

EREWASH



ANNUAL

STATEMENT OF ACCOUNTS

2004 - 2005

STATEMENT OF ACCOUNTS 2004 - 2005

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EXPLANATORY FOREWORD

Introduction

The Council's accounts for the year ended 31 March 2005 are set out on pages 24 to 52. They consist of:

The Consolidated Revenue Account (Pages 24– 32)

This statement is a summary revenue account, covering income and expenditure on all services and showing how they have been financed.

The Consolidated Balance Sheet (Pages 33 – 45)

This statement details the financial position of the Council as at 31st March 2005.

The Statement of Total Movement in Reserves (Page 46)

This statement summarises the movements in the various reserve accounts.

The Collection Fund (Pages 47 – 49)

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

The Cash Flow Statement (Pages 50 – 52)

This statement summarises the total cash movement in the Council's funds.

These accounts are supported by the Statement of Accounting Policies, which follows this introduction and various notes to the accounts. The accounts for the year ended 31 March 2005 are presented in a form that is based upon the best accounting practices recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Accordingly, this authority has fully complied with a revised version of the CIPFA Code of Practice on Local Authority Accounting which was introduced with effect from 1 April 2004. The revenue accounts of the authority include capital charges for all fixed assets used in the delivery of services and the majority of the Council's fixed assets are included in the balance sheet at their current value. Capital financing costs are not reflected in the costs of services but are disclosed separately in the Consolidated Revenue Account. None of these changes have impacted upon the level of Council Tax.

EXPLANATORY FOREWORD

Revenue 2004/2005 - Comparisons with Revised Budget

General Fund Summary

Service Area	Revised Budget £'000s	Actual £'000s	Variation £'000s
Corporate Services	3,774	3,414	(360)
Cultural and Leisure Services	2,694	2,560	(134)
Customer Services	386	380	(6)
Development and Regulatory Services	1,871	1,728	(143)
Neighbourhood Services	5,777	5,845	68
Policy and Scrutiny	926	831	(95)
	<hr/>	<hr/>	<hr/>
	15,428	14,758	(670)
Parish Council Expenditure	158	158	0
TOTAL EXPENDITURE	<hr/>	<hr/>	<hr/>
	15,586	14,916	(670)
Surplus on Asset Management Account	(2,491)	(2,640)	(149)
FRS17 Pension accounting	0	116	116
NET EXPENDITURE	<hr/>	<hr/>	<hr/>
	13,095	12,392	(703)
Revenue Support Grant	(4,133)	(4,106)	27
NNDR Payback	(3,012)	(3,012)	0
Collection Fund Surplus & Adjustments	21	21	0
Precept	(4,840)	(4,840)	0
Deficit/(Surplus) for the year	<hr/>	<hr/>	<hr/>
	1,131	455	(676)
<u>General Fund Balances</u>			
Balance as at 1 April 2004	5,915	5,915	
(Deficit)/Surplus for the year	(1,131)	(455)	
Transfer of Reserves/Balances	0	173	
Balance as at 31 March 2005	<hr/>	<hr/>	
	4,784	5,633	

EXPLANATORY FOREWORD

Variations from the Revised Budget

The main factors responsible for the variation from the Revised Budget were:

Corporate Services Directorate

Democratic Representation

There was an increase in the cost of printing and stationery for this cost centre which reflects the volume of work undertaken in the financial year.

Erewash Recovery Plan

This is the continuation of the Recovery Plan that came into being following the Corporate Governance Inspection and report. The amount claimed and reimbursed from the ODPM has been higher than anticipated.

External Audit

The amount paid to the Audit Commission for services during 2004/05 was below the revised estimate and is due to the reduced level of audit investigation work and audit core process work.

Council Tax Collection

The level of income received from recovered costs was higher than anticipated. This is as a result of the level of recovery work undertaken in the Exchequer Section during 2004/05. Other actual operational costs were also below the revised budgets.

Council Tax Benefits Administration

The actual costs charged to Council Tax Benefit Administration were below the revised estimate and relates to reduced salary costs from the Exchequer Section arising from staff vacancies during the year.

Council Tax Benefits

Following a revision of the subsidy rules Council Tax Benefit Subsidy (i.e. the value of Council Tax Benefit reclaimable from central government) was prudently estimated at 99% of all Council Tax Benefit payments made. The actual level of subsidy was 100%. The additional subsidy received from the Government meets all Council Tax benefit payments made by the Council in 2004/05.

Investment Interest

Interest income from the investment of Council balances, reserves and capital receipts was above the revised estimate and reflects the higher than anticipated interest rates, the slow spend on the capital programme and the better than anticipated performance of the Council's fund manager who manages some of the Council's investments.

EXPLANATORY FOREWORD

Rent Allowances

An additional 1% subsidy above the budgeted amount was received from the Government during 2004/05 which reduces the cost to the Council of Rent Allowances paid.

Housing Benefit Administration

There have been reduced salary costs from the Exchequer Section arising from staff vacancies during the year.

Housing Benefit Fraud

As a result of improved performance on Housing Benefit Fraud detection/prevention and a favourable settlement of a previous year's outstanding grant entitlement, the level of grant the Council received during the year exceeded the revised budget.

Residual HRA Matters

A budget exists to cover any outstanding Housing Revenue Account issues that arise following the transfer of the Council's housing stock. The level of these costs were lower than forecast.

Culture and Leisure Services Directorate

Victoria Park Leisure Centre

The level of income generated at the Centre during the year was below the revised estimate. The costs of a Feasibility Study was charged to the Centre and could not be contained within the overall cost centre budget.

Sandiacre Friesland Sports Centre

The level of expenditure on wages and salaries was below the revised budgets for the Centre. The Centre has carried a high level of vacancies throughout the year, due to recruitment difficulties.

Albion Leisure Centre

The level of income generated at the Centre during the year was less than anticipated. Increased employee costs were anticipated as a result of the regularisation of casual employee contracts however, this cost proved not to be as high as expected.

West Park Leisure Centre

Income was lower than forecast and mainly as a result of swimming income at the centre being below expectations. The problem of staff shortages throughout the year was a contributory factor. This also accounts for the under spend on wages. The lower than expected cost of the regularisation of casual employee contracts was also a contributory factor. Supplies and Services costs were also reduced because of the savings on the lease payments for the Flume.

West Park Tennis Facility, Pavilion and Cafe

This is a non operational facility and as such has not incurred any operational costs during the year.

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Customer Services Directorate

Merlin Way Depot

The level of operational costs associated with running this site were lower than estimated. The reduced cost has arisen following the sale of part of the site (Peregrine House) during the year.

Development and Regulatory Services Directorate

Land Management

This budget allows for any costs that arise in the preparation of a land and property sale. During 2004/05 these expenses were kept to a minimum and as a result there is an under spend in the year.

Local Land Charges

The level of income received for land charges in 2004/05 was below the revised estimate. This is a demand led service and is influenced and dependent on the local Housing Market.

Food Inspection and Hygiene

Staff vacancies within this service have resulted in an under spend in the year.

Atmospheric Pollution

The amount of work required to be undertaken in this area was lower than anticipated, which in turn resulted in lower operating costs.

Liquor Licensing

The new function of Liquor Licensing commenced during 2004/05. Unfortunately the expected income from the issue of licences for the latter part of the financial year was not received. The number of applications for the licences was significantly lower than estimated.

Housing Grants Administration

Salary savings have been accrued during 2004/05 as a result of staff vacancies in this service area.

Neighbourhood Services Directorate

Public Parks

Increased operational costs arising from the need to cover sickness, higher than anticipated transport charges and additional workloads have caused this service area to over spend the revised budget.

Trade Waste

The Council has incurred increased Waste Disposal charges. This has been caused by the need to collect and identify trade waste separately from household waste in order to comply with statutory indicators.

EXPLANATORY FOREWORD

Dry Recycling

The level of recycling credits received was more than estimated and reflects a higher level of recycling than anticipated. Other variances in this cost centre have arisen as a result of maximising the DEFRA revenue grant entitlement following the introduction of the new Kerbside Recycling Scheme.

Garden Collections

The overspend in this area was mainly attributable to higher than anticipated transport costs arising from higher fuel and maintenance costs.

Policy and Scrutiny Directorate

Best Value

The Best Value training was not undertaken during the year due to the restructuring exercise undertaken by the Council. The training will take place during 2005/06.

EXPLANATORY FOREWORD

Capital 2004/2005

The capital programme for 2004/05 was revised during the year to take account of each scheme's state of progress. The table below shows the total programme.

	Actual Spend 2004/05 £'000
Capital Expenditure	4,923
Capital Income	(1,352)
Net Programme financed from Capital Receipts	<hr/> 3,571 <hr/>

The major areas of capital spending during 2004/05 are listed below:

	£'000
Implementing Electronic Government and ICT Schemes	670
Disabled Facilities Grants	600
Economic Regeneration Schemes	239
Toll Bar House Refurbishment (phase 1)	251
Housing Grants	299
Social Housing Grant	187
Community Project Schemes	155
Kerbside Recycling Scheme	670
Replacement Refuse Collection Vehicles	242
Capitalisation of Redundancy Costs	596
Other Capital Schemes	1,014
Total	<hr/> 4,923 <hr/>

EXPLANATORY FOREWORD

All capital expenditure incurred in the year was financed from Government Grant (£1,313,000), a revenue contribution (£39,000) and usable capital receipts (£3,571,000) thus maintaining the debt free status of the Council.

Council Resources

At 31 March 2005 the Council had the following resources available to finance future expenditure (both revenue and capital).

	£'000
Capital Receipts	14,861
Capital Reserves	754
Total Capital Resources	<hr/> 15,615
General Fund Balances	5,633
Revenue Reserves	715
Total Revenue Resources	<hr/> 6,348
Total	<hr/> 21,963

With regard to revenue reserves, the Council has determined that it needs to maintain a minimum general fund balance of £2million to meet any unforeseen expenditure. The Council's financial strategy and medium term financial forecast indicates that general fund balances will be required to finance revenue expenditure in the next few years pending the identification of budget savings.

STATEMENT OF RESPONSIBILITY FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

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

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

The authority is required to approve the statement of accounts.

The Director of Corporate Services Responsibilities

The Director of Corporate Services is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'). The accounts should present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2005.

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.

I. Sankey BA(Hons) C.P.F.A.
Director of Corporate Services

Date2005

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. The Council must ensure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. It also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring 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 an ongoing process designed to identify and prioritise the risks to the achievement of Council policies, aims and objectives, to evaluate the likelihood of those risks and their impact should they be realised and to manage them efficiently, effectively and economically.

The internal control system has operated throughout the year ended 31st March 2005 and up to the date of approval of the annual report and accounts. In many areas it accords with good practice but there remain acknowledged weaknesses, the details and associated developments of which are covered in sections 4 and 5.

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 citizens. Some of these processes are required by law, while the Council determines others for itself. The Constitution is kept under constant review by members through the Constitutional Review Group.

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 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. The Scheme of Delegation was reviewed by Full Council on 12 May 2005.

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 Corporate Plan, adopted in March 2005, drawing on the Vision, Values and Priorities Statement.

The Best Value Performance Plan, which affirms its commitment to continuous service improvement.

The Erewash Community Plan, drawn up after consulting the local community and other public, private and voluntary organisations within the Local Strategic Partnership.

Other Statutory Plans.

- The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its committees, lead members and senior officers.

Best Value

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

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.
- The Council has designated the Deputy Director, Legal and Democratic Services, as the Monitoring Officer. The Monitoring Officer will report to the Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

effect of stopping the proposal or decision being implemented until the report has been considered.

- Independent review by Internal Audit, External Audit and various Inspectorates help provide assurance on compliance.

Performance Management

- The Council has a performance management framework, which includes the setting of financial and operational targets supporting the Council's objectives and the monitoring of their achievement by both members and senior management.
- In 2004/5 the system was driven by the service planning process and cascaded through divisional service plans to individual employee development and performance reviews.

Risk Management

- The Council has identified strategic risks through a member/officer workshop and has approved a Risk Management Policy Statement and Strategy. Currently other significant risks are identified through the service planning process and the report writing protocols.

Financial Management

- The financial management of the Council is conducted in accordance with Financial Regulations and Contract Procedure Rules. The Council has designated the Director of Corporate Services as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972.
- 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 supports a comprehensive budgeting system incorporating regular financial reporting and review.

Internal Audit

- The Council has a statutory responsibility, under Regulation 6 of the Accounts and Audit Regulations 2003, 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 and the Auditing Practices Board's Guidance for Internal Auditors.
- 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.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

- Executive summaries of internal audit reports are also considered by the Council's Audit Committee and formal monitoring arrangements, through the Committee, have been introduced during the year to ensure that recommendations are implemented or, where this is not the case, that management has provided adequate explanation to show that they have understood and assumed the risk of not taking action.

External Review

- The Council has an objective and professional relationship with its external auditors and statutory inspectors from whom reports are received.

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 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 and other review agencies and inspectorates in their reports.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes:

Full Council

- New Financial Regulations and Contract Procedure Rules were adopted during 2004/5 and these have been reviewed and updated in June 2005.
- The Constitutional Review Group provides an ongoing review which in June 2005 resulted in a revised Scheme of Delegation.

Scrutiny Function

- The Scrutiny Panels have powers to call in decisions and review any aspect of Council work. In particular they play a key role in scrutinising budget proposals as part of the Council's budget setting process. They also have a key role in monitoring performance management.
- In September 2004 an Audit Committee was introduced with terms of reference which included monitoring and reviewing work undertaken by Internal Audit. Quarterly monitoring reports are now submitted detailing all significant internal control issues raised with service managers. The Committee is kept informed on progress made in addressing control issues.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Corporate Management Team

- The Corporate Management Team meets on a weekly basis and routinely reviews progress on performance indicators with corrective action plans put in place for any under-performing services.

Service Management

- Directors and their managers are responsible for ensuring the effectiveness of internal control in their service area. The service planning and risk management processes help management evaluate this.
- The Transforming Erewash process has had major impact both upon the organisational structure and the internal control environment during 2004/05. The responsibilities for major financial, operational and compliance controls have in many cases passed to new officers. Given the restructuring process underway and as highlighted in the 2003/04 statement it is not considered practicable for 2004/05 to obtain statements on the internal control environment from all directors. The absence of such evaluation reduces the level of assurance that can be given.

Internal Audit

- The internal audit plan, which was informed by a revised risk assessment process, 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 were able to complete a substantial amount of the audit plan and cover the fundamental financial systems agreed with the Council's External Auditor. The level of coverage was significantly higher than in recent years and enables an opinion across a range of activities undertaken by the Council. The 2004/05 audits provided evidence that a number of key controls identified as being weak during the 2003/04 audits had still not been addressed by service managers. The newly introduced monitoring procedures through the Audit Committee are, however, already having an impact in improving management response which should increase as the process becomes embedded. The main weaknesses identified have related to sporadic completion and lack of evidence of review of financial reconciliations throughout the year, delays in the raising of accounts across a number of services, use of generic passwords and the lack of a disaster recovery plan. As a result of these issues the Internal Audit Manager, although being able to indicate an improving internal control environment, was only able to give limited assurance on the adequacy and effectiveness of the system of internal control within the Council.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Risk Management

- The Council has recognised that risk management is an important aspect of internal control. The Director of Culture and Leisure Services has been appointed as the lead officer for this activity and all services undertake an evaluation of the controls which they have in place to manage risks as part of the service planning process. There has been limited practical progress in the last year, and further work must be done to embed the process in managerial activity throughout the organisation.

Other external review / assurance mechanisms

- In December 2004 the Council was given an external assessment by the Audit Commission, as part of the Council's Comprehensive Performance Assessment (CPA). The system of internal control was judged as adequate but having some weaknesses that needed to be addressed. Although improvements have been made, some weaknesses remain outstanding and are to be addressed in the Council's action plan for 2005/06.
- In addition to the CPA assessment, the Council received a number of external audit reports which have informed this statement, along with feedback from the Office of the Deputy Prime Minister as part of the monitoring regime introduced following the Corporate Governance report issued in 2003.

In preparing this statement, we have taken the views of the Director of Corporate Services, the Deputy Director, Legal and Democratic Services, and other senior managers within the authority into account to confirm their support for the statement.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The Council recognises the need to have in place a framework that can give assurance that its systems of internal control are working effectively. This section sets out an outline of the actions proposed, to achieve this and address significant internal control issues identified.

- As anticipated in the 2003/04 Statement, the Transforming Erewash programme continues to move forward quickly. The pace of change brings additional risk to the internal control environment. It is intended that the Directors, who have responsibility for the development and maintenance of the internal control environment, will for 2005/06 be in a position to fully contribute to the relevant evaluation of the internal control arrangements within their own service areas and provide the requisite "Service Assurance Statement on Internal Controls".

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

- In line with best practice it is intended to appoint an officer group during 2005/06 to obtain and review the evidence and assurances available to support the Statement and to provide an annual report to the Audit Committee.
- Although the Council adopted a Corporate Plan, which has added direction and focus to the decision making process, this came too late to fully inform the service planning and budgeting. It is essential that the service planning process now has demonstrable linkage to the plan and resource availability.
- The planned introduction of an Audit Committee in the 2003/04 Statement was achieved in September 2004. The high level of recommendations from audit reports, however, indicate much work is still required to improve the control weaknesses identified. It is anticipated that these will be resolved by the Audit Committee as the monitoring processes introduced in 2004/05 become embedded. Significant control weaknesses identified were;
 - the reconciliation procedures in the financial year which were still not considered sufficiently robust and further discipline needs to be introduced to the process.
 - the absence of a disaster recovery plan and a lack of business continuity planning awareness.
 - systems access controls
- The Council still has some way to go in order to embed the risk management process into managerial activity. Although a draft strategic risk register was drawn up, through an officer/member workshop, and a Risk Management Strategy was adopted in August 2004, the processes for identifying, assessing, managing and monitoring financial and operational risks still need to be developed. The new corporate lead on risk management is the Director of Culture and Leisure Services and it is anticipated a risk management framework will be adopted in 2005, to develop and embed the risk management function.
- The performance management framework, whilst providing regular and routine performance indicator information to officer groups throughout 2004/05, has not cascaded this information through to members as frequently. Quarterly reporting to members of those indicators identified as having critical corporate significance will now be reinstated.
- The Council has made progress in adopting Governance Arrangements based on the CIPFA/SOLACE framework. New Financial Regulations and Contract Procedure Rules were adopted in 2004 and have since been reviewed and updated. There remains, however, an urgent need to review the Employee Code of Conduct and the linked procedures supporting this document. This will be undertaken in 2005/06.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

- In accordance with the Procurement Strategy and national guidelines, the Council's procurement practices need to be further developed. This will be implemented with the appointment of a corporate procurement officer in 2005/06.

Signed Ian Sankey
Acting Chief Executive and
S151 Officer

Dated

Signed Councillor Robert Parkinson
Leader of the Council

Dated

INDEPENDENT AUDITORS' REPORT TO EREWASH BOROUGH COUNCIL

I have audited the financial statements on pages 1 to 17 and pages 20 to 52, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 20 to 23.

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 54 of the Statement of Responsibilities for Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of Director of Corporate Services and Auditors

As described on page 9 the Director of Corporate Services is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities as the independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year.

I review whether the statement on internal control on pages 10 - 17 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 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 whether the statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of the Councils corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of Audit Opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

INDEPENDENT AUDITORS' REPORT TO EREWASH BOROUGH COUNCIL

An audit included 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 judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 statement of accounts is free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the statement of accounts presents fairly the financial position of Erewash Borough Council at 31st March 2005 and its income and expenditure for the year then ended.

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.

Signature:

Date:

Andrew Blackburn
Audit Commission
Littlemoor House
Littlemoor
Eckington
Sheffield
S21 4EF

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom updated in 2004 and issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). They comply with the Statements of Standard Accounting Practice (SSAPs) 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 SSAPs and FRSs have been adopted in Statements of Recommended Practice (SORPs).

2. Accruals

The accounts of the Council are maintained on an accruals basis in accordance with the CIPFA Code of Practice and SSAP 2. That is, all sums due to or from the Council during the year, whether capital or revenue are included in the year's accounts whether or not cash has actually been received or paid in the year.

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 affect on the accounts.

3. Deferred Charges

Deferred charges represent capital expenditure which does not result in a tangible fixed asset. Such expenditure is written off to revenue accounts in the year as the Council obtains no long term benefit from the expenditure.

4. Fixed Assets

Providing the asset yields benefit for more than one year, all expenditure, as defined by the Local Government and Housing Act 1989, to acquire or enhance tangible fixed assets has been capitalised.

Operational assets are valued at the lower of net current replacement value or realisable value in existing use. Infrastructure assets and community assets are valued at historical cost, net of depreciation, where appropriate.

The Council's land and buildings were valued as at 31 March 2004. A proportion of the Council's vehicles, plant and equipment were re-valued during 2004/05. The Council's assets were valued by a professional valuer.

Each year the Council's fixed assets are reviewed for impairment.

STATEMENT OF ACCOUNTING POLICIES

5. Depreciation on Assets

Depreciation is provided for on all assets except land and is calculated using the straight-line method over the remaining life of the asset. This fully complies with SORP 2004 and Financial Reporting Standard FRS15. Newly acquired vehicles and plant are depreciated from the date they become operational.

6. Capital Receipts

Capital receipts under £10,000 are able to be credited directly to revenue. Apart from any housing revenue capital receipts, which are subject to government pooling, all other receipts are one hundred per cent useable.

7. Charges for Capital

Revenue accounts are charged with capital charges, which consist of an annual depreciation charge and a charge for notional interest based upon the value of the assets used in the provision of services. Capital charges are credited to the Asset Management Account which results in a neutral impact on local taxation and rent levels.

Land and buildings are not subject to capital charges until the year after acquisition.

Impairment losses resulting from a general fall in prices are charged to the Fixed Asset Restatement Account and do not pass through the service revenue accounts.

8. Government Grants

Grants made to finance the general activities of the Council are credited on an accruals basis in the year. Where capital grants are received these are generally used to finance capital expenditure in the year.

Should a depreciable asset result, the government grants deferred account is credited and amounts released to the Asset Management account, to match depreciation charges.

9. Basis of Valuation of Investments

Investments are included in the balance sheet at their original cost.

10. Leases

The rentals payable under operating leases are charged to revenue accounts over the term of the lease on an accruals basis.

STATEMENT OF ACCOUNTING POLICIES

13. Provisions and Reserves

Provisions are estimates of liabilities or losses, which are certain to arise but whose nature or date is uncertain. Provisions for doubtful and uncollectible debts are made and are netted off against debtors on the Council's balance sheet. Contributions to or from specific provisions are charged to services in the year.

Reserves are items not classed as provisions which may be used for various specific purposes. These earmarked reserves may be for capital or revenue purposes and expenditure cannot be charged directly to any reserve in the year.

14. Stocks and Work In Progress

The work in progress in the accounts is the actual costs accrued at the end of the financial year. Stocks and stores are included in the balance sheet at average cost price. This does not comply with SSAP 9 but any difference is not material.

15. Value Added Tax

Value added tax (VAT) is only included in the Council's accounts to the extent that it is not recoverable from Customs and Excise.

16. Best Value Accounting

The Council has adopted the CIPFA Best Value Accounting Code of Practice.

CONSOLIDATED REVENUE ACCOUNT

2003/04 Net Exp		2004/05 Gross Exp £000	2004/05 Inc £000	2004/05 Net Exp £000
£000				
	COSTS OF SERVICES			
	Central Services			
2,839	Corporate and democratic core	5,121	684	4,437
500	Non distributed costs	275	0	275
792	Central services to the public	6,886	6,168	718
4,131		12,282	6,852	5,430
	Cultural, Environmental & Planning Services			
3,196	Cultural and related services	7,110	2,452	4,658
3,863	Environmental services	7,249	1,810	5,439
661	Planning and development services	1,465	1,004	461
239	Economic development	632	337	295
435	Community development	729	9	720
8,394		17,185	5,612	11,573
	Highways, Roads & Transport			
251	Transport planning, policy and strategy	1,105	790	315
2,504	Housing Services	15,389	14,438	951
0	Exceptional Items	0	0	0
15,280	NET COST OF SERVICES	45,961	27,692	18,269
	OTHER INCOME/EXPENDITURE			
138	Parish council precepts			158
	Asset management revenue			
(624)	account balance – See note 1			(964)
(713)	Interest and investment income			(1,123)
	Pension interest cost and expected			
717	return on pension assets			957
14,798	NET OPERATING EXPENDITURE			17,297

CONSOLIDATED REVENUE ACCOUNT

APPROPRIATIONS		
335	Transfers to/(from) reserves	302
(1,603)	Deferred charges	(2,596)
	Consolidated revenue account	
(1,108)	appropriations – see note 2	(1,770)
(570)	Movement on pensions reserve	(841)
<hr/>		<hr/>
11,852	AMOUNTS TO BE MET BY GOVERNMENT GRANTS & LOCAL TAXES	12,392
	SOURCES OF FINANCE - Grants & Local Taxes	
(3,555)	Revenue support grant	(4,106)
(3,842)	NNDR payback	(3,012)
(4,489)	EBC precept income	(4,840)
	Collection fund surplus /	
(20)	adjustments	21
<hr/>		<hr/>
(11,906)	Total Grants & Local Taxes	(11,937)
	(54) Net General Fund Deficit / (surplus)	455
(3,827)	Balance on General Fund as at 1 April 2004	(5,915)
(2,034)	Transfers to/(from) reserves	(173)
<hr/>		<hr/>
(5,915)	Balance on General Fund as at 31 March 2005	(5,633)
<hr/>		<hr/>

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The accounts for the year ended 31 March 2005 have been prepared using the Best Value Accounting Code of Practice format.

1. Asset Management Revenue Account

The Asset Management Revenue Account summarises the charges made to services for use of Council assets, which is set against depreciation charged and external interest paid in the year. The surplus or deficit on the account is not indicative of good or bad asset management it is returned to the consolidated revenue account, and helps to ensure capital charges have no impact on local taxpayers.

	2004/05 £'000	2003/04 £'000
INCOME		
Impairment	(94)	0
Capital charges general fund	(964)	(625)
Depreciation	(1,676)	(1,108)
EXPENDITURE		
Depreciation	1,676	1,108
External interest	0	1
Impairment	94	0
	(964)	(624)
Balance to Consolidated Revenue Account	964	624

2. Minimum Revenue Provision

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 2004/05 and 2003/04 was nil because the Council is debt free.

	2004/05 £'000	2003/04 £'000
Housing	0	0
Non housing	0	0
Total Minimum Revenue Provision	0	0
Impairment	94	0
Depreciation	1,676	1,108
Minimum Revenue Provision Adjustment	1,770	1,108
Balance to Capital Financing Account	(1,770)	(1,108)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The reversing out of depreciation charges helps to ensure that capital charges have 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.

During 2004/05 £412,998 (2003/04: £731,307) was paid in rentals. The amount of outstanding obligations are detailed below.

	2004/05 £'000	2003/04 £'000
Due within 1 year	373	456
Due within 2 – 5 years	148	544
Due after 5 years	0	0
	521	1,000

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 consolidated revenue account.

5. Publicity

Section 5 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.

	2004/05 £'000	2003/04 £'000
Staff recruitment	175	166
Other publicity	105	104
	280	270

Erewash Borough Council Statement of Accounts 2004-05

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

6. Agency Services

The Council carries out work on an agency basis for which it is fully reimbursed. The Council undertakes amenity maintenance work on behalf of Derbyshire County Council. Expenditure for 2004/05 was £134,630 (2003/04: £125,700).

7. Local Authority Goods and Services Act 1970

In accordance with this Act the Council can provide goods and services to other bodies. In 2004/05 no goods or services were provided

8. Pensions

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 to the Consolidated Revenue Account 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.

In 2004/05 employers' contributions to the Derbyshire County Council Pension Fund were determined following the actuarial valuation as at 31st March 2002. The employer's contributions were set at 274% of employees contributions for a period of three years commencing 1 April 2002. New contribution rates will take effect from 1 April 2005.

The contributions relating to added years benefits were £104,315 (2003/04: £48,656) which is 1.38% (2003/04: 0.66%) of pensionable pay. The Fund's actuary has advised it would be necessary to provide for £1.219m (2003/04: £1.104m), this represents 16.1% (2003/04: 15.00%) of pensionable pay. Total employers contributions in 2004/05 were £1.43m (2003/04: £1.29m) or 18.93% (2003/04: 17.50%) of pensionable pay.

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.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

Remuneration Band £'000	Number of Employees 2004/05	Number of Employees 2003/04
50 – 59	0	2
60 – 69	1	0
70 – 79	0	0
80 – 89	1	0
90 – 99	0	1

10. Related Party Transactions

Members of the Council and those Officers employed on JNC terms and conditions of service were asked to declare any transactions of this type in the year.

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.

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, note 3, page 51
Capital Grants from Central Government	Consolidated Balance Sheet, note 4 page 38
Precepts to other Local Authorities	Collection Fund Accounts, pages 47 to 49
Superannuation Contributions	Consolidated Revenue Account, note 8 page 28
Members' Allowances	Consolidated Revenue Account, note 13 page 31

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

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

	Receipts £'000	Payments £'000
Revenue		
Grants to parishes (concurrent functions)		207
Bramcote Crematorium Joint Committee	166	
Bramcote Crematorium Jnt Cttee - Loan interest	5	
Groundwork Erewash		32
Citizens Advice Bureau Partnership		42
Erewash Partnership		43
DCC - Agency - Amenity Maintenance	143	
Three Valleys Housing Limited	18	
Erewash Partnership Canal Trust		5
Capital		
Bramcote Crematorium Joint Committee - Loan		88
East Midland Development Agency	57	

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	1	0	2
Long Eaton Flood Relief	8	0	1	9
Copley Charity	1	1	1	1
Mayors Charity	0	6	15	9
	12	8	17	21

12. Building Control Account

The Local Authority Building Control Regulations require disclosure of costs and income for Building Control Services for which charges can be made. A summary of the account is shown below:

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

	2004/05 £'000	2003/04 £'000
Expenditure		
Employee expenses (including transport and premises)	148	155
Supplies and services	60	38
Central support costs	10	16
	218	209
Income		
Charges	(314)	(257)
Net Surplus	(96)	(48)
Transfer to reserve	0	48

13. Members' Allowances

The total amount of allowances paid to the Members' of the Council during the year was £258,436 (2003/04: £277,583).

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. Other Issues

In May 2003 the Council was subject to a Corporate Governance inspection. Following this inspection a Recovery Plan was approved by the Council. During the year expenditure of £205,016 (2003/04: £267,245) was incurred. The Council also received external assistance with the Recovery Plan and support to the value of £155,972 (2003/04: £47,906) was received. The Council sought voluntary engagement with the Office of the Deputy Prime Minister (ODPM) during 2003/04 and 2004/05 in order to monitor the implementation of the recovery plan.

16. 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 expenditure is limited to £1.90 per head of population. The Council was permitted to spend £0.2m under this power in 2004/05 (£0.2m in 2003/04) and

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

its actual expenditure was £87,000 mainly on donations to voluntary bodies working in the local area (£77,000 in 2003/04).

17. Audit Commission Fees

The following Audit Commission fees have been paid by the Council during 2004/2005:

	£
Fees payable to the Audit Commission with regard to audit services carried out by the appointed auditor under the Audit Commission's Code of Audit Practice in accordance with section 5 of the Audit Commission Act 1998,	128,100
Fees payable to the Audit Commission in respect of statutory inspection under section 10 of the Local Government Act 1999.	0
Fees payable to the Audit Commission for the certification of grant claims and returns by the appointed auditor under section 28 of the Audit Commission Act 1998.	15,447
Fees payable in respect of any other services provided by the appointed auditor over and above the duties described above.	950
Total	144,497

18. 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 £166,325 in 2004/05.

CONSOLIDATED BALANCE SHEET

31 March 2004 £000	Note	31 March 2005 £000	31 March 2005 £000	
0	Intangible Assets	1	118	
	Fixed Assets - Operational	1		
24,195	Other land and buildings		21,967	
757	Vehicles and plant		1,408	
2,152	Equipment		3,150	
320	Infrastructure		478	
	Fixed Assets - Non-Operational	1		
9,303	Other land and buildings		7,540	
<u>36,727</u>				34,661
0	Deferred charges	2	0	
2,001	Long term investments	6	4,001	
2,722	Long term debtors	3	2,388	
<u>4,723</u>				6,389
	Current Assets			
123	Stock in hand	5	108	
0	Work in progress	5	0	
10,765	Short term investments	6	15,250	
10,222	Debtors/payments in advance	7	7,818	
<u>21,110</u>				23,176
	Less:- Current Liabilities			
1	Temporary borrowing		1	
1,219	Cash overdrawn		951	
4,308	Creditors/receipts in advance	8	5,954	
<u>5,528</u>				6,906
<u>57,032</u>	Total Assets Less Current Liabilities			<u>57,320</u>
	Less:-			
276	Provisions	11		485
13,378	Pension provision	12		25,347
<u>43,378</u>	Total Assets Less Liabilities			<u>31,488</u>

CONSOLIDATED BALANCE SHEET

31 March 2004 £000	Note	31 March 2005 £000	31 March 2005 £000
(1,814) Fixed asset restatement account	13		(4,345)
44,880 Capital financing account	14		39,039
847 Reserves capital	15		754
647 Reserves revenue	15		715
(13,378) Pensions reserve			(25,347)
55 Deferred capital receipts	16		39
6,523 Usable capital receipts	17		14,861
5,915 Fund balances			5,633
Collection fund balances			
(14) • Borough Council			28
(252) • County Council			91
(31) • Police Authority			13
0 • Fire Authority			7
43,378 Total Equity			31,488

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets Transactions 2004 - 2005

a) Movements in Fixed Assets

	Intangible Assets £'000	Other Land and Buildings £'000	Vehicles & Plant £'000	Equipment £'000	Infrastructure Assets £'000	Non Operational Assets £'000	TOTAL £'000
Value as at 1/4/2004	0	26,573	1,767	2,957	358	9,303	40,958
Accumulated depreciation	0	(2,378)	(1,010)	(805)	(38)	0	(4,231)
	0	24,195	757	2,152	320	9,303	36,727
Reclassifications	0	(82)	0	0	0	82	0
Revaluations	0	1	68	880	0	0	949
Impairment	0	(94)	0	0	0	0	(94)
Additions	120	368	921	516	184	126	2,235
Disposals	0	(1,453)	(56)	0	0	(1,971)	(3,480)
Depreciation in year	(2)	(968)	(282)	(398)	(26)	0	(1,676)
Value as at 31/3/2005	118	21,967	1,408	3,150	478	7,540	34,661

NOTES TO THE CONSOLIDATED BALANCE SHEET

The valuation of Land and Buildings assets was as at 31 March 2004.

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. The valuation date was 31 March 2004, and assets were valued in accordance with Royal Institution of Chartered Surveyors Statements of Asset Valuation and Practice. During 2003/04 the Council re-examined the lives of all assets in order to standardise the various categories of assets owned and changes were made where appropriate.

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 impairment every year in line with the below guidance. The Council has considered the following in respect of the valuations placed upon its assets in the Balance Sheet at 31 March 2005.

- 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

d) Analysis of Fixed Assets

2004	2005
2 Shopmobility	2
2 Cemeteries	2
1 Crematorium - Note 1	1
1 Museum	1
1 Nursery	1
4 Leisure centres/swimming pools	4
3 Community centres/ public halls	3
1 Depots	1
6 Council offices	6
16 Changing Rooms and Pavilions	16
173 hectares Parks and open spaces	173 hectares
20 Car parks	20
1 Markets and Market Building	1
19 Public conveniences	19
11 Non-Operational Property	11

Notes:-

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

e) Construction in Progress

Included within the non operational assets category the construction in progress figure in the Balance Sheet is made up of £4,278,278 for the Sport Erewash Leisure Development, £20,220 for a vehicle wash and storage bay and £16,830 for a public convenience. All schemes are expected to be completed during 2005/06.

2. Deferred Charges

Deferred charges represent capital expenditure which does not result in the creation or enhancement of an asset in the Authority'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 2004	0
Expenditure in year	2,785
Amount financed by grant	(189)
Amounts written off - consolidated revenue account	(2,596)
Balance as at 31st March 2005	0

Erewash Borough Council Statement of Accounts 2004-05

NOTES TO THE CONSOLIDATED BALANCE SHEET

3. Long Term Debtors

	As at 01/04/04 £'000	Expenditure £'000	Capital Discharged £'000	As at 31/3/05 £'000
Housing act advances and outstanding				
Mortgages	55	0	16	39
Transferred debt	2,195	0	121	2,074
Loan to Broxtowe BC	264	0	88	176
Car loans to employees	208	2	111	99
Total long term debtors	<u>2,722</u>	<u>2</u>	<u>336</u>	<u>2,388</u>

4. Capital Expenditure

Capital expenditure and financing was as follows:-

	2004/05 £'000		2004/05 £'000
Opening capital financing requirement			6,304
Transfer to useable capital receipts	6,304		
Expenditure		Financing	
General fund	1,314	Capital receipts	3,571
Deferred charges	2,785	Government grants	1,313
Vehicles and Plant	921	Renewals Fund	97
		Revenue	39
Closing capital financing requirement	0		
	<u>5,020</u>		<u>5,020</u>

Explanation of movement in year	2004/05 £'000
Transfer of set aside capital receipts from credit ceiling to usable receipts	6,304

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. Stocks and Work-In-Progress

	31 March 2005 £'000	31 March 2004 £'000
Stocks		
Swimming pools/leisure centres	35	34
Transport	31	22
Parks	13	14
Wheeled Bins	18	35
Other	11	18
	108	123
Work-in-progress	0	0
	108	123

6. Investments

	31 March 2005 £'000	31 March 2004 £'000
Investments maturing within 1 year	15,250	10,765
Investments maturing after 1 year	4,001	2,001
	19,251	12,766

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

7. Debtors and Payments In Advance

	31 March 2005 £'000	31 March 2004 £'000
Government departments	636	2,630
Local tax payers	4,458	5,583
Reserved income	3,921	3,614
Sundry debtors	651	542
	9,666	12,369
Payments in advance	14	50
	9,680	12,419
Provisions for bad debts		
Local tax payers	(1,490)	(1,783)
Sundry debtors	(372)	(414)
	7,818	10,222

Erewash Borough Council Statement of Accounts 2004-05

NOTES TO THE CONSOLIDATED BALANCE SHEET

8. Creditors

	31 March 2005 £'000	31 March 2004 £'000
Government Departments	1,704	314
Sundry Creditors	2,791	3,308
Receipts In Advance	888	686
Deferred creditors	571	0
	5,954	4,308

9. Contingent Liabilities

The contingent liability arises from a dispute between the Council and a developer relating to a potential land sale and associated ground conditions. The liability if established ranges between £200,000 and £1,500,000.

10. Analysis of Borrowing

The Council remained debt free during 2004/05. There was no long term borrowing entered into by the Council during the year.

11. Provisions

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

	31 March 2004 £'000	Use of Provision in Year £'000	Provision in Year £'000	31 March 2005 £'000
Leisure Centres – Harmonisation of Casual Employees	130	76	0	54
Sandiacre Friesland - Ground Rent/Service Charge	1	0	0	1
Gym Provision	10	0	25	35
Housing Benefit Subsidy Amendments	75	0	0	75
Housing Benefit Help Desk Initiatives	20	0	0	20
Health & Safety Improvements – Merlin Way	40	40	0	0
Pensions and Tax Credit	0	0	2	2
Verification Framework	0	0	13	13
Benefit Subsidy Clawback	0	0	285	285
	276	116	325	485

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. Pension Fund Assets and Liabilities

The Council is required to make transitional pension disclosures in compliance with FRS17. These disclosures are intended to provide additional information on the underlying economic situation of the authority.

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, a defined benefit scheme.

The main financial assumptions adopted by the actuary for the whole fund were:

	31 March 2005 % pa	31 March 2004 % pa
Rates of Inflation	2.9	2.8
Rate of increase in salaries	4.4	4.6
Rate of increase in pensions	2.9	2.8
Discount rate	5.4	6.3

The fair values of each main class of assets held by the Fund as at 31 March 2005 and the expected rates of return for the ensuing year are set out in the following table:

	31 March 2005		31 March 2004	
	Fair Value	Expected	Fair Value	Expected
	£m	%	£m	%
Equities	1,012	7.50	874	7.50
Gilts	228	4.70	208	4.70
Property	32	6.50	30	6.50
Other bonds	72	5.40	57	5.50
Cash	97	4.75	97	4.00
	1,441	6.74	1,266	6.66

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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

As at 31 March 2005 the Council had the following overall assets and liabilities for pensions.

	31 March 2005	31 March 2004
	£'000	£'000
Estimated Assets in the scheme	40,507	37,340
Estimated liabilities in the scheme	(65,854)	(50,718)
Net surplus/ (deficit)	(25,347)	(13,378)

The movement in the net pension surplus / (deficit) of the Council for the year to 31 March 2005 is as follows:

	£m
Deficit in the Fund as at 1 April 2004	(13.38)
Contributions paid	1.43
Current service Cost	(1.22)
Past service Cost	(0.10)
Settlement cost	0
Curtailment cost	(0.30)
Other finance charge	(0.65)
Actuarial gain (loss)	(11.13)
Deficit in the Fund as at 31 March 2005	(25.35)

The actuarial loss 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 2005.

	£m	% of assets / liabilities
Gain / (loss) on assets	1.62	4.0
Experience gain / (loss) on liabilities	(1.97)	3.0
Gain / (loss) on change of assumptions (financial & demographic)	(10.78)	16.4
	(11.13)	

NOTES TO THE CONSOLIDATED BALANCE SHEET

13. 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 31st March 2004, adjusted for acquisitions, disposals, and any revaluations.

	£'000	£'000
Balance as at 1 April 2004		(1,814)
Revaluation of assets	949	
Disposal of fixed assets	<u>(3,480)</u>	(2,531)
Balance as at 31 March 2005		<u><u>(4,345)</u></u>

14. 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 2004		44,880
Capital Financing Renewals Fund	96	
Capital Financing Capital Receipts	3,571	
Capital Financing Revenue Contribution	39	
Capital Financing Capital Grant	<u>1,313</u>	5,019
Impairment	(94)	
Commutation Adjustment	(500)	
Excess of Depreciation over MRP	(1,676)	
Transfer of negative credit ceiling	(6,305)	
Write down of Deferred Charges	<u>(2,285)</u>	(10,860)
Balance as at 31 March 2005		<u><u>39,039</u></u>

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. Reserves

	As At 01/04/04 £'000	Receipts In Year £'000	Payments In Year £'000	Transfer To GF Bal £'000	As At 31/3/05 £'000
Capital					
Vehicle & Plant	711	0	(103)	0	608
Tesco CCTV Fund	20	0	0	0	20
Shopmobility	4	2	0	0	6
Donations					
Museum Purchases	12	0	0	0	12
Shopmobility	12	3	(12)	0	3
Renewals					
Ropewalk Repairs	85	16	0	0	101
Museum donations	3	1	0	0	4
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	847	22	(115)	0	754
Revenue					
Vat Exemption	167	0	0	0	167
John Lally Bequest	6	0	0	0	6
Bond Deposit	146	0	0	(146)	0
Accounts					
Local Lottery	81	0	(5)	0	76
Building Control	175	0	0	(25)	150
Planning delivery grant	65	383	(139)	0	309
Long Eaton Flood Relief	7	0	0	0	7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	647	383	(144)	(171)	715
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	1,494	405	(259)	(171)	1,469

16. 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.

17. 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)

NOTES TO THE CONSOLIDATED BALANCE SHEET

	General Fund £'000
Balance at 1 April 2004	6,523
Capital Receipts 2004/05	5,604
Transfer of negative credit ceiling	6,305
Capital Receipts used for financing	(3,571)
Balance as at 31 March 2005	14,861

18. Post Balance Sheet Event

The Council is continuing to undertake significant restructuring during 2005/2006 as part of the Transforming Erewash Programme. Redundancy costs of £485,400 are expected to be incurred during 2005/06.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	Balance 1/04/04 £'000	Net surplus / (deficit) for year £'000	Unrealised gain / (loss) on revaluation £'000	Disposal of assets £'000	Financing of fixed assets £'000	Transfer of balances £'000	Balance 31/3/05 £'000
Technical, Non-Usable Reserves							
Capital							
Fixed Asset Restatement Account	(1,814)	838	949	(3,574)	0	0	(3,601)
Capital Financing Account	44,880	(1,748)	0	(2,285)	5,019	(6,305)	39,561
Usable Reserves							
Capital							
Usable Capital Receipts Reserve	6,523	5,604	0	0	(3,571)	6,305	14,861
Other earmarked reserves (Note 16 Consolidated Balance Sheet)	847	0	0	0	(115)	22	754
Deferred Capital Receipts	55	(16)	0	0	0	0	39
Revenue							
General Fund	5,915	(455)	0	0	0	173	5,633
Other earmarked reserves (Note 16 Consolidated Balance Sheet)	647	0	0	0	(30)	98	715
Collection Fund	(297)	436	0	0	0	0	139
Pension Reserve (Note 12 Consolidated Balance Sheet)	(13,378)	(11,969)	0	0	0	0	(25,347)
Total Reserves	43,378	(7,310)	949	(5,859)	1,303	293	32,754

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

2003/04 £' 000		2004/05 £' 000
	230 Balance as at 1 April 2004	297
	Income	
34,721	Council Tax – note 4	36,293
19,239	Business Rates – note 2	20,991
4,842	Council Tax Benefits – note 4	5,355
0	Government Grants	0
58,802		62,639
	Expenditure	
19,097	Contributions to NNDR Pool	20,849
142	Costs of Collection - NNDR	143
	Precepts and Demands – note 5	
30,984	Derbyshire County Council	30,445
4,489	Erewash Borough Council	4,840
3,790	Derbyshire Police Authority	4,171
0	Derbyshire Fire Authority	1,777
	3 Write Offs & Adjustments	(1)
	In year movements in Bad Debt Provision	
(5)	Community Charge	(1)
349	Council Tax	241
	20 Contributions to/(from) Precepting Authorities	(261)
58,869		62,203
297	Collection Fund Deficit / (Surplus) – note 3	(139)

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 the rate in the pound to be charged and in 2004/05 this was 45.6p (2003/04: at 44.4p). The Non-domestic rateable value for the Erewash area at 31st March 2005 was £52.7 million (31 March 2004: £51.3 million). Mandatory relief for empty, charitable and void properties was £1.9 million (2003/04: £2.6 million). This resulted in a net yield of £21.2 million (2003/04: £19.3 million).

3. Collection Fund Surplus

At 31st March 2005 there was a surplus on the Collection Fund amounting to £138,000 (2003/04 - deficit: £297,000). The breakdown of this figure is as follows:

	£'000
Surplus due to Erewash Borough Council	15
Surplus due to Derbyshire County Council	91
Surplus due to Derbyshire Police Authority	13
Surplus due to Derbyshire Fire Authority	7
	126
Surplus on Community Charge Account payable to Erewash BC	13
	139

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 applicable. For 2004/05 the calculation was as follows:

Council Tax Band	Number Of Band D Equivalents (Adjusted For Discounts)
A	11,493
B	8,800
C	5,739
D	4,444
E	2,322
F	1,008
G	725
H	20
	34,551

Erewash Borough Council Statement of Accounts 2004-05

NOTES TO THE COLLECTION FUND

The Council Tax yield for 2004/05 was £41.6 million (2003/04: £39.6 million). Of this figure £36.2 million (2003/04: £34.8million) was receivable from taxpayers and £5.4 million (2003/04: £4.8 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 B.C.	4.8
Derbyshire C.C.	30.4
Derbyshire Police	4.2
Fire Authority	1.8
	<hr/>
	41.2

The Borough Council precept includes Parish Councils' requirements of £157,811 (2003/04: £137,605).

CASH FLOW STATEMENT

2004 £'000s		Note	2005 £'000s
	REVENUE ACTIVITIES		
	Expenditure		
12,418	Cash paid to employees		10,595
34,912	Precepts paid		36,551
19,389	Other operating cash payments		14,713
12,826	Housing Benefits paid out		13,560
19,097	National non domestic rate payments to national pool		20,849
<u>98,642</u>			<u>96,268</u>
	Income		
11	Rents		13
34,721	Council Tax receipts		36,293
19,304	Non domestic rate receipts		21,160
3,842	National non domestic rate receipts from national pool		3,012
3,555	Revenue Support Grant		4,106
17,769	DWP Government Grants	3	19,966
0	Other Government Grants	3	0
12,010	Cash received for goods and services		14,949
<u>91,212</u>			<u>99,499</u>
7,430	REVENUE ACTIVITIES CASH FLOW	2	(3,231)
	SERVICING OF FINANCE		
	Cash Outflows		
1	Interest paid		0
(785)	Interest received		(1,121)
<u>(784)</u>			<u>(1,121)</u>
	CAPITAL ACTIVITIES		
	Cash Outflows		
6,007	Purchase of fixed assets		4,923
0	Other capital cash payments		0
	Cash Inflows		
(3,738)	Sale of fixed assets		(5,604)
(455)	Capital grants received		(1,313)
(262)	Other capital cash receipts		(319)
<u>1,552</u>			<u>(2,313)</u>
8,198	NET CASH OUTFLOW BEFORE FINANCING	4	(6,665)
(8,682)	Net increase in short term lending		6,397
<u>(484)</u>	NET DECREASE/(INCREASE) IN CASH	1	(268)

NOTES TO THE CASH FLOW STATEMENT

1. Movements in Cash

	2005	2004	Movement
	£ 000s	£ 000s	£ 000s
Cash Overdrawn	(951)	(1,219)	268

2. Reconciliation of Net Surplus/Deficit

	£'000s
Net Surplus General Fund	(455)
Net Reduction on Collection Fund	435
	<hr/>
	(20)
Contributions to Reserves	(259)
Other Items	(889)
	<hr/>
	(1,168)
Increased Creditors	1,645
Decreased Debtors	2,739
Increased Stock & Work in Progress	15
	<hr/>
Revenue Activities net cash flow	3,231

3. Government Grants

	£ 000s
Council Tax Benefit	5,726
Housing Benefit	14,240
Housing Subsidy	0
	<hr/>
	19,966

NOTES TO THE CASH FLOW STATEMENT

4. Analysis of Net Investment

	2004 £ 000s	2005 £ 000s	Movement £ 000s
Cash Overdrawn	1,219	951	(268)
Changes in Financing & Liquid Resources			
Investments	(2)	(2)	0
Temporary Borrowing Money Market	1	1	0
Temporary Lending Money Market	(12,765)	(19,250)	(6,485)
Temporary Loans to Other Local Authorities	(264)	(176)	88
Total Net Investment	(11,811)	(18,476)	(6,665)

5. Reconciliation of Net Cash Flow Movement to Movement in Net Debt

	£ 000s	£ 000s
Net Investment at 1 April 2004		11,811
Increase/(Decrease) in Cash in the period	268	
Cash Inflow from Increase in Temporary Investment	6,485	
Decrease in loans to Other Local Authorities	(88)	
Change in Net Investment resulting from cash flows		6,665
Other non Cash Movements		0
Investment position as at 31 March 2005		18,476

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 parks and historical buildings.

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. FRSs are issued by, and SSAPs 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.

GLOSSARY OF TERMS

LIABILITY

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

NON-DOMESTIC RATE (NDR)

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

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.

GLOSSARY OF TERMS

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.

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.

GLOSSARY OF TERMS

TRUST FUNDS

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