exposure to Defaults</b>
	<b>A</b>	<b>B</b>	<b>C</b>	<b>A x C</b>
	<b>£,000</b>	<b>%</b>	<b>%</b>	<b>£,000</b>
AAA rated counterparties	4,000	0.00	0.00	0
AA rated counterparties	2,000	0.03	0.03	1
A rated counterparties	4,155	0.08	0.08	3
Trade Debtors	730	6.00	5.48	40
	<b>10,885</b>			<b>44</b>

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non performance by any of its' counterparties in relation to deposits or bonds.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict credit criteria for investment counterparties.

The table below shows that £730,000 of the £2,502,000 balance is past its due date for payment. The overdue amount can be analysed by age as follows:

<b>Period Past Due Date</b>	<b>Restated 1<sup>st</sup> April 2009</b>	<b>31<sup>st</sup> March 2010</b>	<b>31<sup>st</sup> March 2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Less than 3 months	355	333	568
Three to six months	17	12	6
Six months to one year	36	19	10
More than one year	459	243	146
	<b>867</b>	<b>607</b>	<b>730</b>

### Liquidity Risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the Treasury and Investment Strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

## NOTES TO THE ACCOUNTS

The Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need, and whilst the Public Works Loan Board provides access to longer term funds, it also acts as a lender of last resort to Councils (although it will not provide funding to a Council whose actions are unlawful). The Council is also required to provide a balance through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

All financial assets are due within one year. All trade and other payables are due to be paid in less than one year.

### **Refinancing and Maturity Risk**

The Council maintains an investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. The risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits placed on investments for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the officer responsible for treasury management assesses the operational risks within the approved parameters. This includes monitoring of the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments to provide stability of maturities and returns in relation to the longer term cash flow.

All trade and other payables are due to be paid in less than one year.

The Council has no longer term financial liabilities. The maturity analysis of financial assets and liabilities is disclosed on next page:

# NOTES TO THE ACCOUNTS

Maturity Date	Loans and Receivables:			Financial Liabilities:		
	Restated 1 <sup>st</sup> April 2009 £'000	31 <sup>st</sup> March 2010 £'000	31 <sup>st</sup> March 2011 £'000	Restated 1 <sup>st</sup> April 2009 £'000	31 <sup>st</sup> March 2010 £'000	31 <sup>st</sup> March 2011 £'000
Less than 1 Year - Cash	(23)	(8)	0	50	229	177
Less than 1 Year - Debtors and Creditors	(8,233)	(7,720)	(5,896)	5,350	2,859	2,754
Less than 1 Year - Other financial instruments	(11,838)	(8,720)	(10,353)	0	0	0
Between 1 - 2 Years	(1,622)	(1,412)	(1,355)	0	0	0
Between 2 - 5 Years	0	0	0	0	0	0
Between 5 - 10 Years	0	0	0	0	0	0
Between 10 - 20 Years	0	0	0	0	0	0
Between 20 - 40 Years	0	0	0	0	0	0
Over 40 Years	0	0	0	0	0	0
Equity Investments with Indeterminate Maturity	(1)	(1)	(1)	0	0	0
<b>Total Financial Assets and Liabilities</b>	<b>(21,717)</b>	<b>(17,861)</b>	<b>(17,605)</b>	<b>5,400</b>	<b>3,088</b>	<b>2,931</b>

## Market Risk

There are three elements to Market Risk:

- interest rate risk,
- price risk,
- foreign exchange risk.

## Interest Rate Risk

The Council is exposed to interest rate movements on its investments. Movements in interest rates have a complex impact on the Council, depending upon how variable and fixed rates move across different financial instrument periods. For example, a rise in variable and fixed interest rates would have the following effects:

- investments at variable rates would result in interest credited to the Comprehensive Income and Expenditure Statement increasing,
- investments at fixed rates would see the fair value of assets fall.

## NOTES TO THE ACCOUNTS

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From the Strategy a treasury indicator is set which provides maximum limits for fixed and variable rate exposure. The treasury team will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For example, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rates will be used appropriately. Alternatively, during periods of falling interest rates, and where economic circumstances make it favourable, investments may be taken for longer periods to secure better long term rates.

During the financial year the Council did not have any variable rate investments. As a result of the Council taking action to keep its investments short term due to the volatility of the financial markets, it only had an insignificant amount of long term investments at 31st March 2011. No fair value adjustment is therefore required for fixed rate investments.

The table below shows the impact of a 1% increase in interest rates at 31st March 2011.

	<b>£'000</b>
Increase in interest payable (1)	0
Increase in interest receivable (1)	(55)
Increase in Government grants receivable	0
Impact on Comprehensive Income and Expenditure Statement	(55)
Impact on the General Fund	(55)
Increase in fair value of Financial Liabilities	0
Increase in fair value of Loans and Receivables	0
Increase in value of available for Sale Investments	0

Methods and assumptions used in preparing the sensitivity analysis:

The sensitivity assumes an increase in interest rates of 1% for all variable and fixed rate periods.

Note (1) - applied to short term and variable rate instruments.

The decision to keep investments short term and the priority given to the security of principal over potential return, means that the Council has experienced an adverse impact upon its investment returns during 2010/11.

### **Equity Price Risk**

The Council does not directly invest in equity shares. It therefore has no exposure to loss arising from movements in the price of shares. Pension Fund investments are made on the Council's behalf by the Derbyshire Pension Fund.

### **Foreign Exchange Risk**

The Council has no financial assets or liabilities denominated in foreign currencies, and therefore, has no exposure to loss arising from movements in exchange rates.

# NOTES TO THE ACCOUNTS

## 18. Inventories

An analysis of the inventories is set out in the table below.

It has not been possible to provide an analysis of the movements on the Transport, Parks and Other inventories. These items are kept for service provision purposes only and no trading account is therefore maintained.

Directorate	Restated Balance 1 <sup>st</sup> April 2009 £'000	Additions £'000	Disposals £'000	Balance 1 <sup>st</sup> April 2010 £'000	Additions £'000	Disposals £'000	Balance 31 <sup>st</sup> March 2011 £'000
Swimming Pools and Leisure Centres	12	103	(94)	21	78	(85)	14
Wheeled Bins	53	80	(108)	25	104	(112)	17
Recycling Bins	1	53	(39)	15	43	(27)	31
	<b>66</b>	<b>236</b>	<b>(241)</b>	<b>61</b>	<b>225</b>	<b>(224)</b>	<b>62</b>
Transport	24	10	0	34	0	(17)	17
Parks	10	0	(2)	8	0	0	8
Other	5	0	0	5	0	0	5
	<b>39</b>	<b>10</b>	<b>(2)</b>	<b>47</b>	<b>0</b>	<b>(17)</b>	<b>30</b>

# NOTES TO THE ACCOUNTS

## 19. Debtors

This Note analyses debtors between short term (less than 12 months) and long term (12 months or longer).

### Short Term Debtors

<b>Restated 1<sup>st</sup> April 2009 £'000</b>	<b>31<sup>st</sup> March 2010 £'000</b>		<b>31<sup>st</sup> March 2011 £'000</b>
4,617	1,987	Central Government	2,409
1,855	1,981	Other Local Authorities	1,824
30	0	NHS Organisations	0
2,582	4,451	Other Entities and Individuals	2,508
<b>9,084</b>	<b>8,419</b>		<b>6,741</b>
28	78	Payments in Advance	1
(879)	(777)	Less Provision for Bad Debts	(846)
<b>8,233</b>	<b>7,720</b>		<b>5,896</b>

### Long Term Debtors

<b>Restated 1<sup>st</sup> April 2009 £'000</b>	<b>31<sup>st</sup> March 2010 £'000</b>		<b>31<sup>st</sup> March 2011 £'000</b>
1,583	1,242	Other Local Authorities	1,129
39	170	Other Entities and Individuals	226
<b>1,622</b>	<b>1,412</b>		<b>1,355</b>
0	0	Less Provision for Bad Debts	0
<b>1,622</b>	<b>1,412</b>		<b>1,355</b>

## NOTES TO THE ACCOUNTS

The Code also requires an analysis of both short term and long term debtors as follows:

<b>Restated 1<sup>st</sup> April 2009 £'000</b>	<b>31<sup>st</sup> March 2010 £'000</b>		<b>31<sup>st</sup> March 2011 £'000</b>
<b>Short Term</b>			
17	22	Trade Customers	19
7,332	6,950	Related Parties	4,929
28	78	Prepayments	1
1,735	1,447	Other Amounts	1,793
(879)	(777)	Less Provision for Bad Debts	(846)
<b>8,233</b>	<b>7,720</b>		<b>5,896</b>
<b>Long Term</b>			
1,620	1,412	Related Parties	1,355
2	0	Other Amounts	0
<b>1,622</b>	<b>1,412</b>		<b>1,355</b>

The Council maintains two provisions for bad debts, one for general debtors and housing benefit overpayments, and a separate one for Council Tax debts. The movements on these provisions are shown in the tables below:

<b>31<sup>st</sup> March 2010 £'000</b>	<b>General Debtors and Housing Benefit Overpayments</b>	<b>31<sup>st</sup> March 2011 £'000</b>
670	Opening Balance	577
(87)	Additions	147
(6)	Use in Year	(59)
<b>577</b>	<b>Closing Balance</b>	<b>665</b>

<b>31<sup>st</sup> March 2010 £'000</b>	<b>Council Tax</b>	<b>31<sup>st</sup> March 2011 £'000</b>
209	Opening Balance	200
31	Additions	10
(40)	Use in Year	(29)
<b>200</b>	<b>Closing Balance</b>	<b>181</b>

## NOTES TO THE ACCOUNTS

The provision for Council Tax bad debts represents the Council's share of an overall provision split between the precepting authorities on the basis of their respective share of the Council Tax income.

### 20. Cash and Cash Equivalents

Cash is represented by notes and coins held by the Council and deposits available on demand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. The items shown under this heading in the Balance Sheet are as follows:

<b>Restated 1<sup>st</sup> April 2009 £'000</b>	<b>31<sup>st</sup> March 2010 £'000</b>		<b>31<sup>st</sup> March 2011 £'000</b>
		Cash held by Council and Current	
6	(220)	Accounts	(177)
		Short Term Investments of less than	
11,805	8,720	3 months duration	10,353
<b>11,811</b>	<b>8,500</b>		<b>10,176</b>

### 21. Creditors

#### Short Term Creditors

<b>Restated 1<sup>st</sup> April 2009 £'000</b>	<b>31<sup>st</sup> March 2010 £'000</b>		<b>31<sup>st</sup> March 2011 £'000</b>
782	438	Central Government	249
1,373	535	Other Local Authorities	459
130	131	NHS Organisations	157
3,065	1,755	Other Entities and Individuals	1,889
<b>5,350</b>	<b>2,859</b>		<b>2,754</b>

The Council does not have any material long term creditors.

# NOTES TO THE ACCOUNTS

## 22. Provisions

The following tables show both short term and long term provisions

	<b>Restated Balance 1<sup>st</sup> April 2009 £'000</b>	<b>Additions £'000</b>	<b>Amounts Used £'000</b>	<b>Balance 31<sup>st</sup> March 2010 £'000</b>
Sandiacre Friesland:				
- ground rent / service charge	2	0	0	2
- gym provision	70	0	(70)	0
Housing Benefit Subsidy amendments	70	100	(70)	100
Bramcote Joint Crematorium Committee - Job Evaluation	34	3	0	37
Erewash Borough Council - Job Evaluation	983	0	0	983
Short Term Accumulating Compensated Absences	140	143	(140)	143
	<b>1,299</b>	<b>246</b>	<b>(280)</b>	<b>1,265</b>

## NOTES TO THE ACCOUNTS

	Restated Balance 1 <sup>st</sup> April 2010 £'000	Additions £'000	Amounts Used £'000	Discounted Amount £'000	Balance 31 <sup>st</sup> March 2011 £'000
Sandiacre Friesland: - ground rent / service charge	2	0	0	0	2
Housing Benefit Subsidy amendments	100	240	0	0	340
Bramcote Joint Crematorium Committee - Job Evaluation	37	0	(37)	0	0
Erewash Borough Council - Job Evaluation	983	0	0	0	983
Short Term Accumulating Compensated Absences	143	92	(143)	0	92
	<b>1,265</b>	<b>332</b>	<b>(180)</b>	<b>0</b>	<b>1,417</b>

### Sandiacre Friesland Ground Rent / Service

A sum of money may become payable to Sandiacre Friesland School in respect of an increase on the ground rent charge. The next rent review is on 1st September 2014.

### Housing Benefit Subsidy Amendments

A sum of money may be repayable in respect of previous years Housing Benefit subsidy claims upon conclusion of the audit of the claims. Although any repayments will usually be made during the next financial year, at the time of preparing this Statement, the audit of the 2008/09 and 2009/10 subsidy claims had not been finalised.

A technical error has been found in the Council's 2009/10 Housing Benefit subsidy claim that is likely to lead to some loss of subsidy. The maximum amount at risk has been calculated at £680,000, but further work by the Council has so far only identified actual loss to the public purse of £3,000 in overpaid benefits. Whilst technically the full overpayment could be reclaimed by the Department of Works and Pensions, the final decision rests with the Secretary of State who will take all issues into account, including the Council's letter of explanation and mitigating circumstances. Recent cases have set a precedent indicating that only a percentage of the total amount is likely to be reclaimed. It is therefore hoped that the final figure determined by the Secretary of State will be substantially less than £680,000. The Council has increased the provision for Housing Benefit subsidy by £240,000 in 2010/11 which equates to approximately 35% of the overall amount.

# NOTES TO THE ACCOUNTS

## **Bramcote Crematorium Joint committee - Job Evaluation**

A separate provision was made in respect of the Joint Committee for the anticipated costs of the Job Evaluation exercise. This exercise was concluded in 2010/11.

## **Erewash Borough Council - Job Evaluation**

An amount was formerly included within the Balance Sheet as an earmarked reserve to cover the cost of the Job Evaluation exercise. This exercise is still ongoing and may not be concluded until the 2012/13 financial year.

## **Short Term Accumulating Compensated Absences**

Short term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the Council. The most significant benefit covered by this heading is holiday pay. Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when the employees render service that increases their entitlement to future compensated absences. As a result, the Council is required to accrue for any annual leave earned but not taken at 31st March each year. Under the previous accounting arrangements no accrual was required. It is anticipated that any accruals will be taken in the next financial year.

It is not anticipated that the Council will receive any reimbursement towards expenditure from these provisions.

## **23. Cash Flow Statement - Operating, Investing and Financing Activities**

The following table provides more detail on the figures contained within the Council's Cash Flow Statement.

2009/10 £'000		2010/11 £'000
6,839	<b>Net (surplus) or deficit on the provision of services</b>	<b>(2,215)</b>
	<b>Adjust net surplus or deficit on the provision of services for non cash movements</b>	
(2,317)	Depreciation	(2,112)
(3,665)	Impairment and downward valuation	(169)
(79)	Amortisation	(53)
102	Increase in impairment provision for bad debts	(69)
2,491	Increase in creditors	(65)
(825)	Decrease in debtors	(1,812)
3	Decrease in inventories	(16)
(1,083)	Net Pension liability	3,960
(163)	Carrying amount of non current assets sold	(241)
	Other non cash items charged to the net surplus or deficit on the provision of services	
35	- Increase in provisions	(151)
862	Capital Grants and Contributions	320

## NOTES TO THE ACCOUNTS

2009/10 £'000		2010/11 £'000
0	Movement in the value of investment properties	(197)
(4,639)		(605)
	<b>Adjust for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	
0	Purchase of short term and long term investments	0
166	Proceeds from short term and long term investments	351
69	Proceeds from the sale of property, plant and equipment, investment property, and intangible assets	221
235		572
<b>2,435</b>	<b>Net Cash flow from Operating Activities</b>	<b>(2,248)</b>
<b>2009/10 £'000</b>		<b>2010/11 £'000</b>
	<b>Investing Activities</b>	
1,970	Purchase of property, plant and equipment, investment property and intangible assets	1,471
0	Purchase of short term and long term investments	0
61	Other payments for investing activities	243
(251)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(492)
(166)	Proceeds from short term and long term investments	(351)
(862)	Other receipts from investing activities	(320)
<b>752</b>	<b>Net Cash Outflow from Investing Activities</b>	<b>551</b>
	<b>Financing Activities</b>	
124	Cash receipts of short and long term borrowing	21
0	Other receipts from financing activities	0
0	Cash payments for the reduction of the outstanding liability relating to finance lease and on Balance Sheet PFI contracts	0
0	Repayments of short and long term borrowing	0
0	Other payments for financing activities	0
<b>124</b>	<b>Net Cash Outflow from Financing Activities</b>	<b>21</b>
<b>3,311</b>	<b>Net (Increase) or Decrease in Cash and Cash Equivalents</b>	<b>(1,676)</b>

# NOTES TO THE ACCOUNTS

## 24. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service in the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However, decisions about resource allocation are taken by the Council's Executive on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement,
- the cost of retirement benefits is based on cash flows (payment of employer's pension contributions) rather than current service cost benefits accrued in the year,
- expenditure on some support services is budgeted for centrally and only charged to directorates at the end of the year,
- income and expenditure on investment property is not shown within the Net Cost of Services in the Comprehensive Income and Expenditure Statement,
- the cost of short term accumulated compensated absences is not shown in the directorate analysis.

The Council does not report the assets and liabilities on a directorate basis during the year.

The segments reported to the Council's Executive during the course of the year are based on the Council's organisational structure, and this structure forms the basis for the annual estimates. This structure was reorganised during 2010/11 with the creation of a new segment of Operational Services. This replaced the former segments of Places and Environment and Regeneration and Community. The functions formerly covered by these have been redistributed amongst the remaining four segments. The figures reported for 2009/10 have been restated in the current format.

The Council's Executive receives quarterly monitoring reports. The income and expenditure is presented on a cash basis, although accruals are made for significant items. The segmental reporting includes employer's pension contributions paid on account to the Derbyshire Pension Fund, rather than the current service cost. However, capital charges, support service recharges and the cost of short term accumulating compensated absences are only made to services at the year end and therefore do not form part of the segment reporting process, although support services themselves are reported as part of the Resources segment.

## NOTES TO THE ACCOUNTS

The income and expenditure of the Council's directorates recorded in the budget report for the year is as follows:

<b>Directorate Income and Expenditure 2010/11</b>	<b>Executive Office £'000</b>	<b>Non Directorate £'000</b>	<b>Operational Services £'000</b>	<b>Resources £'000</b>	<b>Total £'000</b>
Fees, Charges and Other Service Income	(219)	(1,141)	(4,390)	(1,556)	(7,306)
Government Grants	(196)	0	(55)	(38,354)	(38,605)
<b>Total Income</b>	<b>(415)</b>	<b>(1,141)</b>	<b>(4,445)</b>	<b>(39,910)</b>	<b>(45,911)</b>
Employee Expenses	798	298	6,886	5,590	13,572
Other Operating Expenses	482	2,257	5,015	40,028	47,782
Net Support Service Recharges	50	(13)	1,639	(1,676)	0
<b>Total Operating Expenses</b>	<b>1,330</b>	<b>2,542</b>	<b>13,540</b>	<b>43,942</b>	<b>61,354</b>
<b>Net Cost of Services</b>	<b>915</b>	<b>1,401</b>	<b>9,095</b>	<b>4,032</b>	<b>15,443</b>

The comparable figures for 2009/10 are as follows:

<b>Restated Directorate Income and Expenditure 2009/10</b>	<b>Executive Office £'000</b>	<b>Non Directorate £'000</b>	<b>Operational Services £'000</b>	<b>Resources £'000</b>	<b>Total £'000</b>
Fees, Charges and Other Service Income	(79)	(418)	(4,279)	(1,220)	(5,996)
Government Grants	(262)	(283)	(290)	(35,702)	(36,537)
<b>Total Income</b>	<b>(341)</b>	<b>(701)</b>	<b>(4,569)</b>	<b>(36,922)</b>	<b>(42,533)</b>
Employee Expenses	877	356	7,043	5,370	13,646
Other Operating Expenses	554	2,656	4,240	37,465	44,915
Net Support Service Recharges	(130)	193	1,482	(1,545)	0
<b>Total Operating Expenses</b>	<b>1,301</b>	<b>3,205</b>	<b>12,765</b>	<b>41,290</b>	<b>58,561</b>
<b>Net Cost of Services</b>	<b>960</b>	<b>2,504</b>	<b>8,196</b>	<b>4,368</b>	<b>16,028</b>

## NOTES TO THE ACCOUNTS

### Reconciliation to Net Cost of Services in the Comprehensive Income and Expenditure Statement

<b>2010/11</b>	<b>£'000</b>
Net Cost of Services in Directorate Analysis	15,443
Amounts in the Comprehensive Income and Expenditure Statement not reported in the Directorate analysis	(2,303)
Amounts included in the Directorate analysis but not included in the Comprehensive Income and Expenditure Statement	(290)
<b>Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>12,850</b>

<b>2009/10</b>	<b>£'000</b>
Net Cost of Services in Directorate Analysis	16,028
Amounts in the Comprehensive Income and Expenditure Statement not reported in the Directorate analysis	5,573
Amounts included in the Directorate analysis but not included in the Comprehensive Income and Expenditure Statement	166
<b>Restated Net Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>21,767</b>

# NOTES TO THE ACCOUNTS

## Reconciliation to Subjective Analysis (Single Entity)

This reconciliation shows how the figures in the analysis of Directorate income and expenditure relate to the subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11 Reconciliation	Service Analysis	Amounts not Included in Directorate Analysis but included in Comprehensive I&E Account	Amounts not Included in Comprehensive I&E Account but included in the Directorate Analysis	Allocation of Support Service Recharges (*)	Amounts Reported below Net Expenditure of Continuing Operations in Comprehensive I&E Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	(7,306)	618	0	0	0	(6,688)
Interest and Investment Income	0	(3)	308	0	(529)	(224)
Income from Council Tax	0	0	0	0	(6,093)	(6,093)
Government Grants	(38,605)	0	42	0	(10,142)	(48,705)
<b>Total Income</b>	<b>(45,911)</b>	<b>615</b>	<b>350</b>	<b>0</b>	<b>(16,764)</b>	<b>(61,710)</b>
Transfer from Reserves	0	64	(584)	0	0	(520)
Employee Expenses	13,572	(497)	0	0	0	13,075
Other Service Expenses	47,782	(5,587)	(56)	(1,689)	1,751	42,201
Net Support Service Recharges	0	0	0	1,689	0	1,689
Depreciation, Amortisation, Impairment and REFCUS	0	3,102	0	0	0	3,102
Precepts and Levies	0	0	0	0	198	198
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(250)	(250)
<b>Total Operating Expenses</b>	<b>61,354</b>	<b>(2,918)</b>	<b>(640)</b>	<b>0</b>	<b>1,699</b>	<b>59,495</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>15,443</b>	<b>(2,303)</b>	<b>(290)</b>	<b>0</b>	<b>(15,065)</b>	<b>(2,215)</b>

# NOTES TO THE ACCOUNTS

The comparable figures for 2009/10 are as follows:

2009/10 Reconciliation	Service Analysis	Amounts not Included in Directorate Analysis but included in Comprehensive I&E Account	Amounts not Included in Comprehensive I&E Account but included in the Directorate Analysis	Allocation of Support Service Recharges (*)	Amounts Reported below Net Expenditure of Continuing Operations in Comprehensive I&E Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Fees, Charges and Other Service Income	(5,996)	642	0	0	0	(5,354)
Interest and Investment Income	0	(4)	310	0	(309)	(3)
Income from Council Tax	0	0	0	0	(6,007)	(6,007)
Government Grants	(36,537)	170	236	0	(10,840)	(46,971)
<b>Total Income</b>	<b>(42,533)</b>	<b>808</b>	<b>546</b>	<b>0</b>	<b>(17,156)</b>	<b>(58,335)</b>
Transfer from Reserves	0	62	(320)	0	0	(258)
Employee Expenses	13,646	(1,094)	0	0	0	12,552
Other Service Expenses	44,915	(443)	(60)	(1,675)	2,125	44,862
Net Support Service Recharges	0	0	0	1,675	0	1,675
Depreciation, Amortisation, Impairment and REFCUS	0	6,240	0	0	0	6,240
Precepts and Levies	0	0	0	0	192	192
Gain or Loss on Disposal of Fixed Assets	0	0	0	0	(89)	(89)
<b>Total Operating Expenses</b>	<b>58,561</b>	<b>4,765</b>	<b>(380)</b>	<b>0</b>	<b>2,228</b>	<b>65,174</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>16,028</b>	<b>5,573</b>	<b>166</b>	<b>0</b>	<b>(14,928)</b>	<b>6,839</b>

(\*) Support Service Charges are fully reported in the Service Analysis, although the recharges are not reported during the year.

## 25. Agency Income and Expenditure

The Council has an agency agreement with Derbyshire County Council whereby the Council is responsible for amenity maintenance within the Borough on behalf of the County Council. The County Council reimburses the Borough for this work. A summary of the expenditure incurred in respect of the activity is as follows:

	2009/10 £'000	2010/11 £'000
Amenity Maintenance	149	149
Administrative Costs	12	12
	<b>161</b>	<b>161</b>

# NOTES TO THE ACCOUNTS

## 26. Members' Allowances

During 2010/11 a total of £318,715 (2009/10 £321,524) was paid to Members of the Council in the form of allowances and expenses. These figures include superannuation and national insurance contributions.

## 27. Officers' Remuneration

Under Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 the Council is required to disclose the total remuneration of all officers whose salary is £50,000 or more per year. These shall be disclosed by the number of employees only, falling within bands of £5,000 commencing at £50,000.

In addition, for senior employees whose salary is between £50,000 and £150,000 per year, their remuneration must be disclosed on an individual basis by way of job title.

The number of employees, whose remuneration excluding employer superannuation contributions, was £50,000 or more per year are set out below. This Note includes senior officers whose remuneration is further itemised below.

Number of Employees 2009/10		Number of Employees 2010/11
3	50,000 – 54,999	2
1	55,000 – 59,999	0
1	60,000 – 64,999	2
1	65,000 – 69,999	1
0	70,000 – 74,999	0
2	75,000 – 79,999	1
1	80,000 - 84,999	1
0	85,000 - 89,999	0
0	90,000 - 94,999	0
0	95,000 - 99,999	0
0	100,000 - 104,999	0
0	105,000 - 109,999	0
1	110,000 - 114,999	1
<b>10</b>		<b>8</b>

Details of the remuneration of senior officers are set out below:

# NOTES TO THE ACCOUNTS

Post Holder Information	2009/10			2010/11				
	Salary £	Restated Benefit in Kind £	Employers' Pension Contribution £	Total £	Salary £	Benefit in Kind £	Employers' Pension Contribution £	Total £
Chief Executive	110,234	1,230	23,039	134,503	110,234	1,286	23,039	134,559
Director for Resources and Deputy Chief Executive	80,550	1,170	16,835	98,555	80,550	1,239	16,835	98,624
Director for Operational Services	74,868	1,187	15,647	91,702	76,516	1,252	15,992	93,760
Director for Regeneration and Community	74,457	1,192	15,432	91,081	0	0	0	0
Assistant Chief Executive	68,695	1,212	14,357	84,264	68,695	1,246	14,357	84,298
Head of Personnel	58,815	1,246	12,292	72,353	58,815	1,516	12,292	72,623
Head of Customer and Support Services	57,526	1,250	12,023	70,799	58,815	1,371	12,292	72,478
Head of Green Space and Street Scene	52,395	1,170	10,951	64,516	52,395	1,239	10,951	64,585
Head of Culture and Leisure	0	0	0	0	51,120	1,482	10,684	63,286
Exchequer Services Manager	50,003	1,219	9,953	61,175	47,622	1,284	9,953	58,859

## NOTES TO THE ACCOUNTS

### 28. External Audit Costs

The Council's appointed auditors are Grant Thornton. During the year the following amounts were paid to them.

	2009/10 £'000	2010/11 £'000
External Audit Services	126	131
Statutory Inspection *	9	(14)
Certification of Grant Claims	37	40
Fees in respect of VAT (Fleming Case)	0	15
	172	172
* The Audit Commission were the inspectors in 2009/10		

### 29. Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	Restated 2009/10 £'000	2010/11 £'000
Credited to Taxation and Non Specific Grant Income:		
- Revenue Support Grant	1,802	1,228
- Local Authority Business Growth Incentive Scheme	45	0
- Area Based Grant	324	136
- Capital Grants and Contributions	862	320
	3,033	1,684
Credited to Services:		
- Council Tax and Housing Benefit Subsidy	33,958	37,106
- Council Tax and Housing Benefit Administration	993	912
- Planning Delivery Grant	354	0
- Concessionary Travel Subsidy	283	792
- Housing Strategy	145	69
- Homelessness Administration	50	58
- Future Jobs Fund	22	228
- Community Safety	22	24
- Other	343	574
	36,170	39,763

## NOTES TO THE ACCOUNTS

Grants and contributions may be received in advance of expenditure, or may have conditions attached that have to be met prior to the funds being applied. In addition, the Council occasionally receives donated assets. Where there are no conditions to the donation, it is treated as income in the Comprehensive Income and Expenditure Statement and reversed out to the Capital Adjustment Account. The following table shows the year end balances on these grants and donations. No separate account has been shown for Donated Assets as the amounts involved are not considered to be significant.

	<b>Balance 1<sup>st</sup> April 2010 £'000</b>	<b>Grants Received in Year £'000</b>	<b>Grants Applied in Year £'000</b>	<b>Balance 31<sup>st</sup> March 2011 £'000</b>
Capital Grants Received in Advance				
- Decent Homes Grant	178	566	(652)	92
- Disabled Facilities Grants	0	301	(301)	0
- Derbyshire Economic Partnership	0	289	(289)	0
- Heritage Lottery Fund	11	408	(419)	0
- English Heritage	1	0	(1)	0
- Sport England	0	11	(11)	0
- Youth Forum	5	0	0	5
- Derbyshire County Council	0	73	0	73
	<u>195*</u>	<u>1,648</u>	<u>(1,673)</u>	<u>170</u>

\* This figure is included within Creditors in the Balance Sheet at 31<sup>st</sup> March 2010.

### 30. 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 an assessment of 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.

Central Government has effective control over the general operations of the Council - it is responsible for providing the statutory framework, within which the Council operates, provides the majority of the funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Housing Benefits).

Members of the Council have direct control over the Council's financial and operating policies. The only matters reported were those where members held positions within charitable or community organisations which received some financial support from the Council. Where necessary members declared such interests when relevant to their duties and thus no further disclosure is considered necessary. The register of interests for each

## NOTES TO THE ACCOUNTS

Council Member can be found on the Council's website using the following link: [councillors and meetings / your councillors](#), and then by clicking on each Council Member.

Officers of the Council have not declared any such transactions.

Most significant transactions with Related Parties are disclosed elsewhere in the Statement of Accounts as follows:

Capital Grants from Central Government - Note 29 (page 108)  
 Precepts paid to other Local Authorities - Collection Fund Accounts, (pages 120-121)  
 Superannuation Contributions - Note 32 (page 111)

Other significant transactions with Related Parties are summarised below:

	2009/10 Receipts £'000	2009/10 Payments £'000	2010/11 Receipts £'000	2010/11 Payments £'000
<b>Revenue</b>				
Bramcote Crematorium Joint Committee	(175)	248	(175)	43
Grants to Parishes in respect of Concurrent Functions	0	285	0	292
Groundwork Derby and Derbyshire	0	48	0	34
Citizens Advice Bureau Partnership	0	56	0	57
Erewash Partnership	0	98	0	90
Derbyshire County Council Agency - Amenity Maintenance	(161)	0	(161)	0
Erewash Community Transport	0	6	0	0
Derbyshire Wildlife Trust	0	0	0	12
Erewash Trail Partnership	0	0	0	10
<b>Capital</b>				
Three Valleys Housing Limited	(114)	0	(194)	0
Sawley Parish Council - Contribution towards Play Area Improvements	(10)	0	0	0

Brief details of the nature of the transactions with the organisations are set out below. There are no outstanding material sums relating to the 2010/11 financial year.

Bramcote Crematorium Joint Committee – the Council jointly operates Bramcote Crematorium with Broxtowe Borough Council. During the year the Council received payment of £175,000 as a share of the operating surplus, and made a loan of £42,850 towards capital expenditure. Further details are shown in Note 34.

# NOTES TO THE ACCOUNTS

Grants to Parishes in respect of concurrent functions - a number of Parish Councils within the Borough provide services that would otherwise be carried out by the Borough Council. These are principally grounds maintenance but do include some other amenity services. The Council pays a fixed annual sum to the Parishes for this work.

Groundwork Derby and Derbyshire - Groundwork provide a variety of community based initiatives within the Borough, such as community involvement in local nature reserves, local walking activities and community safety schemes. The Council makes a general contribution towards running costs.

Citizens Advice Bureau Partnership - The Council makes a contribution towards the CAB operating expenses.

Erewash Partnership involves over 350 local businesses, Erewash Borough Council, Derbyshire County Council and representatives from education and the community. The Council provides financial support to the partnership.

Derbyshire County Council Amenity Maintenance - the Council undertakes amenity maintenance for Derbyshire County Council and the payment is a reimbursement for the cost of the work and administrative costs.

Derbyshire Wildlife Trust - The DWT maintain the Local Wildlife Site system and provide the Council with specialist information and advice in relation to planning matters.

Erewash Trail Partnership - this was the Council's contribution to the long distance Erewash Valley Green Way Trail.

Three Valleys Housing Limited - the Council continues to receive a preserved Right to Buy entitlement following the transfer of its housing stock to the housing association.

## **31. Employment Benefits - Short Term Accumulating Compensated Absences**

As at 31st March a number of the Council's employees had not taken their annual leave entitlement or had worked additional hours for which they are entitled to compensatory time off. This represents a liability for the Council and under IAS 19 the Council is required to disclose the nature of this liability in its Balance Sheet. In order that there is no ultimate impact upon the General Fund balance, the long term provision set up in the Balance Sheet is matched by an unusable reserve, the Short Term Accumulating Compensated Absences Reserve.

The Balance Sheet as at 31st March 2010 has been restated to show an opening balance of £143,000. The comparable figure at 31st March 2011 is £92,000.

## **32. Employee Benefits - Post Employment Benefits**

### **Participation in Pension Scheme**

As part of the terms and conditions of employment of its officers and other employees, the Council offer retirement benefits. Although these retirement benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be made at the time that employees earn their future entitlement.

## NOTES TO THE ACCOUNTS

The Council participates in the Local Government Pension Scheme (LGPS), a defined benefit scheme, administered by Derbyshire County Council. This is a funded scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

### Transactions Relating to Retirement Benefits

The Council recognises the cost of retirement benefits in the net cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge that the Council is required to make against the Council Tax is based on the cash payable in the year. The real cost of retirement benefits is reversed out in the Statement of Movement in Reserves, in the line headed 'Adjustment Between Accounting Basis and the Funding Basis under Regulation'.

The following transactions have been made in the Comprehensive Income and Expenditure Statement and the Statement of Movement in Reserves.

Comprehensive Income and Expenditure Statement	2009/10			2010/11		
	Funded £'000	Unfunded £'000	Total £'000	Funded £'000	Unfunded £'000	Total £'000
<b>Net Cost of Services</b>						
Current Service Cost	(864)	0	(864)	(1,433)	0	(1,433)
Past Service Cost	0	0	0	5,067	75	5,142
Curtailments	(116)	0	(116)	0	0	0
Settlements	0	0	0	0	0	0
<b>Financing and Investment Income and Expenditure</b>						
Interest Cost	(4,496)	(78)	(4,574)	(4,775)	(74)	(4,849)
Expected Return on Scheme Assets	2,507	0	2,507	3,351	0	3,351
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>(2,969)</b>	<b>(78)</b>	<b>(3,047)</b>	<b>2,210</b>	<b>1</b>	<b>2,211</b>
<b>Other Comprehensive Income and Expenditure</b>						
Actuarial Gains or Losses on Pension Liabilities and Assets	(8,064)	(228)	(8,292)	6,061	(96)	5,965
<b>Total Post Employment Benefits Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(11,033)</b>	<b>(306)</b>	<b>(11,339)</b>	<b>8,271</b>	<b>(95)</b>	<b>8,176</b>
<b>Statement of Movement in Reserves</b>						
Adjustment between accounting basis and funding basis under regulation	9,185	306	9,491	(9,755)	(170)	(9,925)

## NOTES TO THE ACCOUNTS

Comprehensive Income and Expenditure Statement	2009/10			2010/11		
	Funded £'000	Unfunded £'000	Total £'000	Funded £'000	Unfunded £'000	Total £'000
<b>Actual Amount Charged Against General Fund Balance for Pensions in Year</b>			1,848			1,749
Employer's Contributions payable to the scheme	1,760			1,652		
Retirement benefits payable to pensioners		88			97	

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement for 2010/11 is a gain of £5,965,000 (2009/10 loss of £8,292,000)

### Assets and Liabilities in Relation to Retirement Benefits

The following table reconciles the movement on the scheme liabilities during 2010/11.

	2009/10			2010/11		
	Funded £'000	Unfunded £'000	Total £'000	Funded £'000	Unfunded £'000	Total £'000
<b>Opening Balance at 1st April</b>	<b>(64,581)</b>	<b>(1,149)</b>	<b>(65,730)</b>	<b>(86,264)</b>	<b>(1,367)</b>	<b>(87,631)</b>
Current Service Cost	(864)	0	(864)	(1,433)	0	(1,433)
Interest on Pension: Liabilities	(4,496)	(78)	(4,574)	(4,775)	(74)	(4,849)
Contribution by Scheme Participants	(511)	0	(511)	(501)	0	(501)
Past Service Cost	0	0	0	5,067	75	5,142
Actuarial Gains (Losses) on Liabilities	(19,592)	(228)	(19,820)	3,880	(96)	3,784
Benefits / Transfers Paid	3,896	88	3,984	3,938	97	4,035
Curtailments	(116)	0	(116)	0	0	0
<b>Closing Balance at 31st March</b>	<b>(86,264)</b>	<b>(1,367)</b>	<b>(87,631)</b>	<b>(80,088)</b>	<b>(1,365)</b>	<b>(81,453)</b>

The expected return on fund assets is determined by considering the expected market returns available on the assets underlying the current investment policy. The assumption used is the average of assumptions (shown in the table below 'Basis for estimating assets and liabilities' within the table showing 'Expected rate of return on assets') appropriate to the individual asset classes and weighted by the proportion of assets in the particular class.

## NOTES TO THE ACCOUNTS

In the UK Budget Statement on 22nd June 2010 the Chancellor announced that, with effect from 1st April 2011, public service pensions would be up-rated in line with the Consumer Price Index (CPI) rather than the Retail Price Index (RPI). This has the effect of reducing the Council's liabilities in the Derbyshire Pension Fund by £5,142,000 and has been recognised as a past service gain in accordance with the guidance set down in the Urgent Issues Task Force Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

The following table reconciles the movement on the fair value of scheme assets during 2010/11

## NOTES TO THE ACCOUNTS

	2009/10			2010/11		
	Funded £'000	Unfunded £'000	Total £'000	Funded £'000	Unfunded £'000	Total £'000
<b>Fair Value of Assets as at 1st April</b>	<b>41,542</b>	<b>0</b>	<b>41,542</b>	<b>53,952</b>	<b>0</b>	<b>53,952</b>
Expected Return on Assets	2,507	0	2,507	3,351	0	3,351
Actuarial Gains (Losses) on Assets	11,528	0	11,528	2,181	0	2,181
Employer Contributions	1,760	88	1,848	1,652	97	1,749
Contribution by Scheme Participants	511	0	511	501	0	501
Benefits / Transfers Paid	(3,896)	(88)	(3,984)	(3,938)	(97)	(4,035)
<b>Fair Value of Assets as at 31st March</b>	<b>53,952</b>	<b>0</b>	<b>53,952</b>	<b>57,699</b>	<b>0</b>	<b>57,699</b>

The actual return on scheme assets in the year was £4,049,000 (2009/10 £14,035,000).

### Scheme History

The movement on the pension schemes' assets and liabilities over the last 5 years is shown below.

	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Present Value of Scheme Liabilities	(73,687)	(77,957)	(65,730)	(87,631)	(81,453)
Fair Value of Scheme Assets (LGPS)	51,547	51,116	41,542	53,952	57,699
<b>Surplus / (Deficit) in the Scheme</b>	<b>(22,140)</b>	<b>(26,841)</b>	<b>(24,188)</b>	<b>(33,679)</b>	<b>(23,754)</b>

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £23.754m has a substantial impact on the net worth of the Council. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit will be addressed by increasing employer contributions over the remaining life of employees, as assessed by the scheme actuary on a triennial basis.

The total contributions made by the Council to the Local Government Pension Scheme in 2010/11 was £1,749,000 (2009/10 £1,848,000).

# NOTES TO THE ACCOUNTS

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. These have been assessed by Mercer Limited, the Derbyshire Pension Fund actuaries, based on the latest full valuation of the scheme as at 31st March 2010.

<b>Assumptions</b>	<b>2009/10 %</b>	<b>2010/11 %</b>
Rate of Inflation - RPI	3.3	3.4
Rate of Inflation - CPI	-	2.9
Rate of Increase in Salaries	4.8	4.7
Rate of Increase in Pensions	3.3	2.9
Rate of Discounting Scheme Liabilities	5.6	5.5
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners		
- Men	21.2	21.7
- Women	24.0	24.3
Longevity at 65 for future pensioners		
- Men	22.2	23.1
- Women	25.0	25.9
Take up option to convert annual pension into retirement lump sum*	50	50

\* Members of the Local Government Pension Scheme retiring on or after 6th April 2006 are permitted to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after that date will take advantage of this change to the scheme.

The assets of the Local Government Pension Scheme are valued at fair value and consist of the following categories by proportion of the total assets held by the fund. All of the assets relate to the funded part of the scheme, the unfunded part has no assets to cover its liabilities.

## NOTES TO THE ACCOUNTS

Asset Category	2009/10 Fair Value £'000	2009/10 Expected Return %	2010/11 Fair Value £'000	2010/11 Expected Return %
Expected Rate of Return on Assets:				
- Equities	36,687	7.5	39,523	7.5
- Government Bonds	7,877	4.5	3,924	4.4
- Other Bonds	3,129	5.2	3,231	5.1
- Property	2,752	6.5	2,943	6.5
- Cash / Liquidity	3,129	0.5	3,635	0.5
- Other	378	7.5	4,443	*
	<b>53,952</b>	<b>6.5</b>	<b>57,699</b>	<b>6.7</b>

\* Dependent upon the type of asset

The expected return on assets shown in the above table are gross of expenses. An overall expenses reduction of 0.16% is expected for both years.

### History of Experience - Gains and Losses

The actuarial gains or losses identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March 2011.

	2006/07 %	2007/08 %	2008/09 %	2009/10 %	2010/11 %
Difference between expected and actual return on assets	(0.3)	(6.5)	(29.7)	21.4	3.8
Experience gains and losses on liabilities	4.8	1.5	0	0	5.2

During the 2011/12 financial year it is estimated that the Council will make contributions totalling £1,988,000 to the Derbyshire Pension Fund.

### 33. Contingent Liabilities and Contingent Assets

#### Contingent Liabilities

These relate to pending legal or contractual claims not included in the accounts and guarantees given by the Council for repayment of loans taken out by certain associated companies. The Council currently has the following contingent liability:

## NOTES TO THE ACCOUNTS

A reserve amount of £135,000 (£100,000 from 2009/10 plus a further £35,000 in 2010/11 arising from a Government Grant) has been set aside in respect of claims made by personal search companies for repayment of personal search fees paid between 2005 and 2010 relating to Environmental Information which it is alleged were unlawfully charged. This is a National Issue. The sum allows for a refund of the of the search fee charged during the period together with an amount for interest, legal costs and any other heads of claim.

### Contingent Assets

The Council does not have any contingent assets.

### 34. Joint Venture - Bramcote Crematorium Joint Committee

The role of Erewash Borough Council and Broxtowe Borough Council with regard to the Bramcote Joint Crematorium Committee is such that the Crematorium is considered to be a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over an economic activity such that no individual contracting party has control.

These accounts reflect the affairs of Erewash Borough Council and also include 50% of the relevant entries in respect of the Bramcote Joint Crematorium Committee. The accounts of Bramcote Joint Crematorium Committee have been prepared in accordance with the 2010 Code of Practice on Local Authority Accounting in the United Kingdom.

Further information about the accounts can be obtained by contacting the Deputy Chief Executive, Broxtowe Borough Council, Council Offices, Foster Avenue, Beeston, Nottingham NG9 1AB.

### 35. Charitable Stewardship

The Council has a stewardship role in a number of charitable accounts which it administers but which are not included in the Balance Sheet. These amounts are summarised below:

2010/11	Opening Balance £'000	Expenditure £'000	Income £'000	Closing Balance £'000
Long Eaton United Charities	5	0	1	6
Copley Charity	2	(1)	3	4
Mayor's Charity	2	(9)	10	3
	<b>9</b>	<b>(10)</b>	<b>14</b>	<b>13</b>

## NOTES TO THE ACCOUNTS

<b>2009/10</b>	<b>Opening Balance £'000</b>	<b>Expenditure £'000</b>	<b>Income £'000</b>	<b>Closing Balance £'000</b>
Long Eaton United Charities	5	0	0	5
Copley Charity	1	0	1	2
Mayor's Charity	2	(13)	13	2
	<b>8</b>	<b>(13)</b>	<b>14</b>	<b>9</b>

The purposes of the above charities are as follows:

- Long Eaton United Charity - this charitable bequest is used to provide small grants to charities operating in the former Long Eaton Urban District Council area.
- Copley Charity - the charity is the bequest of the late Reverend Copley. Each Christmas an amount is given to aged, sick and other deserving residents of the Ilkeston area. The amount is determined each year by the trustees.
- Mayor's Charity - each year the Mayor has the option to nominate a charity they would like to support during their year in office.

# COLLECTION FUND

## Collection Fund

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the government of Council Tax and non domestic rates.

2009/10 £'000	2010/11 £'000	2010/11 £'000
<b>Balance on the Collection Fund at 1st April</b> (570)		<b>(287)</b>
<b>Amounts Required by Statute to be Credited to the Collection Fund</b>		
Council Tax (43,547) - Income	(44,321)	
Transfers from General Fund (7,908) - Council Tax Benefit	(8,326)	
<b>(51,455)</b>		<b>(52,647)</b>
National Non Domestic Rates (24,820) - Income from business ratepayers		<b>(22,554)</b>
<b>Total Amount Credited to the Collection Fund</b> <b>(76,275)</b>		<b>(75,201)</b>
<b>Amounts Required by Statute to be Debited to the Collection Fund</b>		
Precepts from Major Preceptors and the Council		
5,997 - Erewash Borough Council	6,023	
37,132 - Derbyshire County Council	37,821	
5,644 - Derbyshire Police Authority	5,749	
2,292 - Derbyshire Fire Authority	2,358	
		<b>51,951</b>
Contributions to major precepting authorities and the Council in respect of the surplus on the Collection Fund		
44 - Erewash Borough Council	23	
271 - Derbyshire County Council	145	
39 - Derbyshire Police Authority	22	
16 - Derbyshire Fire Authority	9	
		<b>199</b>
National Non Domestic Rates 24,359 Payment to the National Pool	22,126	
142 Cost of Collection Allowance	140	
		<b>22,266</b>

## COLLECTION FUND

2009/10 £'000		2010/11 £'000	2010/11 £'000
	Impairment of Debts		
	- Increase in provision for bad debts		
(57)	Council Tax	(159)	
75	NNDR	171	
604	- Debts written off	367	
			<b>379</b>
<b>76,558</b>	<b>Total Amount Debited to the Collection Fund</b>		<b>74,795</b>
<b>283</b>	<b>Net Movement on Collection Fund Balance</b>		<b>(406)</b>
<b>(287)</b>	<b>Balance on the Collection Fund at 31st March</b>		<b>(693)</b>
	Share of Collection Fund (surplus) / deficit		
(33)	- Erewash Borough Council	(80)	
(209)	- Derbyshire County Council	(504)	
(32)	- Derbyshire Police Authority	(77)	
(13)	- Derbyshire Fire Authority	(32)	
<b>(287)</b>			<b>(693)</b>

# NOTES TO THE COLLECTION FUND

## 1. Council Tax Base

The Council's tax base at January 2010 (the number of chargeable dwellings in each valuation band net of discounts) converted to an equivalent number of Band D dwellings, was calculated as follows:

Band	Number of Properties	Ratio	Band D Equivalent Dwellings
A*	58	5/9	30.7
A	19,997	6/9	11,589.7
B	12,924	7/9	9,150.2
C	7,260	8/9	5,956.0
D	4,823	1	4,554.3
E	2,033	11/9	2,373.3
F	762	13/9	1,043.6
G	472	15/9	744.2
H	13	18/9	22.5
<b>Total</b>	<b>48,342</b>		<b>35,464.5</b>
Less adjustment for	Non collection	(1%)	(354.6)
			<b>35,109.9</b>

The level of Council Tax is calculated at the beginning of the year and is calculated so as to ensure that the Council has enough money to pay for the services that it provides. The amount of tax paid by local residents is based on the value of their property assessed by the Valuation Office.

The total required by the Collection Fund is divided by the Council Tax base. This represents the number of properties in the Borough, expressed as equivalent Band D properties. The level of Council Tax paid for a Band D property is the total income required divided by the Council Tax base, subject to any discounts and exceptions to which the taxpayer may be entitled. The amount is adjusted for discounts and exemptions that particular residents in the Borough are entitled. These discounts and exemptions are reimbursed by Central Government.

A provision for bad debts has been established for Council Tax. The Council's share of this provision was £181,000 as 31st March 2011 (£200,000 at 31st March 2010). The movement on this provision is shown in Note 19.

# NOTES TO THE COLLECTION FUND

## 2. Council Tax Precepts

The following table shows the Councils and other bodies that have made a demand or precept on the Collection Fund:

	2009/10 £'000	2010/11 £'000
Erewash Borough Council	5,805	5,825
Parish Councils	192	198
Derbyshire County Council	37,132	37,821
Derbyshire Police Authority	5,644	5,749
Derbyshire Fire Authority	2,292	2,358
	<b>51,065</b>	<b>51,951</b>

## 3. National Non Domestic Rates

Under the arrangements for uniform business rates, the Council collects National Non Domestic Rates for its area and these are based on local rateable values. In 2010/11 Central Government set two rates in the pound: a Non-Domestic Rate Multiplier of 41.4p (2009/10 48.5p) and a Small Business Rate Multiplier of 40.7p (2009/10 48.1p). The total Non Domestic rateable value for Erewash Borough at 31st March 2011 was £63.3m (31st March 2010 £59.2m). Mandatory relief for empty, charitable and void properties and small business rate relief was £3.9m (2009/10 £3.6m). This resulted in a net yield of £22.6m (2009/10 £24.8m).

A provision for bad debts has been established for National Non Domestic Rates. The details for 2010/11 are as follows:

	£'000
Balance at 1 April 2010	523
Debts written off during the year	(117)
Additional provision made during the year	288
Previous amounts written off reinstated	0
Balance at 31 March 2011	<b>694</b>

# GLOSSARY OF TERMS

## **Accruals**

Income and expenditure are recognised as they are earned or incurred, not as money is received or paid (see Debtors and creditors).

## **Amortisation**

The measure of consumption or other reduction in the useful life of an intangible asset.

## **Asset**

An item having value measured in monetary terms. Assets can be defined as non current or current. A non current asset has a value for more than one year (for example a building or long term investment). A current asset can be readily converted into cash (for example stocks or short term debtors).

## **Audit of Accounts**

An independent examination of the Council's financial statements.

## **Balances**

The total level of funds a Council has accumulated over the years, available to support revenue expenditure within the year.

## **Billing Authority**

A Council that has the power to set and collect Council Tax.

## **Budget**

The spending plans of a Council over a specific period of time.

## **Capital Adjustment Account**

An unusable reserve which is charged with the historic cost of creating or enhancing non current assets over the life of those assets. This account also contains the appropriations needed to ensure that any depreciation or impairment losses debited to the comprehensive Income and Expenditure Statement do not impact on the level of local taxation.

## **Capital Charge**

A charge to service revenue accounts to reflect the cost of non current assets used in the provision of services.

## **Capital Expenditure**

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

## **Capital Financing Requirement**

An amount calculated as Long Term Assets less the balances on the Capital Adjustment Account, Revaluation Reserve, and Grants Received in Advance Account. The Council is required to make a provision of 4% of this amount from revenue resources to meet its debt repayment obligations. This is known as the Minimum Revenue Provision (qv).

## **Capital Programme**

The capital schemes the Council intends to carry out over a specified time period.

# GLOSSARY OF TERMS

## **Capital Receipt**

Money received from the disposal of land and other assets, and from the repayment of grants and loans made by the Council.

## **CIPFA SOLACE**

The CIPFA/SOLACE Framework helps local authorities to develop and maintain their own codes of governance and discharge their accountability for the proper conduct of public business.

## **Collection Fund**

A fund administered by the Council recording receipts from Council Tax and payments to the General Fund and other public authorities. It also records receipt of non domestic rates collected on behalf of Central Government.

## **Community Assets**

Assets that the Council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of Community Assets are parks and historic buildings.

## **Consistency**

The concept that the accounting treatment of like items within an accounting period and from one period to the next is the same.

## **Creditors**

An amount owed by the Council for work done, goods received or services rendered, but for which payment has not been made at the end of the year.

## **Depreciation**

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

## **Debtors**

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

## **Defined Benefit Pension Scheme**

A retirement benefit scheme other than a defined contribution scheme. Usually the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

## **Earmarked Reserve**

A sum set aside for a specific purpose.

## **Emoluments**

Payments received in cash and benefits for employment.

## **Existing Use Value**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

# GLOSSARY OF TERMS

## **Fair Value**

The fair value of a non current asset is the price at which it could be exchanged in an arms length transaction less, where applicable, any grants receivable towards the purchase or the use of the asset.

## **Fees and Charges**

Income arising from the provision of services, e.g. the use of leisure facilities.

## **Financial Instruments Adjustment Account**

This account holds the accumulated difference between the financing costs included in the Comprehensive Income and Expenditure Statement and the financing costs required to be charged to the General Fund Balance.

## **Finance Lease**

A lease that transfers substantially all of the risks and rewards of ownership of a non current asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance.

## **Fixed Assets**

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

## **General Fund**

This is the main revenue account from which payments are made to meet the cost of providing services.

## **Government Grants**

Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to Council, in return for past or future compliance with certain conditions relating to the activities of the Council.

## **Housing Advances**

Loans made by a Council to individuals or Housing Associations towards the cost of acquiring, constructing or improving dwellings. Loans made to individuals take the form of mortgages.

## **Housing Benefits**

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

## **Impairment**

The fall in value upon revaluation of an asset due to a significant decline in the market value, obsolescence, physical damage or a significant change in the statutory or regulatory environment in which the asset operates.

## **Income**

Amounts which the Council receives, or expects to receive from any source, including rents, fees, charges, sales and grants.

# GLOSSARY OF TERMS

## **Infrastructure Assets**

These are non current assets belonging to the Council that cannot be readily sold, do not necessarily have a resale value, and for which a useful life span cannot be readily assessed.

## **International Financial Reporting Standards (IFRS)**

These cover all aspect of accounting practice and set out the correct accounting treatment. They are issued by the International Accounting Standards Board and their application to public sector accounts within the UK is now mandatory.

## **Investments**

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

## **Investment Properties**

Interest in land and/or buildings in respect of which construction work and development have been completed, or which is held for its investment potential, with rental income being negotiated at arms length.

## **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.

## **Long Term Debtor**

Amounts due to the Council more than one year after the Balance Sheet date.

## **Market Value**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## **Materiality**

An item is material if its omission, non-disclosure or mis-statement in financial statements could be expected to lead to a distortion of the view given by the financial statements.

## **National Non-Domestic Rates (NNDR)**

Rates which are levied on business properties. The Council collects these rates and pays them into a national pool, which is then re-distributed on the basis of population.

## **Net Book Value**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

## **Non Operational Assets**

Non current assets held by the Council but not directly occupied, used or consumed in the delivery of services.

# GLOSSARY OF TERMS

## **Operational Assets**

Non current assets held, occupied, used or consumed in the direct delivery of services for which the Council has a statutory duty or discretionary power to provide.

## **Operating Leases**

A type of lease where the ownership of the asset remains with the lessor.

## **Post Balance Sheet Events**

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

## **Precept**

Amounts levied on the Council by other Councils or public bodies (Police Authorities, Fire and Rescue Authorities and Parish Councils), that cannot directly raise Council Tax themselves.

## **Prior Year Adjustments**

Those material adjustments applicable to prior years, arising from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates made in previous years.

## **Provisions**

Contributions to provisions are amounts charged to the revenue account during the year for costs with uncertain timing where a reliable estimate of the cost can be made.

## **Prudence**

This accounting concept requires that revenue is not anticipated until realisation can be assessed with reasonable certainty. Provision is made for all known liabilities whether the amount is certain or can only be estimated in the light of the information available.

## **Rateable Value**

The annual assumed rental value of a property, which is used to assess the amount of business rate payable.

## **Related Party**

There is a detailed definition of related parties in FRS8. For the Council's purposes, related parties are deemed to include the elected Members of the Council and their partners, the Chief Officers of the Council and companies in which the Council has an interest.

## **Reserves**

Surpluses and deficits that have been accumulated over past years. Revenue reserves are available to be spent or earmarked at the discretion of the Council. Some capital reserves, such as the Revaluation Reserve, cannot be used to meet current expenditure.

## **Revaluation Reserve**

A reserve created as a result of the current capital accounting regulations that enables assets to be shown in the accounts at current values.

## GLOSSARY OF TERMS

### **Revenue Expenditure**

Expenditure on the day-to-day running costs of services e.g. employees, premises, supplies and services.

### **Revenue Expenditure Funded from Capital Under Statute**

Expenditure which may properly be incurred, but does not result in an asset owned by the Council. Examples of these are expenditure on items such as improvement grants.

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

A grant from Central Government towards the cost of providing services.