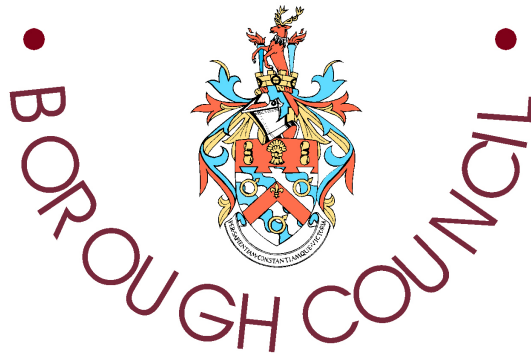


EREWASH



ANNUAL STATEMENT OF ACCOUNTS 2007 - 2008

STATEMENT OF ACCOUNTS 2007 - 2008

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EXPLANATORY FOREWORD

1. Introducing the Accounts of Erewash Borough Council

The Legal Basis

The maintenance, preparation and format of the Council's accounts are governed under law. They follow the requirements for the publication of financial information governing local councils. They are set out in order to show the day to day income and expenditure and to highlight changes to the financial position of the Council during the year. The document has several statements; these are explained in the summary below:

Explanatory Foreword (Pages 1-11)

This sets out an overview of the Council's financial position as at 31 March 2008, its financial performance during 2007/08 and provides a summary of where the Council spends its money and how it is financed.

Statement of Accounting Policies (Pages 17-26)

Sets out the basis on which the figures have been compiled in the Income and Expenditure Account, Statement of Movement on the General Fund Balance, Statement of Total Recognised Gains and Losses, Balance Sheet and Cash Flow Statement.

Income and Expenditure Account (Page 27)

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of resources consumed and generated over the past twelve months.

Statement of Movement on the General Fund balance (Page 28)

The Statement of Movement on the General Fund details the differences between the outturn on the Income and Expenditure Account and the General Fund Balances. The General Fund Balance compares the Council's spending against the council tax that is raised for the year.

Statement of Total Recognised Gains and Losses (Pages 29)

This statement brings together all the financial gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus or deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

The Balance Sheet (Pages 30-31)

This statement details the financial position of the Council as at 31st March 2008; its assets, liabilities, balances and reserves.

The Cash Flow Statement (Page 32)

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes. Cash is defined for the purpose of this statement, as cash in hand and deposits repayable on demand less overdrafts repayable on demand.

EXPLANATORY FOREWORD

The Collection Fund (Pages 70-72)

This statement includes income received by the fund from council taxpayers, business ratepayers and the Government. Precept payments are made from the fund to Erewash Borough Council, Derbyshire County Council, Derbyshire Police Authority, Derbyshire Fire Authority and Parish Councils.

Format of Financial Statements

The financial statements have been prepared in accordance with legal regulations and professional accounting practice. The Chartered Institute of Public Finance and Accountancy (known as CIPFA) is the official organisation responsible for providing professional guidance to councils to help them meet their legal requirements.

Various notes aim to provide some background and an explanation of the main financial statements. By its nature the document contains considerable technical information in accordance with the legal regulations.

This explanatory foreword is intended to provide a more straight forward summary of the Council's financial performance during 2007/08 and its financial position as at 31 March 2008.

It also highlights the financial challenges facing the Council in the future and provides in pictorial form an analysis of where the Council spends its money and where it gets its money from.

The Main Accounts

In accordance with accounting practice, the Council's main income and expenditure is separated between its **revenue** and **capital** accounts.

- **Revenue Account** – This account records the day to day running expenses of the Council services such as salaries and wages of employees, cost of running buildings and vehicles, materials, equipment and office expenses etc.
- **Capital Account** – This account covers the spending on major investment projects. This includes improvements to the Council's land and buildings.

Revenue Account

The Council reports its main revenue and expenditure streams in the **Income and Expenditure Account**, comprising of the General Fund. The General Fund is funded mainly through local council tax, fees and charges levied in relation to the provision of various services and by Central Government grant.

Capital Account

Capital Expenditure is shown in note 22 (page 49) and capital receipts received in the year are shown in note 42 (page 66). The main sources of funding are from the proceeds of selling Council assets (capital receipts) and grants and contributions from other organisations in partnership with the Council.

EXPLANATORY FOREWORD

General Reserve Accounts

The Council keeps separate general reserves from its General Fund. General reserves are kept mainly to act as a contingency to cover any unexpected event. In addition, they can be built up over time to be used to finance planned spending in the future, subject to maintaining a minimum level of prudent reserves as determined by the Chief Financial Officer.

2. Changes to the Statement of Accounts

The content of the Statement of Accounts is dictated by the Statement of Recommended Practice (SORP) which prescribes the accounting treatment and disclosures for all normal transactions of a local authority.

The SORP 2007 has introduced a number of changes both to the content and the presentation of this year's Statement of Accounts.

These changes have been introduced to make local authority accounts more UK GAAP (Generally Accepted Accounting Principles) compliant to enable comparisons across the public and private sectors. UK GAAP is a set of accounting conventions that a private sector company would use in preparing its audited financial statements.

Capital Adjustment Account

The Capital Adjustment Account was created on 1 April 2007. It is an amalgamation of the Fixed Asset Restatement Account (FARA) and the Capital Financing Account (CFA) reported in the Statement of Accounts for 2006/07.

Revaluation Reserve

The Revaluation Reserve was also created on 1 April 2007. The Revaluation Reserve replaces the FARA. The balance on the FARA as at 31 March 2007 has been written off to the Capital Adjustment Account to create an opening balance on the Revaluation Reserve of zero. The Revaluation Reserve contains gains on revaluations recognised since 1 April 2007. Further details on the accounting transactions of revaluations are given in Accounting Policy note 10 (pages 21-23).

The Balance Sheet figures for 31 March 2007 have been adjusted from those included on the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve and the Capital Adjustment Account.

Impairment of Assets

The impairment of assets may now be charged to the Income and Expenditure Account. Where an impairment is attributable to the clear consumption of economic benefits, the loss is charged to the relevant service revenue account. All other impairments are written off against any revaluation gain attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account. The cost of

Erewash Borough Council Statement of Accounts 2007-08

EXPLANATORY FOREWORD

impairment losses are not a charge against council tax, as the impact is negated through the Statement of Movement on the General Fund Balance and charged to the Capital Adjustment Account.

Financial Instruments

The 2007 SORP requires the implementation of Financial Reporting Standard's (FRS) in relation to Financial Instruments. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability in another. Financial Instruments can be categorised as either loans and receivables or available-for-sale financial instruments. Loans and receivables have fixed or determinable payments and are not quoted in an active market where as available-for-sale financial instruments are traded in an active market. Detailed disclosures are required to be made in relation to financial instruments, which can be found in notes 33 to 39 (pages 55-64) to the accounts.

Under FRS 26 *Financial Instruments: Recognition and Measurement* fair value adjustments are required in relation to financial instruments. Details of the basis of the fair value adjustment are provided in note 38 (page 58) to the accounts.

Loans and Receivables

The 2007 SORP requires loans and receivables to be stated in the Balance Sheet under long term investments at the carrying value (the principal) plus accrued interest. In previous years the accrued interest has been accounted for under debtors as reserved income in the Balance Sheet. The comparative figures on the Balance Sheet have been adjusted to reflect fair value adjustments which would have been required as at 31 March 2007.

Available-for-Sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Reserve was created on 1 April 2007. Fair value adjustments on available-for sale financial instruments are charged to the Income and Expenditure account. The impact of fair value adjustments are not a charge against council tax, as the impact is negated through the Statement of Movement on the General Fund Balance and adjustments made in the Available-for-Sale Financial Instruments Reserve. As a transitional arrangement the fair value adjustment has not been written off through the Income and expenditure account for 2006/07.

3. Overview

This overview provides a broad analysis of the Council's financial performance and position for 2007/08.

Sound Financial Position

The accounts show that the Council's overall financial position is sound and puts the Council in a good position to address many financial challenges that it faces in the future. There was no requirement to utilise reserves to support on going revenue expenditure.

Erewash Borough Council Statement of Accounts 2007-08

EXPLANATORY FOREWORD

This position was due to a combination of reasons:

- Investment interest received was £85,000 above the budgeted income due to higher balances being invested than anticipated and rises in interest rates during the early part of the year.
- A more favourable outcome to the Council than anticipated in the outcome of the Derbyshire bus operators' appeal against Derbyshire County Gold card Scheme. This resulted in an under spend of £80,000.
- An increase in car parking income of £67,000 arising from the Council Executives decision to continue to charge for parking over the Christmas period and an increase in the income generated from car parking fines levied during the year.
- Savings on employee costs of £266,000 arising from vacancies in the year.
- General savings and under spends throughout the Council's budget.

Reserves

As at 31 March 2008, the Council's General Fund reserve stood at £5.717 million. This is approximately 30% of the Council's net revenue expenditure.

The Council has also taken steps to plan its finances responsibly for the future with other revenue funds being set aside as earmarked reserves. These are to provide for known spending commitments and totalled approximately £2.267million at 31 March 2008. The Council has agreed that the minimum level of the "controlled reserve", (General Fund Balance) be set at £2.3 million. The balance at 31 March 2008 is significantly above the minimum balance.

Capital Resources

The Council has a reasonable level of capital resources for future capital investment. As at 31 March 2008 these stood at £8.129 million. The approved three year capital programme 2008/09 to 2010/11 of is forecast to utilise all of these reserves. Options are currently being investigated for funding beyond this date. The Council has also earmarked capital reserves of £1.866 million note 40 (page 65). These resources will be used in the future to continue to invest in the local community and support the delivery of the Council's priorities.

Debt Free

The Council has a policy of remaining debt free and therefore does not have any external borrowing. All capital expenditure during 2007/08 was financed from grants, other contributions and the Council's own capital resources.

Pension Fund

The Council's Pension Fund Liability increased from a deficit of £22.140 million at 31 March 2007 to £26.841 million at 31 March 2008. This is a
Erewash Borough Council Statement of Accounts 2007-08

EXPLANATORY FOREWORD

national issue in both public and private sectors with significant shortfalls on pension funds facing many organisation, particularly during the current credit crunch. Full details of the Pension Fund for 2007/08 can be found in the note 7 (pages 34-38) to the accounts.

Future Issues

The Council plans its finances over the medium term (three years) and regularly reviews its spending plans in light of changing priorities, external factors and projected financial forecasts to ensure that they remain robust and sustainable in the long term.

As part of its financial plans, the Council identifies its key financial risks and details how it intends to address them. Some of the key issues facing the Council in the future are summarised below.

- **Job Evaluation** – A pay and grading review of Council staff is ongoing during 2008/09, which may increase overall costs. A specific reserve of £0.693 million has been accumulated to meet the cost of implementing the review and potential financial pressures in relation to changes in employee costs. A review is currently being undertaken to establish whether there is a need to earmark any further reserves for this purpose.
- **Service Pressures** – the Council is continuing to strive to improve its services to meet the demands and expectations of residents and the Government as reflected in the Council's Corporate Plan.
- **Council Assets** – The need to improve asset management arrangements and appraise the asset base in view of potential future maintenance costs, and long term service delivery models including the potential for increased collaborative working and shared service delivery.

In formulating its future spending plans the Council will take account of the above factors making financial provisions as appropriate.

Summary

These accounts continue to provide further reassurance that the Council can look forward to the future with a sound financial base. This is built upon prudent levels of reserves with systems in place to ensure that it manages finances responsibly.

This does not mean that the Council can be complacent. Like any other council, Erewash Borough Council will continue to face pressures of meeting the needs of local residents and new Government legislative requirements.

Finally, we realise the value of closing our accounts promptly to provide up to date information. At the same time, preparing these accounts becomes more complex every year. The staff involved in this process, deserve credit in ensuring that these financial statements are produced in a timely and professional manner.

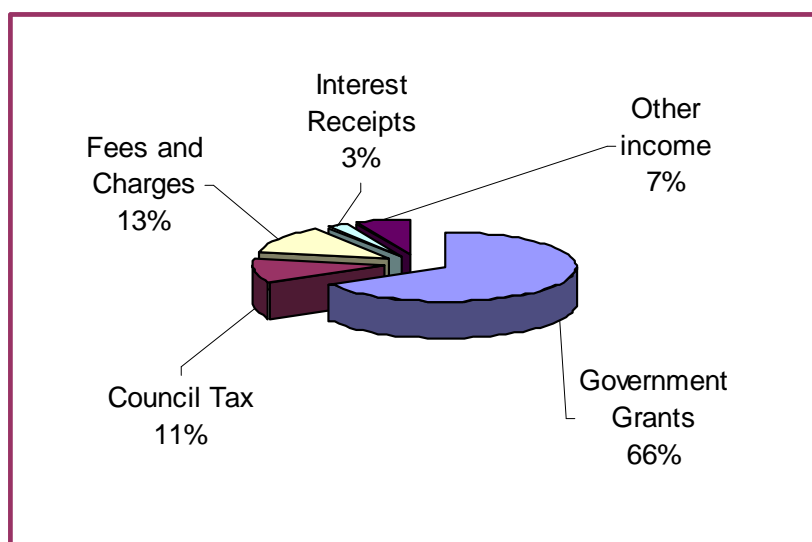
EXPLANATORY FOREWORD

4. Revenue Income and Expenditure 2007/08

The tables and diagrams in this section show the money the Council receives and the costs it incurs in delivering the services that it provides.

Income

Where the Money Comes From	£000's
Government Grants	34,589
Council Tax	5,523
Fees and Charges	6,720
Interest Receipts	1,335
Other income	3,480
Total Gross Income	51,647

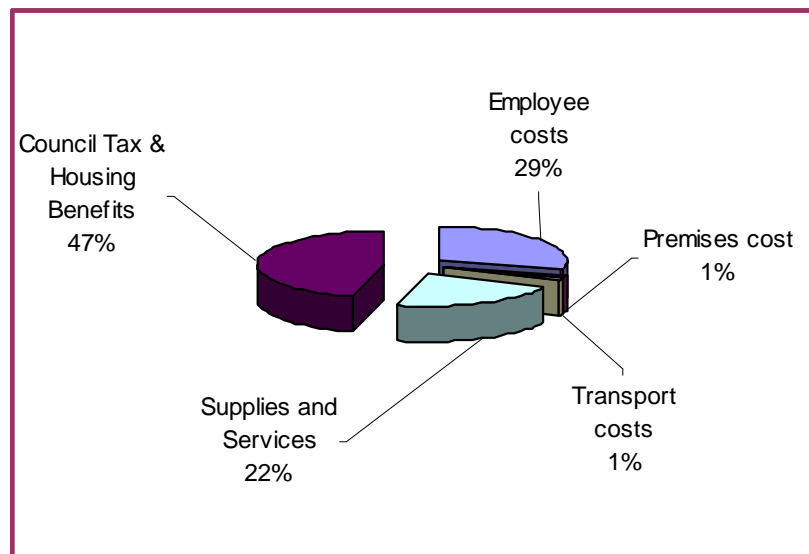


- Government grants account for 66% of total income and include revenue support grant together with specific grants, mainly to meet the cost of council tax and housing administration and the payment of benefit to support the most disadvantaged sectors of the community.
- The main fees and charges are those associated with leisure centres, planning and building control, car parking and land charges. Fees and charges account for 13% of total income, thus relieving the pressure upon the council tax which accounts for 10% of total income.
- Interest receipts are generated from investing available balances with banks and building societies.

EXPLANATORY FOREWORD

Expenditure

The Cost of Providing Services	£000's
Employee Costs	14,879
Premises Costs	708
Transport Costs	720
Supplies and Services	11,130
Council Tax and Housing Benefits	23,478
Total Gross Expenditure	50,915



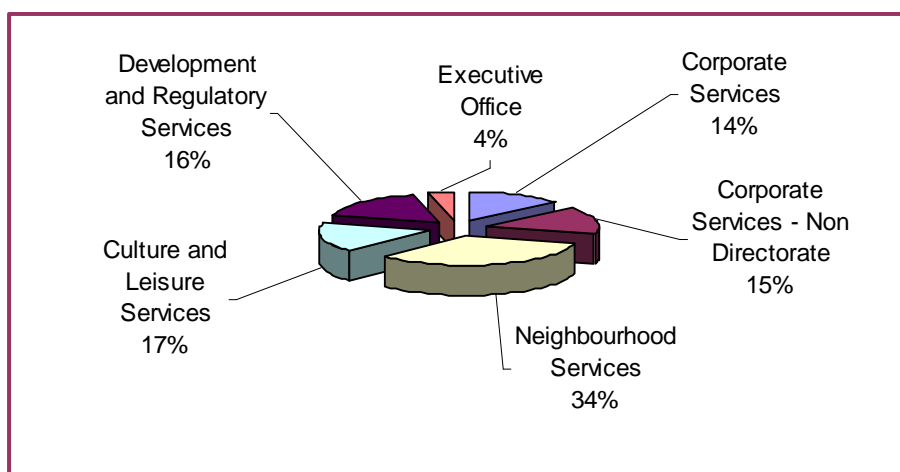
- Employee costs include wages and salaries, statutory pension, national insurance contributions and training costs.
- Housing benefit payments include council tax benefit and rent allowances for private sector tenants and account for 45% of gross council expenditure to support the most disadvantaged sectors of the Community.
- Supplies and services include materials, equipment, insurance, postage, software licences, etc used in the delivery of services to the public.

EXPLANATORY FOREWORD

Net Cost of Services

The net cost of services is gross expenditure less income from specific grants, fees and charges. The diagram below shows an analysis of the net cost of providing the Council's services broken down into the operational directorates maintained by the Council. This includes charges for depreciation and other capital costs charged to services for utilising council assets.

Analysis of Net Cost of Services	£000's
Corporate Services	2,472
Corporate Services – Non Directorate	2,712
Neighbourhood Services	5,948
Culture and Leisure Services	3,013
Development and Regulatory Services	2,924
Executive Office	699
Total Net Cost of Services	17,768



- Corporate Services includes the costs of democratic representation, elections, core management cost of the Council, and the collection of business rates, council tax and benefits administration.
- Corporate Services – Non Directorate includes the costs of external audit, concessionary fares, Parish Council concurrent functions and pension charges.
- Neighbourhood Services include waste collection and recycling, parks and open spaces, street cleansing and the neighbourhood warden service.
- Culture and Leisure Services includes leisure centres, Rutland Sports Park, events and the Erewash Museum.

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- Development and Regulatory Services includes planning, building control, land management, licensing, housing, homelessness and economic development.
- Executive Office includes performance management, communications, scrutiny, community safety, community consultation, community grants and community forums.

5. Comparison to Budget 2007/08

General Fund

To fully finance its spending plans for the year the Council had planned to take £797,000 from its general fund balances. The actual net expenditure for the year was £1,203,000 lower than the approved budget and as such the Council was able to transfer £74,000 into its General Fund balances and £658,000 into specified reserves to provide for future known financial pressures.

6. Council Reserves

The Council began the year with General Fund Balances of £5,643,000. The surplus in the year has increased the reserve to £5,717,000 at 31 March 2008; an increase of £74,000. This reflects the reduction in revenue spending below the budget, additional LABGI grant of £118,000 and the approved adjustments for contributions to and from earmarked reserves. Other earmarked revenue reserves total £2,267,000 and are listed in note 40 (page 65) to the accounts.

7. Capital Investment and Financing

Capital Spending

Total capital spending for 2007/08 was £3.928 million which was £2.029 million below the approved estimate. £1.837 million has been proposed for carried forward to complete schemes and meet commitments in 2008/09. After allowing for carry forwards, the projected variation on current capital schemes is reduced to £0.192 million.

EXPLANATORY FOREWORD

The following table shows capital expenditure in 2007/08.

Analysis of Capital Expenditure 2007/08	Actual £000's
Vehicle replacement	218
Refurbishment of play areas	65
Computer system- revenues and housing benefits	43
Replacement desktop hardware	62
Health and safety legislation – asbestos removal	89
Disabled facilities grant	632
East Midlands Development Agency grants	37
Social housing grant	483
Decent homes grant	424
Commutation adjustment	149
Parish Councils	335
Long Eaton (environmental improvement scheme)	351
Leisure centre improvements	767
Other Erewash Borough Council - capital schemes	273
Total Expenditure	3,928
Financed by:	
Capital receipts	2,611
Government grants	948
Miscellaneous income	363
Revenue contribution to capital	6
Total Financing	3,928

Capital Resources Remaining

The main resources available to the Council are those generated from asset sales – capital receipts. The table below summarises the capital resources position of the Council for 2007/08.

Capital Resources	£'000's
Available resources at 1 April 2007	9,606
Use of capital resources to finance the net capital programme in 2007/08	(2,611)
Capital reserves	13
Capital receipts received in 2007/08	1,121
Balance of available capital resources at 31 March 2008	8,129

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 of Corporate Services.

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

The authority is required to approve the statement of accounts.

The Director of Corporate Services Responsibilities

The Director of Corporate Services 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 fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

In preparing this statement of accounts the Director of Corporate Services has:

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

The Director of Corporate Services has also:

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


Ian Sankey BA (Hons) CPFA
Director of Corporate Services

Date 25th September 2008

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

Opinion on the financial statements

We have audited the Authority accounting statements and related notes of Erewash Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Financial Officer and auditor

The Director of Corporate Services responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

We report to you our opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year.

We review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. We report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the governance statement covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

We read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority

Erewash Borough Council Statement of Accounts 2007-08

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

accounting statements. This other information comprises the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Authority accounting statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

Opinion

In our opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

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

Authority's Responsibilities

The Authority 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 regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

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

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Erewash Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008, except that it did not put in place arrangements for the management of its asset base.

Best Value Performance Plan

We have issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 19 December 2007. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

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

Certificate

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

A handwritten signature in black ink that reads "Grant Thornton UK LLP". The signature is written in a cursive, flowing style.

Grant Thornton UK LLP
Birmingham

30 September 2008

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the Council's transactions for the 2007/08 financial year and its position at the end of the year at 31 March 2008. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2007 – A Statement of Recommended Practice* (the SORP). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- Interest receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- Items such as gas, electricity, telephones and other periodical payments are charged according to the date of invoice and are therefore an exception to this principle. This policy is consistently applied each year and therefore has no material effect upon the accounts.

3. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. The funds are held in a provision within the Balance Sheet. When the Council eventually makes payments, they are charged to the provision. Estimated settlements are reviewed at the end of each financial year. Where it becomes more likely than not that a transfer of economic benefits will now not be required (or a lower settlement than anticipated is

Erewash Borough Council Statement of Accounts 2007-08

STATEMENT OF ACCOUNTING POLICIES

made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (eg from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

4. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts via the Statement of Movement on the General Fund Balance. When the Council actually incurs the expenditure it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated to meet the specified expenditure via the Statement of Movement on the General Fund Balance statement so that there is no net charge against council tax for the expenditure, or call on the General Fund Balance.

5. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants are third party contributions and donations. They are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure to which the grant relates has been incurred. Revenue grants are matched against the related expenditure within the appropriate service revenue accounts. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited in the Income and Expenditure Account after the determination of Net Operating Expenditure.

6. Retirement Benefits

Employees of the Council may be members of the Local Government Pension Scheme, administered by Derbyshire County Council.

The scheme provides defined benefits to members (retirement lump sums and pensions), earned as the employee worked for the Council.

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Derbyshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality

Erewash Borough Council Statement of Accounts 2007-08

STATEMENT OF ACCOUNTING POLICIES

rates, employee turnover rates, etc, and forecasts of projected earnings for current employees. Under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

- Liabilities are discounted to their value at current prices, using a discount rate of 2.3% (5.4% discount rate less 3.1% price inflation).
- The assets of the Derbyshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - quoted securities – mid market value
 - unquoted securities- professional estimate
 - unitised securities – average of the bid and offer rates
 - property – market value
- The change in net pensions liability is analysed into seven components:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employee worked
 - past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of the Non Distributed Costs
 - interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to Net Operating Expenditure in the Income and Expenditure Account
 - expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to Net Operating Expenditure in the Income and Expenditure Account
 - gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of the Non Distributed Costs
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
 - contributions paid to the Derbyshire County Council pension fund – cash paid as employer's contributions to the pension fund.

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STATEMENT OF ACCOUNTING POLICIES

In calculating the scheme assets and liabilities the fund's actuaries make a number of assumptions about events and circumstances in the future. The resulting actuarial calculations are subject to uncertainties on the outcome of future events. The principal actuarial assumptions made in relation to these accounts are disclosed in note 7 to the accounts. Note 7 discloses the actuarial gains and losses in the year which reflects where actual outcomes differed from actuarial assumptions made last year together with the effect of consequent revision of these estimates moving forward.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pension Reserve to remove the notional debits and credits for retirement benefits and replace them with the debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

The overall amount to be met from government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 1.73% lower (2006/07: 0.86% lower) after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 2.92% higher (2006/07: 3.46% higher) than it would otherwise have been.

The requirement to recognise the net pensions liability in the Balance Sheet has reduced the reported worth of the authority by 53.37% (2006/07: 41.69%).

7. Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected by the Council is payable to HM Revenue & Customs (HMRC) and all VAT paid by the Council is recoverable from HMRC.

8. 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 2007 (BVACOP). The total absorption costing principle is used - the full cost of overheads and support services are shared between users in proportion to the benefits received with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation.
- non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and depreciation and impairment losses chargeable on non operational properties.

STATEMENT OF ACCOUNTING POLICIES

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of the Net Cost of Service.

9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

10. Tangible Fixed Assets

Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administration purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefit to the Council and the services delivered for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of the asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- infrastructure assets – depreciated historical cost.

Net current replacement cost is assessed as:

- non specialised operational properties – existing use value
- specialised operational properties – depreciated replacement cost
- investment properties and surplus assets – market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited

STATEMENT OF ACCOUNTING POLICIES

to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to the service revenue account.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation in accordance with the SORP. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment: the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- otherwise, they are written off against any revaluation gain attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts and credited to the Useable Capital Receipts reserve. They can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account via the Statement of Movement on the General Fund Balance.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use.

Depreciation is calculated on the following bases:

Erewash Borough Council Statement of Accounts 2007-08

STATEMENT OF ACCOUNTING POLICIES

- other buildings – straight line allocation over the life of the property of between 20 and 30 years as estimated by the valuer
- vehicles and plant – a percentage of the value of each class of assets in the Balance Sheet over 3 to 8 years, as advised by a suitably qualified officer
- equipment – a percentage of the value of each class of assets in the balance sheet over 2 to 10 years, as advised by a suitably qualified officer
- infrastructure – straight line allocation over 15 to 20 years.

Where an asset has major components with different estimated useful lives, these are depreciated separately.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Grants and contributions: where grants and contributions are received that are identified to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account or the Capital Contributions Deferred Account (for non government grants). In previous years the Government grants have been shown in the Capital Financing Account. Grants received from 1 April 2006 have been transferred to the Government Deferred Account in order to comply with the 2007 SORP. The grants are then released to the Income and Expenditure account to offset depreciation charges in the relevant service revenue account, in line with the depreciation policy applied to them. The impact on the Income and Expenditure Account is reversed through the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account.

11. Charges to Revenue for Fixed Assets

Service revenue accounts and support services are charged with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisation. Depreciation, impairment losses and

STATEMENT OF ACCOUNTING POLICIES

amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account.

12. Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges from existing capital resources a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

13. Leases

Finance Leases

The Council has no finance leases. If the Council were to enter into a finance lease in the future the Council would account for the lease as a finance lease when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- a charge to capital expenditure for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account when rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service account on a straight line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

14. Financial Liabilities

Financial Liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for the interest payable are based on the carrying amount of the liability,

STATEMENT OF ACCOUNTING POLICIES

multiplied by the effective rate for the instrument. The reconciliation of amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

15. Financial Assets

Financial assets are classified into two types:

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

Loans and receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For the loans that the Council has granted, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and accrued interest. Interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

When soft loans (loans granted at less than market rates) are made, a loss is recorded in the Income and Expenditure account for the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective interest rate than the rate receivable, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the recognition of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets 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 and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-Sale Assets

Available-for-Sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the

STATEMENT OF ACCOUNTING POLICIES

Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Financial Instruments Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL).

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

16. Stocks and Work In Progress

The work in progress in the accounts is the actual costs accrued at the end of the financial year. Stock items are included in the balance sheet at cost price. Any obsolete stock is excluded from the stock valuations.

17. Bad Debt Provision

Provisions for doubtful and uncollectible debts are made to ensure that the Council can finance any sums due to the Council which are subsequently deemed to be irrecoverable after all recovery measures have been exhausted. This provision is reduced annually by sums written off and increased by an annual contribution from revenue as deemed necessary. The provision is netted off debtors in the Balance Sheet and is not included in the separate schedule of Provisions (note 28 page 51).

INCOME AND EXPENDITURE ACCOUNT

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2006/07 Net Exp		2007/08 Gross Exp £000	2007/08 Inc £000	2007/08 Net Exp £000
£000				
515	Central services to the public	7,793	7,244	549
11,906	Cultural, environmental & planning services	17,787	6,160	11,627
945	Highways, roads & transport services	1,878	773	1,105
1,416	Housing services	20,032	18,787	1,245
2,911	Corporate and democratic core	2,768	183	2,585
345	Non distributed costs	657	0	657
18,038	Net cost of services	50,915	33,147	17,768
174	Parish council precepts			177
(1,117)	Interest and investment income			(1,335)
591	Pension interest cost and expected return on pension assets – note 7			513
17,686	Net operating expenditure			17,123
(5,376)	Demand on the Collection Fund			(5,544)
(1,902)	General government grants			(1,598)
(7,422)	Non domestic rates distribution			(7,976)
2,986	Deficit for the year			2,005

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the council tax that is raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balances.

2006/07 Net Exp	2007/08 Net Exp
£000	£000
2,986	2,005
Deficit for the year on the Income and Expenditure Account	
(3,420)	(2,079)
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance for the year (note 18)	
(434)	(74)
Increase in General Fund Balance for the year	
(5,209)	(5,643)
General Fund balance brought forward	
(5,643)	(5,717)
General Fund balance carried forward	

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Restated 2006/07 £000	2007/08 £000
2,986 Deficit for the year on the Income and Expenditure Account	2,005
(Surplus) / deficit arising on revaluation of fixed assets 2,128 (note 31)	(168)
(3,354) Actuarial losses / (gains) on pension fund assets and liabilities (note 7)	4,517
(742) Capital grants received	0
0 Capital grants transferred to Government Grants Deferred Account (note 29)	743
(1,379) Usable capital receipts (note 42)	(1,121)
748 Technical adjustment regarding capital receipts not relating to the disposal of fixed assets	503
688 Proceeds of disposal on disposal of fixed assets	616
(36) Capital finance from insurance claim income	0
(55) Collection fund movement	(19)
(4) Reserves movement	3
980 Total recognised (gains) / losses for the year	7,079

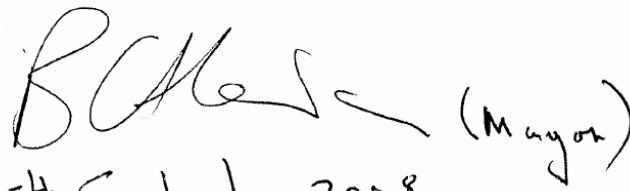
BALANCE SHEET

Restated 31 March 2007 £000		Note	31 March 2008 £000	31 March 2008 £000
Fixed Assets				
207	Intangible Fixed Assets	19	174	
Tangible Fixed Assets Operational				
25,372	Other land and buildings	19	25,804	
4,839	Vehicles, plant, furniture and equipment		4,105	
569	Infrastructure assets		525	
258	Community assets		258	
Tangible Fixed Assets Non-operational				
1,899	Investment properties	19	2,015	
12	Assets under construction		3	
1,079	Surplus assets, held for disposal		400	
34,235	Total Fixed Assets			33,284
0	Deferred charges	20	0	
2,025	Long-term investments	36	1,048	
1,900	Long-term debtors	21	1,752	
3,925	Total Long-Term Assets			2,800
Current Assets				
91	Stock and work in progress	23	104	
8,109	Debtors	24	6,833	
14,640	Investments	36	14,885	
6	Cash and bank		7	
22,846	Total Assets			21,829
Current Liabilities				
0	Short-term borrowing		0	
6,002	Creditors	25	5,947	
1,580	Bank overdraft		243	
7,582				6,190
53,424	Total Assets Less Current Liabilities			51,723
312	Provisions	28		310
0	Government grants deferred	29		654
0	Capital contributions deferred	30		25
22,140	Pension provision	7		26,841
30,972	Total Assets Less Liabilities			23,893

Erewash Borough Council Statement of Accounts 2007-08

BALANCE SHEET

Restated 31 March 2007 £000		Note	31 March 2008 £000
Finance by:			
0	Revaluation Reserve	31	168
34,268	Capital Adjustment Account	32	32,470
0	Available-for-sale Financial Instruments Reserve	34	0
1,542	Capital Reserve	40	1,866
1,949	Revenue Reserve	40	2,267
(22,140)	Pensions Reserve	7	(26,841)
10	Deferred Capital Receipts	41	4
9,606	Usable Capital Receipts Reserve	42	8,129
5,643	General Fund Balance		5,717
94	Collection Fund Balance		113
30,972	Total Net Worth		23,893


 25th September 2008

CASH FLOW STATEMENT

2007 £'000s	Note	2008 £'000s
Revenue Activities		
Cash Outflows		
11,031	Cash paid to and on behalf of employees	14,260
39,464	Precepts paid	41,324
16,231	Other operating cash payments	13,119
15,661	Housing benefits paid out	17,185
22,988	National non-domestic rate payments to national pool	22,978
105,375		108,866
Cash Inflows		
17	Rents	282
38,432	Council tax receipts	40,776
21,531	Non-domestic rate receipts	23,182
7,422	National non-domestic rate receipts from national pool	7,976
1,902	Revenue Support Grant	1,597
22,658	DWP grants for benefits	47 25,207
602	Other government grants	47 1,185
12,482	Cash received for goods and services	7,530
105,046		107,735
329	Revenue activities cash flow	46 1,131
Returns on Investments and Servicing of Finance		
Cash Outflows		
0	Interest paid	0
Cash Inflows		
(1,228)	Interest received	(1,177)
(1,228)		(1,177)
Capital Activities		
Cash Outflows		
5,522	Purchase of fixed assets	1,287
0	Other capital cash payments	0
Cash Inflows		
(1,912)	Sale of fixed assets	(1,366)
(1,454)	Capital grants received	(77)
(190)	Other capital cash receipts	(146)
1,966		(302)
1,067	Net cash outflow before financing	48 (348)
(423)	Net (decrease)/increase in short term lending	(990)
644	Net decrease/(Increase) in Cash	45 (1,338)

Erewash Borough Council Statement of Accounts 2007-08

NOTES TO THE ACCOUNTS

The accounts for the year ended 31 March 2008 have been prepared using the Best Value Accounting Code of Practice format.

1. Income and Expenditure Account - Appropriations

The Local Government and Housing Act 1989 requires a Minimum Revenue Provision for redemption of external debt, to be set aside each year. This amount is calculated according to statute and for 2007/08 and 2006/07 was nil as the Council is debt free.

	2007/08	2006/07
	£'000	£'000
Housing	0	0
Non housing	0	0
Total Minimum Revenue Provision	0	0
Impairment	282	0
Depreciation	2,263	2,634
Minimum revenue provision adjustment	2,545	2,634
Balance to Capital Adjustment Account	(2,545)	(2,634)

The reversing out of depreciation and impairment charges ensures that there is no affect on local taxpayers.

2. Operating Leases

In previous years the Council acquired the use of a number of assets by means of operating leases. All of these leases expired during 2006/07. This is a method of finance, which provides for rentals to be paid by revenue accounts and is used to provide refuse freighters, sports and leisure equipment and various IT equipment. This method of finance is used as an alternative to the Council using its own capital resources. The Council does not enjoy the risks and rewards associated with owning the goods concerned.

	2007/08	2006/07
	£'000	£'000
Rentals paid during the year		
Sport and leisure equipment	0	11
Refuse freighters	0	87
IT equipment	0	45
	0	143

The rentals payable on the operating leases are charged to the revenue account and are not included within the balance sheet.

Erewash Borough Council Statement of Accounts 2007-08

NOTES TO THE ACCOUNTS

3. Trading Operations

The Council has integrated all of its former DLO/DSO and trading accounts into the General Fund Revenue Account. The running costs of these former trading operations are therefore reflected within each service area in the Income and Expenditure Account.

4. Publicity

Section 5(1) of the Local Government Act 1986, requires the Council to keep a separate publicity account.

	2007/08	2006/07
	£'000	£'000
Recruitment advertising	74	179
Other publicity	139	133
	213	312

5. Agency Services

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. Income for 2007/08 was £147,774 (2006/07 £143,760).

6. Local Authority Goods and Services Act 1970

In accordance with this Act the Council can provide goods and services to other bodies. In 2007/08 no goods or services were provided.

7. Pensions

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 needs to be made at the time that employees earn their future entitlement.

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

Erewash Borough Council Statement of Accounts 2007-08

NOTES TO THE ACCOUNTS

into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions Relating to Retirement Benefits

We recognise the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable for the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

Income and Expenditure Account	2007/08 £'000	2006/07 £'000
<i>Net Cost of Services:</i>		
Contributions paid	2,024	1,827
Current service cost	(1,259)	(1,561)
Past service cost	(436)	(32)
Curtailment costs	0	(78)
<i>Net Operating Expenditure</i>		
Interest cost	(3,944)	(3,621)
Expected return on assets in the scheme	3,431	3,030
Net Charge to the Income and Expenditure Account	(184)	(435)
<i>Statement of Movement in the General Fund Balance</i>		
Reversal of net charges made for retirements benefits in accordance with FRS17	184	435

Assets and Liabilities in Relation to Retirement Benefits

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

	31 March 2008	31 March 2007
	£'000	£'000
Estimated assets in the scheme	51,116	51,547
Estimated liabilities in the scheme	(77,957)	(73,687)
Net asset/ (liability)	(26,841)	(22,140)

NOTES TO THE ACCOUNTS

The liabilities show the underlying commitments the Council has in the long run to pay retirement benefits. The total liability of £26.841 million has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

The movement in the net pension surplus / (deficit) of the Council for the year to 31 March 2008 is as follows:

	£'000
Deficit in the fund as at 1 April 2007	(22,140)
Contributions paid	2,024
Current service cost	(1,259)
Past service cost	(436)
Settlement cost	0
Curtailment cost	0
Other finance charge	(513)
Actuarial gain (loss) - see below	(4,517)
Deficit in the Fund as at 31 March 2008	(26,841)

The actuarial gains identified as movements on the Pension Reserve in 2007/08 can be analysed into the following categories measured in terms of absolute amounts and as a percentage of fund assets or liabilities during the last five financial years.

	2003/04	2004/05	2005/06	2006/07	2007/08	% of assets / liabilities
Gain / (loss) on assets	4,600	1,620	7,160	(154)	(5,056)	(9.9)
Experience gain / (loss) on liabilities	0	(1,970)	(1,270)	0	2,905	3.7
Gain /(loss) on change of assumptions financial & demographic	0	(10,780)	(5,520)	3,508	(2,366)	(3.0)
Actuarial gain/ (loss)	4,600	(11,130)	370	3,354	(4,517)	(5.8)

The fair values of each main class of assets held by the Fund as at 31 March 2008 and the expected rates of return for the ensuing year are set out in the following table:

NOTES TO THE ACCOUNTS

	31 March 2008		31 March 2007	
	Fair Value	Expected Return	Fair Value	Expected Return
	£'000	%	£'000	%
Equities	35,475	7.50	37,011	7.50
Government bonds	8,536	4.60	7,732	4.70
Property	2,505	6.50	2,732	6.50
Other bonds	818	6.10	876	5.40
Cash / Liquidity	3,220	5.25	3,196	5.25
Other	562	7.50	0	0
	51,116	6.80	51,547	6.81

There is no provision for unitising the assets of a Fund under the LGPS. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

From 1st April 2007, the Council's contribution rates were set at 367% of employee contributions. This is the final year of a three year stepped increase in contributions following the actuarial revaluation in March 2004.

The contributions relating to added years benefits were £14,749 (2006/07 £103,826) which is 0.18% (2006/07: 1.29%) of pensionable pay. The Fund's actuary has advised that the necessary provision of current service costs would be £1.259 million (2006/07: £1.561 million); this represents 15.10% (2006/07: 19.4%) of pensionable pay. Total employers contributions in 2007/08 were £2.024 million (2006/07: £1.827 million) or 24.16% (2006/07: 22.69%) of pensionable pay.

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.

The main financial assumptions used by the Fund in their calculations have been:

	31 March 2008 % pa	31 March 2007 % pa	31 March 2006 % pa
Rates of inflation	3.6	3.1	2.9
Rate of increase in salaries	5.1	4.6	4.4
Rate of increase in pensions	3.6	3.1	2.9
Rate of discounting scheme liabilities	6.1	5.4	4.9
Take-up of option to convert annual pension into retirement grant	50.0	50.0	50.0

NOTES TO THE ACCOUNTS

The provisions of the LGPS were changed during the year, following the introduction of the LGPS (Benefits, Membership and Contribution Regulations 2007). The new provisions give rise to some changes in death benefits in relation to accrued service (for example, the introduction of pensions for cohabiting partners and an increase in the guarantee period during which a pension continues after a pensioner's death). These changes will have the effect of an increase in the value of the accrued liabilities shown as past service costs.

Employees retiring on or after 6 April 2007 have the option to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2007 will take advantage of this change to the pension scheme. Our actuaries have advised that this will increase the value of the Council's pension liabilities by £436,000 and this has been included within Non-distributed Costs in the Income and Expenditure Account.

Assumed levels of the take-up of the commutation option will have a significant effect on the amounts recognised in the Income and Expenditure Account. A one percentage point change in the assumed level of the take-up of the commutation option would have the following effects:

	One percentage point increase £000's	One percentage point decrease £000's
Effect on the aggregate of service cost and interest cost	0.872	(0.872)

8. Officers' Emoluments

The Accounts and Audit Regulations 2003, as amended 2006, require the Council to show the number of employees whose remuneration was £50,000 or more in bands of £10,000. Details of such employees are detailed below.

Remuneration Band £'000	Number of Employees 2007/08	Number of Employees 2006/07
50 – 59	2	2
60 – 69	2	2
70 – 79	3	1
80 – 89	0	0
90 – 99	0	1
100 - 110	1	0

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NOTES TO THE ACCOUNTS

9. Related Party Transactions

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

Central government has effective control over the general operations of the council – it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties (e.g. housing benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement.

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 authority. Where necessary members declared such interests when relevant to their duties and thus no further disclosure is considered necessary.

Officers – No officers declared any such transactions.

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

Payments to and from Central Government (revenue items)	Cash Flow Statement page 32
Capital Grants from Central Government	Note 22 page 49
Precepts to other Local Authorities	Collection Fund Accounts, pages 70-72
Superannuation Contributions	Note 7 pages 34-38
Members' Allowances	Note 12 page 41

NOTES TO THE ACCOUNTS

Other significant transactions with Related Parties, not included in the above, were as follows:

	Receipts £'000	Payments £'000
Revenue		
Grants to Parishes (concurrent functions)		304
Bramcote Crematorium Joint Committee	175	
Groundwork Derby and Derbyshire		34
Citizens Advice Bureau Partnership		52
Erewash Partnership		52
DCC - Agency - amenity maintenance	133	
Erewash Community Transport		5
Capital		
East Midlands Development Agency	37	
Three Valleys Housing Limited	503	
Parish Council capital fund		335

10. Charitable Stewardship

The Council has a stewardship role in a number of charitable accounts which it administers. The charities concerned are, Long Eaton United Charities, Long Eaton Flood Relief, Copley Charity and the Mayor's Charity.

	Opening Balance £'000	Expenditure £'000	Income £'000	Closing Balance £'000
Long Eaton United Charities	3	0	1	4
Long Eaton Flood Relief	9	0	1	10
Copley Charity	1	(1)	1	1
Mayors Charity	0	(9)	9	0
	13	(10)	12	15

11. Building Control Account

The Building (Local Authority Charges) Regulations 1998 require disclosure of information regarding the setting of charges for the administration of the building control function. Erewash Borough Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit

NOTES TO THE ACCOUNTS

cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account	Non-chargeable £'000	Chargeable £'000	Total £'000
Expenditure			
Employee expenses	92	230	322
Supplies and services	8	41	49
Central support service charges	71	69	140
	171	340	511
Income			
Building regulation charges	0	(301)	(301)
(Surplus) / deficit for the year	171	39	210
Comparatives for 2006/07			
Expenditure	160	278	438
Income	0	(287)	(287)
(Surplus) / deficit for year	160	(9)	151

12. Members Allowances

The total amount of allowances paid to the Members' of the Council during the year was £289,529 (2006/07: £279,893).

13. Euro Costs

The Council has incurred no material costs during the year in respect of preparations for the potential introduction of the euro.

14. Section 137

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's expenditure under this power was £123,583 mainly on donations to voluntary bodies working in the local area (£128,868 in 2006/07).

NOTES TO THE ACCOUNTS

15. Audit Costs

In 2007/08 Erewash Borough Council incurred the following fees relating to external audit and inspection:

	2007/08 £'000	2006/07 £'000
Fees payable to the external auditor with regard to external audit services carried out by the appointed auditor.	126	122
Fees payable to the external auditors in respect of statutory inspection.	20	18
Fees payable to the external auditor for the certification of grant claims and returns.	24	17
Fees payable in respect of any other services provided by the appointed auditor.	0	4
Total	170	161

16. Bramcote Crematorium

Bramcote Crematorium is jointly owned by Erewash Borough Council and Broxtowe Borough Council. Erewash Borough Council receives a fifty per cent share of the net operating income from the crematorium. This share amounted to £175,000 in 2007/08 (2006/07:£175,000).

17. Local Area Agreements

The Council is a participant in two Local Area Agreements (LAA's). LAA's are partnerships with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. The Council acts as a banking facility for the funding and therefore only accounts for the amount it receives to fund its own services through the Income and Expenditure Account. The details of the two LAA's the Council participated in during 2007/08 are stated below.

Safer and Stronger Community Fund Neighbourhood Element – Cotmanhay Neighbourhood Management

The purpose of the LAA is:

- to form an agreement between the Erewash Local Strategic Partnership, Government (represented by Government Office East Midlands) and local

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government, to create sustainable communities for the most deprived areas in England.

- to agree specific outcomes and targets that will be achieved each year for the four years of the agreement
- to improve the quality of life for people in the most disadvantaged neighbourhoods
- service providers to be more responsive to neighbourhood needs, and improved service delivery

The LAA partners are:

- local government bodies – Derbyshire County Council, Erewash Borough Council
- community protection authorities – Derbyshire Constabulary (Cotmanhay Beat Team), Erewash Community Safety Partnership, Derbyshire Fire and Rescue Service
- health bodies – Erewash Primary Care Trust, Adult Social Services
- learning bodies – Bennerley School, Granby School, Cotmanhay Infants and Juniors School, Bennerley Fields School, Connexions Derbyshire, Job Centre Plus, Erewash Partnership
- voluntary organisations – Community Concern Erewash, Erewash Credit Union, Surestart, Hopewell Farm Residents Association

The total amount of the LAA grant administered by the Council in 2007/08 is £581,000. The Council received £20,442 of this total to fund its own services.

Safer and Stronger Community Fund

Safer Element – Safer Communities and Anti Social Behaviour

The purpose of the LAA is:

- to form an agreement between partner organisations working within the Derbyshire Partnership Forum.
- to agree specific outcomes and targets that will be achieved each year for the three years of the agreement
- the specific strategies, plans and activities of Erewash Borough Council included; Local Development Framework, Community Safety Strategy, Recycling Plan and the Housing Strategy.

The LAA partners are:

- local government bodies – Amber Valley Borough Council, Bolsover District Council, Chesterfield Borough Council, Derbyshire Association of Local Councils, Derbyshire County Council, Derbyshire Dales District

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Council, Derbyshire Rural Community Council, Erewash Borough Council, High Peak Borough Council, North East Derbyshire District Council, South Derbyshire District Council

- community protection authorities – Derbyshire Constabulary, Derbyshire Drugs and Alcohol Action Team, Derbyshire Fire and Rescue Service, Derbyshire Probation Service, Environment Agency, Youth Offending Service
- health bodies – Derbyshire Sport, Primary Care Trust,
- learning bodies – Derbyshire Connexions Partnership, Job Centre Plus, Learning and Skills Council, University of Derby
- voluntary organisations – Amber Valley Council for Voluntary Service (CVS), Chesterfield and North East Derbyshire CVS, Church and Society Forum, Derbyshire Dales CVS, Derbyshire Voluntary and Community Sector Consortium, Erewash CVS, High Peak CVS, South Derbyshire CVS, Voluntary Action Bolsover CVS
- Local Strategic Partnerships (LSP) – Amber Valley Partnership LSP, Chesterfield and North East Derbyshire LSP, Derbyshire Dales and High Peak LSP, Erewash LSP, South Derbyshire LSP
- Other bodies – Derbyshire Chamber of Commerce, Derbyshire Older People Advisory Group, Groundwork Derby and Derbyshire, National Farmers Union, Natural England, Peak District national Park Authority

The total amount of the LAA grant administered by the Council in 2007/08 is £137,814. The Council received £1,500 of this total to fund its own services.

Derbyshire County Council acts as the accountable body for both of the LAA agreements. This means that they are responsible for managing the distribution of grant paid by the Government Office to the partners involved, but do not determine which bodies are due payments – this is determined by either the Government Office or the partnership. As the accountable body Derbyshire County Council are potentially responsible for repaying to the Government any element of grant that is found to have been misused by its partners.

NOTES TO THE ACCOUNTS

18. Reconciling items for the Statement of Movement on the General Fund Balance

2006/07 Net Exp £000		2007/08 Net Exp £000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(59)	Amortisation of intangible fixed assets	(59)
(2,575)	Depreciation of fixed assets	(2,204)
0	Depreciation prior period adjustment	614
0	Impairment of fixed assets	(77)
0	Government grants deferred amortisation	141
(1,810)	Write downs of deferred charges to be financed from capital resources	(1,406)
748	Net gain on sale of fixed assets	503
0	Loss on disposal of fixed assets	(65)
(591)	Net charges made for retirement benefits in accordance with FRS17	(513)
(4,287)		(3,066)
Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund balance for the year		
156	Employer's contributions payable to the Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners	329
156		329
Transfers to or from the General Fund balance that are required to be taken into account when determining the movement on the General Fund Balance for the year		
711	Net transfer to or from earmarked reserves	658
(3,420)	Net additional amount required to be credited to the General Fund balance for the year	(2,079)

NOTES TO THE ACCOUNTS

19. Fixed Assets Transactions 2007 – 2008

Movements in Fixed Assets

	Intang- ible Assets £'000	Other Land and Buildings £'000	Vehicles & Plant £'000	Equip- ment £'000	Infrastruc- -ture Assets £'000	Comm- unity £'000	Invest- ment Prop- erties £'000	Assets under construc- tion £'000	Surplus Assets held for disposal £'000	TOTAL £'000
Value as at 1 April 2007	295	28,200	2,947	4,762	706	258	1,976	12	1,101	40,257
Accumulated depreciation	(88)	(2,828)	(922)	(1,948)	(137)	0	(77)	0	(22)	(6,022)
	207	25,372	2,025	2,814	569	258	1,899	12	1,079	34,235
Reclassifications - cost	12	0	0	0	0	0	(22)	(12)	22	0
Revaluations - cost	0	0	0	0	0	0	168	0	0	168
Impairment cost	0	0	(226)	0	0	0	(34)	0	(22)	(282)
Impairment dep'n	0	0	205	0	0	0	0	0	3	208
Additions	14	758	237	275	0	0	0	3	0	1,287
Disposals - cost	0	0	(60)	0	0	0	(12)	0	(696)	(768)
Disposals - depreciation	0	0	46	0	0	0	25	0	14	85
Depreciation – prior period adj	0	614	0	0	0	0	0	0	0	614
Depreciation in year	(59)	(940)	(460)	(751)	(44)	0	(9)	0	0	(2,263)
Value as at 31 March 2008	174	25,804	1,767	2,338	525	258	2,015	3	400	33,284

NOTES TO THE ACCOUNTS

Valuation of Fixed Assets

All the valuations of fixed assets are based upon a valuation exercise carried out by a member of the Royal Institute of Chartered Surveyors. The date of the last full valuation was 31 March 2004. Assets were valued in accordance with Royal Institution of Chartered Surveyors Statements of Asset Valuation and Practice. Vehicles and plant are valued at historical cost and depreciated over the vehicles estimated life on a straight-line method. Operational properties are valued at open market value where possible or alternatively at depreciated replacement cost.

The Council has stated its intention to close the Albion Leisure Centre and vacate Bridge House (office accommodation) during 2008/09. At the balance sheet date both properties were operational. It is anticipated that they will both remain operational during a substantial part of 2008/09. The properties will be revalued by 31 March 2009 when they become non-operational.

Impairment of Assets

Assets are reviewed for any significant increases or decreases (impairment) in value every year. Impairment of assets is assessed in accordance with the guidance below. The Council has considered the following in respect of the valuations placed upon its assets in the Balance Sheet at 31 March 2008.

- i) any significant decline in a fixed assets market value during the period.
- ii) evidence of obsolescence or physical damage to the fixed asset.
- iii) a significant adverse change in the statutory or other regulatory environment in which the authority operates.
- iv) a commitment by the authority to undertake a significant reorganisation.

Analysis of Fixed Assets

2007	2008
2 Shop mobility buildings	2
3 Cemeteries	3
1 Crematorium *	1
1 Museum	1
1 Horticultural nursery	1
5 Leisure centres/swimming pools	5
3 Community centres/ public halls	3
1 Depots	1
4 Council offices	4
5 Investment properties	5
16 Changing rooms and pavilions	16
173 hectares Parks and open spaces	173 hectares
25 Car parks	25
1 Markets and market building	1
20 Public conveniences	20
14 Non-operational property	14

*The crematorium is jointly owned by Erewash Borough Council and Broxtowe Borough Council and is run by a Joint Committee.

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NOTES TO THE ACCOUNTS

20. Deferred Charges

Deferred charges represent capital expenditure which does not result in the creation or enhancement of an asset in the Council's accounts. The expenditure has been totally written down to revenue in the year as it does not have any continuing benefit.

Deferred Charges	31 March 2008 £'000
Balance as at 1st April 2007	0
Expenditure in year	2,641
Amount financed by grant and miscellaneous income	(1,235)
Amounts written off - Income and Expenditure Account	
Commutation adjustment deferred charges	(149)
Write down of deferred charges	(1,257)
Balance as at 31st March 2008	0

21. Long Term Debtors

	As at 1 Apr 07 £'000	Expenditure £'000	Capital Discharged £'000	As at 31 Mar 08 £'000
Housing act advances and outstanding mortgages	10	0	(6)	4
Transferred debt	1,825	0	(121)	1,704
Car loans to employees	60	8	(26)	42
Bike loans to employees	5	0	(3)	2
Total long term debtors	1,900	8	(156)	1,752

NOTES TO THE ACCOUNTS

22. Capital Expenditure and Financing

	31 March 2008 £'000	31 March 2007 £'000
Opening Capital Financing Requirement	0	0
Capital Investment		
Operational assets	1,287	3,000
Non-operational assets	0	38
Deferred charges	2,641	2,484
	3,928	5,522
Sources of finance		
Capital receipts	2,611	4,059
Government grants	948	1,349
Miscellaneous income	363	104
Revenue contribution to capital	6	10
	3,928	5,522
	0	0

As at 31 March 2008 the Council was contractually committed to capital works which amounted to £707,231. The major projects included within this are: Home repair assistance grants £336,192, condition survey and legionella works at leisure centres £78,432, Long Eaton Environmental Improvement Schemes £71,771 and Home Improvement Grants £149,929.

23. Stocks and Work-In-Progress

	31 March 2008 £'000	31 March 2007 £'000
Stocks		
Swimming pools/leisure centres	16	16
Transport	47	36
Parks	11	12
Wheeled bins	17	12
Recycling bags	5	6
Other	8	9
	104	91
Work-in-progress	0	0
	104	91

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24. Debtors and Payments In Advance

	31 March 2008 £'000	31 March 2007 £'000
Government departments	1,086	2,807
Local tax payers	5,282	4,905
Reserved income	1,612	1,596
Sundry debtors	1,037	618
	9,017	9,926
Payments in advance	31	44
	9,048	9,970
Provisions for bad debts		
Local tax payers	(1,550)	(1,481)
Sundry debtors	(665)	(380)
	6,833	8,109

25. Creditors

	31 March 2008 £'000	31 March 2007 £'000
Government departments	729	496
Sundry creditors	4,688	5,324
Receipts In advance	530	182
	5,947	6,002

26. Contingent Liabilities

The Council is currently under taking a review of equal pay and job evaluation. Whilst it is likely that payment will be made in respect of equal pay settlements during 2008/09, the quantum has not yet been determined. Payments in respect of job evaluation are likely to take place during 2009/10 and the Council has not yet determined the liability.

27. Analysis of Borrowing

The Council remained debt free during 2007/08. There was no long term borrowing entered into by the Council during the year.

NOTES TO THE ACCOUNTS

28. Provisions

Provisions have been made for known liabilities uncertain as to the amount or timing in compliance with FRS 12 *Provisions, contingent liabilities and contingent assets*.

	31 March 2007 £'000	Use of provision in year £'000	Transfer to balances/ reserves	Provision in year £'000	31 March 2008 £'000
Sandiacre Friesland:					
-ground rent/service charge	2	0	0	0	2
-gym provision	70	0	0	0	70
Housing benefit subsidy amendments	240	(2)	0	0	238
	312	(2)	0	0	310

Sandiacre Friesland - Ground Rent/Service

A sum of money may be payable to Sandiacre Friesland School in respect of an increase on the ground rent charge. Discussions are currently ongoing with the school to try and resolve this situation. Any sum falling due for payment is expected to be cleared in 2008/09.

Gym Provision

A provision has been set aside to reimburse the gym equipment providers at the end of the income-share agreement. The payment is to represent the cost of the building work that was carried out at the commencement of the contract. The provision is expected to be utilised in 2008/09.

Housing Benefit Subsidy Amendments

A sum of £238,000 has been set-aside pending the final audit of the Housing Benefits subsidy claim and possible Department for Works and Pensions (DWP) Claw back. Once the audited figures are agreed and the Government's claw back position known, any remaining balance will be transferred back to revenue in 2008/09.

29. Government Grants Deferred

Government grants deferred represent contributions towards fixed assets received from Government departments which are written off over the life of the asset, in line with the associated depreciated charges. In previous years the Government grants have been shown in the Capital Financing Account (now the Capital Adjustment Account). Grants received from 1 April 2006 have been transferred to the Government Grants Deferred Account.

NOTES TO THE ACCOUNTS

The grants are then released to the Income and Expenditure account to offset depreciation charges in the relevant service revenue account, in line with the depreciation policy applied to them. The impact on the Income and Expenditure Account is reversed through the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account.

Government Grants Deferred	31 March 2008 £'000
Balance as at 1 April 2007	0
Transfer of grants received from Capital Adjustment Account	743
Grants received during the year	52
	<hr/> 795
Released to offset depreciation	(141)
Balance as at 31 March 2008	<hr/> 654

30. Capital Contributions Deferred

Capital contributions deferred represent contributions towards fixed assets received from non-Government sources which are written off over the life of the asset, in line with the associated depreciated charges.

The grants are then released to the Income and Expenditure account to offset depreciation charges in the relevant service revenue account, in line with the depreciation policy applied to them. The impact on the Income and Expenditure Account is reversed through the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account.

Capital Contributions Deferred	31 March 2008 £'000
Balance as at 1 April 2007	0
Grants received during the year	25
Balance as at 31 March 2008	<hr/> 25

NOTES TO THE ACCOUNTS

31. Revaluation Reserve

The Balance Sheet figures for 31 March 2007 have been adjusted from those included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 10). The Revaluation Reserve replaces the Fixed Asset Restatement Account (FARA). The balance on the FARA as at 31 March 2007 has been written off to the Capital Financing Account to form part of the new Capital Adjustment Account. The Revaluation Reserve has been included in the Balance Sheet with a zero opening balance.

	31 March 2008 £'000
Revaluation Reserve	
Opening balance on Revaluation Reserve as at 1 April 2007	0
Gains on revaluations	168
Balance as at 31 March 2008	168

32. Capital Adjustment Account

The Capital Adjustment Account was created on the 1 April 2007. It is an amalgamation of the Fixed Asset Restatement Account (debit balance of £6.732 million) and the Capital Financing Account (£41.000 million credit balance) reported in the Statement of Accounts for 2006/07 which when combined create an opening balance of £34.268 million.

The purpose of the Capital Adjustment Account is;

- to be charged with the historical cost of acquiring, creating or enhancing fixed assets, over the life of those assets
- to be charged with the historical cost of deferred charges over the period that the authority benefits from the expenditure
- credited with resources set aside to finance capital expenditure
- consolidated revaluation gains prior to 1 April 2007 from the closing balance on the Fixed Asset Restatement Account. The effect of these revaluation gains will reduce over time as assets held at 31 March 2007 are disposed of or decommissioned.

NOTES TO THE ACCOUNTS

Capital Adjustment Account	31 March 2008 £'000
Opening balance as at 1 April 2007	
Closing balance on the Fixed Asset Restatement Account	(6,732)
Closing balance on the Capital Financing Account	41,000
	34,268
Transfer of government grants received to Government Grants Deferred Account (note 29)	(743)
Government Grants Deferred – released to off set depreciation (note 29)	141
	(602)
Impairments and revaluations – cost (note 18)	(282)
Impairments and revaluations – depreciation	205
	(77)
Disposal – cost (note 19)	(768)
Disposal – depreciation (note 19)	87
	(681)
Capital financing capital receipts (note 22)	2,611
Capital financing revenue contributions (note 22)	6
	2,617
Commutation adjustment deferred charges (note 20)	(149)
Depreciation prior period adjustment	614
Excess of depreciation over MRP (note 1)	(2,263)
Write down of deferred charges (note 20)	(1,257)
	(3,055)
Balance as at 31 March 2008	32,470

NOTES TO THE ACCOUNTS

33. Financial Instruments

The 2007 SORP has introduced a number of changes to the content and the presentation of this year's Statement of Accounts. In relation to Financial Instruments the 2007 SORP has applied aspects of FRS 25 *Financial Instruments: Presentation and Disclosure*, FRS26 *Financial Instruments: Recognition and Measurement* and FRS29 *Financial Instruments: Disclosures* (replacing the disclosure requirements of FRS 25).

These changes have been introduced to make local authority accounts more UK GAAP (Generally Accepted Accounting Principles) compliant to enable comparisons across the public and private sectors.

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. Typically financial instruments are:

Liabilities

- Trade payables and other payables
- Borrowings
- Financial guarantees

Assets

- Bank deposits
- Trade receivables
- Loans receivables
- Other receivables and advances
- Investments

The 2007 SORP requires extensive disclosures in relation to financial instruments, which are detailed in note 34 to 39.

34. Available-for-Sale Financial Instruments Reserve

The Available-for-Sale Financial Instruments Reserve records the fair value adjustments required under FRS 26 *Financial Instruments: Recognition and Measurement* in respect of available-for-sale financial instruments. Available-for-sale financial instruments include investments traded in an active market for example equity shareholdings.

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For available-for-sale financial instruments due within 12 months of the Balance Sheet date the SORP determines the carrying value to be the fair value, so no adjustments are required.

The Council held 4% consolidated stock of £1,500 at 31 March 2008 which is due to mature more than 12 months after the Balance Sheet date. This available-for-sale financial instrument has been revalued to fair value in the Balance Sheet.

The basis of the fair valuation calculations are detailed in note 37 to the accounts. A fair value adjustment of £22 has been charged against the interest income in the Income and Expenditure Account. The impact of the charge to the Income and Expenditure is reversed out through the Statement of Movement on the General Fund Balance and the fair value adjustment held in the Available-for-Sale Financial Instruments Reserve.

35. Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account is required for Regulatory adjustments made to the accounts. These adjustments have been introduced by the Government to mitigate some of the financial effects arising from the accounting changes applying to financial liabilities.

The Financial Instruments Adjusting Account records the fair value adjustments required under FRS 26 *Financial Instruments: Recognition and Measurement* in respect of loans and receivables.

Loans and receivables have two defining characteristics. They are:

- fixed or determinable payments, and
- are not quoted in an active market.

Examples of such financial instruments include bank deposits, trade receivables, trade payables, temporary investments and loans receivable not quoted in an active market.

For loans and receivables due within 12 months of the Balance Sheet date the SORP determines the carrying value to be the fair value, so no adjustments are required.

NOTES TO THE ACCOUNTS

36. Financial Instruments – Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments after fair value adjustments have been made:

	Long-Term		Current	
	31 March 2008	31 March 2007	31 March 2008	31 March 2007
	£ 000s	£ 000s	£ 000s	£ 000s
Financial liabilities at amortised cost	0	0	0	0
Financial liabilities at fair value through profit and loss	0	0	0	0
Total borrowings	0	0	0	0
Loans and receivables	1,047	2,024	14,650	14,640
Available for sale financial assets	1	1	0	0
Unquoted equity investment at cost	0	0	0	0
Total investments	1,048	2,025	14,650	14,640

NOTES TO THE ACCOUNTS

37. Financial Instruments – Gains and Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses in relation to financial instruments are made up as follows:

	Financial	Financial Assets		Total
	Liabilities	Loans and receivables	Available- for-sale assets	
	£ 000s	£ 000s	£ 000s	£ 000s
Interest expense	0	0	0	0
Losses on derecognition	0	0	0	0
Impairment losses	0	0	0	0
Interest payable and similar charges	0	0	0	0
Interest income	0	1,335	0	0
Gains on derecognition	0	0	0	0
Interest and investment income	0	1,335	0	0
Gains on revaluation			0	
Losses on revaluation			0	
Amounts recycled to the Income and Expenditure Account after impairment			0	
Surplus arising on revaluation of financial assets			0	
Net gain / (loss) for the year	0	1,335	0	

38. Financial Instruments – Fair Value of Assets and Liabilities carried at Amortised Cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be

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assessed by calculating the present value of the cash flows that will take place over the remaining terms of the instruments, using the following assumptions;

- Estimated interest rates at 31 March 2008 of between 5.16% to 5.98% dependent on the type and maturity date of instruments for other loans receivable
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2008		31 March 2007	
	Carrying amount £ 000s	Fair Value £ 000s	Carrying amount £ 000s	Fair Value £ 000s
Financial liabilities	6,065	6,065	7,582	7,582
Loans and receivables	(24,352)	(24,400)	(26,657)	(26,681)

Financial Liabilities

The fair value is assumed to be equal to the carrying value as all financial liabilities are due to mature within 12 months of the Balance Sheet date.

Loans and Receivables

The fair values for loans and receivables have been determined by reference to the Public Works Loan Board (PWLB) redemption rules which provide a good approximation for the fair value of a financial instrument, and also include accrued interest. For the fair values of available-for-sale financial instruments the comparator market rates prevailing have been taken from indicative investment rates at each balance sheet date. In practice rates will be determined by the size of the transaction and the counterparty, but it is impractical to use these figures, and the difference is likely to be immaterial.

The fair value is higher than the carrying amount because the Council holds a longer term fixed rate investment and loans to employees for motor vehicles and push bikes which have been restated at fair value to include interest accrued on these financial instruments at the balance sheet date.

NOTES TO THE ACCOUNTS

39. Financial Instruments - Nature and Extent of Risks

Key Risks

The Council's activities expose it to a variety of financial risks. The Council does not require debt financing and currently does not have any debt exposure. As such the key risks are in relation to financial assets and are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

Overall Procedures for Managing Risk

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 set out in 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 Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year 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

NOTES TO THE ACCOUNTS

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 annually 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 regularly.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies for temporary investments and the Council's experience of its customer collection levels for trade debtors over the last five financial years, adjusted to reflect current market conditions.

	Amount at 31 March 2008 £000s (a)	Historical experience of default % (b)	Adjustment for market conditions at 31 March 2008 % (c)	Estimated maximum exposure to default £000s (a x c)
Deposits with banks and financial institutions				
A rated counterparties	15,650	0.007%	0.007%	1
Trade debtors	862	6.867%	6.867%	59
	16,512			60

The historical experience of default has been taken from Moody's, a Council's credit rating organisation used by the Council and applies to the period 1982 – 2005.

Whilst the current credit crisis in international markets has raised the overall possibility of default the Council maintains strict criteria for investment counterparties. As a result of this high credit criterion, the Council has maintained historical default rates as a good indicator under those current conditions.

NOTES TO THE ACCOUNTS

The Council has an investment with Northern Rock plc, whose rating grade is A, and has been included in this category above. The Bank is currently Nationalised and so the rating is that applicable to Government borrowing (AAA). The nationalisation applies with a three month notice period for de-nationalisation and guarantees are currently in force for long standing deposits.

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 and bonds.

The Council does not generally allow credit for its trade debtors, such that £0.484 million of the £0.862 million balance is past its due date for payment. The past due amount can be analysed by age as follows:

	31 March 2008 £000s
Less than three months	358
Three to six months	18
Six months to one year	67
More than one year	419
	<hr/>
	862

Collateral – During the reporting period the council held no collateral as security.

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 through cash flow management procedures required by the Code of Practice.

In the event of an unexpected cash requirement the Council has ready access to borrowings from the Money Markets to cover any day to day cash flow need. The Council is also required to provide a balanced budget 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.

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

NOTES TO THE ACCOUNTS

financial instruments as they mature. This risk relates to the maturing of longer term financial assets.

The approved prudential indicator limits are the key parameters used to address this risk relating to investments placed for greater than one year in duration. The Council approved treasury and investment strategies address the main risks and the officer responsible for treasury management addresses the operational risks within the approved parameters. This includes the 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 needs.

The Council has no longer term financial liabilities. The maturity analysis of financial assets is disclosed in note 36 to the accounts.

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

Market Risk

Market risk comprises of three elements of risk; interest rate risk, price risk and foreign exchange rate 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 on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall.

Changes in interest payable and receivable on variable rate investments will be posted to the Income and Expenditure Account and affect the General Fund Balance, subject to influences from Government grants. During the financial year the Council did not have any variable rate investments. Movements in the fair value of fixed rate investments will be reflected in the STRGL, unless the investments have been designated as Fair Value through the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The officer responsible for treasury management will monitor the market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where

NOTES TO THE ACCOUNTS

economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

If all interest rates had been 1% higher with all other variables held constant the financial effect would be:

	£000s
Increase in interest receivable on variable rate investments	0
Impact on Income and Expenditure Account	0
Decrease in fair value of fixed rate investment assets	211
Impact on STRGL	211

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed. These assumptions are based on the same methodology as used in the Note 38 – Fair value of Assets and Liabilities carried at Amortised Cost.

Price Risk - The Council does not invest in equity shares. It therefore has no exposure to loss arising from movements in the prices of shares.

Foreign Exchange Risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

NOTES TO THE ACCOUNTS

40. Capital and Revenue Reserves

	As At 01/04/07	Receipts in year	Payments in year	Transfer to/from capital	Transfer to/from provisions	Transfer to/from GF	As At 31/3/08
	£'000	£'000	£'000	£'000		£'000	£'000
Capital							
Vehicle & plant	947	13	0	(13)	0	300	1,247
Tesco CCTV fund	10	0	0	0	0	0	10
Shopmobility	13	4	(4)	0	0	1	14
Museum purchases	13	0	0	0	0	0	13
Ropewalk repairs	149	0	(2)	0	0	9	156
Museum donations	5	1	0	0	0	0	6
Vat exemption	335	0	0	0	0	0	335
Leisure centre equip't	70	0	(15)	0	0	30	85
Total capital reserves	1,542	18	(21)	(13)	0	340	1,866
Revenue							
Vat exemption	167	0	0	0	0	0	167
John Lally bequest	6	0	0	0	0	0	6
Local lottery	71	0	0	0	0	(2)	69
Planning delivery grant	525	0	0	0	0	(48)	477
Long Eaton flood relief	8	0	0	0	0	1	9
Job evaluation	575	0	0	0	0	118	693
IT equipment	125	0	0	0	0	0	125
Insurance	332	0	0	0	0	0	332
Concessionary fares	50	0	0	0	0	100	150
Electoral administration	40	0	0	0	0	0	40
Disaster recovery	50	0	0	0	0	0	50
Corporate training	0	0	0	0	0	61	61
Procurement efficiencies	0	0	0	0	0	58	58
Housing benefit employment and support software	0	0	0	0	0	30	30
Total revenue reserves	1,949	0	0	0	0	318	2,267
Total reserves	3,491	18	(21)	(13)	0	658	4,133

41. Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets which will be received in instalments over an agreed period. These arise from mortgages on council house sales which are also shown under long term debtors (note 21 page 48).

NOTES TO THE ACCOUNTS

42. Usable Capital Receipts

These are capital receipts that are available to finance future capital expenditure. The application and usage of these capital receipts is detailed within the Statement of Accounting Policies (Note 10 page 22)

	General Fund £'000
Balance at 1 April 2007	9,606
Capital receipts	1,121
Capital reserve	13
Capital receipts used for financing	(2,611)
Balance as at 31 March 2008	8,129

43. Insurance

During 2007/08, Erewash Borough Council placed all of its insurances directly with Zurich Municipal.

The Council has established an Insurance Fund to cover excesses on claims, and certain small risks. The value of the Insurance Fund at 31 March 2008 was £331,356. There are no material risks which are unfunded.

NOTES TO THE ACCOUNTS

44. Movements on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

	Balance 1 April 2007 £ 000s	Net Movement in year £ 000s	Balance 31 March 2008 £ 000s	Purpose of Reserve	Further details
Revaluation Reserve	0	168	168	Store of gains on revaluation of fixed assets not yet realised through sales	Note 31
Capital Adjustment Account	34,268	(1,798)	32,470	Store of capital resources set aside to meet past expenditure	Note 32
Capital Reserve	1,542	324	1,866	Funds set aside for known capital commitments	Note 40
Revenue Reserve	1,949	318	2,267	Funds set aside for known revenue commitments	Note 40
Pension Reserve	(22,140)	(4,701)	(26,841)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 7
Deferred Capital Receipts	10	(6)	4	Receipts due from principal repayment of mortgages	Note 21
Usable Capital Receipts	9,606	(1,477)	8,129	Proceeds of fixed asset sales available to meet future capital investment	Note 42
General Fund	5,643	74	5,717	Resources available to meet future running costs	SMGF, page 28
Collection Fund	94	19	113	Surplus from Council tax payers, business rate payers and Government. Precepts payments.	Collection Fund Account, page 70
	30,972	(7,079)	23,893		

NOTES TO THE ACCOUNTS

45. Cash Flow Statement - Movements in Cash

	2008 £ 000s	2007 £ 000s	Movement £ 000s
Cash overdrawn	(243)	(1,580)	1,337
Cash in hand	7	6	1
Increase / (decrease) in cash	(236)	(1,574)	1,338

46. Cash Flow Statement - Reconciliation of Net Surplus/(Deficit)

	£'000s
Net deficit on the General Fund	74
Net surplus on Collection Fund	190
	<u>264</u>
Contributions to reserves	(658)
Other items	1,010
	<u>352</u>
Decreased creditors	(55)
Decreased debtors	583
Increased stock & work in progress	(13)
Revenue activities net cash flow	<u>1,131</u>

47. Cash Flow Statement - Government Grants

	£ 000s
Council tax benefit	7,809
Housing benefit	17,398
Other government grants	1,185
	<u>26,392</u>

NOTES TO THE ACCOUNTS

48. Cash Flow Statement - Analysis of Net Investment

	2008 £ 000s	2007 £ 000s	Movement £ 000s
Cash overdrawn	243	1,580	(1,337)
Cash in hand	(7)	(6)	(1)
Changes in Financing & Liquid Resources			
Investments	(1)	(1)	0
Temporary borrowing money market	0	0	0
Temporary lending money market	(15,650)	(16,640)	990
Total Net Investment	(15,415)	(15,067)	(348)

49. Cash Flow Statement - Reconciliation of Net Cash Flow Movement to Movement in Net Debt

	£ 000s	£ 000s
Net investment at 1 April 2007		15,067
Increase / (decrease) in cash in the period	1,338	
Cash inflow from decrease in temporary investment	(990)	
Change in net investment resulting from cash flows		348
Other non cash movements		
Net investment position as at 31 March 2008		15,415

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

2006/07 £' 000		2007/08 £' 000
(309)	(Surplus) / deficit as at 1 April 2007	(781)
	Income	
(39,156)	Council tax – note 4	(40,806)
(22,399)	Business rates – note 2	(23,153)
(6,094)	Council tax benefits – note 4	(6,293)
(67,649)		(70,252)
	Expenditure	
22,052	Contributions to NNDR pool	22,938
142	Costs of collection – NNDR	140
	Precepts and Demands – note 5	
32,710	Derbyshire County Council	34,197
5,359	Erewash Borough Council	5,523
4,613	Derbyshire Police Authority	4,872
1,967	Derbyshire Fire Authority	2,078
0	Write offs & adjustments	65
	In year movements in bad debt provision	
0	Council tax	19
205	NNDR	50
129	Contributions to/(from) precepting authorities	180
67,177		70,062
(781)	Collection Fund deficit / (surplus) – note 3	(971)

NOTES TO THE COLLECTION FUND

1. General

The Collection Fund is a separate fund of the Council which is required by statute, and is consolidated with the other accounts of the Authority and prepared on an accruals basis.

2. Business Rates

The Council collects business rates for its area which are based on local rateable values. Central Government set two rates in the pound: a standard rate and a small business rate. In 2007/08 the standard rate in the pound was set at 44.4p (2006/07: 43.3p) and the small business rate was set at 44.1p (2006/07: 42.6p). The Non-domestic rateable value for the Erewash area at 31st March 2008 was £61.0 million (31 March 2007: £61.0 million). Mandatory relief for empty, charitable and void properties and small business rate relief was £3.0 million (2006/07: £2.8 million). This resulted in a net yield of £23.2 million (2006/07: £22.6 million).

3. Collection Fund Surplus

At 31st March 2008 there was a surplus on the Collection Fund amounting to £971,000 (2006/07 £781,000). The breakdown of this figure is as follows:

	31 March 2008 £'000	31 March 2007 £'000
Surplus due to Erewash Borough Council	113	94
Surplus due to Derbyshire County Council	713	572
Surplus due to Derbyshire Police Authority	102	81
Surplus due to Derbyshire Fire Authority	43	34
	971	781

During 2007/08 payments in respect of Collection Fund surpluses were made to Derbyshire County Council £132,278, Derbyshire Police Authority £18,655, Derbyshire Fire Authority £7,956 and Erewash Borough Council £21,673.

NOTES TO THE COLLECTION FUND

4. Council Tax Yield

The Council Tax Base is calculated each year as the estimated Band D equivalent number of dwellings in the Council's area for the year after taking into account any discounts. For 2007/08 the calculation was as follows:

Council Tax Band	Number Of Band D Equivalents (Adjusted For Discounts)
A	11,504
B	8,839
C	5,775
D	4,511
E	2,365
F	1,002
G	750
H	19
	<u>34,765</u>

The Council Tax yield for 2007/08 was £47.1 million (2006/07: £45.2 million). Of this figure £40.8 million (2006/07: £39.1 million) was receivable from taxpayers and £6.3 million (2006/07: £6.1 million) was received in respect of Council Tax benefits.

5. Precepts

The Collection Fund has precepts levied upon it by the following authorities:

Precept Paid To :	Amount (£m)
Erewash Borough Council.	5.5
Derbyshire County Council.	34.2
Derbyshire Police Authority	4.9
Derbyshire Fire Authority	2.1
	<u>46.7</u>

The Borough Council precept includes Parish Councils' requirements of £177,063 (2006/07 £174,278).

GLOSSARY OF TERMS

ACCRUAL

A sum included in the final accounts attributable to the year but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

ASSET

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

AUDIT OF ACCOUNTS

An independent examination of the authority's financial affairs.

BILLING AUTHORITY

A local authority which has the power to set and collect council taxes.

BUDGET

The spending plans of the authority over a specific period of time - generally the financial year, 1st April to 31 March.

CAPITAL EXPENDITURE

Expenditure to acquire or enhance fixed assets that will be used to provide services beyond the current financial year.

CAPITAL FINANCING

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure, including borrowing, leasing, using capital receipts, grants or contributions from third parties, or direct from revenue budgets.

CAPITAL PROGRAMME

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

CAPITAL RECEIPT

The proceeds from the disposal of land or other fixed assets. A proportion of capital receipts can be used to finance new capital expenditure, within rules set down by the government, but they cannot be used for revenue purposes.

COLLECTION FUND

A separate fund to record the expenditure and income relating to council tax, non-domestic rates and residual community charges.

COMMUNITY ASSETS

Assets that the authority intends to hold in perpetuity, or that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are paintings and civic regalia.

GLOSSARY OF TERMS

COMMUTATION ADJUSTMENT

This is an adjustment that is permitted to the Revenue Accounts to offset losses arising from the commutation of grant payments in relation to domestic and environmental improvement works carried out before 1992/93.

CONSISTENCY

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

COUNCIL TAX

The local tax that pays for a proportion of council services.

COUNCIL TAX BENEFIT

Help provided to people on low incomes to assist them to pay their council tax bills.

CREDITOR

Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments had not been made by the end of that period.

CURRENT EXPENDITURE

This is the general term for “running costs” including employee costs and running expenses but not debt charges.

DEBTOR

Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments had not been received by the end of that period.

DEFERRED CHARGES

Capital expenditure which is of benefit beyond the current accounting period, but which does not result in a tangible fixed asset to the authority. An example of a deferred charge would be capital expenditure on improvement grants.

DEFINED BENEFIT SCHEME

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

(A defined contribution scheme is a pension or other retirement benefit scheme into which an employer pays regular contributions fixed as an amount or as a percentage of pay and will have no legal obligation to pay further contributions if the scheme does not have sufficient assets to pay all employee benefits)

DEPRECIATION

The consumption of an asset during the period due to age, wear and tear, deterioration or obsolescence.

GLOSSARY OF TERMS

FINANCIAL REPORTING STANDARD (FRS) AND STATEMENTS OF STANDARD ACCOUNTING PRACTISES (SSAP)

These cover particular aspects of accounting practice, and set out the correct accounting treatment – for example, of depreciation. FRS's are issued by, and SSAP's have been adopted by, the Accounting Standards Board.

GENERAL FUND

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

GOVERNMENT GRANTS

Grants made by the Government towards either revenue or capital expenditure to support the cost of the provision of local authority services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the authority (Revenue Support Grant).

HOUSING ADVANCES

Loans made by an authority to individuals or Housing Associations towards the cost of acquiring, constructing or improving dwellings. Loans made to individuals are termed mortgages.

HOUSING BENEFITS

A system of financial assistance to individuals towards certain housing costs administered by local authorities 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 adverse 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.

INFRASTRUCTURE ASSETS

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

LIABILITY

An amount owed by the authority, which will be paid at some time in the future.

NON-DOMESTIC RATE (NDR)

The Non-Domestic Rate is a standard rate in the pound set by the Government on the assessed rateable value of business properties.

GLOSSARY OF TERMS

NON-OPERATIONAL ASSETS

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

OPERATING LEASE

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

OPERATIONAL ASSETS

Fixed assets held by the authority and directly occupied or used in the delivery of its services.

PRECEPT

The levy made by precepting authorities on billing authorities. Derbyshire County Council, Parish Councils and Derbyshire Police Authority levy a precept on the Borough Council.

PROVISION

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

- the authority has a present obligation (legal or constructive) as a result of a past event
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision should be the best estimate taking into account the risks and uncertainties surrounding the events and should be regularly reviewed.

PRUDENCE

The concept that revenue is not anticipated but recognised only when realised or certain to be realised.

RATEABLE VALUE

The annual assumed rental value of a property, which is used for business rate purposes.

RESERVES

Surpluses and deficits which have been accumulated over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the authority. Some capital reserves such as the fixed asset restatement reserve cannot be used to meet current expenditure.

REVENUE ACCOUNT

The main account of the authority into which grants and other income is paid and from which the cost of providing services is met.

REVENUE EXPENDITURE

The day to day expenses of providing services.

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GLOSSARY OF TERMS

REVENUE SUPPORT GRANT (RSG)

A grant paid by Central Government to authorities, contributing towards the cost of services.

STATEMENT OF RECOMMENDED PRACTICE (SORP)

The SORP, issued by CIPFA in accordance with the Accounting Standards Board, governs the way local authorities must produce their financial statements and report their spending and income.

STOCKS

Comprise the following categories: goods and other assets purchased for resale; consumable stores; long term contract balances and finished goods.

TEMPORARY LOAN

Money borrowed for a period of less than one year.

TRUST FUNDS

Funds administered by the Council for such purposes as charities and specific projects.