



Ashfield

ASHFIELD DISTRICT COUNCIL

STATEMENT OF ACCOUNTS

2005/2006

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EXPLANATORY FOREWORD

1. Introduction

This foreword gives a brief description of the services provided by the Council, the cost of providing them and the sources of finance required to meet the cost. It also draws attention to the main financial statements of account, which the Council is required to keep by law, and gives an overall financial review of the Council's performance during the year.

2. Description of Accounts

The Chartered Institute of Public Finance and Accountancy (CIPFA) issued a 'Code of Practice on Local Authority Accounting'. This authority has complied substantially with these requirements.

The Council's accounts for the year 2005/2006 are set out on pages 15 - 62. They consist of:-

- i) Consolidated Revenue Account – this is the Council's main revenue account which records expenditure and income on all services.
- ii) Housing Revenue Account – shows expenditure and income on Council Housing.
- iii) Collection Fund Accounts – shows the transactions in the year for the collection of Council Tax, National Non-Domestic Rates and residual Community Charge income and payments to authorities precepting on the collection fund.
- iv) Consolidated Balance Sheet – records the financial position of the Council as at 31st March 2006.
- v) Statement of Total Movements in Reserves – shows the total movement in the Council's reserves during the year.
- vi) Group Accounts
- vii) Cash flow Statement – shows the total movement of the Council's funds during the year.
- viii) Statement of Internal Control – shows the system of internal control and processes in place and highlights significant internal control issues.

All the accounts have been compiled in accordance with the Statement of Accounting Policies (see pages 11 to 14). Supporting notes have also been given to the accounts, where further detailed explanation is thought to be useful.

3. Audit Requirements

The Council's accounts are audited annually by the District Auditor, and his certificate and opinion can be found on pages 63 - 64.

4. **Services Provided**

The Council provides a wide range of services and facilities for the area of Ashfield, these being reflected in the two main revenue accounts; the General Fund and Housing Revenue Accounts, these are listed below:-

General Fund

Accommodation for the Homeless
Allotments
Car Parks
Cemeteries
Concessionary Travel Allowances
Economic Development
Environmental Health Services
Improvement Grants
Industrial Estates
Leisure Centres
Maintenance of Roads (as agent for Nottinghamshire County Council)
Markets
Parks and Open Spaces
Pollution Control
Public Conveniences
Public Halls and Community Centres
Refuse Collection
Registration of Electors
Swimming Pools
Town Planning and Building Control

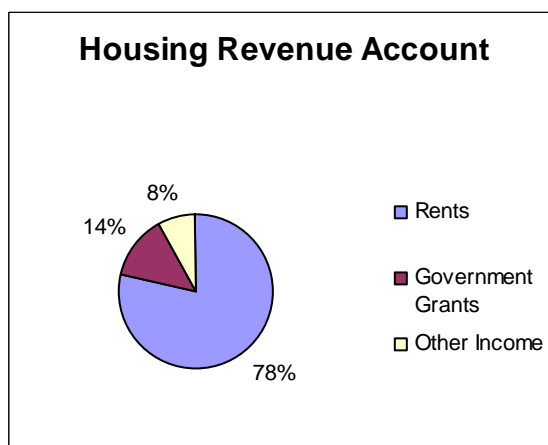
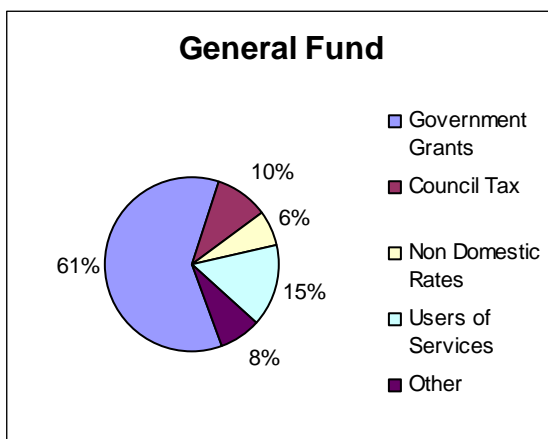
Housing Revenue Account

Provision, Repair and Maintenance of Council Houses
Provision of Council Garages

5. Cost of Services and Sources of Finance

The total gross expenditure incurred in providing these services was £75.8m
(Split £54.3m General Fund and £21.5m Housing Revenue Account)

Income is received from a number of sources to meet this expenditure. This is shown diagrammatically below.



6. Financial Performance

(i) Revenue Expenditure

The original approved budget for 2005/2006 was prepared in the autumn of 2004, and approved by the Council in March 2005. Revisions to the budget were made during 2005, and approved by the Council in February 2006. A comparison of actual expenditure and income, with the approved budget figures is given below:-

	Original Budget £000	Revised Budget £000	Actual £000
Gross Expenditure	47,478	51,518	54,311
Income	(29,844)	(33,768)	(37,000)
Net Expenditure on Services	17,634	17,750	17,311
Less:-			
Asset Management Revenue Account	(2,408)	(2,382)	(2,505)
Local Precepts	152	152	152
Contribution/Reduction to Bad Debts Prc	0	0	123
Interest and Investment Income	(850)	(650)	(757)
Contribution to Housing Pooled Receipts	0	0	2,532
Net Operating Expenditure	14,528	14,870	16,856
Contingency	376	250	248
Contributions from General Reserve	(50)	(225)	(210)
Contributions to Other Reserves	200	200	(233)
Intangible Assets	(1,145)	(1,186)	(1,166)
Movement on Pension Reserve	0	0	(548)
Pensions Interest Cost and Expected Re	0	0	1,361
Release of Government Grant	0	0	133
Transfer from UCR for Housing Pooled F	0	0	(2,532)
Amounts to be met from Government Grants and Local Taxation	13,909	13,909	13,909
Sources of Finance:-			
Council Tax Income	(5,152)	(5,152)	(5,152)
Revenue Support Grant	(5,505)	(5,505)	(5,505)
National Non Domestic Rate Income	(3,252)	(3,252)	(3,252)
Collection Fund Adjustment	0	0	
	(13,909)	(13,909)	(13,909)

The outturn net expenditure on services shows a small under-spend against the original estimates, and the revised estimate.

Community and Economic Promotion

An underspend of £72,000 was mainly due to additional capital charges and concessionary travel claims offset by an underspend on leisure centres and sheltered housing.

Health

A minor overspend of £8,000 was due to various minor variations

Housing

An underspend of £311,000 was due to reduced intangible assets charges on improvement grants and receipt of income for homeless accommodation services.

Land and Property

A minor underspend of £2,000 was due to additional planning fee income and underspends on council shops offset by reduced markets income.

Neighbourhood Services

An overspend of £431,000 was due to increased capital charges and highways costs.

Finance, Revenues and Information Technology

An overspend of £221,000 was due to the reallocation of superannuation costs offset by increased capital charges on replaced information technology equipment and telephone costs

Community Safety

An underspend of £131,000 was due to increased grants and underspends on the cost of CCTV.

Deputy Leader

An underspend of £108,000 was due to reduced expenditure on the cost of the democratic core and best value,

(ii) General Reserve

The balance on the General Reserve as at the 31st March 2006 was £2.476m.

(iii) **Housing Revenue Account**

	Original Budget £000	Revised Budget £000	Actual £000
Expenditure on Services	21,054	21,137	21,549
Rents, Fees and Charges	(17,583)	(17,345)	(19,450)
Net Expenditure on Services	3,471	3,792	2,099
Interest Receipts	(50)	(50)	(32)
Transfers from General Fund	(10)	(10)	(36)
Government Grants	(2,879)	(2,851)	(3,076)
(Surplus)/Deficit for the Year	532	881	(1,045)
Balance in hand Brought Forward	(1,681)	(2,486)	(4,155)
Balance in hand Carried Forward	(1,149)	(1,605)	(5,200)

(iv) **Housing Revenue Account Balance**

The balance on the Housing Revenue Account as at the 31st March 2006 was £5.2m .

(v) **Pensions**

The actuary had assessed the deficit on the pension fund as at the 31st March 2006 as being £36.563m. The actuary last revalued the pension fund as at the 31st March 2004. His recommendations have been received and incorporated into the Medium Term Financial Strategy.

The financial statements have taken into account the accounting policy requirements under FRS17.

(vi) Capital Transactions

- (a) Capital expenditure incurred amounted to £26.246m,
The main elements of expenditure were as follows:

	£000
North Ashfield Leisure Centre	380
Vehicle Purchases	2,001
Butlers Hill Industrial Development	697
Improvements to Council House Stock	22,039

- (b) This expenditure was financed from the following sources :-

	£000
Loans	12,679
Capital Receipts	4,483
Major Repairs Allowance	7,294
Grants and Other Contributions	1,790
	<hr/>
	<u>26,246</u>

- (c) The Council received capital receipts totalling £7.03m from the sale of assets, the major item being Council House sales of £4.17m.

(vii) Treasury Management Activities

The Council maintained its policy of externalising surplus funds through the use of a fund manager during 2005/2006. City Deposit Brokers have £12m of funds under their control.

The outstanding debt as at the 31st March 2006 was £91.7m.

(viii) Future Financial Plans

The Council has an approved capital programme for 2006/2007, which will provide a total investment of £17.4m for the benefit of the Ashfield area.

The Council has approved its revenue budget for 2006/2007, which includes an amount of £1.92m (£0.84m for Housing Revenue Account) for enhancements in revenue service delivery. The Council's underlying level of revenue expenditure remains supported by a small contribution from the General Reserve Fund.

7. Further Information

Further information about the accounts is available from:-

Chief Executive
Ashfield District Council
Council Offices
Urban Road
Kirkby-in-Ashfield
Nottingham
East Midlands, NG17 8DA

Members of the public have a statutory right to inspect the accounts before the annual audit of the accounts is completed. The availability of the accounts for inspection is advertised in the local press.

**ASHFIELD DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2005/2006**

The Authority's Responsibilities

The Authority is required:

- 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 authority, that officer is the Head of Financial Management and Audit Services.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the Statement of Accounts.

The Head of Financial Management and Audit Services Responsibilities

The Head of Financial Management and Audit is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Head of Financial Management and Audit Services has;

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code;
- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I confirm that the Statement of Accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2006.

H Woodhurst, Bsoc Sc (Hons), C.P.F.A.
Head of Financial Management & Audit Services
29th June 2006

I confirm that the accounts were approved by the Council meeting held on the 29th June 2006.
Signed on behalf of Ashfield District Council:

Chairman – E Holmes -----

Date -----

STATEMENT OF ACCOUNTING POLICIES

1. **General**

The accounts have been drawn up in accordance with the 'Code of Practice' on Local Authority Accounting in Great Britain', which is recognised by statute as representing proper accounting practices.

2. **Debtors and Creditors**

The revenue accounts of the Council are maintained on an accruals basis in accordance with FRS18 i.e.

Debtors – all sums due to the Council are recorded in the accounts at the time they are due, the debtors figure appearing in the Balance sheet represents sums due to the Council but which have not been received at the year end. Long term debtors represent principal sums outstanding, but not payable at the year-end.

Creditors – consist of payments made during the year, adjusted at the year end by making an estimated provision for invoices, which relate to goods and services received in the year but which are unpaid at the year end.

Grant claims are submitted on an actual basis wherever possible, however if the information to do this is not available then a best estimate basis is adopted.

3. **Stocks and Work in Progress**

These Balance Sheet figures are recorded on the following basis:-

- a) Works in progress relating to Direct Service Organisations, reinstatements, rechargeable works etc. are included at cost.
- b) Stocks and stores held are included at the latest price paid.

This does not comply with SSAP 9, which require stocks to be shown at actual cost or net realisable value, if lower. The difference is not material.

4. **Provisions**

The Council has set aside provisions for specific future expenses which are likely or certain to be incurred but the amount of which cannot yet be determined accurately.

5. **Reserves**

The Council maintains reserves to meet general, rather than specific, future expenditure. The size and purpose of the Council's reserve funds is given in Note 10 to the balance sheet.

6. **Fixed Assets**

Council dwellings are included on the balance sheet at existing use value for social housing. The houses were revalued during 2005/2006 by King Sturge.

The valuation of land included in the Balance Sheet has been reviewed by the Council's Valuer.

Other buildings owned by the Council were revalued by a local firm of Chartered Surveyors (Robert Clarke) during 2002/2003. These values have been incorporated into the accounts. They have adopted the recommendations of the RICS Appraisal and Valuation Standards Manual [5th edition], which are jointly approved with CIPFA.

Vehicles, equipment and infrastructure assets did not form part of this valuation and have been included in the balance sheet at historical cost. Reclaimed derelict land, parks and recreational areas were deemed community assets by Robert Clarke, with a nil asset value. Adjustments were made accordingly.

All asset values used in the accounts are approved on a certificate issued by the Council's Valuation and Estates Officer (who is a Chartered Surveyor).

Capital receipts from the disposal of assets are held in the capital receipts unapplied account until such time as they are to finance other capital expenditure or are pooled. Interest on capital receipts unapplied is credited to the General Fund.

Depreciation

Assets, excluding land are being depreciated over their estimated useful economic lives. Buildings are depreciated over different time scales according to construction and condition and were considered individually as part of the revaluation. Assets are being depreciated using the straight line method, taking assumed residual values into consideration. Assets are being depreciated over the following periods :-

Infrastructure	40 years
Dwellings	40 years
Other Buildings	1 - 50 years
Kirkby Market	10 years
Computer and other Equipment	10 years
Vehicles/Plant	5 years

7. Capital Charges

The capital charges made to general and housing revenue accounts, equate to the sum of depreciation, and impairment (if any) and a notional interest charge based on the average net amount at which the fixed asset is included in the balance sheets at 1st April 2005 and 31st March 2006. There was no impairment charged for 2005/2006.

The notional rate of interest used is 3.5% for all assets, with the exception of assets included on the balance sheet at historical cost for which a notional interest rate of 4.8% has been applied. This is in accordance with the guidance issued by CIPFA's Local Authority Accounting Panel.

The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires that certain minimum sums be set aside from revenue for the repayment of outstanding debt. This is known as the Minimum Revenue Provision. These equate to 4% of the General Fund Capital Financing Requirement.

The charges to the Housing Revenue Account are laid down by Government regulation. They equate to a charge for interest using the Council's average external borrowing rate (adjusted for premiums/discounts received on premature repayments) applied to the mid year Capital Financing Requirement.

8. Intangible Assets

Intangible assets represent expenditure which may properly be capitalised, but which does not result in a tangible fixed assets. Accounting guidance requires intangible assets to be recorded in the accounts on the basis that they have a continuing value to the Authority. The Council has therefore written out all intangible assets during the year.

9. Government Grants

Government grants are accounted for on an accruals basis and income has been credited, in the case of revenue grants, to the appropriate revenue account or, in the case of capital grants, to a government grants deferred account. Amounts are released from the government grants deferred account to offset any provision for depreciation charged to the revenue account in respect of assets to which the grants relate.

10. Investments

Investments are recorded in the balance sheet at cost, further details of the Council's investments are given in Note 3 to the balance sheet.

11. Costs of Management and Administration

These costs are charged to all services of the Council according to either Service Level Agreements or a detailed study of officers' time spent on various services. Recharges are calculated using the revised estimate figures which are published each year in the Council's Annual Budget Booklet.

12. Pension Costs

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for those employees. It was determined on the basis of rates that are set to meet 100% of the liabilities of the Local Government Superannuation Fund, in accordance with relevant Government regulations.

The contribution was £1,755,000 (£1,472,862 during 2004/2005). This is equivalent to 17.7% of employees pensionable pay (15.4% 2004/2005). This can be further allocated for 10.7% future liabilities and 7% reducing previous deficiencies. (11.2% and 4.2% respectively for 2004/2005). The last actuarial valuation of the Local Government Pension Fund took place in March 2004.

Pension costs have been charged to the Councils accounts in accordance with the requirements of the SORP and FRS17. This has no impact on the overall expenditure of the Authority but does impact on the level of operating costs and the balance sheet.

13. Interest

Interest payable on external borrowings is accrued and accounted for in the accounts in the year to which they relate.

14. Operating Leases

Rentals payable are charged to the revenue account on a straight-line basis over the term of the lease.

15. Overheads

All costs of management and administration are substantially allocated to services, on the bases of allocations outlined below.

<u>Costs</u>	<u>Basis of Allocation</u>
Administrative Buildings	Floor Area
Central Support	Actual time spent or unit cost
Service Management	Actual time spent
Information Technology	Systems operated, equipment utilised or time spent on programming and development

16. Contingent Liabilities

Contingent liabilities are not accrued in the accounting statements, they are disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits.

17. Provisions for Bad or Doubtful Debts

The carrying amount of debtors has been adjusted for doubtful debts, which have been provided for, and known uncollectible debts have been written off.

18. Value Added Tax

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

19. Ashfield Homes Limited

The Authority has an Arms Length Management Organisation (Ashfield Homes Limited). The accounts of Ashfield Homes have been consolidated into the accounts of the Authority.

Further information about the accounts of Ashfield Homes is available from:

Chief Executive
Ashfield Homes Limited
Head Office
Broadway,
Brook Street,
Sutton-in-Ashfield,
Nottinghamshire,
East Midlands, NG17 1AL.

THE CONSOLIDATED REVENUE ACCOUNT

2004/2005		2005/2006			
Net Expend. £000		Gross Expend. £000	Gross Income £000	Net Expend. £000	Note
Service Expenditure					
1,633	Central Services to the Public	11,401	(9,534)	1,867	
10,175	Cultural, Environmental and Planning Services	16,866	(6,425)	10,441	
743	Highways, Roads and Transport Services	1,215	(351)	864	
3,325	Housing Services	45,612	(37,380)	8,232	
2,465	Corporate and Democratic Core	3,072	(1,323)	1,749	
17	Non Distributed Costs	598	(534)	64	
<hr/>					
18,358	Net Cost of Services	78,764	(55,547)	23,217	
131	Parish Council Precepts	152	0	152	
8	Net (Surplus)/Deficit on Trading Undertakings.	959	(765)	194	1
1,216	Pensions Interest Cost and Expected Return	4,091	(2,730)	1,361	
(5,185)	Transfer to/(from) Asset Management Account.	0	(7,020)	(7,020)	2
(206)	Contribution to/(Reduction in) Bad Debts Provision	123	0	123	
(630)	Interest and Investment Income.	0	(789)	(789)	
3,726	Contribution to Housing Pooled Capital Receipts	2,532	0	2,532	
<hr/>					
17,418	Net Operating Expenditure	86,621	(66,851)	19,770	
2,885	Transfer to HRA Balances			1,046	
646	Transfers to/(from) Other Earmarked Reserves			580	
0	Contributions to/(from) Capital Reserves			0	
(737)	Contribution to/(from) Reserve Funds.			(1,937)	
(897)	Reconciling Amount for Provisions for Loan Repyt.			(1,227)	4
(723)	Movement on Pension Reserve			(548)	
(1,377)	Deferred charges.			(1,166)	
188	Releases of Government Grant			133	
(3,726)	Transfer From Useable Capital Receipts for Housing Pooled Receipts			(2,532)	
<hr/>					
13,677	Amounts to be met from Government Grants and Local Taxation			14,119	
(5,250)	General Government Grants.			(5,505)	
(3,111)	Non-domestic Rate Redistribution			(3,252)	
(4,957)	Demands on the Collection Fund			(5,152)	
0	Transfers to/(from) the Collection Fund			0	
<hr/>					
359	Net General Fund (Surplus) / Deficit			210	
(3,045)	Balance on general fund brought forward.			(2,686)	
<hr/>					
(2,686)	Balance on General Fund Carried Forward			(2,476)	
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NOTES TO THE CONSOLIDATED REVENUE ACCOUNT

1. Trading Undertakings

2004/2005 (Surplus)/Loss £000		Income £000	2005/2006 Expenditure £000	(Surplus) / Loss £000
59	Markets	(387)	512	125
<u>(51)</u>	Industrial Estates	<u>(378)</u>	<u>447</u>	<u>69</u>
8		(765)	959	194
86	Trade Refuse Collection	(400)	389	(11)
82	Car Parking	(160)	260	100
74	Ashfield Business Centre	(36)	61	25
(12)	Central Redevelopment Areas	(147)	127	(20)
15	Council Shops	(65)	75	10
15	Private Drains	0	21	21
3	Cesspools	0	4	4
107	Pest Control	(25)	151	126
<u>378</u>		<u>(1,598)</u>	<u>2,047</u>	<u>449</u>

Expenditure on trading undertakings was in line with the budget.

Trading undertakings are maintained by the Authority to meet the Regeneration objective.

2. Transactions on the Asset Management Revenue Account

2004/2005 £000		2005/2006 £000
	Income	
(2,301)	Capital Charges - General Fund	(3,446)
(12,101)	- Housing Revenue Account	(15,384)
	- Other (AHL)	(32)
(188)	Transfer from Government Grants Deferred Account	(133)
(14,590)		(18,995)
	Expenditure	
6,037	Provision for Depreciation	7,622
3,368	External Interest Charges	4,353
<u>(5,185)</u>	Net Expenditure / (Income)	<u>(7,020)</u>

3. Leased Assets - Rentals

	Finance Leases £000	Operating Leases £000
Total Rentals Paid in 2005/2006	0	439
Outstanding Undischarged Leasing Obligations:-		
2006/2007	0	24
2007/2008 to 2010/2011	0	696
After	0	0

It had been the Council's policy until 31st March 2004 to acquire vehicles, plant and certain items of equipment through operating leases, whereby the Council effectively rents the vehicles for a set period of years. It is now the Council's policy to purchase these assets. The Council does not have any finance leases.

4. Minimum Revenue Provision

2004/2005 £000		2005/2006 £000
415	Non-Housing Amount - 4% of Credit Ceiling after adjustment	496
<hr/>		<hr/>
<u>415</u>		<u>496</u>
1,312 (897)	Amount Charged as Depreciation Additional Charge to Consolidated Revenue Account - Appropriation Account	1,723 (1,227)
<hr/>		<hr/>
<u>415</u>		<u>496</u>

5. Section 137 Expenditure

Section 137 of the Local Government Act 1972 as amended by Section 36 of the Local Government and Housing Act 1989, and Statutory Instrument No. 41 1993, enables a local authority to incur expenditure for the benefit of people in its area, on activities or projects not specifically authorised by other powers. Expenditure is limited to £1.90 times the Council's resident population (equivalent to £216,980 in 2005/2006, £206,530 in 2004/2005).

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well being in their area. As a consequence, the provisions of Section 137, with the exception of Subsection 3, the power to make contributions to charities, not for profit bodies and mayoral appeals, were repealed with effect from 18th October 2001.

In 2005/2006, the Council's expenditure under Section 137, Subsection 3 amounted to £115,030. (£123,291 during 2004/2005). It was mainly used for the provision of grants to voluntary bodies.

6. Agency Services

The Council carries out certain work on an agency basis for which it is reimbursed. The principal area of work is as Highways agency for Nottinghamshire County Council, the Design & Construction Division supervises work carried out on the District's highways. The types of work undertaken include footways maintenance, road surfacing and street lighting maintenance. Total expenditure, excluding administration, in 2005/06 was £3,124,494 (£3,272,000 in 2004/2005).

A contribution is received from Nottinghamshire County Council towards the administrative costs of undertaking the above work.

7. Building Control

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function – 'details of scheme for setting charges'. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities.

Building Regulations Charging Account 2005/2006	Chargeable 2005/2006 £000's	Non- Chargeable 2005/2006 £000's	Total Building Control 2005/2006 £000's
Expenditure			
Employees Expenses	215	62	277
Premises	0	0	0
Transport	10	3	13
Supplies and Services	40	12	52
Central and Support Service Charges	86	23	109
Total Expenditure	351	100	451
Income			
Building Regulation Fees	352	0	352
Other Income	0	1	1
Total Income	352	1	353
(Surplus) / Deficit for Year	(1)	99	98

The statement above shows the total cost of operating the Building Control Section divided between chargeable and non-chargeable activities.

8. Publicity Expenditure

Section 5 of the Local Government Act 1986, requires a Local Authority to account separately for expenditure incurred on publicity. In 2005/2006 expenditure amounted to £231,544 (£227,948 in 2004/2005). This related to the placing of advertisements for job vacancies, the production of Ashfield News, which is a free newspaper produced by the Council and delivered to all residents of the area and expenditure incurred on the promotion and marketing of the Council's leisure facilities.

9. Pension Costs

In 2005/2006 the Council has been required to make an employer's contribution to the Local Government Superannuation Fund, a defined benefit scheme, of £1,755,000. (2004/2005 £1,472,862) which covers 100% of liabilities. This equates to 17.7% of employees net pensionable pay (2004/2005 15.4%). Of this, 10.7% is funding for future liabilities and 7% for backfunding. (2004/2005 11.2% and 4.2% respectively)

Expenditure on added years awarded by the Council was £352,207 representing 2% of total pensionable pay, (2004/2005 £251,145 and 2.52%).

The Local Government Superannuation Fund was valued by the actuary as at March 2004.

Further information is included in note 18 to the Balance Sheet on page 39.

10. Employee Remuneration

The Council has employed the following numbers of employees, whose remuneration exceeded £50,000 per annum:

Remuneration £	Number of Employees	
	2004/2005	2005/2006
50,000 - 60,000	8	5
60,000 - 70,000	-	2
70,000 – 80,000	1	-
80,000 – 90,000	-	1

11. Local Authority (Goods and Services) Act 1970

During the year no income was received which related to the Local Authority (Goods and Services) Act 1970.

12. Members' Allowances

The total amount paid under the members' allowances scheme during the year was £366,155 (£362,027 in 2004/2005).

13. Related Party Transactions

Financial Reporting Standard 8 requires local authorities to disclose details of transactions with related parties. This is to draw attention to the possibility of the reported financial position being affected by either the existence of these Related Parties, or any material transactions with them.

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

Payments to/from Central Government	Cash Flow (Pages 47 to 49)
Precepts from other local authorities	Collection Fund Note 1 (Pages 28)
Agency Arrangements	Consolidated Revenue Account Note 6 (Page 18)
Superannuation Contributions	Consolidated Revenue Account Note 9 (Page 19)
Members Allowances	Consolidated Revenue Account Note 12 (Page 19)
Ashfield Homes Limited	Group Accounts (Page 57 to 62)

The Authority utilises the services of an engineering business owned by elected members. The work was awarded following a competitive process.

The Authority maintains a register of Members interests together with a record of interests declared at Committees and Council meetings.

Letters were sent to Members of the Council and the Management Team explaining the requirements of FRS 8, and asking for declarations to assist in complying with the Standard. The information has been used in the preparation of the disclosures above.

14. Audit Commission Fees

In 2005/2006 Ashfield District Council incurred the following fees relating to external audit and inspection:

	2004/2005	2005/2006
	£	£
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	125,922	69,170
Fees payable to the Audit Commission in respect of statutory inspection	12,060	10,770
Fees payable to the Audit Commission for the certification of grant claims and returns	40,181	34,722
Fees payable to the Audit Commission in respect of Use of Resources	-	52,307
Total	<u><u>178,163</u></u>	<u><u>166,969</u></u>

15. Undischarged Obligations

There are no undischarged obligations under PFI schemes.

HOUSING REVENUE ACCOUNT

2004/2005		2005/2006	Note
£000	Income	£000	
17,668	Gross Rental Income	17,652	1
448	Charges for Services & Facilities	491	
1,450	Other Income	1,306	
2,618	HRA Subsidy Receivable (including MRA)	3,076	3
-	Housing Benefit Transfers from General Fund	-	
22,184	Sub-total	22,525	
	Expenditure		
	Repairs, Maintenance and Management		
5,317	Contribution to Housing Repairs Account	6,192	
4,946	Supervision and Management	6,187	
(52)	Rents, rates, taxes and other charges	57	
1,320	Rent Rebates	1,027	2
161	Increased provision for bad or doubtful debts	124	
7,434	Cost of Capital/Impairment/Deferred Charges	9,578	
4,725	Depreciation	5,866	
116	Debt Management Expenses	115	
23,967	Sub-total	29,146	
1,783	Net Cost of Services	6,621	
(4,372)	Adjusting transfer from AMRA	(5,859)	
(10)	Transfers from General Fund	(36)	
199	Amortised payments and discounts	198	
(19)	HRA Investment income/mortgage interest etc.	(32)	4
(2,419)	Net Operating Expenditure	892	
	Appropriations		
271	Revenue Contributions to Capital	-	
-	HRA set-aside (contribution to MRP)	-	
(737)	Transfer to/from Major Repairs Reserve	(1,937)	
(2,885)	Sub-total	(1,045)	
	Housing Revenue Account Balance		
(1,173)	Brought Forward	(2,486)	
(97)	Brought Forward Housing Repairs Account	(1,669)	
(2,885)	(Surplus)/deficit for year	(1,045)	
(4,155)	Carried Forward	(5,200)	

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Gross Rent Income

This figure represents the total rent income due for the year after making allowance for voids (lost income due to a property being empty for a period of time). During 2005/2006, £459,013 or 2.6% of income was not received due to voids (£634,260 or 3.50% in 2004/2005).

2. Housing Benefits

Council tenants on low incomes can receive financial assistance with their rent under the Housing Benefit Scheme. Approximately 60% of tenants rent was met by housing benefit during 2005/2006.

The cost of housing benefits transferred to the General Fund with effect from the 1st April 2004. The housing revenue account reimburses the General Fund for benefits not funded by central government due to rent rebate subsidy limitation.

3. Government Subsidies

The Local Government and Housing Act 1989 introduced legislation which prescribed the way in which the Council's Housing Revenue Account is constructed. It also changed the way in which the Government's Housing Subsidy is calculated, the amounts due for 2004/2005 and 2005/2006 are analysed below:-

	2004/2005 £000	2005/2006 £000
Management and Maintenance	8,240	8,807
Capital Charges Allowance	6,180	6,353
Rent Rebates	-	-
Previous Years Adjustment	(182)	(84)
Major Repairs Allowance	3,987	3,929
	18,225	19,005
Less :		
Notional Rent Income	(15,631)	(15,954)
Notional Interest Receipt	(6)	(5)
	2,588	3,046
Housing Defect Repurchase	30	30
	2,618	3,076

4. Interest Receipts

	2004/2005 £000	2005/2006 £000
Revenue Balances Invested	14	29
Mortgagors of Sold Council Houses	5	3
	19	32

5. Rent Arrears

During 2005/2006 the percentage of rent arrears decreased to 2.36% of income due (3.85% for 2004/2005). The value of arrears at 31st March 2006 was £419,544. (£674,476 at 31st March 2005).

The Council has a bad debt provision for Council house rents in accordance with the Housing Subsidy regulations. Rents written off in the year amounted to £273,005 leaving a balance carried forward of £273,171.

The balance carried forward is in accordance with the suggested level of provision in the 'Code of Practice on Local Authority Accounting' published by The Chartered Institute of Public Finance and Accountancy, and also the Housing Revenue Account (Arrears of Rents and Charges) Directions 1990.

6. Housing Repairs Account

During 1999/2000 the Authority moved to funding housing repairs via a fund set up for this purpose, instead of directly charging the expenditure to the Housing Revenue Account. This is a discretionary account permitted by section 77 of the 1989 Housing Act.

	2004/2005	2005/2006
	£000	£000
Balance brought forward	(1,173)	(1,669)
Expenditure		
Responsive Repairs	3,358	2,829
Planned Maintenance	1,162	2,376
Administration Charges	797	940
	<hr/> 5,317	<hr/> 6,145
Income		
Contribution from Housing Revenue Account	(5,800)	(6,192)
Miscellaneous Income	(13)	-
	<hr/> (5,813)	<hr/> (6,192)
Balance carried forward	<hr/> (1,669)	<hr/> (1,716)

The transactions of the housing Repairs Account have been consolidated into the Housing Revenue Account.

7. Major Repairs Reserve

During 2001/2002 the Authority established a Major Repairs Reserve. The reserve is utilised to fund capital expenditure on Council Properties.

	2004/2005 £000	2005/2006 £000
Balance brought forward	3,859	7,508
Expenditure		
Financing of HRA capital Expenditure	346	7,294
Income		
Depreciation	4,725	5,866
Interest	7	14
Transfer from the HRA	<u>(737)</u>	<u>(1,937)</u>
	3,995	3,943
Balance carried forward	7,508	4,157

8. Housing Capital Expenditure

Housing Capital Expenditure incurred amounted to £22.04m.

The main elements of expenditure were as follows:

	2004/2005 £000	2005/2006 £000
Hucknall Area Contract	5,972	4,349
Sutton In Ashfield Area Contract	8,379	7,984
Kirkby Area Contract	3,810	4,130
Ashfield Homes Limited New Offices	2,215	312
Elderly & Disabled Adaptations	271	-
Environmental Works	188	665
Capital Salaries	1,076	987
Other minor items	<u>573</u>	<u>3,613</u>
	<u>22,484</u>	<u>22,040</u>

The expenditure of £22.04m was financed from borrowing of £9.22m under the

9. Housing Capital Receipts

During the year £6800m of housing capital receipts were received by the Authority. The amounts are summarised below

	2004/2005 £'000	2005/2006 £'000
Council house sales	5,582	4,166

Trusteel sales	-	404
Land/property sales	618	2,215
Mortgage repayments	26	15
	6,226	6,800

10. Intangible Assets

No charges for intangible assets were paid by the Housing Revenue Account during 2005/2006, (No charges for 2004/2005).

11. Balance Sheet Values

The total balance sheet value of Housing Revenue Account assets is as follows :-

	1st April 2005	31st March 2006
	£000	£000
HRA Dwellings	211,513	279,377
Community Facilities & Projects	625	612
Offices	178	2,309
Equipment	-	173
	<u>212,316</u>	<u>282,471</u>

The Housing Revenue Account dwellings were revalued during 2005/2006 by King Sturge. The increase in offices and equipment reflects the building and furnishing of the Broadway offices.

NB. Community Facilities includes £70k of non operational assets (in 05/06)

The balance sheet value is included at 'existing use value' which assumes continued use of the asset for social housing. The difference between that value and the vacant possession value below, represents the economic cost of providing council houses at less than market rents.

12. Vacant Possession Value

The open market value assuming vacant possession within the authority's Housing Revenue account is as follows :-

	1st April 2005	31st March 2006
	£000	£000
	<u>346,189</u>	<u>559,064</u>

13. The Number and Types of Dwellings in the Housing Stock

Type	1st April 2005	31st March 2006
	No.	No.
Low Rise Flats	1,880	1,869
Medium Rise Flats	486	487
Houses & Bungalows	5,002	4,918
Bedsits	80	80
	<u>7,448</u>	<u>7,354</u>

14 **Asset Management Revenue Account**

	2004/2005 £000	2005/2006 £000
Cost of Capital Charge	7,376	9,518
Depreciation on Fixed assets		
On Dwellings	4,707	5,796
On Other Assets	18	70
	<u>12,101</u>	<u>15,384</u>
HRA Interest Costs	3,004	3,659
Depreciation of Fixed Assets	4,725	5,866
Adj Transfer to HRA	4,372	5,859
	<u>12,101</u>	<u>15,384</u>

Explanation of Cost of Capital Charge

The cost of capital charge is calculated as 3.5% of the value of HRA operational assets, carried out in accordance with "Guidance on Stock Valuation" published by ODPM in July 2005.

The adjusting transfer of £3,724,000 ensures that the net operating expenditure as shown in the HRA includes only depreciation and the calculated HRA contribution to external interest.

COLLECTION FUND ACCOUNT

2004/2005 £000	EXPENDITURE	2005/2006 £000
44,211	Precepts (Note 1)	46,195
-	Distribution of estimated previous years surplus	-
-	Adjustment of Previous Years Community Charge	2
489	Bad Debt Provision	107
	National Non Domestic Rates (Note 2)	
18,796	Payment to NNDR Pool	21,425
189	Costs of Collection	355
<u>63,685</u>	Total Expenditure	<u>68,084</u>
	INCOME	
37,247	Council Tax Payers (Note 3)	38,910
7,105	Transfers from General Fund (Note 4)	7,560
2	Adjustment of Previous Years Community Charge	-
18,884	Business Rates (Note 2)	21,678
<u>63,238</u>	Total Income	<u>68,148</u>
(447)	Surplus / (Deficiency) for the Year	64
(14)	Balance at 1 April	(461)
<u>(461)</u>	Balance at 31 March	<u>(397)</u>

NOTES ON COLLECTION FUND ACCOUNTS

1. Precept Payments

The following precepts have been made on the Collection Fund :-

	2004/2005	2005/2006
	£000	£000
Nottinghamshire County Council	33,307	34,837
Nottinghamshire Police Authority	4,025	4,250
Nottinghamshire Fire Authority	1,912	1,956
Ashfield District Council	4,827	5,000
Selston Parish Council	131	142
Annesley / Felley Parish Council	9	10
	44,211	46,195
	44,211	46,195

2. Income from Business Rates

The Council collects Business Rates for properties in its area on the basis of local rateable values multiplied by a uniform rate which is set by the Government for the whole country. The total amount collected is paid into a central pool which is then re-distributed back to local authorities according to standard amount per head of adult population.

These transactions are reflected in the accounts as follows:-

	2004/2005	2005/2006
	£000	£000
Non-Domestic rateable value at 1 April 2005 was £56.7m	18,883	21,678
The uniform business rate for 2005/2006 was £0.422.		
Less :-		
Cost of Collection Allowance	(128)	(126)
Other Adjustments	41	(127)
	18,796	21,425
Net Contribution to National Pool	18,796	21,425

3. Council Tax Income

Council Tax income receivable is based on a charge made for each property in the area. The charge for each property is calculated according to the valuation band in which it is placed. The number of all properties in the various valuation bands provides the Council Tax Base from which the average charge is calculated.

The average charge for 2005/2006 is £1,369.65 (£1,319.54 in 2004/2005) per band 'D' dwelling.

The calculation of the tax base for 2005/2006 is given below:-

	Total Net No. of Dwellings	Ratio to Band "D"	Band "D" Equivalents
Disabled Persons Relief	52.75	5/9	29.3
Band "A"	23,676.75	6/9	15,784.5
Band "B"	9,186.00	7/9	7,144.7
Band "C"	7,031.75	8/9	6,250.4
Band "D"	3,023.50	1	3,023.5
Band "E"	922.00	11/9	1,126.9
Band "F"	342.50	13/9	494.7
Band "G"	119.50	15/9	199.2
Band "H"	7.75	2	15.5
	<hr/>		
Total	44,362.50		34,068.7
Less Provision for Bad Debts			340.7
Council Tax Base for 2005/2006			<hr/> <u>33,728.0</u>

See also note 5 to the Balance Sheet (page 34).

4. Transfers from General Fund

The Council is required to make certain transfers from its General Fund into the Collection Fund, these are listed below for 2005/2006

	£000
Council Tax Benefits	7,458
NNDR Charitable Relief	102
	<hr/>
	<u>7,560</u>

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

31st March 2005			31st March 2006		
£000	£000		£000	£000	Note
		FIXED ASSETS :			
		Operational Assets :			
211,513		Council Dwellings		279,377	
13,304		Other Land and Buildings		13,488	
0		Other Land and Buildings Externally Managed		6,037	
3,538		Vehicles, Plant and Equipment		5,271	
4,348		Infrastructure Assets		4,205	
		Non-Operational Assets :			
17,420		Land Awaiting Development		16,170	
5,397		Commercial Property		5,254	
2,346		Assets Under Construction		3,407	
0		Reclaimed Land		0	
7,000		Externally Managed		669	
<u>264,866</u>				<u>333,878</u>	1
0		Intangible Assets		0	2
2,054		Long Term Investments		2,054	3
328		Long Term Debtors		293	
<u>267,248</u>		TOTAL LONG-TERM ASSETS		<u>336,225</u>	
		CURRENT ASSETS			
	144	Stocks and Work in Progress	200		4
	14,272	Debtors	11,375		5
	10,932	Investments	11,325		3
	766	Payments in Advance	262		
	0	Cash in Hand	169		
26,119	5	Suspense Accounts	(4)	23,327	
<u>293,367</u>				<u>359,552</u>	
		CURRENT LIABILITIES			
	(29,600)	Short Term Borrowing	(12,036)		
	(10,586)	Creditors	(8,740)		6
	(1,376)	Income Received in Advance	(923)		
(42,313)	(751)	Cash Overdrawn	0	(21,699)	
<u>251,054</u>		TOTAL ASSETS LESS			
		CURRENT LIABILITIES		<u>337,853</u>	
	(34,510)	Pensions Liability	(36,563)		
	(49,690)	Long Term Borrowing	(79,651)		7
	(82)	Deferred Capital Receipts	(67)		8
	(3,035)	Government Grants Deferred Account	(4,324)		
(88,134)	(817)	Provisions	(969)	(121,574)	9
<u>162,920</u>		TOTAL ASSETS LESS LIABILITIES		<u>216,279</u>	
(34,510)		Pensions Reserve	(36,563)		
130,981		Fixed Assets Restatement Account	182,944		12
47,644		Capital Financing Account	51,308		16
1,776		Useable Capital Receipts Reserve	1,684		17
2,710		Unapplied Contributions Reserve	4,261		
7,508		Major Repairs Reserve	4,157		
(1,274)		Premia on Debt Rescheduling	(1,075)		
1,705		Earmarked Reserves	2,285		10
2,686		General Reserve	2,475		
(461)		Balances : Collection Fund Revenue Account	(397)		
4,155		: Housing Revenue Account	5,200		
<u>162,920</u>		TOTAL EQUITY		<u>216,279</u>	

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Movement of Fixed Assets

Total 2004/2005 £000		Council Dwellings £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Non- Operational £000	Infra - structure £000	Community £000	Total 2005/2006 £000
233,821	GBV at 31 March 2005	226,268	20,540	5,098	26,156	5,640	0	283,702
90	Restatements to opening	64,959	0	(166)	6		0	64,799
233,911	Adjusted to 1 April 2005	291,227	20,540	4,932	26,162	5,640	0	348,501
7,926	Additions	0	644	2,731	1,061	0	0	4,436
	Transfers	36	(36)	0	0	0	0	0
20,423	Other Capital Programme	18,467	1,066	0	0	0	95	19,628
48,938	Revaluations	13,133	0	0	820	0	0	13,953
(20,423)	Adj. for non inc. in value	(18,467)	(1,066)	0	0	0	(95)	(19,628)
(1,813)	Restatements	0	(93)	0	0	0	0	(93)
(5,260)	Disposals	(2,782)	(50)	0	(2,135)	0	0	(4,967)
283,702	GBV at 31 March 2006	301,614	21,005	7,663	25,908	5,640	0	361,830
(12,799)	Accumulated Depreciation b/f	(14,755)	(955)	(1,560)	(274)	(1,292)	0	(18,836)
0	Restatements to opening	(1,890)	0	166	(6)	0	0	(1,730)
(12,799)	Adjusted to 1 April 2005	(16,645)	(955)	(1,394)	(280)	(1,292)	0	(20,566)
	Depreciation adjustments	0	0	6	(1)	2	0	7
(6,037)	Depreciation for Year	(5,806)	(534)	(1,004)	(133)	(145)	0	(7,622)
	Depreciation on disposals	214	9	0	6			229
(18,836)	Accumulated Depreciation c/f	(22,237)	(1,480)	(2,392)	(408)	(1,435)	0	(27,952)
221,022	NBV at 31 March 2005	274,582	19,585	3,538	25,882	4,348	0	327,935
264,866	NBV at 31 March 2006	279,377	19,525	5,271	25,500	4,205	0	333,878

Notes :- ** GBV = Gross Book Value, NBV = Net Book Value.

Numbers of fixed assets owned by the Council include :

	31 March 2005	31 March 2006
Council Dwellings :	7,448	7,354
Operational :		
Office Buildings	12	10
Depot and Workshops	1	1
Off-Street Car Parks	13	12
Markets	4	4
Cemeteries	6	6
Vehicles & Heavy Plant	24	87
Externally managed :		
Commercial Property Rented Out		
Shops & Industrial units/land	96	95
Sports Centres	4	4
Others	9	7

2. Intangible Assets and Deferred Charges

	Imp Grant £000	Other £000	Total £000
Balance as at 31 March 2005	0	0	0
Expenditure	891	461	1,352
Grant Received	(186)		(186)
Amounts written off to Consolidated Revenue Account	(705)	(461)	(1,166)
	<hr/>	<hr/>	<hr/>
Balance as at 31 March 2006	0	0	0

Intangible Assets comprise of Improvement Grants, Crematorium and Computer Licenses / Training.

3. Investments

	31 March 2005 £000	31 March 2006 £000
Short Term Investments :		
Direct Short Term Investment	932	1,325
City Deposit Brokers Managed Fund	10,000	10,000
	<hr/>	<hr/>
	10,932	11,325
Long Term Investments :		
Association of District Councils	50	50
Other Securities	4	4
City Deposit Brokers Managed Fund	2,000	2,000
	<hr/>	<hr/>
	2,054	2,054
Total Investments	<hr/>	<hr/>
	12,986	13,379

4. Stocks and Work in Progress

A breakdown of the balance sheet figure is given below :-

	31 March 2005 £000	31 March 2006 £000
Work in Progress	105	170
Stocks	39	30
	<hr/>	<hr/>
	144	200

5. Debtors

A detailed analysis of the balance sheet figure is given below :-

	31 March 2005 £000	31 March 2006 £000
Amounts falling due in one year :		
Community Charge	25	25
National Non Domestic Rates	1,193	1,145
Council Tax	4,803	4,263
Council Tax Costs	78	163
Government Departments	1,795	2,645
Other Local Authorities	367	358
Inland Revenue / Customs and Excise	2,132	1,083
Housing Rents	672	420
Housing Advances	3	0
Loan Interest	211	190
Sundry Debtors	5,581	3,114
Other	1,453	1,663
Less - Bad Debt Provisions :		
Housing	(434)	(274)
Community Charge Costs	0	0
Community Charge	(25)	(25)
National Non Domestic Rates	(493)	(419)
Council Tax	(2,865)	(2,411)
Council Tax Costs	(63)	(125)
Other	(161)	(440)
	<u>14,272</u>	<u>11,375</u>
Long Term Debtors :		
Hucknall Community Association	56	55
Mortgages	62	47
Car Loans	90	75
Advances to Housing Associations	120	116
	<u>328</u>	<u>293</u>

6. Creditors

A detailed analysis of the balance sheet figure is given below :-

	31 March 2005 £000	31 March 2006 £000
Other Local Authorities	361	199
Ratepayers	0	0
Housing Rents	167	213
Housing Advances	2	11
Community Charge	1	2
National Non Domestic Rates	300	235
Council Tax	394	424
Government Departments	15	2,113
Accruals	6,050	2,862
Other	3,296	2,681
	<u>10,586</u>	<u>8,740</u>

7. Long Term Borrowing

Balance Outstanding 31 March 2005 £000	Source of Loan	Ranges of Interest Rates Payable %	Balance Outstanding 31 March 2006 £000
11,302	Public Works Loan Board	4.25% to 9.875%	31,302
38,001	Money Market	3.40% to 7.95%	48,000
387	Other Local Authorities	5.84%	349
<u>49,690</u>			<u>79,651</u>
31 March 2005 £000	Maturity Within :		31 March 2006 £000
0	1-2 years		
0	2-5 years		
12,501	5-10 years	6.25% to 7.95%	12,500
37,189	more than 10 years	3.40% to 9.875%	67,151
<u>49,690</u>			<u>79,651</u>

8. Deferred Capital Receipts

Deferred capital receipts include the sale of Council Houses, where the Council has granted a mortgage to the purchaser. The capital receipt will therefore be received over a number of years as the mortgage is repaid.

9. Provisions

	Balance at 31 March 2005 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2006 £000
Insurance Fund	552	172	(342)	382
Neighbourhood Renewal	16	192		208
Other	249	135	(5)	379
	<u>817</u>	<u>499</u>	<u>(347)</u>	<u>969</u>

The Authority maintains an insurance provision to meet its outstanding liability for claims.

10. Reserves

	Balance at 31 March 2005 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2006 £000
Corporate Improvement	989		349	640
Regeneration Fund	120		7	113
Information Technology Fund	99			99
Planning Delivery Grant	320	585	232	673
Sutton Landfill Closure Provision	0	440		440
Single Status Contingency	0	100		100
Insurance Related Funds	141	98	55	184
Other	36	148	148	36
	<u>1,705 0</u>	<u>1,371</u>	<u>791</u>	<u>2,285</u>

11. Contingent Liabilities

(i) Insurance

From 1st April, 1992 onwards the Council has increased its self insurance liability under all its major insurance policies. At 31 March 2006 there is an estimated contingent liability for outstanding insurance claims of £376,000 (These are public liability and employers liability claims). The balance in hand in the liability fund to meet these was £382,000. All the insurance funds total £565,000 at 31st March 2006. The estimated contingent liability figures are based on information provided by the Insurance Company. The true impact will not be apparent until these on-going claims are actually settled. These are very conservative, and it is expected that reserves will be sufficient; however there could be claims incurred but not yet reported which could also affect the figures

During 1992/1993, Municipal Mutual Insurance who had been the Council's main insurers ceased accepting new business. The Council has a number of outstanding claims with M.M.I. and arrangements are in place to try to ensure an orderly settlement of the sums due. As at 31st March 2006 estimated claims outstanding totalled £85,989 which shows an increase of £828 from the previous estimate, provided as at 30th September 2005 (31st March 2005 - £143,249). The amount outstanding is for claims recently filed for employers' liability on slowly developing conditions.

The Independent Insurance Company who were the Council's Liability Insurer between 1992 & 1998 have been forced into liquidation. As at the 31st March 2006 there were no claims outstanding. However, if any further claims arise then it is likely that the whole or at least part of this amount would fall to Ashfield.

Contingent Liabilities continued

(ii) Ashfield Homes Ltd

The Council is the parent company and sole owner of Ashfield Homes Ltd (AHL). In the event of the Management agreement between the Council and AHL ending, all assets and liabilities of AHL would transfer to the Council. This includes all liabilities relating to pension obligations. The council has specifically indemnified AHL in respect of these. It is expected that any pension fund deficit will be reduced by continued additional employers contributions. The actuarial valuation of the pension fund deficit for AHL at 31st March 2006 was £4.54m

12. Fixed Asset Restatement Account

	£000
Balance as at 31 March 2005	(130,981)
Surplus on Revaluation and Restatement of Fixed Assets	(56,701)
Disposal of Fixed Assets	4,738
	<hr/>
Balance as at 31 March 2006	<u>(182,944)</u>

13. Capital Commitments

As at 31st March, 2006, the Council was committed to capital works amounting to £1.125m.

14. Post Balance Sheet Events

The outstanding Hucknall Community Association loan balance of £55,237 was written off by the Council on the 26th April 2006.

15. Trust Funds

The Council is involved in the administration and acts as a trustee to the Teversal Grange Charitable Trust. A copy of the accounts can be obtained from the Council at the address on page 9.

16. Capital Financing Account

The capital financing account contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid.

	£000	£000
Balance as at 31 March 2005		(47,644)
Capital Receipts Set Aside	(18)	
Capital Financing - Capital Receipts	(4,483)	
- MRA	(7,295)	
- Unapplied Contributions	(127)	
- Revenue	0	
Reconciling Amount for Loan Repayment	1,227	
Transfer of HRA Depreciation to MRR	5,866	
Government Grant Release	(133)	(4,963)
Less :		
Write Down of Intangible Assets	1,352	
Loans Repaid	(53)	1,299
Balance as at 31 March 2006		<u><u>(51,308)</u></u>

17. Useable Capital Receipts Reserve

The useable capital receipts reserve represents the capital receipts available to finance capital expenditure in future years, after setting aside the statutory amounts for the repayment of external loans.

	£000	£000
Balance as at 31 March 2004		1,776
Capital Receipts in Year	6,941	
Less :		
In Year Capital Receipts Pooled	(2,532)	
Reserved Receipts	(18)	
Capital Receipts used for Financing	<u>(4,483)</u>	<u>(92)</u>
Balance as at 31 March 2005		<u>1,684</u>

18. Disclosure of Net Pensions Asset/Liability

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

The Authority participates in the **Local Government Pension Scheme**, administered by Nottinghamshire County Council – this is a funded defined benefit scheme, meaning that the Authority and employees pay contributions into the fund, calculated at a level estimated to balance the pensions liabilities with investment assets.

In 2005/2006, pension costs have been charged to the consolidated revenue account on the basis of FRS17 (based on a formal actuarial valuation for 31st March 2004) and the pensions payable in the year to retired officers. However, at 31st March 2006, the Authority had the following overall assets and liabilities for pensions that have now been included in the balance sheet :

The actual payment for employer contributions differed from the estimate submitted (and eventually included in the actuaries report). It was decided that it would be more prudent to use the actual contributions paid over in the year, however this resulted in the balance sheet figures for the pensions reserve and pensions gain/liability differing from the figures included in the actuaries report by the same amount.

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 liability by £1.099m and this has been included within the Non-Distributed Costs on the face of the Consolidated Revenue Account.

31st March 2005 £000's		31st March 2006 £000's	notes
Balance Sheet Items:			
41,696	Market Value of Assets	50,587	1
(76,206)	Liabilities	(86,954)	
<hr/>		<hr/>	
(34,510)	Surplus/(Deficit)	(36,367)	
Movement in Surplus During 2005/2006:			
(22,342)	Surplus/(Deficit) @ Beginning of Year	(34,510)	
(1,453)	Current Service Costs	(1,755)	
1,946	Employer Contributions	2,034	
0	Past Service Cost/Curtailment Cost	534	
(1,216)	Net Interest/Return on Assets	(1,361)	
(11,445)	Actuarial Gain (or Loss)	(1,505)	
<hr/>		<hr/>	
(34,510)	Surplus/(Deficit) @ End of Year	(36,563)	
Revenue Items:			
Operating			
(1,453)	Current Service Cost	(1,755)	
0	Past Service Cost	534	
0	Curtailment Cost	0	
<hr/>		<hr/>	
(1,453)	Total Cost	(1,221)	
Finance			
2,455	Expected Return on Assets	2,730	
(3,671)	Interest on Pensions Liabilities	(4,091)	
<hr/>		<hr/>	
(1,216)	Net Gain (Cost)	(1,361)	
Statement of Actuarial Gains (Losses)			
1,769	Asset Gain/(Loss)	6,575	2
(788)	Liability Gain/(Loss)	(1,541)	3
(12,426)	Change in Assumptions	(6,539)	4
<hr/>		<hr/>	
(11,445)	Net Gain (Loss)	(1,505)	5

Notes1.) **Additional Disclosure Items**

	Assets @ 31/03/05		Assets @ 31/03/06	
	£000's	%	£000's	%
Equities	26,393	63.3	35107	69.4
Government Bonds	5,754	13.8	4047	8.0
Other Bonds	1,918	4.6	3187	6.3
Property	5,963	14.3	7234	14.3
Cash/Liquidity	834	2.0	1012	2.0
Other	834	2.0	0	0.0
	<u>41,696</u>		<u>50,587</u>	

2.) Represents 13.0% of Assets

3.) Represents 1.8% of Liabilities

4.) Represents 7.5% of Liabilities

5.) Represents 1.7% of Liabilities

6.) (i) Deferred taxation has been ignored

(ii) Compensatory added years benefits which are recharged to the employer have been included in the liabilities and contributions for the purpose of FRS 17 calculations.

(iii) No specific investigations in relation to whether the average age of membership has increased have been undertaken. There is no reason to believe that there are substantial changes in this area since the 2004 actuarial valuation.

The actuarial assumptions made in the calculations are:

	Beginning of Year	End of Year
Financial Assumptions		
Rate of Inflation	2.90%	2.90%
Rate of increase in salaries	4.65%	4.65%
Rate of increase in pensions	2.90%	2.90%
Discount Rate	5.40%	4.90%
Expected Rate of Return on Assets		
Equities	7.50%	7.00%
Government Bonds	4.70%	4.30%
Other Bonds	5.40%	4.90%
Property	6.50%	6.00%
Cash Liquidity	4.75%	4.50%
Other	7.50%	N/A
Split of Assets Between Investment Categories		
Equities	63.30%	69.40%
Government Bonds	13.80%	8.00%
Other Bonds	4.60%	6.30%
Property	14.30%	14.30%
Cash Liquidity	2.00%	2.00%
Other	2.00%	0.00%
Market Value of Assets (£'s millions)	1,662	2,039

Further information regarding pension costs is included in note 9 to the consolidated revenue account

THE STATEMENT OF TOTAL MOVEMENT IN RESERVES

	2004/2005	£'000s	2005/2006	£'000s
Movement in Revenue Reserves				
Surplus/(Deficit) for the year:				
- General Fund	(359)		(210)	
- Housing Revenue Account	2,885		1,045	
- Collection Fund	(447)		64	
Less: Reduction in Earmarked Reserves	877		580	
: Premia on Debt Rescheduling			199	
: Appropriation from Pension Reserve	(723)		(548)	
Actuarial losses on Pension Reserve	(11,445)		(1,505)	
Increase/(decrease) in Revenue Reserves			(9,212)	(375)
Increase/(decrease) in Useable Capital Receipts	(2,176)		(92)	
Increase/(decrease) in Unapplied Grants and Contributions	2,444		1,551	
Total increase/(decrease) in realised Capital Resources			268	1,459
Gains/(losses) on revaluation of Fixed Assets	26,241		56,701	
Impairment Losses	0		0	
Total increase/(decrease) in the Unrealised Value of Fixed Assets			26,241	56,701
Value of Assets sold, disposed of or decommissioned			(5,260)	(4,738)
Capital Receipts set aside	5,061		4,501	
Revenue Resources set aside	(4,510)		(837)	
Movement on Government Grants Deferred	997		1,289	
Movement on Major Repairs Reserve	3,649		(3,351)	
Total increase/(decrease) in amounts set aside to Finance Capital Expenditure			5,197	1,602
Total recognised Gains and Losses		17,234		54,649

NOTES TO STATEMENT OF TOTAL MOVEMENT IN RESERVES

	Collection Fund £'000	Premia on Debt Reschedule £'000	General Fund Balances £'000	HRA Balances £'000	Earmarked Revenue Reserves £'000	Pensions Reserve £'000
1. Movement in Revenue Resources						
Surplus/(deficit) for 2005/006	64	199	(210)	1,045		
Appropriations to/from Revenue					580	(548)
Actuarial Gains and Losses relating to Pensions						(1,505)
	64	199	(210)	1,045	580	(2,053)
Balance Br/Fwd @ 1st April 2005	(461)	(1,274)	2,686	4,155	1,705	(34,510)
Balance C/Fwd @ 31st March 2006	(397)	(1,075)	2,476	5,200	2,285	(36,563)
					Useable Capital Receipts £'000	Unapplied Contribs. £'000
2. Movement in Realised Capital Resources						
Amounts receivable in 2005/2006					4,391	1,678
Amounts applied to Finance Capital Investment in 2005/2006					(4,483)	(127)
Total increase/(decrease) in realised Capital Resources					(92)	1,551
Balance Br/Fwd @ 1st April 2005					1,776	2,710
Balance C/Fwd @ 31st March 2006					1,684	4,261
						Fixed Asset Restate. Account £'000
3. Movements in Unrealised Value of Fixed Assets						
Gains/losses on Revaluation of Fixed Assets in 2005/2006						56,701
Impairment Losses on Fixed Assets in 2005/2006						0
Total increase/(decrease) in unrealised Capital Resources						56,701
4. Value of Assets sold, disposed of or decommissioned						
Amounts written off Fixed Asset balances for disposals						(4,738)
Total movement on Reserve 2005/2006						51,963
Balance Br/Fwd @ 1st April 2005						130,981
Balance C/Fwd @ 31st March 2006						182,944

NOTES TO STATEMENT OF TOTAL MOVEMENT IN RESERVES (cont)

	Capital Financing Account £'000	Government Grants Deferred £'000	Major Repairs Reserve £'000	Total £'000
5. Movements in amounts to Finance Capital Investment				
Capital Receipts set aside in 2005/2006:				
- Receipts set aside to reduce indebtedness	(18)			
- Useable Receipts applied	(4,483)			
Total Capital Receipts set aside in 2005/2006				(4,501)
Revenue Resources set aside in 2005/2006:				
- Loan Repayment	(53)			
- Unapplied Contributions	(127)			
- Capital Expenditure financed from MRA	(1,429)			
- Reconciling amount for Provision of Loan Repayment	2,446			
Total Revenue Resources set aside in 2005/2006				837
Grants applied to Capital Investment in 2005/2006		(1,422)		
Amounts credited to AMRA in 2005/2006		133		
Movement on Government Grants Deferred				(1,289)
Movement on Major Repairs Reserve			3,351	3,351
Total increase/(decrease) in amounts set aside to Finance Capital Investment				
Total Movements on Reserve 2005/2006	(3,664)	(1,289)	3,351	(1,602)
Balance Br/Fwd @ 1st April 2005	(47,644)	(3,035)	(7,508)	
Balance C/Fwd @ 31st March 2006	(51,308)	(4,324)	(4,157)	(1,602)
	2004/2005		2005/2006	
	£'000's	%	£'000's	%
6. Movements on Pensions Reserve				
Differences between the expected and actual return on assets	1,769	4	6,575	13
Differences between actuarial assumptions about liabilities and actual experience	(788)	(1.89)	(1,541)	(3.05)
Changes in demographic and financial assumptions used to estimate liabilities	(12,426)	(29.80)	(6,539)	(12.92)
	(11,445)	(27.45)	(1,505)	(2.97)

THE CASH FLOW STATEMENT

2004/2005			2005/2006	
£000	£000		£000	£000
REVENUE ACTIVITIES				
Cash Outflows				
15,293		Cash Paid to and on Behalf of Employees	16,484	
3,726		Contribution to Housing Pooled Capital Receipts	2,532	
21,079		Other Operating Costs	23,200	
6,564		Housing Benefit Expended	7,461	
19,959		Payment to NNDR Pool	19,315	
<u>39,385</u>		Payment of Precepts	<u>41,195</u>	
	106,006			110,187
Cash Inflows				
(7,361)		Rents (Net of Rebates)	(7,940)	
(36,425)		Local Taxation	(38,715)	
(18,539)		Non Domestic Rate Income	(21,511)	
(5,250)		Revenue Support Grant	(5,505)	
(22,881)		DSS Grants (See Note 1)	(24,392)	
(6,995)		Other Government Grants (See Note 1)	(7,696)	
<u>(11,651)</u>		Cash Received for Goods and Services	<u>(11,588)</u>	
	<u>(109,102)</u>			<u>(117,347)</u>
	(3,096)			(7,160)
RETURNS ON INVESTMENTS / SERVICING OF FINANCE				
Cash Outflows				
<u>3,086</u>		Interest Paid	<u>3,992</u>	
	3,086			3,992
Cash Inflows				
<u>(1,097)</u>		Interest Received	<u>(776)</u>	
	(1,097)			(776)
CAPITAL ACTIVITIES				
Cash Outflows				
31,207		Purchase of Fixed Assets	25,243	
<u>568</u>		Other	<u>628</u>	
	31,775			25,871
Cash Inflows				
(6,628)		Sale of Fixed Assets	(6,987)	
(195)		Government Capital Grants Received (See Note 1)	(216)	
<u>(356)</u>		Other Capital Income	<u>(3,639)</u>	
	<u>(7,179)</u>			<u>(10,842)</u>
	23,489	Net Cash (Inflow)/Outflow Before Financing		11,085
MANAGEMENT OF LIQUID RESOURCES				
<u>(2,060)</u>		Liquid Resources	<u>393</u>	
	(2,060)			393
FINANCING				
Cash Outflows				
3,537		Long Term Loans Repaid	38	
<u>71,727</u>		Short Term Loans Repaid	<u>68,712</u>	
	75,264			68,750
Cash Inflows				
(10,000)		Long Term Loans Raised	(30,000)	
<u>(85,727)</u>		Short Term Loans Raised	<u>(51,148)</u>	
	<u>(95,727)</u>			<u>(81,148)</u>
	<u>966</u>	Net (Increase)/Decrease In Cash		<u>(920)</u>

NOTES TO THE CASH FLOW STATEMENT

1. Analysis of Government Grants	2004/2005 £000	2005/2006 £000
D.S.S. Grants :		
Council Tax Benefit Administration	(337)	(339)
Council Tax Benefit Subsidy	(6,264)	(7,400)
Rent Allowances Administration	(82)	(83)
Rent Allowances Subsidy	(6,623)	(7,011)
Non HRA Rent Rebates	(9,290)	(9,272)
Rent Rebates Administration	(285)	(287)
	<u>(22,881)</u>	<u>(24,392)</u>
Other Government Grants :		
Housing Revenue Account Subsidy	(2,263)	(2,977)
Housing Defect Grant	0	
Pathfinder	(657)	(502)
NDR Pool Receipt	(3,111)	(3,252)
Neighbourhood Renewal	(964)	(965)
	<u>(6,995)</u>	<u>(7,696)</u>
Capital Grants :		
Derelict Land Grant	0	(30)
Improvement Grants	(195)	(186)
	<u>(195)</u>	<u>(216)</u>
2. Reconciliation of Surplus to Net Cashflow		
Surplus / Deficit for the Year		
General Fund Deficit	210	
HRA Surplus	(1,045)	
Collection Fund Surplus	<u>(64)</u>	
		(899)
Non Cash Transactions		
MRP	(496)	
Asset Management A/c	(7,020)	
Provisions	971	
Reserves	866	
Revenue Balances	(981)	
Rev Contributions to Cap	<u>0</u>	
		(6,660)
Items on Accruals Basis		
Stocks	(9)	
Work in Progress	65	
Debtors	(3,092)	
Creditors	<u>1,863</u>	
		(1,173)
Items Included in Other Categ.		
Investment Income	789	
Other Non Cash Trans	<u>783</u>	
		1,572
		<u>(7,160)</u>
	NET REVENUE CASHFLOW	

3. **Reconciliation of Items in Financing and Management of Liquid Resources to Opening and Closing Balance Sheets.**

	Opening Balance £000	Loans Raised £000	Loans Repaid £000	Closing Balance £000
Long Term Loans :				
Mortgage	38,001	10,000	0	48,001
PWLB	11,302	20,000		31,302
Broxtowe	387	0	39	348
	<u>49,690</u>	<u>30,000</u>	<u>39</u>	<u>79,651</u>
Deferred Purchase Scheme				0
	<u>49,690</u>	<u>30,000</u>	<u>39</u>	<u>79,651</u>
Short Term Loans :				
General	29,600	51,148	68,712	12,036
Liquid Resources :				
Investments	<u>12,932</u>	<u>89,393</u>	<u>89,000</u>	<u>13,325</u>

4. **Reconciliation of the Movement in Cash to the Movement in Net Debt.**

	2004/2005 £000	2005/2006 £000
Net Increase/(Decrease) in Cash	966	920
Net Cash Outflow Before Financing	23,489	11,085
Movement in Liquid Resources	(2,060)	393
	<u>22,395</u>	<u>12,398</u>

5. **Explanation of the Liquid Resources Figure**

The sole entry in Liquid Resources relates to short - term investments. There has been no change in the Authority's policy.

STATEMENT ON INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

Ashfield District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and 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 the Council's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM ON INTERNAL CONTROL

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

The system of internal control has been in place at Ashfield District Council for the year ended 31st March 2006 and up to the date of approval of the annual report and accounts and, except for the details of significant control issues at section 5, accords with proper practice.

3. THE INTERNAL CONTROL ENVIRONMENT

The key elements of the internal control environment include;

- Establishing and monitoring the achievement of the authority's objectives in accordance with the Community Strategy and maintaining a performance management framework and financial strategy.

The Council's objectives are contained in the Corporate Plan, Community Strategy and other specific Strategies and Plans. Progress against these objectives is monitored by the Authority on a regular basis. In addition all Divisions have business plans which link to the Corporate Plan and which are monitored on a regular basis. The Scrutiny function is well established and has an agreed programme of scrutiny reviews.

- The facilitation of policy and decision-making through a constitution and code of conduct,

The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibility for decision making, the role of full Council, the Executive, Committees, Scrutiny Committees and the process for determining the Authority's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet Members, Committees and Officers are specified. **The Constitution contains a local Code of Corporate Governance outlining the Authority's aims. Council and Committee meetings are open to the public except where personal or confidential matters are being disclosed. The Council publishes a Forward plan of key decisions to be made.**

- Ensuring compliance with established policies, procedures laws and regulations through the work of the monitoring officer, reviews of reports, internal audit reviews and ensuring that staff are adequately trained and experienced,

The Authority has in place Budget and Policy Framework Procedure Rules which set out how budget and policy decisions are made. Key roles are performed by statutory officers, including the Authority's Monitoring Officer and Section 151 Officer. A regular programme of work is carried out by Internal Audit reviewing compliance with established procedures. Internal Audit operates to the standard set out in the "Code of Practice for Internal Audit in Local Government in the UK. In addition, Scrutiny Committees, External Audit and External Inspection Agencies contribute to the review of the Authority's compliance with its policies, procedures, laws and regulations.

- Identifying, assessing and managing risks to the authority's objectives by identifying risks and monitoring the controls and action plans aimed at reducing those risks,

A Risk Management framework has been established which aims to embed risk management into the operational management of the Authority. A risk management champion has been appointed. Key risks have been identified in a corporate Risk Register which is in the process of being added to a computerised performance management system. A Risk Strategy has been approved by the Cabinet which provides a comprehensive methodology for the management of risk. Key risks are reported to the Councils Divisional Management Teams, Extended Management Team and the Cabinet. An operational Risk Management Group deals with the reduction of insurance risk.

- Ensuring economical, effective and efficient use of resources and securing continuous improvement by ensuring adherence to the councils standing orders and procurement strategy and undertaking best value service reviews,

The Council's budget process establishes the resources required to deliver its services and objectives which involves a review of the overall use of resources. A Medium Term Financial Strategy is prepared to ensure that resources are available to meet ongoing commitments. Best Value and Efficiency Reviews are conducted and the Authority's Performance Plan is produced in compliance with annual Best Value requirements. A Procurement Strategy and dedicated Procurement post are in place designed to ensure the Authority uses its resources efficiently and effectively. Internal Audit's annual plan of work includes reviewing the use of resources and public surveys/reference groups are used to gauge the public's perception of services provided.

- The financial management of the authority and the reporting of financial management through adequate financial regulations and standing orders, regular financial monitoring and a continuous risk based internal audit of financial systems and the application of specific treasury management policies and procedures.

The Authority aims to set a balanced budget with integrated revenue and capital budgets. Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Budgets are monitored regularly and members receive financial information which is relevant, understandable and consistent with underlying financial records. Financial reserves are kept under review and the Authority maintains an adequate internal audit function. Financial procedures are identified in approved Financial Regulations which include an anti-fraud and corruption policy. An Audit Committee has been established which meets regularly to receive relevant reports on internal and external audit issues. A Treasury Management policy has been adopted and approved by Council. The Authority prepares its accounts in accordance with professional guidance and complies with the statutory timetable for publication

- The performance management of the authority and the reporting of performance through the performance management framework including the reporting to Elected Members.

The Authority's Corporate Plan reflects national and local priorities and contains targets to be met in achieving its objectives. Targets are included in Divisional Business Plans and individual Personal Development Reviews. A Performance Management Framework is in place which includes quarterly reviews by the Officer Performance Group and regular reports to the Councils Cabinet and Scrutiny Committee. A computerised Performance Management System is being introduced. Benchmarking is a regular feature of Best Value and Efficiency Review reporting. Progress against the Comprehensive Performance Assessment Action Plan is regularly monitored and appraised by the Cabinet.

4. REVIEW OF EFFECTIVENESS

Ashfield District Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of internal auditors and the executive managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by external auditors and other review agencies and inspectorates in the annual audit letter and other reports.

The following processes have been applied during the year, the totality of which supports the review of effectiveness of the system of internal control:

Decision Making

The Council approves all the policies of the Authority.

The Council approves the annual budget and Council Tax

The Cabinet (Executive) has authority from The Council to deliver Policy

The Cabinet works to a forward plan of key decisions

The work of the Cabinet is scrutinised by the Scrutiny Committee. Decisions made by the Cabinet can be "called in" to be reconsidered.

The Council has an Audit Committee which reviews the work of both Internal and External Audit, agrees the Audit Plan and reviews the adequacy of internal control.

Officers prepare written reports for the Cabinet which are appraised in accordance with the Authorities policies and forward plans

Separate Committees deal with quasi-judicial matters such as Planning, Personnel and Licensing issues.

Compliance

The Council's statutory officers are the Chief Executive, the Monitoring Officer and the Section 151 officer. They are responsible for ensuring that the Council acts within the law and in accordance with established policies and procedures. The Section 151 officer is specifically responsible for the proper discharge of the Councils financial arrangements and must advise elected members where any proposal is unlawful or where expenditure is likely to exceed resources.

Chief Officers and senior managers are responsible for ensuring that legislation and policy relating to service delivery and health and safety are implemented.

Internal Audit

Role of Internal Audit

The primary role of Internal Audit is to review, appraise and report on the adequacy and effectiveness of systems of financial, operational and management controls and the arrangements made by Management and Council Members for securing economic, efficient and effective use of resources.

Audit Standards

The Internal Audit Service ensures its standards are maintained with due regard to:-

- the Code of Practice for Internal Audit in Local Government,
- the Chartered Institute of Public Finance and Accountancy (CIPFA)
- professional guidelines.

Operation of Internal Audit

The scope and extent of each audit is governed by the results of an audit risk assessment. The risk assessment is based upon a number of risk factors and this forms the basis of the three-year Strategic Audit Plan. The risk assessment also takes into consideration those risks identified in the Corporate Risk Register and focuses upon the key objectives as identified in the Council's Corporate Plan. Provision has been made within the plan for I.T. audit. A detailed programme of work is to be agreed with management and members subject to the review of the recently procured IT Audit plan. The overall three-year strategy and plan covering 2006/07 to 2008/09 is formally agreed by senior management and is presented to the Audit Committee.

During 2005/06 resourcing problems were identified which have delayed the completion and issuing of some audit work. These matters have been taken into account as part of the 2006/07 plan with additional resources being provided on a temporary basis.

On the conclusion of the assignment, an audit report incorporating a plan for implementation of recommendations is agreed and issued to the appropriate Head of Service and the Head of Financial Management & Internal Audit Services. Quarterly reports summarising findings and recommendations not implemented have been presented to the Extended Management Team and to the Audit Committee.

The Chief Audit and Technical Assistant has direct access and freedom to report, to all senior management including the Chief Executive Officer and Members of the Council and is able to provide an independent opinion on the adequacy and effectiveness of the system of internal financial control.

Audit Committee

During 2005/06 the Council established an Audit Committee. The purpose of the Audit Committee is to provide independent assurance of the management's arrangements for ensuring a sound system of internal control which facilitates the effective exercise of the Council's functions and ensuring it has appropriate arrangements for the management of risk.

The terms of reference for the Audit Committee have been revised and approved with effect from 2006/07 to take into account CIPFA's Audit Committees – Practical Guidance for Local Authorities.

Other explicit review/assurance mechanisms

The Council has reviewed its Constitution.

The Overview Scrutiny Committee has carried out a programme of Scrutiny reviews during 2005/2006 including Public Conveniences, Ashfield Neighbourhood Warden Service, Neighbourhood Renewal, Anti Social Behaviour and Car Parking.

Reports are presented to the Cabinet on a minimum of two occasions per year to review the financial position of the Authority. One report includes the Authorities medium term financial strategy.

Financial Regulations and Standing Orders are reviewed by the Council.

Assurance is obtained on an annual basis from Chief Officers and Heads of Service as to the adequacy of internal control within their Divisions

Assurance is gained from the external auditor through the annual audit letter which is presented to Members.

4. SIGNIFICANT INTERNAL CONTROL ISSUES

The Authority faces another challenging year in 2006/2007 and the following represent the key issues in relation to internal control:

	<u>Issue</u>	<u>Action</u>
1	The Council is in the process of procuring the North Ashfield Leisure Centre to replace existing facilities. This represents a significant outlay for the Authority with the financing being subject to a substantial capital receipt which is yet to be realised.	Expenditure will not be contractually committed until resources are in place.
2.	Standing Orders and Select lists have not been updated for a number of years due to delays in implementing a new accreditation system	Timetable has been established for implementation of new accreditation system and subsequent updating of Standing Orders and Select Lists by the Extended Management Team.
3.	The Authority does not have a Business Continuity Plan in place	The Head of Financial Management and Audit Services has been appointed by the Extended Management Team as lead officer to co-ordinate production of a Business Continuity Plan
4.	The Council does not have an approved IT security policy	An IT security policy will be produced during 2006/2007
5.	Reconciliations of the payroll were not carried out in a timely manner during the year. Elements of the sundry debtor and rent system were not fully reconciled during the year.	Improvements in the timeliness of completing reconciliations need to be made during 2006/2007.
6.	Budgetary control needs to improve further	Managers need to be reminded of their responsibility to monitor budgets throughout the course of the financial year. Significant budgetary control issues will be dealt with by the Performance Group responsible for Finance. Arrangements will be put in place for the development of reporting significant budgetary control issues to Members.

7.	A lack of resources has lead to delays in the payment of employees and a lack of sickness monitoring reports for managers	Review the adequacy of resources in the Payroll Section and establish a long term solution
8.	Action plans to manage risks were not included on the computerised performance management system during 2005/2006.	The Extended Management Team agreed action plans to address risks on the 5 th June 2006. These have been included on the computerised performance management system to enable continuous review. A pilot project has taken place to record Divisional risks and this is being extended across the authority.
9.	The Audit Commission raised issues in the Annual Audit letter.	A meeting of relevant officers has been arranged for the 21 st June 2006 to agree an action plan to address these issues.

Councillor K Creed
Leader of the Council

Alan Mellor
Chief Executive

Date

Date

GROUP ACCOUNTS

Introduction to the Group Accounts

The Authority has total interest in Ashfield Homes Limited, a company formed in 2002 to undertake the Housing Management contract on behalf of Ashfield District Council. The following group financial statements show the consolidated position of the Authority and its interest in Ashfield Homes Limited.

Note to Group Accounts

Ashfield District Council have not complied with the SORP requirement to restate the council's accounts in UK GAAP format before consolidation. This is because it is considered that the presentation adopted is more meaningful to the reader.

GROUP REVENUE ACCOUNT FOR 2005/2006

Total 2004/2005	Ashfield District Council £000	Ashfield Homes Limited £000	Total £000
1,633 Central Services to the Public	1,867		1,867
10,175 Cultural, Environmental and Planning Services	10,441		10,441
743 Highways, Roads and Transport Services	864		864
3,325 Housing Services	8,232		8,232
2,465 Corporate and Democratic Core	1,749		1,749
17 Non Distributed Costs	64		64
18,358 NET COST OF SERVICES	23,217		23,217
131 Parish Council Precepts	152		152
0 Gains and losses on the early settlement of borrowing	0		0
8 Net (Surplus)/Deficit on Trading Undertakings.	194		194
(5,185) Transfer to/(from) Asset Management Account.	(7,020)		(7,020)
1,216 Pensions Interest Cost and Expected Return	1,361		1,361
(206) Contribution/Reduction to Bad Debts Provision	123		123
(630) Interest and Investment Income.	(789)		(789)
3,726 Contribution to Housing Pooled Capital Receipts	2,532		2,532
(191) Share of Surplus of Subsidiaries		(1,986)	(1,986)
17,227 NET OPERATING EXPENDITURE	19,770	(1,986)	17,784
2,885 Transfer to HRA Balances	1,046		1,046
0 Transfer to/(from) General Reserve			0
646 Transfers to/(from) Other Earmarked Reserves	580		580
0 Contributions to/(from) Capital Reserves			0
(737) Contributions to/(from) Reserve Funds	(1,937)		(1,937)
(897) Reconciling Amount for Provisions for Loan Repyt.	(1,227)		(1,227)
(723) Movement on Pension Reserve	(548)		(548)
(1,377) Deferred charges.	(1,166)		(1,166)
188 Releases of Government Grant	133		133
(3,726) Transfer From Useable Cap Receipts for Pooled Receipts	(2,532)		(2,532)
13,486 TO BE MET FROM GOVT GRANTS AND LOCAL TAXATION	14,119	(1,986)	12,133
-5250 General Government Grants.	(5,505)		(5,505)
-3111 Non-domestic Rate Redistribution	(3,252)		(3,252)
(4,957) Demands on the Collection Fund	(5,152)		(5,152)
0 Transfers to/(from) the Collection Fund	0		0
168 NET GENERAL FUND (SURPLUS)/DEFICIT	210	(1,986)	(1,776)

GROUP CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006

TOTAL		Ashfield District Council	Ashfield Homes Limited	Consolidation Adjustments	TOTAL
2004/2005 £000's		2005/2006 £000's	2005/2006 £000's	2005/2006 £000's	2005/2006 £000's
FIXED ASSETS :					
Operational Assets :					
211,513	Council Dwellings	279,377			279,377
13,304	Other Land and Buildings	13,488			13,488
3,587	Vehicles, Plant and Equipment	5,271	66		5,337
4,348	Infrastructure Assets	4,205			4,205
0	Community Assets	0			0
0	Non-Operational Assets :				0
17,420	Land Awaiting Development	16,170			16,170
5,397	Commercial Property	5,254			5,254
2,346	Assets Under Construction	3,407			3,407
0	Reclaimed Land	0			0
7,000	Externally Managed	6,706			6,706
264,915		333,878	66	0	333,944
0	Intangible Assets	0			0
2,054	Long Term Investments	2,054			2,054
328	Long Term Debtors	293			293
267,297	TOTAL LONG-TERM ASSETS	336,225	66	0	336,291
CURRENT ASSETS					
485	Stocks and Work in Progress	200	309		509
11,816	Debtors	11,375	510	(1,609)	10,276
10,932	Investments	11,325			11,325
766	Payments in Advance	262			262
5	Suspense Accounts	(4)			(4)
4,022	Cash at Bank and in Hand	169	3,922	946	5,037
295,323		359,552	4,807	(663)	363,696
CURRENT LIABILITIES					
(29,600)	Short Term Borrowing	(12,036)			(12,036)
(11,660)	Creditors	(8,740)	(2,846)	663	(10,923)
(1,376)	Income Received in Advance	(923)			(923)
(751)	Cash Overdrawn	0			0
251,936	TOTAL ASSETS LESS CURRENT LIABILITIES	337,853	1,961	0	339,814
(34,510)	Pensions Asset	(36,563)	(4,549)		(41,112)
(49,690)	Long Term Borrowing	(79,651)			(79,651)
(73)	Provision for Liabilities and Charges	0	(30)		(30)
(82)	Deferred Capital Receipts	(67)			(67)
(3,035)	Government Grants Deferred Account	(4,324)			(4,324)
(817)	Provisions	(969)			(969)
163,729	TOTAL ASSETS LESS LIABILITIES	216,279	(2,618)	0	213,661

GROUP CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2006
(Continued)

TOTAL		Ashfield District Council	Ashfield Homes Limited	Consolidation Adjustments	TOTAL
2004/2005		2005/2006	2005/2006	2005/2006	2005/2006
£000's		£000's	£000's	£000's	£000's
(34,510)	Pensions Reserve	(36,563)	(4,549)		(41,112)
130,981	Fixed Assets Restatement Reserve	182,944			182,944
47,644	Capital Financing Reserve	51,308			51,308
1,776	Useable Capital Receipts Reserve	1,684			1,684
2,710	Unapplied Contributions Reserve	4,261			4,261
7,508	Major Repairs Reserve	4,157			4,157
(1,274)	Premia on Debt Rescheduling	(1,075)			(1,075)
2,514	Earmarked Reserves	2,285	1,931		4,216
2,686	General Reserve	2,475			2,475
(461)	Balances : Collection Fund Revenue a/c	(397)			(397)
4155	: Housing Revenue Account	5200			5,200
163,729	TOTAL EQUITY	216,279	(2,618)	0	213,661

GROUP STATEMENT OF TOTAL MOVEMENT ON RESERVES

	Fixed Asset Restatement Reserve £000	Useable Capital Receipts Reserve £000	Unapplied Contributions £000	Capital Financing Account £000	Earmarked Reserves £000	General Fund £000	Premia on Debt Reschedule £000	Pensions Reserve £000	Major Repairs Reserve £000	Government Grants Deferred £000	HRA Balance £000	Collection Fund £000	Group Profit & Loss Account £000	Total Reserves £000
Balance Brought Forward Group	(130,381)	(1,776)	(2,710)	(47,644)	(1,705)	(2,686)	1,274	38,218	(7,508)	(3,035)	(4,155)	461	(809)	(163,056)
Net Surplus/Deficit for Year Group	(56,701)	0	(1,551)	8,241	(580)	210	(199)	2,894	3,351	(1,289)	(1,045)	(64)	(1,122)	(47,855)
Unrealised Gains Losses on Revaluation of Fixed Assets Group	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Impairment Losses Arising from Revaluations Group	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Effects of Disposals of Fixed Assets Group	4,738	(4,391)	0	0	0	0	0	0	0	0	0	0	0	347
Financing of Fixed Assets Group	0	4,483	0	(11,905)	0	0	0	0	0	0	0	0	0	(7,422)
Balance Carried Forward	(182,944)	(1,684)	(4,261)	(51,308)	(2,285)	(2,476)	1,075	41,112	(4,157)	(4,324)	(5,200)	397	(1,931)	(217,986)

GROUP CASH FLOW STATEMENT

	ADC	AHL	Consolidation Adjustments	Total
	£000	£000	£000	£000
Net Revenue Cashflow	(7,160)	1,008	0	(6,152)
Returns on Investments & Servicing of Finance:				
Interest Paid	3,992			3,992
Interest Received	(776)	(103)	0	(879)
Taxation Repaid	0	(152)	0	(152)
Capital Activities				
Purchase of Fixed Assets	25,243	49	0	25,292
Other	628	0	0	628
Sale of Council Houses	(4,166)	0	0	(4,166)
Sale of Fixed Assets	(2,821)	0	0	(2,821)
Government Capital Grants Received (See Note 1)	(216)	0	0	(216)
Other Capital Income	(3,639)	0	0	(3,639)
Net Cash (Inflow)/Outflow Before Financing	11,085	802	0	11,887
Management of Liquid Resources	393	0	0	393
Financing:				
Long Term Loans Repaid	38	0	0	38
Short Term Loans Repaid	68,712	0	0	68,712
Long Term Loans Raised	(30,000)	0	0	(30,000)
Short Term Loans Raised	(51,148)	0	0	(51,148)
Net (Increase)/Decrease In Cash	(920)	802	0	(118)

**ASHFIELD DISTRICT COUNCIL
AUDIT CERTIFICATE AND OPINION**

INDEPENDENT AUDITORS' REPORT TO ASHFIELD DISTRICT COUNCIL

I have audited the statement of accounts on pages 2 to 62 which has been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 11 - 14.

This report is made solely to Ashfield District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Head of Financial Management and Audit Services and Auditor

As described on page 10 the Head of Financial Management and Audit Services is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2004. My responsibilities, as independent auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

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

I review whether the statement on internal control on pages 51 to 56 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, or to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

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

Basis of audit opinion

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

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 Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion the statement of accounts presents fairly the financial position of Ashfield District Council as at 31 March 2006 and its income and expenditure for the year then ended.

Certificate

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

Signature: Date:

Name: Address:

