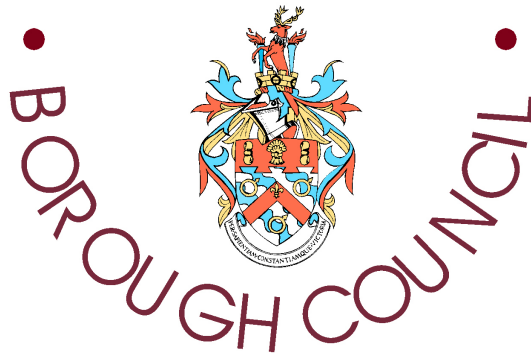


EREWASH



ANNUAL
STATEMENT OF ACCOUNTS
2006 - 2007

STATEMENT OF ACCOUNTS 2006 - 2007

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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:

An Explanatory Foreword (Pages 1-9)

This sets out an overview of the Council's financial position as at 31 March 2007, its financial performance during 2006/07 and provides a summary of where the Council spends its money and how it is financed.

Statement on the System of Internal Control (Pages 11-20)

This statement identifies the systems that the Council has in place to ensure that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded.

Statement of Accounting Policies (Pages 25-32)

Sets out the basis on which the figures have been compiled in the various accounts.

Income and Expenditure Account (Page 33)

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 34)

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 35)

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.

Erewash Borough Council Statement of Accounts 2006-07

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The Balance Sheet (Pages 36-37)

This statement details the financial position of the Council as at 31st March 2007; its assets, liabilities, balances and reserves.

The Cash Flow Statement (Pages 38)

This consolidated statement summaries 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.

The Collection Fund (Pages 62-64)

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 a lot of technical information in accordance with the legal regulations.

This explanatory forward is intended to provide a more simplistic summary of the Council's financial performance during 2006/07 and its financial position as at 31 March 2007.

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.

Erewash Borough Council Statement of Accounts 2006-07

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Revenue Account

The Council reports its main revenue income and expenditure in the **Income and Expenditure Account**. This account comprises the General Fund and the Housing Revenue Account. As Erewash Borough Council no longer maintains a housing stock it is not required to operate a Housing Revenue Account.

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 53) and capital receipts received in the year are shown in note 31 (page 56). 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.

General Reserve Accounts

The Council keeps separate general reserves for 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. Overview

This overview provides a broad analysis of the Council's financial performance and position for 2006/07.

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 revenue expenditure.

This position was due to a combination of reasons:

- Investment interest received was £185,000 above the budgeted income due to higher balances being invested than anticipated and rises in interest rates during the year.
- Savings on employee costs (£547,000) arising from vacancies in the year.
- Additional net income and government subsidy on housing benefits (£181,000)

Erewash Borough Council Statement of Accounts 2006-07

EXPLANATORY FOREWORD

- General savings and under spends throughout the Council's budget.

Reserves

As at 31 March 2007, the Council's General Fund reserve stood at £5.643m. 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 £1.949m at 31 March 2007. 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 2007 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 2007 these stood at £9.606m. The approved three year capital programme 2007/08 to 2009/10 is forecast to utilise £8.623 million of these resources leaving available receipts of £1.144 million at 31 March 2010. Options are currently being investigated for funding beyond this date. The Council has also earmarked capital reserves of £1.542m note 32 (page 57). 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 priority of remaining debt free and therefore does not have any external borrowing. All capital expenditure during 2006/07 was financed from grants, contributions and the Council's own capital resources.

Pension Fund

The Council's Pension Fund Liability reduced from a deficit of £25.059m at 31 March 2006 to £22.140m at 31 March 2007. Full details of the Pension Fund for 2006/07 can be found in the note 8 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 2007/08, which may increase overall costs. A reserve of £0.575m

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accumulated to meet the cost of implementing the review and potential financial pressures in relation to changes in employee costs.

- **Pensions** – a national issue in both public and private sectors with significant shortfalls on pension funds facing many organisations.
- **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 view to improve asset management and appraise the asset base in view of potential future maintenance costs.

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. Just like any other council, Erewash Borough Council will continue to face pressures of meeting the needs of local residents and new Government legislative requirements.

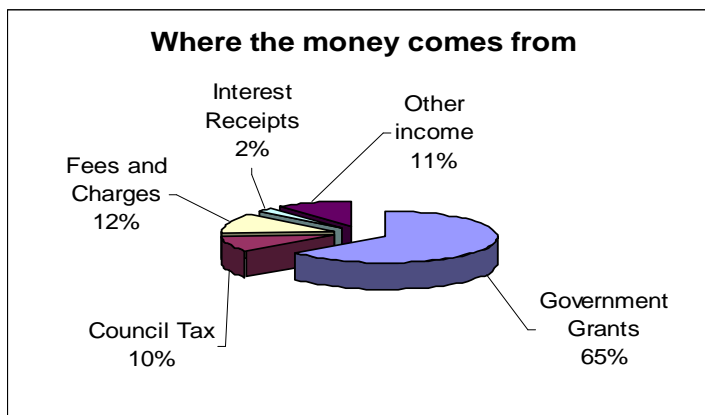
Finally, we realise the value of closing our accounts promptly to provide up to date information. At the same time, preparing these accounts becomes more complex every year. The staff involved in this process, deserve credit in ensuring that these financial statements are produced in a timely and professional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

3. Revenue Income and Expenditure 2006/07

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

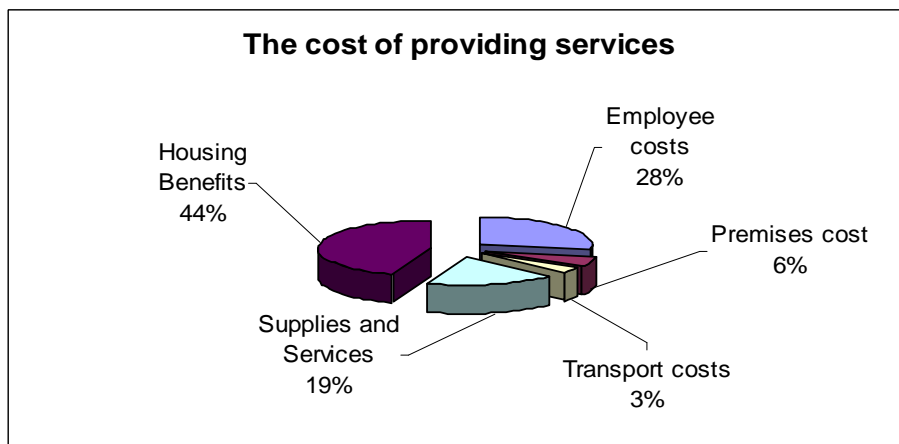
Where the Money Comes From	£000's
Government Grants	33,669
Council Tax	5,359
Fees and Charges	6,405
Interest Receipts	1,117
Other income	5,661
Total Income	52,211

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- Government Grants account for 65% 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 12% 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.

The Cost of Providing Services	£000's
Employee Costs	14,116
Premises Costs	3,051
Transport Costs	1,629
Supplies and Services	9,612
Housing Benefits	22,658
Total Expenditure	51,066



Erewash Borough Council Statement of Accounts 2006-07

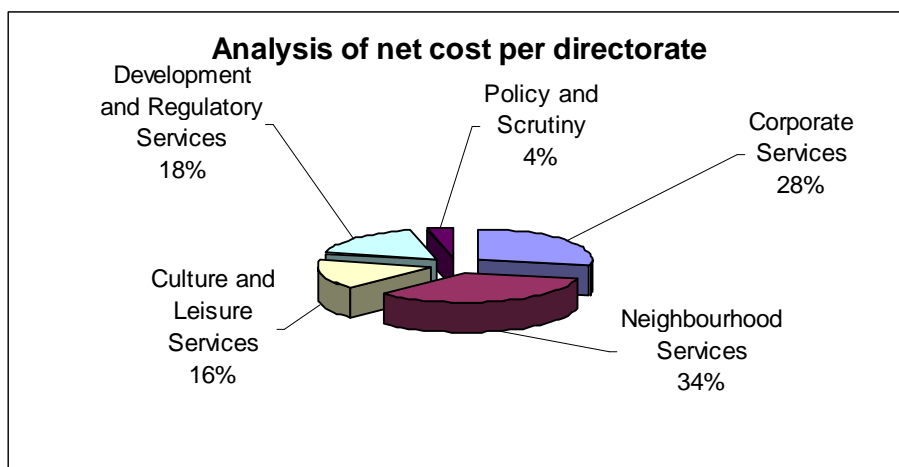
EXPLANATORY FOREWORD

- Employee costs include wages and salaries, statutory pension and national insurance contributions.
- 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.

Net Cost of Services

The chart below shows an analysis of the net cost of providing the Council's services (i.e. the difference between gross total expenditure and income) broken down into the operational directorates maintained by the Council. This includes charges for depreciation and other capital costs charges to services for utilising council assets.

Analysis of Net Cost of Services	£000's
Corporate Services	5,294
Neighbourhood Services	6,472
Culture and Leisure Services	2,986
Development and Regulatory Services	3,326
Policy and Scrutiny	708
Total Net Cost of Services	18,786



- The cost of Corporate Services includes the core management cost of the Council, concessionary fares and the collection of business rates, council tax and benefits administration.

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

4. Comparison to Budget 2006/07

General Fund

To fully finance its spending plans for the year the Council had planned to take £623,262 from its general fund balances. The actual net expenditure for the year was £1,056,863 lower than the approved budget and as such the Council was able to transfer £433,602 into its General Fund balances and £711,000 into specified reserves to provide for future known financial pressures.

5. Council Reserves

The Council began the year with General Fund Balances of £5,209,137. The surplus in the year has increased the reserve to £5,642,739 at 31 March 2007; an increase of £433,602. This reflects the reduction in revenue spending below the budget and the approved adjustments for contributions to and from earmarked reserves. Other earmarked revenue reserves total £1,949,556 and are listed in note 32 to the accounts.

6. Capital Investment and Financing

Capital Spending

Total capital spending for 2006/07 was £5.5 million which was £4.3 million below the approved estimate. A substantial part of this, (£3.9 million) has been carried forward to complete schemes and meet commitments in 2007/08. After allowing for carry forwards, the projected variation on current capital schemes is reduced to £0.4 million. This relates mainly to a few schemes that have not been progressed and after further assessment deleted.

EXPLANATORY FOREWORD

The following table shows capital expenditure in 2006/07.

Analysis of Capital Expenditure 2006/07	Actual £000's
Disabled Facilities Grant	706
Revenues and Housing Benefits System	643
Document Management System – Revenues and Benefits	211
Electronic Document and Records Retrieval System	107
Refuse collection and street cleansing vehicles	828
East Midlands Development Agency Grants	26
Rutland Sports Park	219
Social Housing Provision	732
Sandiacre Regeneration	193
Cotmanhay Pavilion	148
Commutation adjustment	169
Parish Councils	178
Erewash Crime Reduction Initiative Scheme	61
Long Eaton (Environmental Improvement Scheme)	160
Leisure Centre Improvements	417
Other Erewash Borough Council - Capital Resources	724
Total Expenditure	5,522
Financed by:	
Capital receipts	4,059
Government grants	1,349
Miscellaneous income	104
Revenue contribution to capital	10
Total Financing	5,522

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 2006/07.

Capital Resources	£'000's
Available resources at 1 April 2006	10,186
Less: Use of Capital Resources to finance the net capital programme in 2006/07	(4,059)
Add: Capital Contingency reserve	2,100
Add: Capital Receipts received in 2006/07.	1,379
Balance of available capital resources at 31 March 2007.	9,606

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AUDITORS' REPORT TO EREWASH BOROUGH COUNCIL

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 2007.

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.....2007

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

1. Scope of Responsibility

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

In discharging these overall responsibilities, the Council also needs to ensure that there is a sound system of internal control which facilitates the effective exercise of its functions and includes arrangements for the management of risk.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk and maintain it at an acceptable level; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on a continuing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage such risks efficiently, effectively and economically.

The internal control system has operated throughout the year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

3. The Internal Control Environment

The Council acknowledges and promotes its responsibility to ensure that it operates an effective system of internal control. The internal control environment supports the Council in establishing, implementing and monitoring policies and objectives, whilst maintaining controls over its resources. Its key elements are as follows:

Policy and Decision-making

The Council has adopted a Constitution which sets out how it operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people. Some of these processes are required by law, whilst the Council determines others for itself. The Constitution is kept under constant review by members through the Constitutional Review Group and the General Purposes Committee.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

The Council is responsible for overall policy and sets out the control environment in the Budget, Corporate Plan, Constitution and other strategic documents.

The Council Executive has responsibility for determining most of the decisions in implementing the Council's aims and strategic objectives, subject to challenge by the Scrutiny function. Meetings are open to the public except where personal or confidential matters are being disclosed.

The Scheme of Delegation, codified within the Constitution, sets out those decisions which can be taken by lead members and senior officers of the Council.

Priorities and Objectives

The Council's aims are contained in the following published policy documents which indicate the Council's overall high-level objectives and are supported by operational service plans:

- The Community Strategy, drawn up after consulting the local community and other public, private and voluntary organisations within the Local Strategic Partnership, approved in April 2007.
- The Corporate Plan covering 2006-2009, approved in February 2007.
- The Comprehensive Improvement Plan adopted February 2006.
- The Best Value Performance Plan, which affirms its commitment to continuous service improvement.
- The Budget, which is a financial expression of the Council's aims and objectives.
- Various other strategic documents and statutory plans (including the Leisure and Cultural Strategy, Housing Strategy, Local Plan etc.).
- The Council publishes monthly a Forward Plan which contains details of key decisions to be made by the Council, its committees, lead members and senior officers.

Compliance with policies, procedures, laws and regulations

The Constitution sets out the responsibility of members and senior managers, including the three statutory posts of Head of Paid Service, Monitoring Officer and Section 151 Officer.

Anyone or a combination of the statutory officers, will report to the Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

There is a reporting protocol with a requirement for risk, legal and financial review which, allied to the examination by the Corporate Management Team, supports the statutory officers in the fulfilment of their duties.

Independent reviews by Internal Audit, External Audit and various Inspectorates provide further assurance on compliance.

There are clear lines of internal communication with a well developed hierarchy of team meetings to ensure staff have an up to date knowledge of relevant functions.

Best Value

Independent reviews identify economic, effective and efficient use of resources, and help secure continuous improvement in the way in which functions are exercised.

Performance Management

The Council has a performance management framework, which includes the setting of financial and operational targets supporting the Council's objectives.

Achievement is monitored by members, through the Council Executive and Service Effectiveness Scrutiny Panel, and officers, in particular through the monthly Senior Management Team Meetings.

The Best Value Performance Plan and its performance targets are key documents, with target setting for 2006/07 being driven by the service planning process and cascaded through divisional service plans to individual employee performance and development reviews.

Risk Management

The Council has a Risk Management Strategy and has developed a framework for the management of risk covering all service areas. The risks are identified through the service planning process and report writing protocols with each service area monitoring and developing their own operational risk registers. A Corporate Risk Management Group has been created to promote the framework and evaluate the risks identified, thereby facilitating development of the Strategic Risk Register by the Corporate Management Team and Council. The Service Effectiveness Scrutiny Committee is responsible for monitoring the effective development and operation of the risk management function.

Financial Management

The financial management of the Council is conducted in accordance with the relevant provisions of the Constitution, incorporating Financial Regulations and Contract Procedure Rules. The Council has designated the Director of Corporate Services as Chief Finance Officer in accordance with Section 151

Erewash Borough Council Statement of Accounts 2006-07

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

of the Local Government Act 1972. However, prior to September 2006 the role was undertaken by the Interim Assistant Director (Finance) whilst the Director of Corporate Services, as Acting Chief Executive, was undertaking statutory officer duties as the Head of Paid Service.

The Council has in place a three year medium term financial plan, updated annually, to take into account current policies and other available information. This is guided by the Revenue Policy and Strategy, the Capital Financing Strategy and the Capital Investment Strategy which were adopted in 2006/07.

The Council approves a balanced revenue budget and capital programme annually. These are supported by a comprehensive budgeting system incorporating regular financial reporting and review.

The Council has formally adopted the CIPFA Code of Practice in Treasury Management and the Investment Strategy is approved by Council each year. Appropriate limits have been approved in line with the Prudential Code for capital accounting.

Internal Audit

The Council has a statutory responsibility, under Regulation 6 of the amended Accounts and Audit Regulations 2006, to provide an adequate and effective internal audit; this is provided by an in-house team. Its responsibilities as an independent auditor are executed with due regard to relevant professional standards, including the CIPFA Code of Practice for Internal Audit in Local Government in the UK.

Internal Audit provides an independent appraisal of the Council's internal control system, objectively examining, evaluating and reporting on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources. Each review leads to a report assessing the robustness of the system being audited. Any weaknesses in internal control are reported and appropriate managers are tasked with taking action to address these.

The Council has an Audit Committee which receives executive summaries of all internal audit reports and undertakes a monitoring role in respect of the implementation of their recommendations. The Committee also consider reports tabled by the Council's external auditors.

External Review

The Council has an objective and professional relationship with its external auditors and statutory inspectors from who reports are received. The external audit has been provided by the Audit Commission Service for the financial year 2006/07.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

External Audit provides an independent assessment of the Council's internal control, and publishes an opinion each year in the Annual Audit and Inspection Letter.

4. Review of Effectiveness

The Council is responsible for conducting, at least annually, a review of the effectiveness of the system of internal control. This review is informed by the Council's risk and performance management systems, the work of Internal Audit, senior management within the Council, who have responsibility for the development and maintenance of the internal control environment, and the comments and guidance given by External Audit, other review agencies and inspectorates in their reports.

In many areas the system of internal control accords with good practice but there remain some acknowledged weaknesses. Actions to address these issues are included in section 5. The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

Full Council

The Constitutional Review Group and the General Purposes Committee have provided an ongoing review. A revised Scheme of Delegation was adopted in May 2006 and a first consolidated version of the Constitution was issued in August 2006.

An Employee Code of Conduct was adopted in May 2006.

Scrutiny Function

The Scrutiny Panels have powers to call in decisions and review any aspect of Council work. They also have a key role in monitoring performance and receive monthly reports of the Best Value Performance Indicators highlighting areas where performance is below the Council's targets.

An Audit Committee, operating within the scrutiny function, is well established with terms of reference which include monitoring and reviewing work undertaken by Internal Audit. Quarterly monitoring reports are submitted detailing all significant internal control issues raised with service managers and the Committee is kept informed on progress made in addressing control issues.

Corporate Management Team

The Corporate Management Team meets on a weekly basis and, on a monthly cycle, conducts business as a wider Senior Management Team attended by other service managers with direct responsibility for performance. These meetings focus on performance, in particular, the "Director's Dashboard" of key financial data, along with Best Value Performance

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STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Indicators. This group routinely reviews progress on performance indicators with corrective action plans being put in place for any under-performing services. Significant Internal Audit recommendations not implemented within agreed timescales are also considered by this group.

Service Management

Directors and their managers are responsible for ensuring the effectiveness of internal control in their service area. Service planning and risk management processes help management evaluate this, although it is recognised that further work is needed to develop and embed these processes.

The impact of the Transforming Erewash agenda on the internal control environment has reduced during 2006/07. The appointment of a new permanent Chief Executive in September 2006 has helped to provide stability within the management structure and enabled the Council to consolidate the progress made to date. Although there have been some subsequent changes in the organisational structure these have been limited with an aim of providing consistency and stability. As a result responsibilities for key financial, operational and compliance controls and the processes that provide those assurances have remained constant. Statements on the internal control environment have been obtained from all directors at the year end to provide additional assurance.

Internal Audit

Internal Audit worked to a risk based operational plan which was discussed and shared with the External Auditor and endorsed by the Audit Committee. The Internal Audit Manager reported quarterly to the Audit Committee on the progress against the plan.

Internal Audit completed 80% of the original Annual Audit Plan, due primarily to work being varied to address emerging issues, but have covered the fundamental financial systems agreed with the Council's External Auditor. The 2006/07 audits have identified progress being made in improving the control environment in several areas and successful efforts have been made to reduce the number of audit recommendations not implemented within agreed timescales. Therefore, although some control weaknesses are identified within Section 5 of this report, the Internal Audit Manager is now able to give a higher level of assurance than in previous years on the adequacy and effectiveness of the system of internal control within the Council.

Risk Management

The Council has recognised that risk management is an important aspect of internal control and has maintained both Operational and Strategic Risk Registers, the latter of which was approved in July 2006. The risk management function has been actively promoted and developed through the monthly meetings of the Corporate Risk Management Group. Members of the

Erewash Borough Council Statement of Accounts 2006-07

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Service Effectiveness Scrutiny Panel have a role in monitoring and reviewing changes to the registers following approval by Council.

Although there has been progress in 2006/07, further work must be done to embed the process in managerial activity throughout the organisation.

Other external review / assurance mechanisms

During 2006/07 the Council was the subject to a Use of Resources assessment by the Audit Commission, published in February 2007. A key element of the assessment was the consideration of the Internal Control environment. This found the Council to be performing to adequate standards. Although this is an improvement on the previous assessment, in March 2006, it recognises that there remain areas for improvement. A number of other Audit Commission reports including the Annual Governance Report (September 2006), the Annual Audit and Inspection Letter for 2005/06 (March 2007) have informed this statement and confirm that improvement has been achieved. The Council also received feedback from the Department for Communities & Local Government (DCLG) as part of the monitoring regime to which the Council remains subject, following the Corporate Governance report issued in 2003.

During 2006/07 the Council received a routine inspection from the Health and Safety Executive, which did not identify any major concerns.

5. Significant Internal Control Issues

The following significant internal control issues have been identified and will be addressed by officers and members during 2007/08:-

No	Control Issue	Action
1	Financial Regulations and, in particular, Contract Procedure Rules need to be updated and staff provided with appropriate refresher training.	The Assistant Director (Finance) is to lead on this action. Documents are to be reviewed and revised, and training, encompassing support, advice and the importance of compliance will be rolled out during 2007/08.
2	The Council does not currently have a corporate IT disaster recovery plan or a current IT strategy in place.	Budgetary provision has been made in 2007/08 to procure support for the production of an ICT disaster recovery strategy document. This will be a substantial piece of work and will need to be aligned to robust Directorate Business Continuity Plans for delivery during 2007/08.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

3	Partnership working is being developed as an effective way of achieving the Council's objectives but there is insufficient recognition of the risk exposure for the Council associated with the diversity of the arrangements.	An effective governance framework covering partnership arrangements will be established as part of the work at Item 1 above. The Executive Manager will also assist in developing guidance covering the recording and monitoring of partnership arrangements.
4	Business Continuity Plans for all Directorates were produced in 2006/07. These need to be tested and shared with all relevant staff for the purposes of ensuring continuity of service provision.	The Business Continuity Strategy and Plan produced in January 2006 will be developed and Business Impact Analysis used to develop detailed service level plans during 2007/08.
5	Asset Management. Whilst there has been some improvement in the way the Council manages its assets and the data available to assist with the process. The corporate framework remains in need of further improvement.	During 2007/08 reviews of the current asset base and capital project appraisal will be undertaken, and a programme of planned maintenance will be established across the asset base.

The Council recognises the need to have in place a framework that can give reasonable assurance that its systems of internal control are working effectively. The majority of the actions planned to address control issues raised in last year's statement have been completed. Where further action is required it has been noted and will be monitored along with the actions to address control issues identified in 2006/07: -

No	Control Issue identified in 2005/06	Progress to date
1	Progress is being made in developing Risk Management, and some service plans include actions to address the principal risks identified. This needs to be extended corporately and embedded.	Operational risk registers across all service areas were developed and maintained during 2006/07. Work is still required to develop and embed the function.
2	The Council's Anti-Fraud and Corruption Strategy has not been revisited since its approval in October 2001.	The Audit Committee considered a revised Anti Fraud and Corruption Policy in December 2006 which was subsequently adopted by Council in April 2007.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

3	Procedure/systems notes are not available for all significant business-critical systems.	Significant progress has been made and procedure notes now have been prepared in respect of all key financial systems.
4	Internal Audit recommendations are not progressed to implementation.	A protocol, that the Corporate Management Team Performance Management Group would review the progress and facilitate the implementation of accepted Internal Audit recommendations, was implemented.
5	The Performance Management approach is not supported by Performance Management software.	Performance Management software was not implemented during 2006/07. An officer has now been appointed to develop a resourced project plan for implementation during 2007/08.
6	The Council has been unable to regain Investors In People (IIP) accreditation lost in 2003; although a reassessment during 2005/06 showed 9 of the 12 accreditation criteria were met.	The criteria for achieving IIP have now changed and the new standards are more robust than previously. A project plan is currently being prepared to seek accreditation at a future date.
7	No officer group was established to review evidence and assurances to support the Statement of Internal Control.	In line with best practice an officer group was set up in November 2006 with a remit to obtain and review the evidence and assurances available to support the Statement and to provide an annual report to the Audit Committee.
8	A procurement officer was appointed in the latter part of 2005/06, to commence the work which needs to be done to improve corporate procurement practices and ensure value is obtained.	The Council adopted a new Procurement Strategy, in June 2006, and guidelines are being developed, in conjunction with the introduction of revised Contract Procedure Rules, to assist officers in implementing better procurement practices.
9	Control weaknesses exist within the Council's Revenues and Benefits system which are not being addressed within the existing system.	A new Revenues and Benefits system was successfully implemented in February 2007. This has facilitated an action plan to address known control weaknesses, a number of which have already been resolved.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

10	The lack of a robust Asset Management Plan linked to the capital programme has been recognised.	An Asset Management Plan was adopted in June 2006. The development of an appropriate framework has been recognised as a key priority for the Council.
11	Lack of Best Value reviews across the Council's services.	Best Value reviews in Housing and Neighbourhood Services were commenced during 2006/07 and further reviews are now underway.

In preparing this statement, we have taken the views of the Corporate Management Team, including the Council's statutory officers, and other senior managers within the authority into account to confirm their support for the statement.

Signed Councillor Chris Corbett
Leader of the Council

Dated

Signed Jeremy Jaroszek
Chief Executive

Dated

Signed Ian Sankey
S151 Officer

Dated

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

Opinion on the financial statements

I have audited the financial statements of Erewash Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure Account, Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to 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 Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The statement on internal control in local government: meeting the requirements of the Accounts and Audit Regulations 2003' issued in April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material

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

inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended.

*Andrew Blackburn, District Auditor
Littlemoor House, Littlemoor, Eckington, Sheffield, S21 4EF
September 2007*

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

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

ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

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

Auditor's Responsibilities

I am 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 me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

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

Conclusion

I have undertaken my 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, I am 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 2007 except that it did not put in place:

- arrangements for the management of its asset base

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 20 December 2006. I did

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

not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I 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.

*Andrew Blackburn, District Auditor
Littlemoor House, Littlemoor, Eckington, Sheffield, S21 4EF
September 2007*

STATEMENT OF ACCOUNTING POLICIES

1. General

The Statement of Accounts summarises the Council's transactions for the 2006/07 financial year and its position at the end of the year of 31 March 2007. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006. They comply with the Statements of Standard Accounting Practice (SSAP's) and Financial Reporting Statements (FRS) issued by the Accounting Standards Committee except where stated. The accounts also comply with the Accounts and Audit Regulations 2003 and Sections 41 and 42 of the Local Government and Housing Act 1989. The SSAP's and FRS's have been adopted in Statements of Recommended Practice (SORP's).

2. Accruals of Income and Expenditure

Activity is accounted for on an accruals basis, in accordance with the CIPFA Code of Practice and SSAP 2, 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 in the year to which it relates, on a basis that reflects the overall effect of the investment.
- 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 the 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

STATEMENT OF ACCOUNTING POLICIES

of the likely settlement. The funds are held in a provision within the Balance Sheet. When the Council eventually makes payments to a third party, the cost is 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 the provision is reversed and credited back to the relevant service revenue account.

4. Reserves

The Council sets aside specific amounts as reserves to meet the future cost of policy decisions 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 back into the General Fund Balance statement so that there is no net charge against council tax for the expenditure.

5. Government Grants and Contributions (Revenue)

Whether paid on account, by instalments or in arrears, government grants are third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution and when, 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 in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited in the Income and Expenditure Account after 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 employees work 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 by employees, based on assumptions about mortality rates, employee turnover rates, etc, and forecasts of projected earnings for

STATEMENT OF ACCOUNTING POLICIES

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 present value at current prices, using a real discount rate of 2.0% (4.9% discount rate less 2.9% 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 – change 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

STATEMENT OF ACCOUNTING POLICIES

- contributions paid to the Derbyshire County Council pension fund – cash paid as employer's contributions to the pension fund.

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 0.1% lower (2005/06: 4.9% lower) after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 3.5% higher (2005/06: 6.1% 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 42% (2005/06: 44%).

7. Value Added Tax

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from them.

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 2006. The basis of charging is as follows:

- | | |
|---|---|
| • Accountancy, Audit | Time allocation |
| • Administrative buildings | Floor area |
| • Cash collection, payroll, creditors, debtors, | Usage, e.g. number of invoices, wages paid, receipt of monies etc |
| • Computer services | Hardware and software usage and systems cost |
| • Technical Support | Time allocation |
| • Legal Services | Time allocation |
| • Personnel Services | Time allocation |
| • Telephone system | Number of extensions |
| • Staff Operating Costs | Estimated time spent by staff on service. |

STATEMENT OF ACCOUNTING POLICIES

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.

These two categories are accounted for as separate headings in the Income and Expenditure Account as part of 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 that it provides 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

STATEMENT OF ACCOUNTING POLICIES

- 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 Fixed Asset Restatement Account to recognise unrealised gains.

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 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 the Fixed Asset Restatement 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).

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 Financing Account from 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 basis:

- other buildings – straight line allocation over the life of the properties of between 20 and 30 years estimated by the valuer

STATEMENT OF ACCOUNTING POLICIES

- vehicles and plant – a percentage of the value of each 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 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.

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. The balance is then written down to revenue to offset depreciation charges made from the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

11. Charges to Revenue for Fixed Assets

Service revenue accounts and support services are debited 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
- 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 amortisations are therefore replaced by revenue provision in the Statement Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

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 Financing 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.

STATEMENT OF ACCOUNTING POLICIES

13. Leases

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charges 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. Investments

Investments are carried at cost. If the value of an investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account if it is unlikely to be a temporary fall.

15. 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.

16. 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 sum is reduced annually by sums written off and increased by an annual contribution from revenue. The provision is netted off debtors in the balance sheet and not included in the provisions total.

INCOME AND EXPENDITURE ACCOUNT

2005/06 Net Exp	2006/07 Gross Exp £000	2006/07 Inc £000	2006/07 Net Exp £000
£000			
614 Central services to the public Cultural, environmental & planning	7,570	7,055	515
11,464 services Highways, roads & transport	19,365	7,459	11,906
211 services	1,629	684	945
239 Housing services	19,057	17,641	1,416
3,003 Corporate and democratic core	3,100	189	2,911
(350) Non distributed costs	345	0	345
15,181 Net cost of services	51,066	33,028	18,038
159 Parish council precepts			174
(1,216) Interest and investment income			(1,117)
869 Pension interest cost and expected return on pension assets – note 8			591
14,993 Net Operating Expenditure			17,686
(5,095) Demand on the Collection Fund			(5,376)
(4,705) General government grants			(1,902)
(3,181) Non domestic rates distribution			(7,422)
2,012 Deficit for the year			2,986

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.

2005/06 Net Exp	2006/07 Net Exp
£000	£000
2,012	2,986
(1,588)	(3,420)
424	(434)
(5,633)	(5,209)
(5,209)	(5,643)

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.

2005/06 £000	2006/07 £000
2,012 Deficit for the year on the Income and Expenditure Account	2.986
(9) Surplus arising on revaluation of fixed assets	2,816
(368) Actuarial (gains) / losses on pension fund assets and liabilities	(3,354)
(421) Gain from inclusion of community assets	0
(289) Capital grants received	(742)
(2,359) Usable capital receipts	(1,379)
1,281 Gain on disposal of fixed assets	748
0 Capital finance from insurance claim income	(36)
22 Deferred capital receipts	7
(11) Collection fund movement	(55)
(433) Reserves movement	(11)
(575) Total recognised (gains) / losses for the year	980

BALANCE SHEET

31 March 2006 £000	Note	31 March 2007 £000	31 March 2007 £000
266	Intangible Assets	19	207
	Fixed Assets - Operational	19	
27,974	Other land and buildings		24,722
1,681	Vehicles and plant		2,025
2,566	Equipment		2,814
456	Infrastructure		569
258	Community		258
	Fixed Assets - Non-Operational	19	
1,718	Investment properties		1,899
0	Assets under construction		12
1,729	Surplus assets, held for disposal		1,729
36,648			34,235
0	Deferred charges	20	0
2,001	Long term investments	24	2,001
2,131	Long term debtors	21	1,901
4,132			3,902
	Current Assets		
112	Stock in hand	23	91
0	Work in progress	23	0
14,975	Investments	24	14,640
6,698	Debtors/payments in advance	25	8,132
7	Cash in hand		6
21,792			22,869
	Less:- Current Liabilities		
0	Temporary borrowing		0
937	Cash overdrawn		1,580
4,297	Creditors/receipts in advance	26	6,002
5,234			7,582
57,338	Total Assets Less Current Liabilities		53,424
	Less:-		
327	Provisions	29	312
25,059	Pension provision	8	22,140
31,952	Total Assets Less Liabilities		30,972

BALANCE SHEET

31 March 2006 £000		Note	31 March 2007 £000	31 March 2007 £000
(3,916)	Fixed asset restatement account	30		(6,732)
40,597	Capital financing account	31		41,000
3,482	Reserves capital	32		1,542
1,397	Reserves revenue	32		1,949
(25,059)	Pensions reserve			(22,140)
17	Deferred capital receipts	33		10
10,186	Usable capital receipts	34		9,606
5,209	Fund balances			5,643
	Collection fund balance			
39	• Borough Council			94
31,952	Total Equity			30,972

CASH FLOW STATEMENT

2006 £'000s	Note	2007 £'000s
REVENUE ACTIVITIES		
Expenditure		
10,033	Cash paid to and on behalf of employees	11,031
37,614	Precepts paid	39,464
18,591	Other operating cash payments	16,231
14,799	Housing benefits paid out	15,661
22,430	National non-domestic rate payments to the national pool	22,988
103,467		105,375
Income		
17	Rents	17
37,291	Council tax receipts	38,432
21,831	Non-domestic rate receipts	21,531
3,181	National non-domestic rate receipts from the national pool	7,422
4,705	Revenue support grant	1,902
20,778	DWP grants for benefits	39 22,658
5	Other government grants	39 602
13,298	Cash received for goods and services	12,482
101,106		105,046
2,361	REVENUE ACTIVITIES CASH FLOW	38 329
SERVICING OF FINANCE		
Cash outflows		
0	Interest paid	0
Cash inflows		
(1,290)	Interest received	(1,228)
(1,290)		(1,228)
CAPITAL ACTIVITIES		
Cash outflows		
6,159	Purchase of fixed assets	5,522
0	Other capital cash payments	0
Cash inflows		
(3,429)	Sale of fixed assets	(1,912)
(1,192)	Capital grants received	(1,454)
(261)	Other capital cash receipts	(190)
1,277		1,966
2,348	NET CASH OUTFLOW BEFORE FINANCING	40 1,067
(2,362)	Net (decrease)/increase in short term lending	(423)
(14)	NET DECREASE/(INCREASE) IN CASH	37 644

Erewash Borough Council Statement of Accounts 2006-07

NOTES TO THE ACCOUNTS

The accounts for the year ended 31 March 2007 have been prepared using the Best Value Accounting Code of Practice format.

1. Prior Period Adjustment

In the 2006/07 Statement of Accounts, the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account:

- capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- credit for government grants deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item
- gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

Only the first accounting policy has had any impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts.

	Consolidated Revenue Account 2005/06 Statement of Accounts £'000s	Removal of capital financing charges £'000s	2005/06 comparatives in Income and Expenditure Account £'000s
Central services to the public	644	(30)	614
Cultural, environmental & planning services	12,285	(821)	11,464
Highways, roads & transport services	255	(44)	211
Housing services	273	(34)	239
Corporate and democratic core	3,033	(30)	3,003
Non distributed costs	(350)	0	(350)
Impact on Net cost of services	16,140	(959)	15,181
Asset management revenue account balance	(959)	959	0
Impact on Net Operating Expenditure	15,181	0	15,181

Erewash Borough Council Statement of Accounts 2006-07

NOTES TO THE ACCOUNTS

2. 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 2006/07 and 2005/06 was nil as the Council is debt free.

	2006/07 £'000	2005/06 £'000
Housing	0	0
Non housing	0	0
Total Minimum Revenue Provision	0	0
Impairment	0	0
Depreciation	2,634	2,120
Minimum revenue provision adjustment	2,634	2,120
Balance to Capital Financing Account	(2,634)	(2,120)

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

3. Operating Leases

The Council acquired the use of a number of assets by means of operating leases. 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.

The following amounts were paid in rentals during the year.

	2006/07 £'000	2005/06 £'000
Sport and leisure equipment	11	15
Refuse freighters	87	190
IT equipment	45	101
	143	306

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

NOTES TO THE ACCOUNTS

	2006/07	2005/06
	£'000	£'000
Due within 1 year	0	69
Due within 2 – 5 years	0	0
Due after 5 years	0	0
	0	69

4. 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.

5. Publicity

Section 5(1) of the Local Government Act 1986, requires the Council to keep a separate publicity account. Publicity required by statute and promotion of Council facilities does not have to be included.

	2006/07	2005/06
	£'000	£'000
Recruitment advertising	179	167
Other publicity	133	137
	312	304

6. Agency Services

The Council has an 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 fully reimburses the borough for this work. Expenditure for 2006/07 was £133,490 (2005/06 £133,490).

7. Local Authority Goods and Services Act 1970

In accordance with this Act the Council can provide goods and services to other bodies. In 2006/07 no goods or services were provided.

Erewash Borough Council Statement of Accounts 2006-07

NOTES TO THE ACCOUNTS

8. Pensions

Employees of Erewash Borough Council are admitted to the Derbyshire County Council Pension Fund (the Fund), which is administered by Derbyshire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

The Council is required to make pension disclosures in compliance with FRS17. The purpose of the pension disclosures is to provide clear information on the impact of the Council's obligation to fund the retirement benefits on its financial position and performance. Even where this obligation is discharged through a pension fund the Council remains responsible for employer's contributions set at a level to ensure the liabilities of the fund can be met.

The disclosure requirements provide information on the amounts included in the accounting statements. The disclosures below provide information to users of the account to enable them to understand the underlying economic position of the Council.

	2006/07	2005/06
	£'000	£'000
Interest costs	3,621	3,521
Expected return on assets	(3,030)	(2,652)
Pension interest costs and expected return on pension assets	591	869

From 1st April 2006, the Council's contribution rates were set at 336% of employee contributions. This is year two of a three year stepped increase in contributions following the actuarial revaluation in March 2004.

Year	Employer Contribution Rate (%)	Percentage of Employee Rate (%)
2006/07	20.16	336
2007/08	22.02	367

The contributions relating to added years benefits were £103,826 (2005/06: £361,555) which is 1.29% (2005/06: 4.9%) of pensionable pay. The Fund's actuary has advised it would be necessary to provide for £1.561m (2005/06: £1.262m); this represents 19.4% (2005/06: 17.2%) of pensionable pay. Total employers contributions in 2006/07 were £1.827m (2005/06: £1.50m) or 22.69% (2005/06: 20.48%) of pensionable pay.

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

NOTES TO THE ACCOUNTS

	31 March 2007 % pa	31 March 2006 % pa
Rates of inflation	3.1	2.9
Rate of increase in salaries	4.6	4.4
Rate of increase in pensions	3.1	2.9
Proportion of employees opting to take a commuted lump sum	50.0	50.0
Discount rate	5.4	4.9

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will increase the value of the Council's pension liabilities by £32,000 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	0.64	(0.64)

The fair values of each main class of assets held by the Fund as at 31 March 2007 and the expected rates of return for the ensuing year are set out in the following table:

	31 March 2007		31 March 2006	
	Fair Value	Expected Return	Fair Value	Expected Return
	£'000	%	£'000	%
Equities	37,011	7.50	34,921	7.00
Government bonds	7,732	4.70	7,142	4.30
Property	2,732	6.50	2,512	6.00
Other bonds	876	5.40	936	4.90
Cash	3,196	5.25	3,743	4.50
	51,547	6.81	49,254	6.33

Erewash Borough Council Statement of Accounts 2006-07

NOTES TO THE ACCOUNTS

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.

As at 31 March 2007 the Council had the following overall assets and liabilities for pensions.

	31 March 2007	31 March 2006
	£'000	£'000
Estimated assets in the scheme	51,547	49,254
Estimated liabilities in the scheme	(73,687)	(74,313)
Net surplus/ (deficit)	(22,140)	(25,059)

The movement in the net pension surplus / (deficit) of the Council for the year to 31 March 2007 is as follows:

	£'000
Deficit in the fund as at 1 April 2006	(25,059)
Contributions paid	1,827
Current service cost	(1,561)
Past service cost	(32)
Settlement cost	0
Curtailment cost	(78)
Other finance charge	(591)
Actuarial gain (loss) - see below	3,354
Deficit in the Fund as at 31 March 2007	(22,140)

The actuarial gain can be analysed into the following categories measured in terms of absolute amounts and as a percentage of Fund assets / liabilities as at 31 March 2007.

NOTES TO THE ACCOUNTS

	2002/03	2003/04	2004/05	2005/06	2006/07	% of assets / liabilities
Gain / (loss) on assets	(9,800)	4,600	1,620	7,160	(154)	(0.3)
Experience gain / (loss) on liabilities	0	0	(1,970)	(1,270)	0	(0.0)
Gain / (loss) on change of assumptions financial & demographic	0	0	(10,780)	(5,520)	3,508	4.8
Actuarial gain/ (loss)	(9,800)	4,600	(11,130)	370	3,354	

9. Officers' Emoluments

The Accounts and Audit Regulations 2003 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 2006/07	Number of Employees 2005/06
50 – 59	2	1
60 – 69	2	4
70 – 79	1	0
80 – 89	0	0
90 – 99	1	0
100 -109	0	0
110 - 119	0	0
120 - 129	0	0
130 - 139	0	1

10. Related Party Transactions

The Council is required, under FRS 8 (Related Party Disclosures), 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

NOTES TO THE ACCOUNTS

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 38
Capital Grants from Central Government	Note 22
Precepts to other Local Authorities	Collection Fund Accounts, pages 62-64
Superannuation Contributions	Note 8
Members' Allowances	Note 13

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

	Receipts £'000	Payments £'000
Revenue		
Grants to Parishes (concurrent functions)		263
Bramcote Crematorium Joint Committee	175	
Bramcote Crematorium Jnt Cttee - loan interest	3	
Groundwork Erewash		34
Citizens Advice Bureau Partnership		50
Erewash Partnership		50
DCC - Agency - amenity maintenance	133	
Erewash Community Transport		4
Capital		
Bramcote Crematorium Joint Committee - loan		88
East Midland Development Agency	23	
Three Valleys Housing Limited	748	

NOTES TO THE ACCOUNTS

11. 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	0	3
Long Eaton Flood Relief	9	0	0	9
Copley Charity	1	1	1	1
Mayors Charity	0	9	9	0
	13	10	10	13

12. 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 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	79	159	238
Supplies and services	6	22	28
Central support costs	75	97	172
	160	278	438
Income			
Building regulation charges	0	(287)	(287)
(Surplus) / deficit for the year	160	(9)	151
Comparatives for 2005/06			
Expenditure	127	313	440
Income	0	(278)	(278)
(Surplus) / deficit for year	127	35	162

Erewash Borough Council Statement of Accounts 2006-07

NOTES TO THE ACCOUNTS

13. Members' Allowances

The total amount of allowances paid to the Members' of the Council during the year was £279,893 (2005/06: £263,943).

14. Euro Costs

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

15. 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 £128,868 mainly on donations to voluntary bodies working in the local area (£121,849 in 2005/06).

16. Audit Commission Fees

In 2006/07 Erewash Borough Council incurred the following fees relating to external audit and inspection:

	2006/07 £'000	2005/06 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor.	122	109
Fees payable to the Audit Commission in respect of statutory inspection.	18	21
Fees payable to the Audit Commission for the certification of grant claims and returns.	17	16
Fees payable in respect of any other services provided by the appointed auditor.	4	14
Total	161	160

17. 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 2006/07 (2005/06:£175,000).

Erewash Borough Council Statement of Accounts 2006-07

NOTES TO THE ACCOUNTS

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

2005/06 Net Exp £000		2006/07 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		
(27)	Amortisation of intangible fixed assets	(59)
(2,093)	Depreciation and impairment of fixed assets	(2,575)
0	Government grants deferred amortisation	0
(1,545)	Write downs of deferred charges to be financed from capital resources	(1,810)
1,281	Net gain on sale of fixed assets	748
(869)	Net charges made for retirement benefits in accordance with FRS17	(591)
(3,253)		(4,287)
Amounts not 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		
0	Minimum revenue provision for capital financing	0
0	Capital expenditure charged in-year to the General Fund balance	0
789	Employer's contributions payable to the Derbyshire County Council Pension Fund and retirement benefits payable direct to pensioners	156
789		156
Transfer 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		
876	Net transfer to or from earmarked reserves	711
(1,588)	Net additional amount required to be credited to the General Fund balance for the year	(3,420)

NOTES TO THE ACCOUNTS

19. Fixed Assets Transactions 2006 - 2007 a) 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 2006	295	29,911	2,481	3,690	547	258	1,761	0	1,751	40,694
Accumulated depreciation	(29)	(1,937)	(800)	(1,124)	(91)	0	(43)	0	(22)	(4,046)
	266	27,974	1,681	2,566	456	258	1,718	0	1,729	36,648
Reclassifica- tions - cost	0	(176)	0	0	0	0	176	0	0	0
Reclassifica- tions – dep'n	0	27	0	0	0	0	(27)	0	0	0
Revaluations - cost	0	(2,354)	(404)	0	0	0	0	0	0	(2,758)
Revaluations - depreciation	0	272	384	0	0	0	0	0	0	656
Impairment	0	(26)	0	0	0	0	0	0	0	(26)
Additions	0	849	908	1,072	158	0	38	12	0	3,037
Disposals - cost	0	(650)	(38)	0	0	0	0	0	0	(688)
Disposals - depreciation	0	0	0	0	0	0	0	0	0	0
Depreciation in year	(59)	(1,194)	(506)	(824)	(45)	0	(6)	0	0	(2,634)
Value as at 31 March 2007	207	24,722	2,025	2,814	569	258	1,899	12	1,729	34,235

NOTES TO THE ACCOUNTS

b) Valuation of Fixed Assets

All the valuations of fixed assets are based upon a valuation exercise carried out by the Council's Estates officer who is a member of the Royal Institute of Chartered Surveyors. Several vehicles were valued during 2006/07. 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.

c) 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 2007.

- 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.

d) Analysis of Fixed Assets

2006	2007
2	2
2	2
1	1
1	1
1	1
5	5
3	3
1	1
4	4
2	5
16	16
173 hectares	173 hectares
25	25
1	1
20	20
11	14

Erewash Borough Council Statement of Accounts 2006-07

NOTES TO THE ACCOUNTS

Notes:-

- 1) The crematorium is jointly owned by Erewash and Broxtowe Borough Councils and is run by a Joint Committee.

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.

	£'000
Balance as at 1st April 2006	0
Expenditure in year	2,484
Amount financed by grant and miscellaneous income	(674)
Amounts written off - Income and Expenditure Account	(1,810)
Balance as at 31st March 2007	0

21. Long Term Debtors

	As at 01/04/06 £'000	Expenditure £'000	Capital Discharged £'000	As at 31/3/07 £'000
Housing act advances and outstanding mortgages	18	0	8	10
Transferred debt	1,949	0	124	1,825
Loan to Broxtowe BC	88	0	88	0
Car loans to employees	71	22	32	61
Bike loans to employees	5	3	3	5
Total long term debtors	2,131	25	255	1,901

NOTES TO THE ACCOUNTS

22. Capital Expenditure

	2006/07 £'000		2006/07 £'000
Opening capital financing requirement			0
Expenditure		Financing	
Operational assets	3,000	Capital receipts	4,059
Non-operational assets	38	Government grants	1,349
Deferred charges	2,484	Miscellaneous income	104
Closing capital financing requirement	0	Revenue contribution to capital	10
	5,522		5,522

23. Stocks and Work-In-Progress

	31 March 2007 £'000	31 March 2006 £'000
Stocks		
Swimming pools/leisure centres	16	31
Transport	36	28
Parks	12	7
Wheeled bins	12	9
Recycling bags	6	26
Other	9	11
	91	112
Work-in-progress	0	0
	91	112

24. Investments

	31 March 2007 £'000	31 March 2006 £'000
Investments maturing within 1 year	14,640	14,975
Investments maturing after 1 year	2,001	2,001
	16,641	16,976

Surplus funds have been invested with various approved organisations in line with Council's Treasury Management Policy.

Erewash Borough Council Statement of Accounts 2006-07

NOTES TO THE ACCOUNTS

25. Debtors and Payments In Advance

	31 March 2007 £'000	31 March 2006 £'000
Government departments	2,807	1,438
Local tax payers	4,905	4,323
Reserved income	1,619	2,005
Sundry debtors	618	544
	9,949	8,310
Payments in advance	44	149
	9,993	8,459
Provisions for bad debts		
Local tax payers	(1,481)	(1,453)
Sundry debtors	(380)	(308)
	8,132	6,698

26. Creditors

	31 March 2007 £'000	31 March 2006 £'000
Government departments	496	687
Sundry creditors	5,324	3,024
Receipts In advance	182	586
Deferred creditors	0	0
	6,002	4,297

27. Contingent Liabilities

There are no significant contingent liabilities outstanding.

28. Analysis of Borrowing

The Council remained debt free during 2006/07. There was no long term borrowing entered into by the Council during the year.

NOTES TO THE ACCOUNTS

29. Provisions

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

	31 March 2006 £'000	Use of provision in year £'000	Transfer to balances/ reserves	Provision in year £'000	31 March 2007 £'000
Sandiacre Friesland -					
-ground rent/service charge	2	0	0	0	2
-gym provision	65	0	0	5	70
Housing benefit subsidy amendments	150	(73)	0	163	240
Housing benefit help desk initiatives	7	(7)	0	0	0
Verification framework	13	(13)	0	0	0
Electoral administration	45	(44)	(1)	0	0
Leasing provision	45	(43)	(2)	0	0
	327	(180)	(3)	168	312

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 2007/08.

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 has been topped up in 2006/07 by £5,000. The provision may be utilised in 2007/08. However due to uncertainties within the contract this may be extended beyond this date

Housing Benefit Subsidy Amendments

A sum of £150,000 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 2007/08. A sum of £90,000 has been set-aside in relation to homelessness hostels housing benefits subsidy claim 2005/06. This sum may become payable to the Department of Works and Pensions but is subject to the outcome of a County wide claim.

NOTES TO THE ACCOUNTS

30. Fixed Asset Restatement Account

This account is created by the revaluation of the Council's assets and represents the difference between the current professional valuation of the assets and their value in the Council's accounts at 31 March 2004, adjusted for acquisitions, disposals, and any revaluations.

	£'000	£'000
Balance as at 1 April 2006		(3,916)
Impairment - cost	(28)	
- depreciation	2	
Revaluation of assets - costs	(2,758)	
- depreciation	656	
Disposal of fixed assets - costs	(688)	
- depreciation	0	
		(2,816)
Balance as at 31 March 2007		(6,732)

31. Capital Financing Account

This account includes amounts set aside from revenue or capital for fixed asset acquisition and the difference between the statutory charges for repayment of principal amounts and depreciation.

		£'000
Balance as at 1 April 2006		40,597
Capital financing capital receipts	4,059	
Capital financing capital grant	742	
Capital financing revenue contributions	10	
Capital financing insurance claim	36	
		4,847
Commutation adjustment deferred charges	(169)	
Excess of depreciation over MRP	(2,634)	
Write down of deferred charges	(1,641)	
		(4,444)
Balance as at 31 March 2007		41,000

NOTES TO THE ACCOUNTS

32. Capital and Revenue Reserves

	As At 01/04/06	Receipts in year	Payments in year	Transfer to/from capital £'000	Transfer to/from provisions	Transfer to/from GF £'000	As At 31/3/07 £'000
Capital							
Vehicle & plant	892	0	0	0	0	55	947
Tesco CCTV fund	7	3	0	0	0	0	10
Shop mobility	10	4	(3)	0	0	2	13
Museum purchases	12	1	0	0	0	0	13
Ropewalk repairs	121	0	(5)	0	0	33	149
Museum donations	5	0	0	0	0	0	5
Vat exemption	335	0	0	0	0	0	335
Capital contingency	2,100	0	0	(2,100)	0	0	0
Leisure centre equipment	0	0	0	0	0	70	70
	3,482	8	(8)	(2,100)	0	160	1,542
Revenue							
Vat exemption	167	0	0	0	0	0	167
John Lally bequest	6	0	0	0	0	0	6
Local lottery	73	0	0	0	0	(2)	71
Planning delivery grant	468	0	0	0	0	57	525
Long Eaton flood relief	8	0	0	0	0	0	8
Job evaluation	150	0	0	0	0	425	575
IT equipment	15	0	0	0	0	110	125
Insurance	510	0	0	0	0	(178)	332
Concessionary fares	0	0	0	0	0	50	50
Electoral administration	0	0	0	0	1	39	40
Disaster recovery	0	0	0	0	0	50	50
	1,397	0	0	0	1	551	1,949
	4,879	8	(8)	(2,100)	1	711	3,491

33. 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).

NOTES TO THE ACCOUNTS

34. 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 6)

	General Fund £'000
Balance at 1 April 2006	10,186
Capital receipts	1,379
Capital reserve	2,100
Capital receipts used for financing	(4,059)
Balance as at 31 March 2007	9,606

35. Insurance

During 2006/07, 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 2007 was £170,614. There are no material risks which are unfunded.

NOTES TO THE ACCOUNTS

36. 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 practise, and others have been setup voluntarily to earmark resources for future spending plans.

	Balance 1 April 2006 £ 000s	Net Movement in year £ 000s	Balance 31 March 2007 £ 000s	Purpose of Reserve	Further detail of Movements
Fixed Asset Restatement Account	(3,916)	(2,816)	(6,732)	Store of gains on revaluation of fixed assets	Note 30
Capital Financing Account	40,597	403	41,000	Store of capital resources set aside to meet past expenditure	Note 31
Capital Reserves	3,482	(1,940)	1,542	Funds set aside for known capital commitments	Note 32
Revenue Reserves	1,397	552	1,949	Funds set aside for known revenue commitments	Note 32
Pension Reserve	(25,059)	2,919	(22,140)	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	Note 8
Deferred Capital Receipts	17	(7)	10	Receipts due from sales of assets due over an agreed period	Note 33
Usable Capital Receipts	10,186	(580)	9,606	Proceeds of fixed asset sales available to meet future capital investment	Note 34
General Fund	5,209	434	5,643	Resources available to meet future running costs	Statement of Movement on General Fund Balance, page 34
Collection Fund	39	55	94	Flows of cash arising from transactions with third parties for revenue or capital purposes	Collection Fund Account, page 62
	31,952	(980)	30,972		

NOTES TO THE ACCOUNTS

37. Cash Flow Statement - Movements in Cash

	2007 £ 000s	2006 £ 000s	Movement £ 000s
Cash overdrawn	(1,580)	(937)	(643)
Cash in hand	6	7	(1)
Increase / (decrease) in cash	(1,574)	(930)	(644)

38. Cash Flow Statement - Reconciliation of Net Surplus/Deficit

	£'000s
Net surplus general fund	434
Transfer to reserves	711
Net reduction on Collection Fund	472
	<hr/> 1,617
Contributions to reserves	(711)
Other items	(769)
	<hr/> 137
Increased creditors	1,705
Increased debtors	(1,532)
Decreased stock & work in progress	21
Revenue activities net cash flow	<hr/> 329 <hr/>

39. Cash Flow Statement - Government Grants

	£ 000s
Council tax benefit	6,432
Housing benefit	16,226
Other government grants	602
	<hr/> 23,260 <hr/>

Erewash Borough Council Statement of Accounts 2006-07

NOTES TO THE ACCOUNTS

40. Cash Flow Statement - Analysis of Net Investment

	2007 £ 000s	2006 £ 000s	Movement £ 000s
Cash overdrawn	1,580	937	643
Cash in hand	(6)	(7)	1
Changes in Financing & Liquid Resources			
Investments	(1)	(1)	0
Temporary borrowing money market	0	0	0
Temporary lending money market	(16,640)	(16,975)	335
Temporary loans to other local authorities	0	(88)	88
Total Net Investment	(15,067)	(16,134)	1,067

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

	£ 000s	£ 000s
Net investment at 1 April 2006		16,134
Increase / (decrease) in cash in the period	(644)	
Cash inflow from decrease in temporary investment	(335)	
Decrease in loans to other local authorities	(88)	
Change in net investment resulting from cash flows		(1,067)
Other non cash movements		
Net investment position as at 31 March 2007		15,067

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

2005/06 £' 000		2006/07 £' 000
(139)	(Surplus) / deficit as at 1 April 2006	(309)
	Income	
(37,225)	Council tax – note 4	(39,156)
(21,761)	Business rates – note 2	(22,399)
(5,724)	Council tax benefits – note 4	(6,094)
(64,710)		(67,649)
	Expenditure	
21,619	Contributions to NNDR pool	22,052
142	Costs of collection – NNDR	142
	Precepts and Demands – note 5	
31,197	Derbyshire County Council	32,710
5,085	Erewash Borough Council	5,359
4,389	Derbyshire Police Authority	4,613
1,869	Derbyshire Fire Authority	1,967
0	Write offs & adjustments	0
	In year movements in bad debt provision	
229	Council tax	0
0	NNDR	205
10	Contributions to/(from) precepting authorities	129
64,540		67,177
(309)	Collection Fund deficit / (surplus) – note 3	(781)

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 2006/07 the standard rate in the pound was set at 43.3p (2005/06: 42.2p) and the small business rate was set at 42.6p (2005/06: 41.5p). The Non-domestic rateable value for the Erewash area at 31st March 2007 was £61.0 million (31 March 2006: £61.0 million). Mandatory relief for empty, charitable and void properties and small business rate relief was £2.8 million (2005/06: £2.1 million). This resulted in a net yield of £22.6 million (2005/06: £21.8 million).

3. Collection Fund Surplus

At 31st March 2007 there was a surplus on the Collection Fund amounting to £781,000 (2005/06 £309,000). The breakdown of this figure is as follows:

	31 March 2007 £'000	31 March 2006 £'000
Surplus due to Erewash Borough Council	94	37
Surplus due to Derbyshire County Council	572	225
Surplus due to Derbyshire Police Authority	81	32
Surplus due to Derbyshire Fire Authority	34	13
	<hr/>	<hr/>
	781	307
Surplus on Community Charge Account payable to Erewash Borough Council	0	2
	<hr/>	<hr/>
	781	309

During 2006/07 payments in respect of Collection Fund surpluses were made to Derbyshire County Council £92,736, Derbyshire Police Authority £13,047, Derbyshire Fire Authority £5,557 and Erewash Borough Council £17,107. The payment to the Borough Council included an amount of £1,993 in respect of the surplus on the Community Charge Account.

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 2006/07 the calculation was as follows:

NOTES TO THE COLLECTION FUND

Council Tax Band	Number Of Band D Equivalents (Adjusted For Discounts)
A	11,495
B	8,819
C	5,748
D	4,449
E	2,366
F	1,003
G	753
H	19
	<hr/>
	34,652

The Council Tax yield for 2006/07 was £45.2million (2005/06: £42.9 million). Of this figure £39.1 million (2005/06: £37.2million) was receivable from taxpayers and £6.1 million (2005/06: £5.7 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.	5.4
Derbyshire County Council.	32.7
Derbyshire Police Authority	4.6
Derbyshire Fire Authority	2.0
	<hr/>
	44.7

The Borough Council precept includes Parish Councils' requirements of £174,278 (2005/06 £158,550).

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 COMMISSION

The Audit Commission was established by the Local Government Finance Act 1982. It has responsibility for the external audit of all local authorities.

AUDIT OF ACCOUNTS

An independent examination of the authority's financial affairs.

BILLING AUTHORITY

A local authority that 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 CHARGES

A charge to service revenue accounts to reflect the cost of using fixed assets in the provision of services.

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.

GLOSSARY OF TERMS

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.

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.

GLOSSARY OF TERMS

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 loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

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.

GLOSSARY OF TERMS

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.

HOUSING REVENUE ACCOUNT (HRA)

A separate account, that includes all the expenditure and income arising from the provision of council housing by the authority.

IMPAIRMENT

In accordance with FRS11, Impairment of fixed assets and goodwill, impairment is a permanent decrease in the recoverable amount of a fixed asset below its carrying amount. The 'recoverable amount' is the higher of:

- net realisable value [disposal proceeds less direct selling costs];
- value in use — the present value of the future cash flows obtainable as a result of the continued use of the asset, including its ultimate disposal.

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.

GLOSSARY OF TERMS

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.

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.

PUBLIC WORKS LOAN BOARD (PWLB)

A central government agency, which provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

GLOSSARY OF TERMS

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.

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 project.