

EREWASH



ANNUAL

STATEMENT OF ACCOUNTS

2005 - 2006

STATEMENT OF ACCOUNTS 2005 - 2006

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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.

This document has several statements; these are explained in the summary below:

An Explanatory Foreword (including this introduction)

This sets out an overview of the Council's financial position as at 31 March 2006, its financial performance during 2005/06 and provides a summary of where the Council spends its money and how it is financed.

The Statement on the System of Internal Control (Pages 11-19)

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.

The Statement of Accounting Policies (Pages 24-28)

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

The Consolidated Revenue Account (Pages 29-38)

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 39-53)

This statement details the financial position of the Council as at 31st March 2006; its assets, liabilities, balances and reserves.

The Statement of Total Movement in Reserves (Pages 54-57)

This statement summarises the movements in the various reserve accounts during the year.

The Collection Fund (Pages 58-60)

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

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County Council, Derbyshire Police Authority, Derbyshire Fire Authority and Parish Councils.

The Cash Flow Statement (Pages 61-63)

This statement summarises the total cash movement in the Council's funds; i.e. cash into and out of the Council's accounts.

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) sets this out. It is the official organisation responsible for providing professional guidance to councils to help them meet the legal requirements.

Various notes that aim to provide some background and explanation accompany 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 2005/06 and its financial position as at 31 March 2006.

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

The Main Accounts

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

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

Revenue Account

The Council reports its main revenue income and expenditure in the **Consolidated Revenue 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.

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The General Fund is funded through local council tax and by Government grant.

Capital Account

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 spending in the future.

2. Overview

This overview provides a broad analysis of the Council's financial performance and position for 2005/06.

Sound Financial Position

The accounts show that the Council's overall financial position continues to be sound and puts the Council in a good position to address many financial challenges that it faces in the future.

Overall net revenue expenditure on Council services was around £360,000 below the approved budget for the year. There was no requirement to utilise reserves to support revenue expenditure.

This position was due to a combination of reasons:

- Investment Interest received was above the budgeted income due to higher balances being invested than anticipated.
- Savings on wages and the operating costs at the Council's leisure centres.
- General savings and under spends throughout the Council's budget.

Reserves

As at 31 March 2006, the Council's General Fund reserve stood at £5.2m. This is approximately 29% 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

EXPLANATORY FOREWORD

to provide for known spending commitments and totalled approximately £1,397,000 at 31 March 2006.

Capital Resources

The Council has a reasonable level of capital resources for future capital investment. As at 31 March 2006 these stood at £10.2m. The Council has also earmarked capital reserves of £3.4m. These resources will be used in the future to continue to invest in the local community and help deliver the Council's priorities.

Debt Free

The Council does not have any outstanding debt. All capital expenditure during 2005/06 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 £25.35m at 31 March 2005 to £25.06m at 31 March 2006. Full details of the Pension Fund for 2005/06 can be found in the note 13 to the Consolidated Balance Sheet.

Future Issues

The Council plans its finances over a three year period and although the finances are sound now, the Council is not ignoring future spending pressures.

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 being undertaken during 2006/07, which may increase overall costs.
- **Pensions** – a national issue in both public and private sectors with significant shortfalls on pension funds facing many organisations.
- **Programmed Funding** – This is used by the Government to help specific services i.e. Planning Delivery Grant and IEG Grants. These may not be sustained within our current planning period and result in associated costs having to be met from the Council's mainstream budget.
- **Service Pressures** – the Council is continuing to strive to improve its services to meet the demands and expectations of residents and the Government.

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

EXPLANATORY FOREWORD

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.

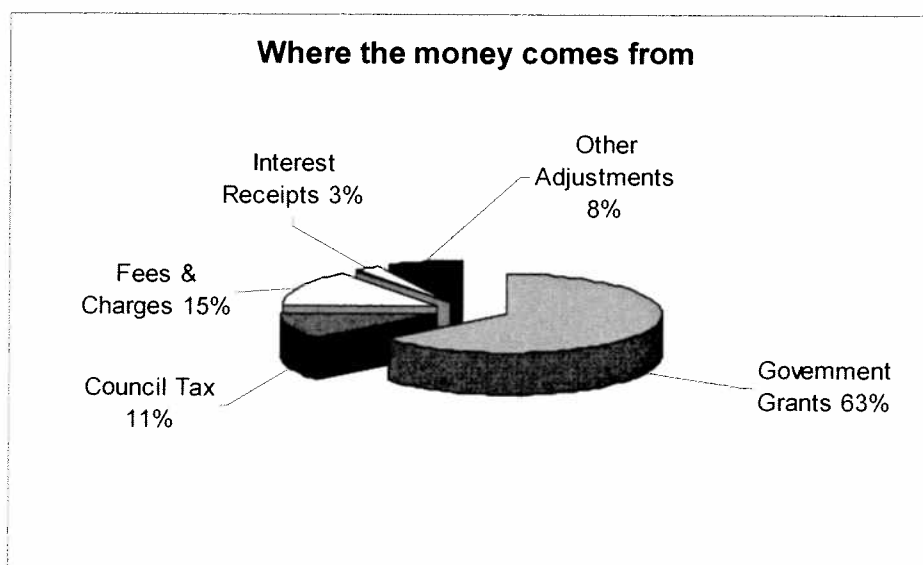
This does not mean that the Council can be complacent. Just like any other council, Erewash Borough Council will continue to face pressures of meeting the needs of local residents and new Government legislative requirements.

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 2005/06

The Council's gross revenue expenditure in 2005/06 was £47.1m. 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	29,737
Council Tax	5,085
Fees and Charges	6,851
Interest Receipts	1,216
Recharges and Contributions	60
Other adjustments	3,676
Total Income	46,625

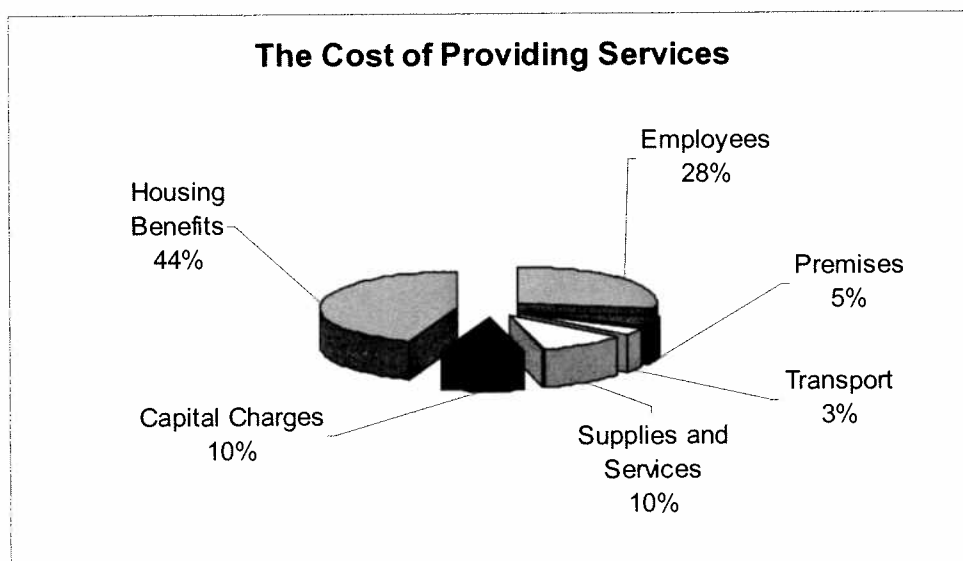


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- Government Grants include revenue support grant together with specific grants, mainly for housing benefit payments and administration.
- The main fees and charges are those associated with leisure centres, planning and building control, car parking and land charges.
- Interest Receipts are generated from investing available balances with banks and building societies.

The Cost of Providing Services	£000's
Employee Costs	13,059
Premises Costs	2,360
Transport Costs	1,238
Supplies and Services	4,791
Housing Benefits	20,544
Capital Charges	4,624
Total Income	46,616



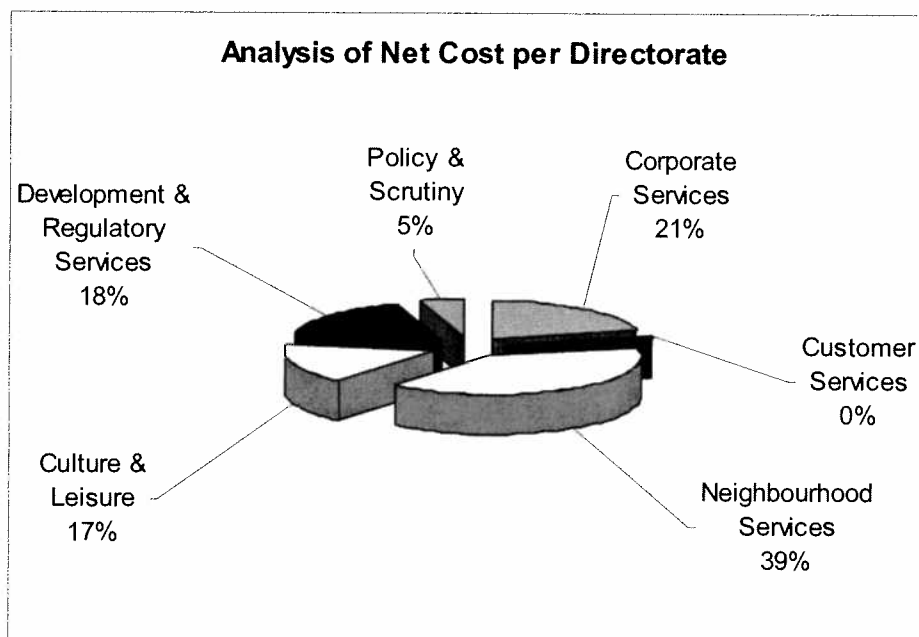
- Employee costs include wages and salaries, statutory pension and national insurance contributions.
- Housing benefit payments include council tax benefit and rent allowances for private sector tenants.
- Supplies and services include materials, equipment, insurance, postage, software licences, etc.

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Net Cost of Services

The chart below shows an analysis of the net cost of providing the Council's services broken down into the operational directorates maintained by the Council. This includes charges for depreciation and other capital costs charges to services for utilising council assets.

Analysis of Net Cost of Services	£000's
Corporate Services	3,593
Customer Services	64
Neighbourhood Services	6,939
Culture and Leisure Services	2,886
Development and Regulatory Services	3,112
Policy and Scrutiny	827
Total Net Cost of Services	17,421



- 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.
- 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.

EXPLANATORY FOREWORD

4. Comparison to Budget 2005/06

General Fund

To fully finance its spending plans for the year the Council had planned to take £353,054 from its general fund balances. The actual net expenditure for the year was £361,796 lower than the revised budget and as such the Council was able to transfer £8,742 into its balances instead of having to use balances. The under spend of £361,796 did not effect the delivery of any services to the public during the financial year.

5. Council Reserves

The Council began the year with General Fund Balances of £5,632,935. These were projected to decrease by the end of the year to £5,090,441. However, the reserves only decreased to £5,209,136 at 31 March 2006; a reduction of £423,799. 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 £1,397,000 and are listed on page 52.

6. Capital Investment and Financing

Capital Spending

Total capital spending for 2005/06 was £6,158,547 which was £3,162,311 below the approved estimate. A substantial part of this, (£3,042,147) has been carried forward to complete schemes and meet commitments in 2006/07. After allowing for carry forwards, the projected variation on current capital schemes is reduced to £120,164. This relates mainly to a few schemes that have not been progressed and after further assessment deleted.

Capital Financing

The following table shows how capital expenditure was financed in 2005/06.

Analysis of Capital Financing 2005/06	Actual £000's
Implementing Electronic Government Grant	195
ODPM – Egov Delivery Grant	391
Disabled Facilities Grant	204
East Midlands Development Agency Grants	160
Section 106 Monies	15
Derby and Derbyshire Economic Partnership	201
Other Grants and Contributions	58
Erewash Borough Council - Capital Resources	4,934
Total Financing	6,158

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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 2005/06.

Capital Resources	£'000's
Available resources at 1 April 2005	14,861
Less: Use of Capital Resources to finance the net capital programme in 2005/06	(4,934)
Less: Capital Contingency to meet potential liabilities.	(2,100)
Add: Capital Receipts received in 2005/06.	2,359
Balance of available capital resources at 31 March 2006.	10,186

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's Responsibilities

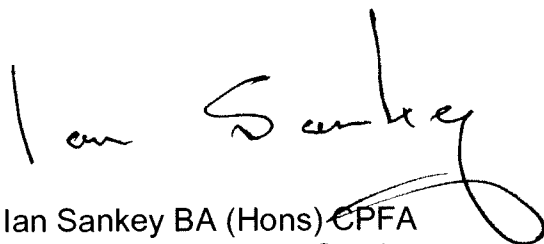
The Director of Corporate Services is responsible for the preparation of the Council's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ('the Code of Practice'). The accounts should present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

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 28th September 2006

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, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council 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 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 31st March 2006 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 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.

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

Erewash Borough Council Statement of Accounts 2005-06

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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 Corporate Plan, adopted in March 2005, and updated in February 2006 with a draft consultation version covering 2006-2009.
- The Comprehensive Improvement Plan adopted February 2006.
- The Best Value Performance Plan, which affirms its commitment to continuous service improvement.
- The Community Strategy, drawn up after consulting the local community and other public, private and voluntary organisations within the Local Strategic Partnership.
- 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.

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

The Monitoring Officer 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.

Independent reviews by Internal Audit, External Audit and various inspectorates helps provide assurance on compliance.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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 Service Effectiveness Scrutiny Panel, and officers, through the Performance Management Group Meetings of the Corporate Management Team.

The Best Value Performance Plan and its performance targets are key documents, with target setting for 2005/06 being driven by the service planning process and cascaded through divisional service plans to individual employee development and performance reviews.

Risk Management

The Council has a Strategic Risk Register and is developing operational risk registers as a key element of the risk management framework now in place. The risks have been identified through officer/member workshops, the service planning process and report writing protocols.

Financial Management

The financial management of the Council is conducted in accordance with Financial Regulations and Contract Procedure Rules. The Council had designated the Director of Corporate Services as Chief Finance Officer in accordance with Section 151 of the Local Government Act 1972. However since 24 March 2006 the role has been undertaken by the Interim Assistant Director (Finance) with the Director of Corporate Services, as Acting Chief Executive, becoming 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 supports a comprehensive budgeting system incorporating regular financial reporting and review.

A detailed budget review was undertaken in 2005, aimed at achieving a sustainable net reduction in expenditure, both to ensure balance in the Council's overall Budget, and to release resources for further investment in strategic priorities.

The Council has formally adopted the CIPFA Code of Practice in Treasury Management and the Investment Strategy is approved by Council each year.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

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 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 whom reports are received. The external audit has been provided by the Audit Commission for the financial year 2005/06.

External Audit provide an independent assessment of the Council's internal control, and publishes their conclusions 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:

Erewash Borough Council Statement of Accounts 2005-06

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Full Council

The Constitutional Review Group provided an ongoing review. A revised Scheme of Delegation was adopted in June 2005 and has been subject to a full review resulting in a further revision in May 2006.

Financial Regulations and Contract Procedure Rules were reviewed and updated during the financial year and staff were provided with appropriate training.

An Employee Code of Conduct was adopted in May 2006.

Scrutiny Function

The Scrutiny Panels have powers to call in decisions and review aspects of the Council's work. They also have a key role in monitoring performance and receive monthly performance reports along with periodic underperformance reports identifying where Best Value Performance Indicators are 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 from February 2006, on a monthly cycle, conducts business as a performance management group, the latter meetings being attended by other service managers with direct responsibility for performance. Prior to this arrangement, whilst CMT monitored performance during the year this was on a more ad hoc basis. The performance management group routinely reviews progress on performance indicators with corrective action plans being put in place for any under-performing services. From March 2006 a report on Internal Audit recommendations due for implementation has been submitted to the group.

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. Completion of the processes was delayed in 2005/06 and therefore their impact has been reduced. The need to develop and embed these is recognised.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

The Transforming Erewash agenda continued to impact upon the organisational structure and the internal control environment during 2005/06 with responsibilities for financial, operational and compliance controls in several cases passing to new officers. The departure of the Chief Executive and the subsequent replacement of Transforming Erewash with a Comprehensive Improvement Plan have, allied to the departure of the Interim Chief Executive, increased uncertainty for staff and had the potential to weaken the control environment. Statements on the internal control environment have been obtained from all directors in post at the year end to provide some 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 were unable to complete a substantial amount of the audit plan, due primarily to staffing issues, but have covered the fundamental financial systems agreed with the Council's External Auditor. The 2005/06 audits, whilst showing that progress had been made in a number of areas, have raised concerns in regard to the number of audit recommendations not implemented within agreed timescales. Some control weaknesses were identified within the Council Tax and Housing Benefit Systems which have not been addressed and are to be deferred until implementation of a new system. Other notable weaknesses identified have related to the lack of procedures for business critical systems, some delays in the raising of accounts in a number of services, and the lack of an IT disaster recovery plan. In this context the Internal Audit Manager is only able to give limited assurance 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 in place a Strategic Risk Register. The Director of Culture and Leisure Services, as lead officer for this activity has introduced a risk management framework adopted by Members in September 2005. Officer training has subsequently been provided and each service area is now developing an operational risk register. The Members of the Scrutiny Panel have a role in monitoring changes to the operational risk registers and updating the Strategic Risk Register.

Although there has been significant progress in the latter part of 2005/06, further work must be undertaken to embed the process in managerial activity throughout the organisation.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Other external review / assurance mechanisms

In December 2005 the Council was the subject of a progress assessment by the Audit Commission, reporting on the implementation of the Council's improvement plan and comparing progress against the previous Comprehensive Performance Assessment (CPA) result provided in December 2004. This report identified that progress being made, albeit limited. A further Audit Commission report, the Annual Audit and Inspection Letter for 2004/05 (published in March 2006), stated that this trend had continued.

In addition to these reports, the Council received a number of other Audit Commission reports which have informed this statement, along with comments from the Office of the Deputy Prime Minister as part of the monitoring regime introduced following the Corporate Governance report issued in 2003.

The Use of Resources Report issued by the Audit Commission in March 2006 indicates that the system of internal control has weaknesses that need to be addressed. With regard to value for money, the lack of best value reviews and the need for a more effective approach to procurement were noted. Work programmes to address these are incorporated in the Council's action plan for 2006/07.

In preparing this statement, we have taken into account the views of the Corporate Management Team, including the Section 151 Officer and the Monitoring Officer, as the Council's statutory officers, and other senior managers within the authority 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 reasonable assurance that its systems of internal control are working effectively. The majority of the control issues raised in last year's statement, with the exception of the production of an IT disaster recovery plan and the establishment of an officer group to review this statement, have been progressed. Where further action is required it has been incorporated within the revised plan shown in the table below: -

No	Control Issue	Action
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 are to be completed by July 2006.
2	The Council's Anti-Fraud and	Adoption by Members of a revised

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

	Corruption Strategy has not been revisited since its approval in October 2001.	Anti Fraud and Corruption Policy by January 2007.
3	Procedure/systems notes are not available for all significant business-critical systems.	Procedure notes need to be prepared in respect of all systems identified.
4	Internal Audit recommendations are not progressed to implementation.	CMT Performance Management Group to introduce a protocol to review the progress and facilitate the implementation of accepted Internal Audit recommendations.
5	The Performance Management approach is not supported by Performance Management software.	Performance Management software is to be implemented during 2006/07.
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.	A project plan is currently being prepared to seek accreditation in 2007.
7	No officer group was established to review evidence and assurances to support the Statement of Internal Control	In line with best practice it is intended to appoint an officer group by October 2006 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 undertaken to improve corporate procurement practices and ensure better value is obtained.	The Council will consider and adopt a new Procurement Strategy, by June 2006, and guidelines will be developed 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 will be implemented in 2006/07, enabling the control weaknesses to be addressed.
10	The lack of a robust Asset Management Plan linked to the capital programme has been recognised.	An Asset Management Plan will be adopted in June 2006/07.
11	Lack of Best Value reviews across the Council's services.	Best Value reviews in Neighbourhood Services and Housing have been agreed and will be delivered during 2006/07.

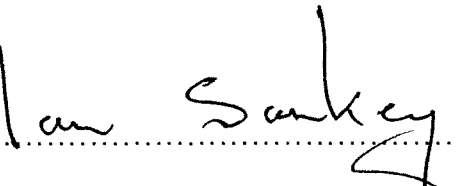
STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

Signed  Councillor Robert Parkinson
Leader of the Council

Dated 28th September 2006

Signed  Jeremy Jaroszek MA MSC CPFA IRRV
Chief Executive

Dated 28th September 2006

Signed  Ian Sankey BA (Hons) CPFA
S151 Officer

Dated 28th September 2006

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 2006 under the Audit Commission Act 1998, which comprise the Consolidated Revenue Account, the Collection Fund, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement 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 Section 151 Officer and auditors

The Section 151 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 2005 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 2005.

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' 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, 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 only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

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

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 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.

Andrew Blackburn – District Auditor

Audit Commission,
Littlemoor House,
Littlemoor,
Eckington,
Sheffield
S21 4EF

29 September 2006

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

Authority's Responsibilities

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

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

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 I am not satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, 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 2006, in that it failed to meet the following criteria:

- put in place channels of communication with service users and other stakeholders including partners, and monitoring arrangements to ensure that key messages about services are taken into account;
- put in place arrangements for monitoring and scrutiny of performance, to identify potential variances against strategic objectives, standards and targets, for taking action where necessary, and reporting to members;
- put in place arrangements to maintain a sound system of internal control;
- put in place arrangements to manage its significant business risks;
- put in place arrangements to manage and improve value for money;
- put in place arrangements to match performance against budget;

Erewash Borough Council Statement of Accounts 2005-06

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

- put in place arrangements for the management of its asset base; and
- put in place arrangements that are designed to promote and ensure probity and propriety in the conduct of its business.

Best value performance plan

I issued my statutory report on the audit of the Authority's best value performance plan for the financial year 2005/06 on 16 December 2005. I did 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
Audit Commission,
Littlemoor House,
Littlemoor,
Eckington,
Sheffield
S21 4EF
29 September 2006

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 2005 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 of Income and Expenditure

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.

Estimates of Debtors and Creditors outstanding at 31 March are accrued into the accounts based on estimates from relevant technical officers in liaison with the Accountancy Section. The accruals are made for all material sums unpaid or payable at the year end for goods or services received or works completed.

3. Deferred Charges

Deferred charges represent capital expenditure which does not result in a tangible fixed asset. For example Private Sector Renewal Grants. Such expenditure is written off to revenue accounts in the year in which it is incurred as the Council obtains no long term benefit from this expenditure.

4. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accrual basis in the accounts. Expenditure on fixed assets is capitalised, provided the asset yields benefits to the Council and the services it provides for more than one year.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Assets Valuation Principles and Guidance

Erewash Borough Council Statement of Accounts 2005-06

STATEMENT OF ACCOUNTING POLICIES

Notes by the Royal Institute of Chartered Surveyors. Fixed assets are classified into groupings required by the Code of Practice on Local Authority Accounting.

Valuation Basis

Operational assets are valued at the lower of net current replacement value or realisable value in existing use. Infrastructure assets are included in the balance sheet at historical cost net of depreciation and Community assets at historical cost net of depreciation, where appropriate. Intangible assets, e.g. computer software, are shown at historical cost net of depreciation. Non operational surplus assets are included at market value.

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 2005/06. Any changes arising from the revaluation of the fixed assets have been taken to the fixed asset restatement account.

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

5. Depreciation on Assets

Fixed assets, which have a finite life, are depreciated over their useful economic life. Under Financial Reporting Standard 15 (FRS15) depreciation is applied to all operational assets, on the value of the asset, excluding any land value, over their finite life, which is determined at the time of acquisition or revaluation.

The estimated useful life for buildings is between 20 and 30 years, equipment between 2 and 10 years, vehicles and plant between 3 and 8 years and for infrastructure assets 15 to 20 years. Intangible assets are depreciated over a 5 year period. Depreciation is not applied where the asset is non-depreciable freehold land or is a non operational investment property.

The annual depreciation charge forms part of the capital charge to the service revenue account. Where depreciation is charged the straight line method is used, i.e. the asset value is reduced by equal amounts each year over the life of the asset to leave a nil value in the accounts at the end of the assets anticipated useful life.

6. 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 levels.

STATEMENT OF ACCOUNTING POLICIES

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

Impairment losses resulting from a clear consumption of economic benefits (e.g. physical damage or deterioration) are charged to the service revenue account and through the Asset Management Revenue Account with a neutralising credit being shown in the Consolidated Revenue Account – appropriations.

7. 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. These receipts are held in the Usable Capital Receipts account.

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 according to the date of invoice rather than on an accruals basis. This policy is consistently applied each year and therefore has no material effects on the accounts.

11. Overheads

The cost of professional, technical and administrative support has been charged to services on the bases given below. This is in line with the CIPFA Best Value Accounting Code of Practice and Statement of Accounting for Overheads.

STATEMENT OF ACCOUNTING POLICIES

- 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/function.

12. Pensions Costs

The Council pays contributions to the Derbyshire County Council Pension Fund. These contributions are based on a percentage of payroll costs, and provide for basic pensions, inflation indexing and related benefits. In addition costs incurred in connection with premature retirements are charged to the General Fund. From 1st April 2005, the Council's contribution rates were set at 305% of employee contributions. This is year one of a three year stepped increase in contributions following the actuarial revaluation in March 2005.

Year	Employer Contribution Rate (%)	Percentage of Employee Rate (%)
2005/06	18.30	305
2006/07	20.16	336
2007/08	22.02	367

The overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 6.2% lower (2004/05: 0.6% lower) after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 7.4% higher (2004/05: 4.9% higher) than it would otherwise have been.

The requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the authority by 44% (2004/05: 43%).

13. Provisions

The Council sets aside provisions for specific future expenses, provided:

- There is a present obligation as a result of a past event

STATEMENT OF ACCOUNTING POLICIES

- It is probable that a transfer of economic benefit will be necessary to settle the obligation
- A reliable estimate of the amount of the obligation can be made.

14. 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 Consolidated Balance Sheet and not included in the Provisions total.

15. Reserves and Balances

The Council maintains earmarked reserves to fund future expenditure on specific policy priorities as well as to provide funds to meet various contingency requirements the Council may have to face. An annual review of all reserves and balances is undertaken to ensure they are still required for the purpose set out and that the balance is still required.

16. Stocks and Work In Progress

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

17. Value Added Tax

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

18. Best Value Accounting

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

19. Interest

Interest payable and interest income is accrued and accounted for in the period in which they relate on a basis which reflects the overall economic effect.

CONSOLIDATED REVENUE ACCOUNT

2004/05 Net Exp		2005/06 Gross Exp £000	2005/06 Inc £000	2005/06 Net Exp £000
£000				
COSTS OF SERVICES				
Central Services				
4,437	Corporate and democratic core	3,449	416	3,033
576	Non distributed costs	(350)	0	(350)
718	Central services to the public	7,211	6,567	644
5,731		10,310	6,983	3,327
Cultural, Environmental & Planning Services				
4,658	Cultural and related services	7,715	2,498	5,217
5,439	Environmental services	7,770	1,983	5,787
461	Planning and development services	1,527	1,004	523
295	Economic development	757	400	357
720	Community development	413	12	401
11,573		18,182	5,897	12,285
Highways, Roads & Transport				
315	Transport planning, policy and strategy	1,017	762	255
951	Housing Services	17,107	15,553	1,554
0	Exceptional Items	0	0	0
18,570	NET COST OF SERVICES	46,616	29,195	17,421
OTHER INCOME/EXPENDITURE				
158	Parish council precepts			159
	Asset management revenue			
(964)	account balance – Note 1			(959)
(1,123)	Interest and investment income			(1,216)
	Pension interest cost and expected			
656	return on pension assets – Note 8			869
17,297	NET OPERATING EXPENDITURE			16,274

CONSOLIDATED REVENUE ACCOUNT

2004/05 Net Exp	2005/06 Gross Exp £000	2005/06 Inc £000	2005/06 Net Exp £000
£000			
APPROPRIATIONS			
302	Transfers to/(from) reserves		443
(2,596)	Deferred charges		(1,545)
	Consolidated revenue account		
(1,770)	appropriations – see note 2		(2,120)
(841)	Movement on pensions reserve		(80)
12,392	AMOUNTS TO BE MET BY GOVERNMENT GRANTS & LOCAL TAXES		12,972
SOURCES OF FINANCE - Grants & Local Taxes			
(4,106)	Revenue support grant		(4,458)
	0 Local Authority Business Growth Incentive		(247)
(3,012)	NNDR payback		(3,181)
(4,840)	EBC precept income		(5,085)
	Collection fund surplus /		
21	adjustments		(10)
(11,937)	Total Grants & Local Taxes		(12,981)
455	Net General Fund Deficit / (surplus)		(9)
(5,915)	Balance on General Fund as at 1 April 2005		(5,633)
(173)	Transfers to/(from) reserves		433
(5,633)	Balance on General Fund as at 31 March 2006		(5,209)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The accounts for the year ended 31 March 2006 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.

	2005/06 £'000	2004/05 £'000
INCOME		
Impairment	0	(94)
Capital charges general fund	(959)	(964)
Depreciation	(2,120)	(1,676)
EXPENDITURE		
Depreciation	2,120	1,676
Impairment	0	94
	(959)	(964)
Balance to Consolidated Revenue Account	959	964

2. Consolidated Revenue 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 2005/06 and 2004/05 was nil because the Council is debt free.

	2005/06 £'000	2004/05 £'000
Housing	0	0
Non housing	0	0
Total Minimum Revenue Provision	0	0
Impairment	0	94
Depreciation	2,120	1,676
Minimum Revenue Provision Adjustment	2,120	1,770
Balance to Capital Financing Account	(2,120)	(1,770)

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

The reversing out of depreciation charges ensures that capital charges have no effect 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.

	2005/06	2004/05
	£'000	£'000
Sport and leisure equipment	15	45
Refuse freighters	190	189
IT equipment	101	179
	306	413

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(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.

	2005/06	2004/05
	£'000	£'000
Recruitment advertising	167	175
Other publicity	137	105
	304	280

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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 2005/06 was £133,490 (2004/05 £134,630).

7. Local Authority Goods and Services Act 1970

In accordance with this Act the Council can provide goods and services to other bodies. In 2005/06 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.

	2005/06 £'000	2004/05 £'000
Interest costs	3,521	3,136
Expected return on assets	(2,652)	(2,480)
Pension interest costs and expected return on pension assets	869	656

From 1st April 2005, the Council's contribution rates were set at 305% of employee contributions. This is year one of a three year stepped increase in contributions following the actuarial revaluation in March 2005.

Year	Employer Contribution Rate (%)	Percentage of Employee Rate (%)
2005/06	18.30	305
2006/07	20.16	336
2007/08	22.02	367

The contributions relating to added years benefits were £361,555 (2004/05: £104,315) which is 4.9% (2004/05: 1.38%) of pensionable pay. The Fund's

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

actuary has advised it would be necessary to provide for £1.262m (2004/05: £1.219m), this represents 17.2% (2004/05: 16.1%) of pensionable pay. Total employers contributions in 2005/06 were £1.50m (2004/05: £1.43m) or 20.48% (2004/05: 18.93%) of pensionable pay.

The movement in the net pension surplus / (deficit) are detailed in note 13 to the balance sheet and in the Statement of Total Movements in Reserves.

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 2005/06	Number of Employees 2004/05
50 – 59	1	0
60 – 69	4	1
70 – 79	0	0
80 – 89	0	1
90 – 99	0	0
100 -109	0	0
110 - 119	0	0
120 - 129	0	0
130 - 139	1	0

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 and prescribes the terms of many of the transactions that the council has with other parties (eg housing benefits). Details of transactions with government departments are set out in a note to the Cash Flow Statement.

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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 61 to 63
Capital Grants from Central Government	Consolidated Balance Sheet, note 4 page 44
Precepts to other Local Authorities	Collection Fund Accounts, pages 58 to 60
Superannuation Contributions	Consolidated Revenue Account, note 8 page 33
Members' Allowances	Consolidated Revenue Account, note 13 page 37

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

	Receipts £'000	Payments £'000
Revenue		
Grants to Parishes (Concurrent functions)		265
Bramcote Crematorium Joint Committee	175	
Bramcote Crematorium Jnt Cttee - Loan interest	7	
Groundwork Erewash		33
Citizens Advice Bureau Partnership		45
Erewash Partnership		43
DCC - Agency - Amenity Maintenance	133	
Erewash Partnership Canal Trust		8
Erewash Community Transport		4
Capital		
Bramcote Crematorium Joint Committee - Loan	88	
East Midland Development Agency	173	
Three Valleys Housing Limited	1,281	

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

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	2	0	1	3
Long Eaton Flood Relief	9	0	0	9
Copley Charity	1	1	1	1
Mayors Charity	9	25	16	0
	21	26	18	13

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:

	Non-chargeable £'000	Chargeable £'000	Total Building Control £'000
2005/06			
Expenditure			
Employee expenses	216	56	272
Supplies and services	33	2	35
Central support costs	64	69	133
	313	127	440
Income			
Building regulation charges	(278)	0	(278)
(Surplus) / Deficit for the Year	35	127	162
Comparatives for 2004/05			
Expenditure	218	103	321
Income	(314)	0	(314)
Surplus/(Deficit) for Year	(96)	103	7

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

13. Members' Allowances

The total amount of allowances paid to the Members' of the Council during the year was £263,943 (2004/05: £258,436).

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 £46,038 (2004/05: £205,016) was incurred. The Council also received external assistance with the Capacity Building Fund and support to the value of £105,500 (2004/05: £155,972) was awarded. The Council continued to seek voluntary engagement with the Office of the Deputy Prime Minister (ODPM) in order to monitor the implementation of the recovery plan and the Council's Comprehensive Improvement 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 £3.50 per head of population. The population of the Borough during 2005/06 was 106,000. The Council was therefore permitted to spend £0.37m under this power in 2005/06 (£0.2m in 2004/05) and its actual expenditure was £121,849 mainly on donations to voluntary bodies working in the local area (£87,000 in 2004/05).

NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

17. Audit Commission Fees

In 2005/06 Erewash Borough Council incurred the following fees relating to external audit and inspection.

	2005/06 £'000	2004/05 £'000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor.	109	112
Fees payable to the Audit Commission in respect of statutory inspection.	21	16
Fees payable to the Audit Commission for the certification of grant claims and returns.	16	15
Fees payable in respect of any other services provided by the appointed auditor.	14	1
Total	160	144

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 £175,000 in 2005/06 (2004/05:£166,325).

CONSOLIDATED BALANCE SHEET

31 March 2005 £000	Note	31 March 2006 £000	31 March 2006 £000
118	Intangible Assets	266	
	Fixed Assets - Operational		
21,967	Other land and buildings	27,974	
1,408	Vehicles and plant	1,681	
3,150	Equipment	2,566	
478	Infrastructure	456	
0	Community	258	
	Fixed Assets - Non-Operational		
2,003	Investment properties	1,718	
5,537	Assets under construction	0	
0	Surplus assets, held for disposal	1,729	
34,661		<u>36,648</u>	36,648
0	Deferred charges	0	
4,001	Long term investments	2,001	
2,388	Long term debtors	2,131	
6,389		<u>4,132</u>	4,132
	Current Assets		
108	Stock in hand	112	
0	Work in progress	0	
15,250	Investments	14,975	
7,818	Debtors/payments in advance	6,705	
23,176		<u>21,792</u>	21,792
	Less:-		
	Current Liabilities		
1	Temporary borrowing	0	
951	Cash overdrawn	937	
5,954	Creditors/receipts in advance	4,027	
6,906		<u>4,964</u>	4,964
57,320	Total Assets Less Current Liabilities		<u>57,608</u>
	Less:-		
485	Provisions		327
25,347	Pension provision		25,059
<u>31,488</u>	Total Assets Less Liabilities		<u>32,222</u>

CONSOLIDATED BALANCE SHEET

31 March 2005 £000	Note	31 March 2006 £000	31 March 2006 £000
(4,345)	Fixed asset restatement account	14	(3,916)
39,039	Capital financing account	15	40,597
754	Reserves capital	16	3,482
715	Reserves revenue	16	1,397
(25,347)	Pensions reserve		(25,059)
39	Deferred capital receipts	17	17
14,861	Usable capital receipts	18	10,186
5,633	Fund balances		5,209
	Collection fund balances		
28	• Borough Council		39
91	• County Council		225
13	• Police Authority		32
7	• Fire Authority		13
31,488	Total Equity		32,222

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Fixed Assets Transactions 2005 - 2006

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 Propert- ies £'000	Assets under construc- tion £'000	Surplus Assets held for disposal £'000	TOTAL £'000
Value as at 1/4/2005	120	23,011	2,118	3,466	542	0	2,003	5,537	0	36,797
Accumulated depreciation	(2)	(1,044)	(710)	(316)	(64)	0	0	0	0	(2,136)
	118	21,967	1,408	3,150	478	0	2,003	5,537	0	34,661
Reclassifica- tions - cost	0	(1,235)	0	0	0	0	(516)	0	1,751	0
Reclassifica- tions - dep'n	0	65	0	0	0	0	(43)	0	(22)	0
Revaluations - cost	0	0	(55)	0	0	0	0	0	0	(55)
Revaluations - depreciation	0	0	64	0	0	0	0	0	0	64
Impairment	0	0	0	0	0	0	0	0	0	0
Additions	175	8,113	587	223	6	258	274	(5,537)	0	4,099
Disposals - cost	0	0	(168)	0	0	0	0	0	0	(168)
Disposals - depreciation	0	0	167	0	0	0	0	0	0	167
Depreciation in year	(27)	(936)	(322)	(807)	(28)	0	0	0	0	(2,120)
Value as at 31/3/2006	266	27,974	1,681	2,566	456	258	1,718	0	1,729	36,648

NOTES TO THE CONSOLIDATED BALANCE SHEET

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 2005/06. 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 2006.

- 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

2005	2006
2 Shopmobility	2
2 Cemeteries	2
1 Crematorium - Note 1	1
1 Museum	1
1 Nursery	1
4 Leisure centres/swimming pools	5
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
29 Car parks	25
1 Markets and Market Building	1
19 Public conveniences	20
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.

2. 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 2005	0
Expenditure in year	2,480
Amount financed by grant and miscellaneous income	(935)
Amounts written off - consolidated revenue account	(1,545)
Balance as at 31st March 2006	0

NOTES TO THE CONSOLIDATED BALANCE SHEET

3. Long Term Debtors

	As at 01/04/05 £'000	Expenditure £'000	Capital Discharged £'000	As at 31/3/06 £'000
Housing act advances and outstanding				
Mortgages	39	0	21	18
Transferred debt	2,074	0	125	1,949
Loan to Broxtowe BC	176	0	88	88
Car loans to employees	99	28	56	71
Bike loans to employees	0	7	2	5
Total long term debtors	2,388	35	292	2,131

4. Capital Expenditure

Capital expenditure and financing was as follows:-

	2005/06 £'000		2005/06 £'000
Opening capital financing requirement			0
Expenditure		Financing	
Operational assets	3,404	Capital receipts	4,934
Non-operational assets	274	Government grants	1,191
Deferred charges	2,480	Miscellaneous income	33
Closing capital financing requirement	0		
	6,158		6,158

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. Stocks and Work-In-Progress

	31 March 2006 £'000	31 March 2005 £'000
Stocks		
Swimming pools/leisure centres	31	35
Transport	28	31
Parks	7	13
Wheeled Bins	9	18
Recycling Bags	26	0
Other	11	11
	112	108
Work-in-progress	0	0
	112	108

6. Investments

	31 March 2006 £'000	31 March 2005 £'000
Investments maturing within 1 year	14,975	15,250
Investments maturing after 1 year	2,001	4,001
	16,976	19,251

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

7. Debtors and Payments In Advance

	31 March 2006 £'000	31 March 2005 £'000
Government departments	1,438	636
Local tax payers	4,323	4,458
Reserved income	2,005	3,921
Sundry debtors	551	651
	8,317	9,666
Payments in advance	149	14
	8,466	9,680
Provisions for bad debts		
Local tax payers	(1,453)	(1,490)
Sundry debtors	(308)	(372)
	6,705	7,818

8. Creditors

	31 March 2006 £'000	31 March 2005 £'000
Government Departments	687	1,704
Sundry Creditors	2,754	2,791
Receipts In Advance	586	888
Deferred creditors	0	571
	4,027	5,954

9. Operating Leases

	2005/06 £'000	2004/05 £'000
Due within 1 year	69	306
Due within 2 – 5 years	0	69
Due after 5 years	0	0
	69	375

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

10. Contingent Liabilities

There are no significant contingent liabilities outstanding.

11. Analysis of Borrowing

The Council remained debt free during 2005/06. There was no long term borrowing entered into by the Council during the year.

12. Provisions

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

	31 March 2005 £'000	Use of Provision in Year £'000	Transfer to balances/ reserves	Provision in Year £'000	31 March 2006 £'000
Harmonisation of Casual Employees	54	0	54	0	0
Sandiacre Friesland - Ground Rent/Service Charge	1	0	0	1	2
Gym Provision	35	0	0	30	65
Housing Benefit Subsidy Amendments	75	75	0	150	150
Housing Benefit Help Desk Initiatives	20	0	13	0	7
Pensions and Tax Credit Verification Framework	2	0	2	0	0
	13	0	0	0	13
Benefit Subsidy Clawback	285	17	268	0	0
Electoral Administration	0	0	0	45	45
Leasing provision	0	0	0	45	45
	485	92	337	271	327

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 2006/07.

Gym Provision

A provision has been set aside to reimburse gym providers Competition Line 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

NOTES TO THE CONSOLIDATED BALANCE SHEET

contract. The £65,000 provision will need to be topped up in 2006/07. The provision may be utilised in 2006/07. 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) Clawback. Once the audited figures are agreed and the Government's clawback position known, any remaining balance will be transferred back to revenue in 2006/07.

Housing Benefit Help Team Initiatives

Housing Benefit Help Team initiatives were ongoing at the end of 2005/06. Funds will be utilised in 2006/07 to reimburse the staffing budget for additional capacity issues.

Verification Framework

Funds set aside to enhance the verification and intervention process will be used in 2006/07 in conjunction with the planned introduction of a new Revenues and Benefits system.

Electoral Administration

A provision of £45,000 has been set aside to meet the anticipated costs of implementing the requirements of the new Electoral Administration Bill that is set to become law during 2006.

Leasing Provision

A final one-off payment will be needed in respect of the cessation of a telephone equipment leasing contract. Elements of the lease are not returnable hence the need for the provision. Discussions have taken place with the lessor regarding the final payment in 2006/07.

13. Pension Fund Assets and Liabilities

The Council is required to make 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 (LGPS), a defined benefit scheme. The main financial assumptions used in their calculations have been:

NOTES TO THE CONSOLIDATED BALANCE SHEET

	31 March 2006 % pa	31 March 2005 % pa
Rates of Inflation	2.9	2.9
Rate of increase in salaries	4.4	4.4
Rate of increase in pensions	2.9	2.9
Proportion of employees opting to take a commuted lump sum	50.0	N/A
Discount rate	4.9	5.4

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 reduce the value of the Council's pension liabilities by £946,000 and this has had been included within Non-distributed Costs on the face of the Consolidated Revenue Account.

Assumed levels of the take-up of the commutation option will have a significant effect on the amounts recognised in the Consolidated Revenue 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	19	(19)

The fair values of each main class of assets held by the Fund as at 31 March 2006 and the expected rates of return for the ensuing year are set out in the following table:

	31 March 2006		31 March 2005	
	Fair Value	Expected Return	Fair Value	Expected Return
	£m	%	£m	%
Equities	1,281	7.00	1,012	7.50
Gilts	262	4.30	228	4.70
Property	92	6.00	32	6.50
Other bonds	34	4.90	72	5.40
Cash	137	4.50	97	4.75
	1,806	6.33	1,441	6.74

NOTES TO THE CONSOLIDATED BALANCE SHEET

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 2006 the Council had the following overall assets and liabilities for pensions.

	31 March 2006	31 March 2005
	£'000	£'000
Estimated Assets in the scheme	49,254	40,507
Estimated liabilities in the scheme	(74,313)	(65,854)
Net surplus/ (deficit)	<u>(25,059)</u>	<u>(25,347)</u>

The movement in the net pension surplus / (deficit) of the Council for the year to 31 March 2006 is as follows:

	£m
Deficit in the Fund as at 1 April 2005	(25.35)
Contributions paid	1.50
Current service Cost	(1.26)
Past service Cost	0.95
Settlement cost	0.00
Curtailment cost	(0.40)
Other finance charge	(0.87)
Actuarial gain (loss) - see below	0.37
Deficit in the Fund as at 31 March 2006	<u>(25.06)</u>

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 2006.

	£m	% of assets / liabilities
Gain / (loss) on assets	7.16	14.5
Experience gain / (loss) on liabilities	(1.27)	(1.7)
Gain / (loss) on change of assumptions (financial & demographic)	(5.52)	(7.4)
Actuarial gain	<u>0.37</u>	

NOTES TO THE CONSOLIDATED BALANCE SHEET

14. 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 2005		(4,345)
Addition of fixed assets	421	
Revaluation of assets - costs	(55)	
- depreciation	64	
Disposal of fixed assets - costs	(168)	
- depreciation	167	
		429
Balance as at 31 March 2006		(3,916)

15. 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 2005	39,039
Capital Financing Capital Receipts	4,934
Capital Financing Capital Grant	289
	5,223
Commutation Adjustment Deferred Charges	(415)
Excess of Depreciation over MRP	(2,120)
Write down of Deferred Charges	(1,130)
	(3,665)
Balance as at 31 March 2006	40,597

NOTES TO THE CONSOLIDATED BALANCE SHEET

16. Reserves

	As At 01/04/05	Receipts in Year	Payments in Year	Transfer to/from Capital	Transfer to/from GF	As At 31/3/06
	£'000	£'000	£'000	£'000	£'000	£'000
Capital						
Vehicle & Plant	608	11	0	0	273	892
Tesco CCTV Fund	20	0	(13)	0	0	7
Shopmobility	9	2	(4)	0	3	10
Museum Purchases	12	0	0	0	0	12
Ropewalk Repairs	101	4	0	0	16	121
Museum donations	4	1	0	0	0	5
Vat Exemption	0	0	0	209	126	335
Capital Contingency Reserve	0	0	0	2,100	0	2,100
	754	18	(17)	2,309	418	3,482
Revenue						
Vat Exemption	167	0	0	0	0	167
John Lally Bequest	6	0	0	0	0	6
Local Lottery	76	0	(3)	0	0	73
Building Control	150	0	0	0	(150)	0
Planning delivery grant	309	484	(325)	0	0	468
Long Eaton Flood Relief	7	1	0	0	0	8
Job Evaluation Reserve	0	0	0	0	150	150
IT Equipment Reserve	0	0	0	0	15	15
Insurance Reserve	0	0	0	0	510	510
	715	485	(328)	0	525	1,397
	1,469	503	(345)	2,309	943	4,879

17. 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

18. 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 7)

	General Fund £'000
Balance at 1 April 2005	14,861
Capital Receipts	2,359
Capital Reserve	(2,100)
Capital Receipts used for financing	(4,934)
Balance as at 31 March 2006	10,186

19. Insurance

During 2005/06, 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 2006 was £510,000. There are no material risks which are unfunded.

STATEMENT OF TOTAL MOVEMENTS IN RESERVES

	2005/06 £'000	2004/05 £'000
Surplus/(deficit) for the year:		
General Fund	(424)	(282)
Collection Fund	170	436
<i>add back</i> Movements on earmarked reserves	682	68
<i>deduct</i> Appropriations from pension reserve	(80)	(841)
Actuarial gains and losses relating to pensions	368	(11,128)
Total increase/(decrease) in revenue resources (note 1)	716	(11,747)
Increase/(decrease) in useable capital receipts	(4,675)	8,338
Increase/(decrease) in earmarked reserves	2,728	(93)
Increase/(decrease) in deferred capital receipts	(22)	(16)
Total increase/(decrease) in realised capital resources (note 2)	(1,969)	8,229
Addition of fixed assets	421	0
Gains/(losses) on revaluations of fixed assets	9	949
Impairment losses on fixed assets due to general changes in prices	0	0
Total increase/(decrease) in unrealised value of fixed assets (note 3)	430	949
Value of assets sold, disposed of or decommissioned (note 4)	(1)	(3,480)
Capital receipts set aside	5,223	5,019
Deferred charges	(1,545)	(2,785)
Transfer of negative credit ceiling	0	(6,305)
Amounts credited to the Asset Management Revenue Account	(2,120)	(1,770)
Total increase/(decrease) in amounts set aside to finance capital investment (note 5)	1,558	(5,841)
Total recognised gains and losses	734	(11,890)

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

1. Movements in Revenue Resources

	General Fund Balances £'000s	Collection Fund Balances £'000s	Earmarked Revenue Reserves £'000s	Pension Reserve £'000s
Surplus/(deficit) for 2005/06	9	170	0	0
Appropriations to/from revenue	(433)	0	682	(80)
Actuarial gains and losses relating to pensions	0	0	0	368
	(424)	170	682	288
Balance brought forward at 1 April 2005	5,633	139	715	(25,347)
Balance carried forward at 31 March 2006	5,209	309	1,397	(25,059)

Details of the other earmarked revenue reserves and the pensions reserve are stated at notes 16 and 13 to the Consolidated Balance Sheet respectively.

2. Movements in Realised Capital Resources

	Useable Capital Receipts £'000	Earmarked Capital Reserves £'000	Deferred Capital Receipts
Amounts receivable in 2005/06	2,359	37	0
Transfers between capital reserves	(2,100)	2,100	0
Transfers (to)/from General Fund	0	608	0
Amounts applied to finance new capital investments in 2005/06	(4,934)	(17)	(22)
Total increase/(decrease) in realised capital resources in 2005/06	(4,675)	2,728	(22)
Balance brought forward at 1 April 2005	14,861	754	39
Balance carried forward at 31 March 2006	10,186	3,482	17

Details of the other earmarked capital reserves and useable capital receipts are stated in notes 16 and 18 to the Consolidated Balance Sheet respectively.

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

3. Movements on Unrealised Value of Fixed Assets

	Fixed Asset Restatement Account £'000
Addition of fixed assets	421
Gains/losses on revaluation of fixed assets in 2005/06	9
Impairment losses on fixed assets due to general changes in the prices in 2005/06	0
Total increase/(decrease) in unrealised capital resources in 2005/06	430

4. Value of Assets Sold, Disposed of or Decommissioned

	Fixed Asset Restatement Account £'000
Total increase/(decrease) in unrealised capital resources in 2005/06 (from note 3)	430
Amounts written off fixed asset balances for disposals in 2005/06	(1)
Total movement on reserve in 2005/06	429
Balance brought forward at 1 April 2005	(4,345)
Balance carried forward at 31 March 2006	(3,916)

Details of the Fixed Asset Restatement account are stated in note 14 to the Consolidated Balance Sheet.

NOTES TO THE STATEMENT OF TOTAL MOVEMENTS IN RESERVES

5. Movements in amounts set aside to finance Capital Investment

	Capital Financing Account £'000
Capital receipts set aside in 2005/06	5,223
Commutation adjustment deferred charges	(415)
Write down of deferred charges	(1,130)
Amounts credited to the Asset Management Revenue Account	(2,120)
Total movement on reserve in 2005/06	1,558
Balance brought forward at 1 April 2005	39,039
Balance carried forward at 31 March 2006	40,597

Details of the Capital Financing Account are stated at note 15 to the Consolidated Balance Sheet.

COLLECTION FUND INCOME & EXPENDITURE ACCOUNT

2004/05 £' 000		2005/06 £' 000
	297 (Surplus) / deficit as at 1 April 2005	(139)
	Income	
(36,293)	Council Tax – note 4	(37,225)
(20,991)	Business Rates – note 2	(21,761)
(5,355)	Council Tax Benefits – note 4	(5,724)
(62,639)		(64,710)
	Expenditure	
20,849	Contributions to NNDR Pool	21,619
143	Costs of Collection – NNDR	142
	Precepts and Demands – note 5	
30,445	Derbyshire County Council	31,197
4,840	Erewash Borough Council	5,085
4,171	Derbyshire Police Authority	4,389
1,777	Derbyshire Fire Authority	1,869
	(1) Write Offs & Adjustments	0
	In year movements in Bad Debt Provision	
(1)	Community Charge	0
241	Council Tax	229
(261)	Contributions to/(from) Precepting Authorities	10
62,203		64,540
(139)	Collection Fund Deficit / (Surplus) – note 3	(309)

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. From 2005/06 Central Government set two rates in the pound: a standard rate and a small business rate. The standard rate in the pound was set at 42.2p and the small business rate was set at 41.5p. These compare to a uniform rate of 45.6p in 2004/05. The Non-domestic rateable value for the Erewash area at 31st March 2006 was £61.0 million (31 March 2005: £52.7 million). Mandatory relief for empty, charitable and void properties was £2.1 million (2004/05: £1.9 million). This resulted in a net yield of £21.8 million (2004/05: £21.0 million).

3. Collection Fund Surplus

At 31st March 2006 there was a surplus on the Collection Fund amounting to £309,000 (2004/05 £139,000). The breakdown of this figure is as follows:

	£'000
Surplus due to Erewash Borough Council	37
Surplus due to Derbyshire County Council	225
Surplus due to Derbyshire Police Authority	32
Surplus due to Derbyshire Fire Authority	13
	307
Surplus on Community Charge Account payable to Erewash Borough Council	2
	309

During 2005/06 £10k was paid to the Council being the payment of the surplus on the Community Charge account. No other payments were made in respect of the collection fund surplus.

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 2005/06 the calculation was as follows:

NOTES TO THE COLLECTION FUND

Council Tax Band	Number Of Band D Equivalents (Adjusted For Discounts)
A	11,477
B	8,773
C	5,733
D	4,443
E	2,339
F	1,008
G	744
H	20
	<hr/>
	34,537

The Council Tax yield for 2005/06 was £42.9 million (2004/05: £41.6 million). Of this figure £37.2 million (2004/05: £36.2million) was receivable from taxpayers and £5.7 million (2004/05: £5.4 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.	5.1
Derbyshire County Council.	31.2
Derbyshire Police Authority	4.4
Derbyshire Fire Authority	1.9
	<hr/>
	42.6

The Borough Council precept includes Parish Councils' requirements of £158,550 (2004/05 £157,811).

CASH FLOW STATEMENT

2005 £'000s	Note	2006 £'000s
REVENUE ACTIVITIES		
Expenditure		
10,595	Cash paid to and on behalf of employees	10,033
36,551	Precepts paid	37,614
14,713	Other operating cash payments	18,591
13,560	Housing benefits paid out	14,799
20,849	National non-domestic rate payments to the national pool	22,430
96,268		103,467
Income		
13	Rents	17
36,293	Council tax receipts	37,291
21,160	Non-domestic rate receipts	21,831
3,012	National non-domestic rate receipts from the national pool	3,181
4,106	Revenue Support Grant	4,705
19,966	DWP grants for benefits	20,778
0	Other government grants	5
14,949	Cash received for goods and services	13,298
99,499		101,106
(3,231)	REVENUE ACTIVITIES CASH FLOW	2,361
SERVICING OF FINANCE		
Cash Outflows		
0	Interest paid	0
Cash Inflows		
(1,121)	Interest received	(1,290)
(1,121)		(1,290)
CAPITAL ACTIVITIES		
Cash Outflows		
4,923	Purchase of fixed assets	6,159
0	Other capital cash payments	0
Cash Inflows		
(5,604)	Sale of fixed assets	(3,429)
(1,313)	Capital grants received	(1,192)
(319)	Other capital cash receipts	(261)
(2,313)		1,277
(6,665)	NET CASH OUTFLOW BEFORE FINANCING	2,348
6,397	Net (decrease)/increase in short term lending	(2,362)
(268)	NET DECREASE/(INCREASE) IN CASH	(14)

Erewash Borough Council Statement of Accounts 2005-06

NOTES TO THE CASH FLOW STATEMENT

1. Movements in Cash

	2006 £ 000s	2005 £ 000s	Movement £ 000s
Cash Overdrawn	937	951	14

2. Reconciliation of Net Surplus/Deficit

	£'000s
Net Surplus General Fund	9
Net Reduction on Collection Fund	170
	<hr/> 179
Contributions to Reserves	(170)
Other Items	(785)
	<hr/> (776)
Decreased Creditors	1,927
Decreased Debtors	1,214
Increased Stock & Work in Progress	(4)
	<hr/> 2,361
Revenue Activities net cash flow	<hr/> 2,361

3. Government Grants

	£ 000s
Council Tax Benefit	6,057
Housing Benefit	14,474
Local Authority Business Growth Incentive	247
Other government grants	5
	<hr/> 20,783

NOTES TO THE CASH FLOW STATEMENT

4. Analysis of Net Investment

	2006 £ 000s	2005 £ 000s	Movement £ 000s
Cash Overdrawn	937	951	(14)
Changes in Financing & Liquid Resources			
Investments	(1)	(1)	0
Temporary Borrowing Money Market	0	1	(1)
Temporary Lending Money Market	(16,975)	(19,250)	2,275
Temporary Loans to Other Local Authorities	(88)	(176)	88
Total Net Investment	(16,127)	(18,475)	2,348

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

	£ 000s	£ 000s
Net Investment at 1 April 2005		18,475
Decrease in investments	1	
Increase/(Decrease) in Cash in the period	14	
Cash Inflow from Increase in Temporary Investment	(2,275)	
Decrease in loans to Other Local Authorities	(88)	
Change in Net Investment resulting from cash flows		(2,348)
Other non Cash Movements		0
Net Investment position as at 31 March 2006		16,127

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. 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.

