



Ashfield District Council

Statement of Accounts

2007/2008

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Explanatory Foreword

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.

Glossary of Terms & Abbreviations

A glossary of terms & abbreviations is included at the end of the document.

Substantive Changes Introduced into the 2007 SORP

- Until recently financial instruments were not covered comprehensively by UK financial reporting standards. The introduction of FRS 25, FRS 26 and FRS 29 introduced new reporting and disclosure requirements on local authorities. The change is a change in accounting policy and any resulting adjustment between the closing Balance Sheet for 2006/07 and the restated opening Balance Sheet on 1 April 2007 should be treated as a prior period adjustment;
- Fixed Asset Restatement Account and Capital Financing Account have been replaced by the Revaluation Reserve and the Capital Adjustment Account. The balances on these two accounts have been consolidated into the Capital Adjustments Account as at the 31st march 2007;
- A new section on the requirements for Local Area Agreement Grant (LAA).

The Accounts

The accounts are prepared in accordance with the Code of Practice on Local Authority Accounting, the Local Government Statement of Recommended Practice (SORP) 2007 and the Accounts and Audit Regulations 2003. The Statement of Accounting Policies gives further details of how Ashfield District Council have applied the SORP.

The Council's accounts for the year 2007/08 consist of the following main statements with supporting notes where applicable:

The Statement of Responsibilities for the Statement of Accounts

This statement sets out the respective responsibilities of the Council and the Chief Financial Officer for the accounts.

The Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions

measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

The Statement of the Movement on the General Fund Balance

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

- Capital investment is accounted for as it is financed, rather than when fixed assets are consumed;
- The payment of a share of council housing receipts to the government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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

The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

The Statement of Total Gains and Losses

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

The Balance Sheet

This statement is fundamental to the understanding of an authority's financial position at the 31st March 2008. It shows the balances and reserves at an authority's disposal, its long-term debt, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. Explanations and further information regarding many of the items listed are contained in the notes, which follow the Balance Sheet.

The Cash Flow Statement

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

The Housing Revenue Account

The Housing Revenue Account sets out the income and expenditure arising from the provision, management and maintenance of the Council's housing stock. This is a self-

supporting account that is maintained separately from the rest of the Council's accounts and is required to operate with a positive working balance.

The Collection Fund

This shows the transactions in the year for the collection of Council Tax, National Non-Domestic Rates and residual Community Charge income, and precept payments to Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority.

The Group Accounts

The Council are required to determine whether they have a group relationship with other entities and prepare group accounts where appropriate. The Council has 100% interest in Ashfield Homes Limited (AHL), through the issue of a single £1 share. This company was formed on the 26th September 2001 and commenced business to undertake the housing management function on behalf of Ashfield District Council on 1st April 2002.

Ashfield District Council have considered there is a sufficient group relationship with Ashfield Homes Limited to consolidate both sets of accounts comprising of The Group Income and Expenditure Account, The Group Statement of Total Recognised Gains and Losses, The Group Balance Sheet and the Group Cash Flow Statement. These reflect the extended service delivery and economic unit that conducts activities under the control of the parent reporting authority.

Annual Governance Statement

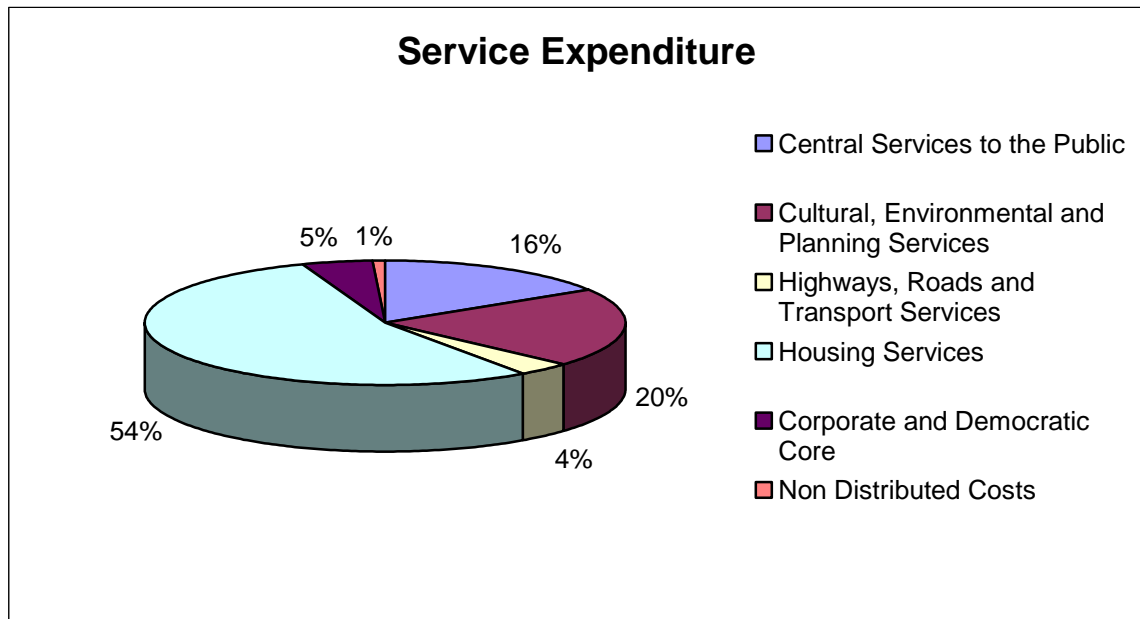
The Annual Governance Statement replaces the Statement on Internal Control for 2007/08. The Annual Governance Statement is the formal statement that recognises, records and publishes an authority's governance arrangements.

Audit Certificate and Opinion

The Council's accounts are subject to an external audit annually by the Audit Commission's nominated District Auditor.

Services Provided and Sources of Finance

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 Income and Expenditure Account and Housing Revenue Account. There have been no acquired or discontinued operations of any significance during 2007/08. The key services are listed over the page.



General Fund

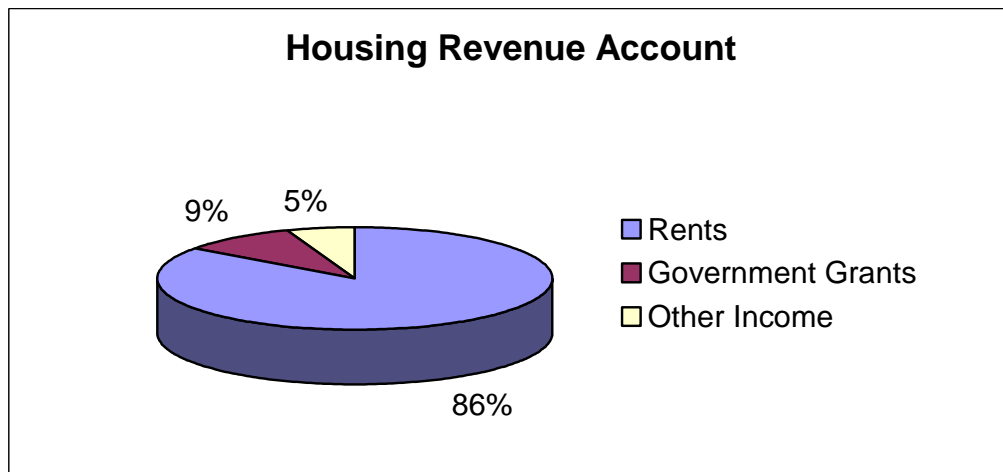
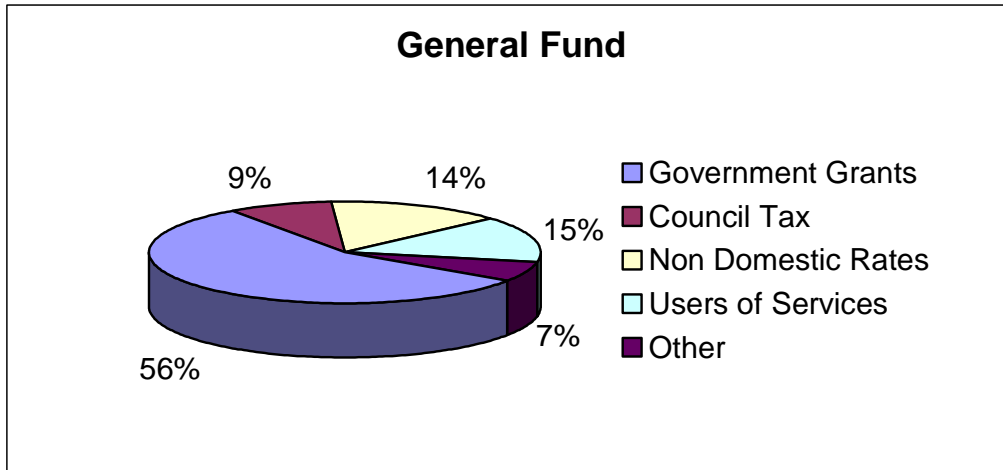
- Accommodation for the Homeless
- Allotments
- Car Parks
- Cemeteries
- Concessionary Travel Allowances
- Economic Development
- Environmental Health Services
- Improvement Grants
- Industrial Estates
- Leisure Centres
- Maintenance of Roads (via a Management and Operation Partnership with Nottinghamshire County Council and other District Councils in Nottinghamshire)
- 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

Sources of Finance

The total gross expenditure incurred in providing these services was £77.5m. (Split £57.6m General Fund and £19.9m Housing Revenue Account. Income is received from a number of sources to meet this expenditure. This is shown diagrammatically below.



Material Assets

The Council entered into a contract to build a new swimming pool and leisure complex on the 19th March 2007, on the Lammas Park, Sutton in Ashfield. The estimated costs of the project are £15.9m, with expected completion in late 2008.

Financial Performance

Revenue Expenditure for the General Fund

A comparison of actual net expenditure, with the approved budget figures is given on the following page.:

Division	Original Budget £000	Revised Budget £000	Actual £000
Chief Executive Office	3,464	2,441	2,363
Community & Economic Promotion	1,654	1,752	1,790
Deputy CEO Outward	285	288	282
Land and Property	431	755	590
Health & Housing	3,998	3,925	3,790
Deputy CEO Inward	218	198	164
Revenues & Information Technology	2,948	2,840	2,785
Financial Management & Audit	(172)	(31)	29
Neighbourhood Services	5,084	5,445	6,154
Net Expenditure on Services	17,910	17,613	17,947
Net Loss / (Gain) on sale of Fixed Assets			138
Parish Council Precepts			163
Pensions Interest Cost and Expected Return			1,020
Interest Payable and Other Charges			661
Interest and Investment Income			(1,160)
Contribution to Housing Pooled Capital Receipts			2,514
Government Grants Deferred			2,514
Net Operating Expenditure			21,283
Sources of Finance:			
General Government Grants			(1,537)
LABGI Grant			(870)
PSA Grant			(108)
Planning Delivery Grant			(277)
Non-Domestic Rate Redistribution			(9,158)
Demands on the Collection Fund			(5,536)
Collection Fund Adjustment			42
Net General Fund Deficit			3,839

The balance on the General Fund as at the 31st March 2008 was £5.5m.

There have been various changes to accounting policies since the approval of the budget resulting in the need to present figures differently and to include figures on the General Fund that were not budgeted for. However, the changes that have been implemented have no overall effect on the General Fund or Council Tax as they are reversed within the Statement of Movement on the General Fund Balance, therefore not affecting balances to be carried forward.

The outturn net expenditure on services shows no significant variation against the Original Budget and an over spend of approximately £0.3m against the revised budget. Significant reasons for these variances are explained over the page:

Chief Executive Office

Due to a change in accounting treatment a number of provisions have been eliminated by paying the balance back into the net cost of services. For this division the total amounted to £874k. Earmarked reserves have been created from the Statement of Total Movement on the General Fund Balance, and the in year transactions have been taken through the appropriate service.

Disregarding the above, there was an over spend of £913k, £729k of which is attributable to the superannuation back-funding charges being greater than anticipated. Additionally, there was a cost of £223k relating to the Job Evaluation exercise, this is matched by a contribution from the Single Status Fund direct to the Statement of Movement on General Fund Balance.

Community and Economic Promotion

There was no significant divergence from the revised budget.

Deputy CEO – Outwards

There was no significant divergence from the revised budget.

Land and Property

Due to a change in accounting treatment a number of provisions have been eliminated by paying the balance back into the net cost of services. For this division the total amounted to £207k. Earmarked reserves have been created from the Statement of Total Movement on the General Fund Balance, and the in year transactions have been taken through the appropriate service.

Disregarding the above, there was an over spend of £60k due to a variety of over and under spends within the services provided. The major variances related to Development Advice and Control section generating additional income of £65k greater than expected and the Asset Maintenance function attracting additional costs of £102k more than expected. However, the additional costs attributable to Asset Management were not budgeted for and were beyond the control of budget holders. These additional costs are reversed within the Statements so that they have no impact on council tax. There were no other major variances attributable to the Divisions outturn

Health and Housing

Due to a change in accounting treatment a number of provisions have been eliminated by paying the balance back into the net cost of services. For this division the total amounted to £381k. Earmarked reserves have been created from the Statement of Total Movement on the General Fund Balance, and the in year transactions have been taken through the appropriate service.

Disregarding the above, there was an over spend of £173k compared to budget. This is mainly attributable additional capital financing costs of £100k attributable to leisure centres as well as over estimated income relating to the Care and Repair service. The additional capital financing costs are reversed within the Statements so that they have no impact on council tax. There were no other major variances attributable to the Divisions outturn.

Deputy CEO – Inwards

There was an under spend of £34k largely due to a £28k saving on Business Improvement, and the cost of producing the Ashfield News publication for the local electorate was £12k under budget.

Revenue, Information Technology and Customer Services

Overall there was a £65k under spend, which is related to numerous under and over spends within the service. Housing Benefit subsidy has generated an additional £160k net income compared to budget. There was also a £40k under spend on salaries relating to the Customer Services section due to various vacancies throughout the year. However, this was largely offset by the substantial costs of writing off intangible assets to the revenue account, as per the authorities accounting policies. These additional costs are reversed within the Statements so that they have no impact on council tax. There were no other major variances attributable to the Divisions outturn.

Financial Management and Audit Services

Financial Management and Audit Services is a fully recoverable Division therefore should have a minimal net budget. There was an over spend of £60k compared to budget due to residual amounts on business units not being fully recharged during late stages of the budget process. Within the Division, there are no major budget variances.

Neighbourhood Services

There was an over spend of £709k this is attributable to impairment costs of £399k and a budgeted contribution of £177k for Sutton Landfill not being realised. Due to a change in accounting practice that was not foreseen during the budgeting process this is no longer being disclosed above the net cost of services line in the Income and Expenditure Account. The main variances were an over spend on the Street Lighting and Cemetery services and under spends on the Parks and Environmental Awareness services. There are also numerous other under and over spends within the division, all of which have minimal affect on the overall outturn position for the Division.

Housing Revenue Account

	Original Budget £000	Revised Budget £000	Actual £000
Expenditure on Services	17,333	17,457	20,230
Rents, Fees and Charges	<u>(20,202)</u>	<u>(20,161)</u>	<u>(20,667)</u>
Net Expenditure on Services	(2,869)	(2,704)	(437)
(Gains) / Losses on Disposal of Assets	65	60	624
Interest Payable and Other Charges	3,978	4,098	4,044
Interest Receipts	(31)	(300)	(320)
Amortisation of Premiums and Discounts	173	173	173
Government Grants	(2,237)	(2,211)	(2,145)
Repayment of balances	<u>0</u>	<u>(1,520)</u>	<u>(1,520)</u>
(Surplus)/Deficit for the Year	(921)	(2,404)	419
Amount to be credited to the HRA balance	0	0	(2,983)
Balance Brought Forward	<u>(4,365)</u>	<u>(5,989)</u>	<u>(5,989)</u>
Balance Carried Forward	<u>(5,286)</u>	<u>(8,393)</u>	<u>(8,553)</u>

The balance on the Housing Revenue Account as at the 31st March 2008 was £8.5m against a budget of £8.4m giving a net increase of £0.1m compared to the budget. The main reasons for this is additional expenditure on the management fee to AHL approved by Cabinet for disabled adaptation works equating to £0.2m.

There have been various changes to accounting policies since the approval of the budget resulting in the need to present figures differently and to include figures on the HRA that were not budgeted for. However, the changes that have been implemented have no overall effect on the HRA or rents as they are reversed within the Statement of Movement on the HRA Balance, therefore not affecting balances to be carried forward.

Capital Expenditure and Financing

Capital Expenditure

Capital expenditure of £22.2m was incurred on the following main projects:

	£000
North Ashfield Leisure Centre	9,428
Improvements to Council House Stock	5,081
Improvement Grants	1,633
Vehicle Purchases	1,025
PC Replacement and New Software	495
Hucknall Town Centre	386
Disabled Access	363
Release of Covenant on Diamond Avenue	352
Ashfield Homes Procurement Fee	301
Butlers Hill Industrial Development	287
Asset Management Works	268
Office Alterations	165
Brown Bin Roll Out	23
Selston Golf Course	107
Vehicle Underwash	100
Sutton Town Centre (paz 1)	99
North Kirkby Industrial Estate	95
Compactor	67
Playground Equipment	62
Asbestos Survey and Removal	60
Improvements to Public Conveniences	54
Hucknall Town Centre - Road Improvements	50
Other	1,722
	<u>22,223</u>

Capital Financing

This expenditure was financed from the following sources:

	£000	£000
Loans		3,117
Capital Receipts:		
General fund	4,441	
Housing	<u>6,971</u>	11,412
Major Repairs Allowance		4,316
Grants and Other Contributions		3,378
		<u>22,223</u>

Pensions

Ashfield District Council is a member of the Nottinghamshire County Council Pension Fund and the assets and liabilities attributable to the Council are evaluated on an annual basis by an independent actuary. The financial statements have taken into account the accounting policy requirements under FRS17.

Treasury Management Activities

The Council can borrow for any purpose for which it is legally entitled to incur expenditure. In practice the Council sets its own borrowing limits based upon tests of affordability and prudence. These are set annually in its Borrowing Activities Report to Cabinet, the latest of which was approved by Cabinet on 28th February 2008. During 2007/08 the Council had set an authorised limit of £142m and an operational boundary of £122m as required under the Prudential Code, and overall borrowing remained within these limits at all times. For 2008/09 these limits have been revised to £144m and £124m respectively.

The outstanding debt as at the 31st March 2008 was £79.6m.

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

Future Capital Programme

The Council has an approved capital programme up to 2010/11, which will provide a total investment over the next 3 years of £44.1m for the benefit of the Ashfield area. The main item of investment is the North Ashfield Leisure Centre.

Future Spending

	2008/09 £000	2009/10 £000	2010/11 £000
General Fund	13,924	4,628	2,325
HRA	9,658	7,805	5,775
Total	23,582	12,433	8,100

Future Funding

	2008/09 £000	2009/10 £000	2010/11 £000
Specific Grants and Contributions	4,241	1,233	0
Borrowing	4,321	976	25
Capital Receipts	8,929	4,514	4,575
MRA	6,091	5,710	3,500
Total	23,582	12,433	8,100

Further Information

Further information about the accounts is available from:

Head of Financial Management & Audit Services,
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.

The Statement of Responsibilities for the Statement of Accounts

Responsibilities of the Council

The Council 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 Finance;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

Responsibilities of the Head of Finance

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

In preparing this Statement of Accounts, the Head of Finance has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code;
- Maintained proper, up to date accounting records;
- 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 Council at the accounting date and its income and expenditure for the year ended 31st March 2008.

R L Taylor, C.P.F.A.
Head of Financial Management & Audit Services
30th June 2008

I confirm that the accounts were approved by the Council meeting held on
30th June 2008.
Signed on behalf of Ashfield District Council:

Councillor Mrs May Barsby
Chairman of the Council
30th June 2008

Statement of Accounting Policies

1. Introduction

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

2. General Principles

This Statement of Accounts has been prepared in accordance with the fundamental accounting principles set out below:

- Financial information should be relevant, reliable, comparable and understandable;
- Materiality of information must be considered, i.e. information must be of such significance as to justify its inclusion;
- The accounts must be prepared on both an accruals basis (i.e. income and expenditure must be recognised in the accounting period in which the effects of these are experienced) and assuming that the Council will continue to be operational in the foreseeable future (principle of going concern);
- Local Authority finance operates within a framework of legislation and regulation, and where legislative and accounting principles conflict, legislative requirements shall apply.

The following explanations are areas that are considered significant in regards to the way items have been treated in the accounts.

3. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received, in accordance with FRS18.

Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.

Supplies are recorded as expenditure when they are consumed – for material items, where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.

Works are charged as expenditure when they are completed before which they are carried as work in progress on the Balance Sheet.

Interest payable on borrowings and receivable on investments is accounted for in the year in which it relates.

Where income and expenditure has been recognised but cash has not been received or paid a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

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.

An exception to this principle relates to electricity and other similar periodic payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

4. Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefit, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of the financial year – where it becomes more likely than not that a transfer of economic benefit will not be required (or lower settlement anticipated) the provision is reversed and credited back to the relevant service revenue account.

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

For details of the Council's provisions, please see note 22 and 23 to the Core Financial Statements.

5. Reserves

The Council sets aside specific amounts as revenues for future policy purposes or to cover potential liabilities. Reserves are created by appropriating amounts in the Statement of Movement on General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the net cost of services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance so that there is no net charge against Council Tax for the expenditure.

Some reserves are required to be created by statute, for example:

The Revaluation Reserve and the Capital Adjustment Account can only be used for specific statutory purposes; they do not represent usable resources to the Council and can not be used to finance expenditure.

The Major Repairs Reserve is used to finance the element of HRA capital expenditure which is funded by the Major Repairs Allowance.

For details of the Council's significant reserves, please see note 24 to the Core Financial Statements.

6. Revenue Government Grants and Contributions

Government grants are accounted for on an accruals basis and income has been credited to the appropriate revenue account matched to the related service expenditure.

7. Retirement Benefits

The Council contributes to the Nottinghamshire County Council Superannuation Fund. The Superannuation Fund's Actuary undertakes a valuation every three years and determines the rate of contribution the Council needs to make.

The liabilities of the County Council's pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method, that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates (and so forth), and projections of projected earnings for current employees.

Liabilities are discounted to their fair value at current prices, using a discount rate of 4.2%.

The assets of the Nottinghamshire County Council pension fund attributable to the Council are included in the Balance Sheet at their fair value:

Asset Category	Basis of Valuation
Quoted Securities	Mid-market value
Unquoted Securities	Professional estimate
Property	Market value
Unitised Securities	Average of the bid and offer rates

The change in the net pension liability is analysed into seven components:

- Current Service Cost - the increase in liabilities as result of years of service earned (allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked);
- Past Service Cost - the increase in liabilities arising from current year decisions whose effect relates to years of service earned earlier years (debited to the Net Cost of Service in the Income and Expenditure Account, as part of non-distributed costs);
- Interest Costs - the expected increase in the present value of liabilities during the year as they move one year closer to being paid (debited to the Net Operating expenditure in the Income and Expenditure Account);
- Expected Return on Assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long term return (credited to the Net Operating Expenditure in the Income and Expenditure Account);
- Gains/Losses on Settlement and Curtailment – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefit of employees (debited to the Net Cost of Services in the Income and Expenditure Account, as part of non-distributable costs);
- Actuarial Gains and Losses – change in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions (debited to the Statement of Total Recognisable Gains and Losses);
- Contributions paid to the County Pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raise the Council Tax to cover the amounts payable by the Council to the pension fund in the year. In the Statement of Movement on General Fund Balances this means that there are appropriations to and from the pension reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at year end. See note 30 of the Core Financial Statements.

8. VAT

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

9. Overheads and Support Services

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. The exception to this are:

- Corporate and Democratic Core, which are costs relating to the Council's status as a multi-functional democratic organisation;
- Other non distributed costs – the cost of discretionary benefits awarded to employees retiring early.

The main bases of allocations outlined below:

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

10. Intangible Fixed Assets

Expenditure on assets that do not have a physical substance but are identifiable and controlled by the Council (for example software licences) would be capitalised if it would bring economic benefit to the Council for more than one year. However the balance is charged to the relevant service revenue account in the year of occurrence because software licences involve annual renewal.

11. Tangible Fixed Assets

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

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, because it yields benefit to the Council and the services that it provides for, for more than one financial year. Capitalised expenditure that does not enhance the previously assessed value of the asset (for example rearrangement of office accommodation) is charged to revenue as it is incurred.

The Council has adopted £6,000 as the de-minimus level for the addition of capital expenditure to fixed assets on the balance sheet relating to buildings and infrastructure assets. There is no limit for vehicles, plant and equipment. Plots of land are included from the value of £250

Assets have been included in the Balance Sheet using the following valuation methods:

Asset Category	Basis of Valuation
Council dwellings	Existing use value for social housing less depreciation with inflation indices applied between revaluations.
Operational assets	Net current replacement cost less depreciation which is depreciated replacement cost (DRC) for specialised assets and existing use value (EUV) for non specialised.
Non-operational assets	Market value (being the lower of net current replacement cost or net realisable value).
Infrastructure	Historic cost less depreciation.
Vehicles, plant and equipment	Historic cost less depreciation. For vehicles this is reviewed by the transport manager to ensure this is broadly consistent with lower of Net Current Replacement Cost or Net Realisable Value.
Community assets	There is no market value for these assets as they are not available for sale. From 2007-08 historical costs are being accumulated as a proxy value

Those assets which are not stated at historic cost are re-valued by external professional valuers. Assets are re-valued where there are material changes in the value, but as a minimum every five years in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors (RICS) Manual [5th edition], which are jointly approved with the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Council dwellings were re-valued during 2005/06 by King Sturge, a specialist valuation company. Other assets were valued by Robert Clarke during 2007/08.

The asset value included in the Balance Sheet has been reviewed by the Council's Estate Manager who is a fully qualified Member of the Royal Institution of Chartered Surveyors (MRICS).

Equipment and infrastructure assets did not form part of this valuation and have been included in the Balance Sheet at historical cost. Vehicles do not form part of any revaluation schedule as they are depreciated and disposed of within the five year recommended revaluation schedule, however the value of vehicles included in the Balance Sheet has been reviewed by the Council's Transport Manager.

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 Useable Capital Receipts Reserve (see note 38 to the Core Financial Statements) until such time as they are to finance other capital expenditure. A proportion of some of the capital

receipts received for the disposal of housing assets has to be paid across to Central Government. Interest on capital receipts unapplied is credited to the General Fund.

On revaluation any increases in the value of assets are adjusted in the Revaluation Reserve. If an asset is revalued downwards this is charged against any value in the revaluation reserve for that asset. If that value is insufficient the remainder is charged to the appropriate revenue account as an impairment.

During the 2007/08 financial year the Council did not incur any material liabilities. Bluebell Woods Changing Rooms was acquired as a Developers donation. As this donation is depreciated an equivalent amount is being credited from a Deferred Grant account.

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	5 - 40 years
Computer and other Equipment	5 - 10 years
Vehicles/Plant	1 - 5 years

During the 2007/08 financial year there were no changes to the way in which assets were depreciated.

Impairment

The value of assets included in the Balance Sheet is reviewed annually to determine whether there have been any significant reductions in value as a result of impairment (see Glossary of terms and abbreviations).

Disposals

When an asset is disposed, the value of the asset in the Balance Sheet is re-valued to the disposal value unless disposal has been clearly above or below market value, as the objective is to show gains or losses measured against the current value of assets in the Income and Expenditure account. The Council sold a piece of land at 50% discount to secure its development for social housing purposes. This loss has been reflected within the Housing Revenue Account

12. Charges to Revenue for Fixed Assets

The capital charges made to General and Housing Revenue Accounts, equate to the sum of depreciation and impairment (if any).

The Council makes provision for the repayment of debt in accordance with the "Minimum Revenue Provision" (MRP) requirements. For 2007-08, the MRP is 4% of the Capital Financing Requirement as allowed for in the Local Authorities (Capital Finance and Accounting)(England)(Amendment) Regulations 2008.

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.

13. Deferred Charges

Deferred charges represent expenditure that may be amortised to revenue over a period consistent with the consumption of economic benefits controlled by the Council; this is consistent with statutory provision but does not result in the creation of a tangible asset. In the case of improvement grants (grants that have been given to third parties, for example, owner occupiers in order to improve their properties), specific legislation allows councils to capitalise these grants, however, they are then written-off to the appropriate service revenue account in the same year.

Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reversed out of the amounts charged in the Statement of Movement on General Fund Balances so there is no impact on the level of Council Tax. Because of the types of expenditure deferred charges usually apply, eg improvement grants, a local authority will seldom control the economic benefits arising from the expenditure and in such cases 100% of the deferred charge should be amortised to revenue in the year the deferred charge is recognised.

14. Leases

The Council does not have any finance leases which result in fixed assets being accounted for using the policies applied generally to tangible fixed assets.

The Council does have operating leases when substantially the risk and rewards to the leased property remains with the lessor. Rentals payable are charged to the relevant service revenue account on a straight line basis over the term of the lease.

Additionally, the Council acts as a lessor for commercial properties. Income is credited to the relevant service revenue account as received. The Council has not rented any assets to a third party which would be classified as a finance lease.

See note 18 and 19 of the Core Financial Statements for further details.

15. Repurchase of Borrowing

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio with substantially the same overall effect (when viewed as a whole), gains or losses are recognised on the Balance Sheet and written down to revenue on a straight line basis over the term of the replacement loan.

16. Investments

Investments are recorded in the Balance Sheet at cost which is a true reflection of their worth. Further details of the Council's investments are given in note 32 to the Core Financial Statements.

17. Stocks and Work in Progress

These Balance Sheet figures are recorded on the following basis:

- Works in progress relating to the Operational Services Section, are included at cost. No estimation is included for a profit element;
- 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 the lower of actual cost or net realisable value. The difference is not material.

18. Private Finance Initiative

The Council has no Private Finance Initiatives.

19. Contingent Assets and Liabilities

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

20. Provisions for Bad or Doubtful Debts

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

21. Grants and Contributions

Where grants and contributions are received, that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants

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

22. Interest

External interest payable is debited to the General Fund Income and Expenditure Account. External interest receivable is credited to the General Fund Income and Expenditure Account. Interest is accounted for on an accruals basis.

The General Fund pays interest internally to the Housing Revenue Account, Insurance Funds and Provisions, section 106 monies, developers' contributions and the Harold Farr bequest fund.

23. Financial Instruments

Until recently financial instruments were not covered comprehensively by UK financial reporting standards. The introduction of FRS 25, FRS 26 and FRS 29 introduced new reporting and disclosure requirements on local authorities. The change is a change in accounting policy and any resulting adjustment between the closing Balance Sheet for 2006/07 and the restated opening Balance Sheet on 1 April 2007 has been treated as a prior period adjustment, and is included within the STRGL. Ongoing adjustments are included in the Income and Expenditure Account. As the SORP did not require restatement of 2006/07 closing balances, figures shown in the balance sheet are not directly comparable.

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Financial Assets

Financial assets are classified into two types:

- Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market;
- Available for sale assets have a quoted market price and/or do not have fixed or determinable payments.

Financial Liabilities

Financial liabilities are classified as follows:

- amortised cost

Loans and Receivables

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

principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account. Any gains and losses that arise on de-recognition of the asset are credited/debited to the Income and Expenditure Account.

Fair valuation

Financial liabilities and assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows which take place over the remaining life of the instruments determined by applying current interest rates

- PWLB loans new maturity rates as at 31st March.
- Market loans

Available for sale Financial Assets

After consideration, it has been determined that the authority has no available for sale financial assets. This will be evaluated annually.

Credit Risk

This is the risk that other parties may fail to pay amounts due to the Council. Credit risk arises from deposits with banks and financial institutions. Deposits are not made with banks and financial institutions unless they are rated independently with a minimum score of BBB or F3 on the "Fitch" rating scheme, or are in the top 20 rated building societies in the United Kingdom. The Council has a policy of not investing more than £5m with any individual 3rd party, and diversifies its portfolio of investments between types of financial institution.

Currently the Council has £12.5m invested. Over the last 5 years there has been no history of defaults therefore it considers its exposure to risk as minimal. The current events within the banking sector endorse the need to be vigilant in this area and the Council will continually monitor this situation, but at this time has no reason to impair the Balance Sheet value at 31st March 2008

Most of the debts held by customers of the Council are of a short term nature and the risks of default are taken into account when bad debt provisions are calculated. Debtors are reduced by the bad debt provisions and this produces a realistic carrying amount in the Balance Sheet.

Liquidity Risk

This is the risk that the authority may not have funds available to meet its commitments to make payments. As the Council has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to meet its commitments under financial instruments. Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a

time of unfavourable interest rates. The Council has a policy for the upper and lower limits for the maturity structure of fixed rate debt which acts as a measure of the long term exposure to interest rate risk.

Market Risk

This is the risk that the value of an instrument will fluctuate because of changes in interest rates, markets prices, foreign currencies, exchange rates etc. The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments, but does not invest or borrow in any foreign currency and so is not subject to exchange rate risk.

Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of liabilities will fall;
- Investments at variable rates – the interest credited to the Income and Expenditure Account will rise;
- Investments at fixed rates – the fair value of assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

24. Interests in Companies and Other Entities

The Council has an interest in Ashfield Homes Limited which has the nature of a subsidiary. This requires the preparation of group accounts. In the council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

25. Local Area Agreement (LAA)

A local area agreement is a three year agreement between the Government Office for the area and a local strategic partnership representing the local authorities, other public, private, voluntary and community interests for the area. The LAA sets out the priorities for the local area in defined areas of activity. The upper-tier local authority for the area must act as the accountable body for the LAA.

The LAA Grant is accounted for as follows:

- Allocations of LAA Grant receivable from the accountable body that are recognisable as income should be accounted for on an accruals basis;

- LAA Grant is a specific grant but is likely to relate to more than one local authority service. LAA Grant transactions recognised in revenue should be apportioned between the services that are funded by the Grant.

Nottinghamshire County Council are the accountable body for the Nottinghamshire LAA. Ashfield District Council form part of the local strategic partnership. For details of LAA Grant received during 2007/08, see note 6 to the Income and Expenditure Account.

The Core Financial Statements

Income and Expenditure Account

2006/2007		2007/2008		
Net Expend £000		Gross Expend £000	Gross Income £000	Net Expend £000
	Service Expenditure			
1,626	Central Services to the Public	12,747	(11,101)	1,646
9,791	Cultural, Environmental and Planning Services	16,471	(5,067)	11,404
1,507	Highways, Roads and Transport Services	3,110	(1,490)	1,620
(2,206)	Housing Services	41,545	(44,271)	(2,726)
2,393	Corporate and Democratic Core	3,166	(1,635)	1,531
551	Non Distributed Costs	432	(6)	426
<u>13,662</u>	Net Cost of Services	<u>77,471</u>	<u>(63,570)</u>	<u>13,901</u>
223	Net Loss or Gain on sale of Fixed Assets			759
158	Parish Council Precepts			163
50	Net (Surplus) / Deficit on Trading Undertakings			(54)
1,129	Pensions Interest Cost and Expected Return			1,020
4,221	Interest Payable and Other Charges			4,386
0	Amortisation of Premiums and Discounts			173
(590)	Interest and Investment Income.			(1,160)
2,685	Contribution to Housing Pooled Capital Receipts			2,514
<u>21,538</u>	Net Operating Expenditure			<u>21,702</u>
(1,673)	General Government Grants.			(1,537)
(1,264)	LABGI Grant			(870)
(62)	PSA Grant			(108)
0	Planning Delivery Grant			(277)
(1,323)	Government Grants Deferred			0
(8,577)	Non-domestic Rate Redistribution			(9,158)
(5,342)	Demands on the Collection Fund			(5,494)
<u>3,297</u>	Net (Surplus) / Deficit			<u>4,258</u>

Statement of Movement on the General Fund Balance

2006/07 Net Expend £000		2007/08 Net Expend £000
3,297	Deficit for the Year on the Income and Expenditure Account	4,258
(4,291)	Net Additional Amount Required by Statute and Non-Statutory Proper Practices to be Debited or Credited to the General Fund Balance for the Year	(6,274)
(994)	(Increase) / decrease in General Fund Balance for the Year	(2,016)
(2,476)	General Fund Balance Brought Forward	(3,470)
(3,470)	General Fund Balance C/Fwd Available for New Expenditure	(5,486)

Note on Reconciling Items for Statement of Movement on the General Fund

Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year

(939)	Amortisation of Intangible Fixed Assets	(448)
(2,213)	Depreciation and Impairment of Fixed Assets	(3,398)
	Difference between amounts charged to the I & E Account for amortisation of premiums and discounts and the charge for the year determined in accordance with statute	(877)
	Difference between amounts charged to the I & E Account for Amortisation due to Effective Interest Calculations	(402)
1,537	Government Grants Deferred Amortisation	1,493
	Write Down of Deferred Charges to be Financed from Capital Resources	(2,334)
(51)	Net Loss on disposal of Fixed Assets	(514)
(1,467)	Excess of Depreciation Charged to HRA Compared to the Major Repairs Allowance Element of Housing Subsidy	(1,393)
(3,403)	Net Charges Made for Retirement Benefits in Accordance with FRS 17	(3,523)
(6,536)		(11,396)

Amounts not included in the Income and Expenditure Account but required by statute when determining the Movement on the General Fund Balance for the year

602	Minimum Revenue Provision for Capital Financing	672
(2,685)	Transfer from Useable Capital Receipts to Meet Payments to the Housing Capital Receipts Pool	(2,514)
0	Transfer to/(from) Housing Repairs Account	(77)
0	Financial Instruments - Reconciliation to Amortised Costs	1,197
1,965	Employers Contributions Payable to the Nottinghamshire County Council Pension Fund and Retirement Benefits Payable Direct to Pensioners	2,480
(118)		1,758

Transfers (to)/from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year

789	Housing Revenue Account Balance	2,564
1,574	Net transfer to/(from) Earmarked Reserves	800
2,363		3,364
(4,291)	Net Additional Amount Required to be Credited to the General Fund Balance for the Year	(6,274)

Statement of Total Recognised Gains and Losses

2006/07		2007/08
£000		£000
3,297	(Surplus) / Deficit for the year on the Income and Expenditure Account	4,258
(10,635)	(Surplus) / Deficit arising on revaluation of fixed assets	(17,232)
(5,342)	Actuarial (gains) / Losses on pension fund assets and liabilities	8,794
22	Movement in Collection Fund balance (Ashfield DC share only)	(51)
0	Other adjustments	(77)
(12,658)		(4,308)
0	Adjustments to carrying value of financial instruments	1,023
(12,658)	Total recognised (Gains) / Losses for the year	(3,285)
	Reconciliation to Balance Sheet:	
213,447	Net worth as per Balance Sheet as @ 1st April 2007	226,105
226,105	Net worth as per Balance Sheet as @ 31st March 2008	229,390
(12,658)	Movement in net worth (Gain) / Loss	(3,285)

Balance Sheet

31st March 2007 £000		31st March 2008 £000	£000	Note
	FIXED ASSETS:			
0	Intangible Fixed Assets	0	0	12
	Tangible Fixed Assets			15
	Operational Assets:			15
285,097	Council Dwellings	281,035		
3,101	Other HRA	3,374		
25,352	Other Land and Buildings	37,127		
4,969	Vehicles, Plant and Equipment	5,241		
4,145	Infrastructure Assets	4,984		
0	Community Assets	152		
10,623	Non-Operational Assets:	19,065		15
333,287	Total Fixed Assets		350,978	15
5,054	Long Term Investments		4,205	32
233	Long Term Debtors		206	34
877	Deferred Premiums on Early Repayment of Debt		0	
339,451	Total Long Term Assets		355,389	
	Current Assets			
118	Stocks and Work in Progress	147		33
11,123	Debtors	11,020		34
11,046	Investments	8,818		32
5	Suspense Accounts	11		
22,292			19,996	
361,743	Total Assets		375,385	
	Current Liabilities			
(36)	Short Term Borrowing	(36)		
(8,452)	Creditors	(9,313)		35
(1,514)	Cash overdrawn	(518)		
(10,002)			(9,867)	
351,741	Total Assets less Current Liabilities		365,518	

Balance Sheet (Continued)

31st March 2007 £000		31st March 2008 £000	£000	Note
	Long Term Liabilities			
(79,610)	Long Term Borrowing	(80,851)		36
(1,423)	Provisions	(211)		22
(5,626)	Government Grants Deferred Account	(7,378)		
(6,284)	Unapplied Contributions	(5,164)		
(35)	Deferred Capital Receipts	(29)		
(32,658)	Liability Related to Defined Benefit Pension Scheme	(42,495)		
<u>226,105</u>	Total Assets less Liabilities	<u>229,390</u>		
	Financed By:			
(32,658)	Pensions Reserve	(42,495)		
0	Revaluation Reserve	14,886		
230,045	Capital Adjustments Account	228,689		37
9,637	Useable Capital Receipts Reserve	5,120		40
3,687	Earmarked Reserves	4,484		24
6,000	Major Repairs Reserve	5,785		
3,469	General Fund Balance	5,485		
(64)	Collection Fund Revenue Account	(13)		
5,989	Housing Revenue Account	8,554		
0	Financial Instruments Adjustment Account	(1,105)		
<u>226,105</u>	Total Net Worth	<u>229,390</u>		

Cash Flow Statement

2006/07			2007/08	
£000	£000		£000	£000
REVENUE ACTIVITIES				
Cash Outflows				
15,737		Cash Paid to and on Behalf of Employees	17,433	
2,685		Payments to Capital Receipts Pool	2,527	
25,650		Other Operating Cash Payments	28,583	
8,220		Housing Benefit Paid Out	9,005	
25,030		NNDR Payments to National Pool	25,422	
<u>43,467</u>		Precepts Paid	<u>45,235</u>	
	120,789			128,205
Cash Inflows				
(7,911)		Rents (Net of Rebates)	(8,255)	
(40,649)		Council Tax Receipts	(42,583)	
(8,798)		NNDR Receipts from National Pool	(9,158)	
(27,280)		NNDR Receipts	(25,915)	
(1,673)		Revenue Support Grant	(1,537)	
(27,890)		DWP Grants for Benefits	(29,958)	
(5,744)		Other Government Grants	(5,200)	
<u>(10,586)</u>		Cash Received for Goods and Services	<u>(10,729)</u>	
	<u>(130,531)</u>			<u>(133,335)</u>
	(9,742)			(5,130)
RETURNS ON INVESTMENTS / SERVICING OF FINANCE				
Cash Outflows				
<u>4,221</u>		Interest Paid	<u>3,936</u>	
	4,221			3,936
Cash Inflows				
<u>(590)</u>		Interest Received	<u>(1,160)</u>	
	(590)			(1,160)
CAPITAL ACTIVITIES				
Cash Outflows				
11,464		Purchase of Fixed Assets	21,824	
<u>1,072</u>		Other Capital Cash Payments	<u>0</u>	
	12,536			21,824
Cash Inflows				
(14,290)		Sale of Fixed Assets	(9,498)	
(219)		Capital Grants Received	(751)	
<u>(4,994)</u>		Other Capital Cash Receipts	<u>(6,668)</u>	
	<u>(19,503)</u>			<u>(16,917)</u>
	(13,078)			2,553
Net Cash (Inflow)/Outflow Before Financing				
MANAGEMENT OF LIQUID RESOURCES				
<u>2,721</u>		Net increase / (decrease) in other Liquid Resources	<u>(3,592)</u>	
	2,721			(3,592)
FINANCING				
Cash Outflows				
<u>41,069</u>		Repayment of Amounts Borrowed	<u>743</u>	
	41,069			743
Cash Inflows				
0		New Long Term Loans Raised	0	
<u>(29,028)</u>		New Short Term Loans Raised	<u>(700)</u>	
	<u>(29,028)</u>			<u>(700)</u>
	<u>1,684</u>	Net (Increase)/Decrease In Cash		<u>(996)</u>

Notes to the Core Financial Statements

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Notes to the Income and Expenditure Account

1. Trading Operations

2006/07 (Surplus)/Loss £000		Expenditure £000	2007/08 Income £000	(Surplus)/Loss £000
139	Markets	444	(469)	(25)
<u>(89)</u>	Industrial Estates	<u>364</u>	<u>(393)</u>	<u>(29)</u>
50	Net (Surplus) / Deficit	808	(862)	(54)
106	Trade Refuse Collection	555	(492)	63
32	Car Parking	235	(155)	80
39	Ashfield Business Centre	84	(46)	38
(88)	Central Redevelopment Areas	59	(149)	(90)
(15)	Council Shops	35	(54)	(19)
23	Private Drains	21	0	21
2	Cesspools	1	0	1
125	Pest Control	145	(26)	119
<u>274</u>		<u>1,943</u>	<u>(1,784)</u>	<u>159</u>

There were no major budget variances relating to trading undertakings.

Trading undertakings are maintained by the Council to meet the objective of regeneration.

2. Section 137 (Discretionary) 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 £213,940 in 2007/08, £216,980 in 2006/07).

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 2007/08, the Council's expenditure under Section 137, Subsection 3 amounted to £74,024 (£80,281 during 2006/07). It was mainly used for the provision of grants to voluntary bodies.

3. Expenditure on Publicity

Section 5 of the Local Government Act 1986, requires a Local Authority to account separately for expenditure incurred on publicity. See table below:

	2006/07 £000	2007/08 £000
Recruitment Advertising	156	131
Ashfield News	39	24
Advertising	61	80
	<u>256</u>	<u>235</u>

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 services.

4. 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. However, certain activities performed by the Building Control Section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Section divided between chargeable and non-chargeable activities.

	2007/08		
	Chargeable	Non -	Total
	£000	Chargeable	Building
		£000	Control
			£000
Expenditure			
Employees Expenses	208	59	267
Transport	11	3	14
Supplies and Services	30	9	39
Central and Support Service Charges	92	26	118
Total Expenditure	<u>341</u>	<u>97</u>	<u>438</u>
Income			
Building Regulation Fees	(288)	0	(288)
Other Income	0	0	0
Total Income	<u>(288)</u>	<u>0</u>	<u>(288)</u>
(Surplus) / Deficit for Year	<u>53</u>	<u>97</u>	<u>150</u>

5. Local Authority (Goods and Services) Act 1970

The Council is empowered by this Act to provide goods and services to other public bodies.

The Council carries out highways maintenance work on a partnership basis for which it is reimbursed at cost by Nottingham County Council. This supersedes the Highways agency agreement and is commonly referred to as the MOP agreement. The Engineering Section of Neighbourhood Services Division supervises work carried out on the highways. The types of work undertaken include footways maintenance, road resurfacing, verge cutting and street lighting maintenance. Total expenditure including administration in 2007/08 was £3,534,000 (2006/07 expenditure was £3,683,000).

6. Local Area Agreement

Ashfield District Council is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08, the LAA has completed the second year of its three year agreement.

The purpose of the LAA is:

- To form an agreement between partners and the Government (represented by the Government Office for the East Midlands (GOEM)) to establish a collective vision for Nottinghamshire in accordance with the County Community Strategy;
- To agree specific outcomes and targets that will be achieved each year for the three years of the agreement;
- To improve the effectiveness and efficiency of public services in Nottinghamshire by pooling and aligning funding streams.

The LAA partners are:

- Local government bodies – Nottinghamshire County Council, Ashfield District Council, Bassetlaw District Council, Broxtowe Borough Council, Gedling Borough Council, Mansfield District Council, Newark & Sherwood District Council, Rushcliffe Borough Council;
- Community protection authorities – Nottinghamshire & City of Nottingham Fire Authority, Nottinghamshire Police Authority, Nottinghamshire Probation Service;
- Health bodies – Nottinghamshire County Teaching PCT, Bassetlaw PCT;
- Learning bodies – Connexions, Learning & Skills Council;
- Voluntary organisations – Kirkby Neighbourhood Pathfinder, Manton Community Alliance, Networking Action for Voluntary Organisations;
- Other – Nottinghamshire Pensions Service, Business Link, JobCentre Plus, Nottinghamshire County Drug & Alcohol Team, Rural Community Council, East Midlands Development Agency.

Nottinghamshire County Council acts as the accountable body for the LAA.

The total amount of LAA Grant received by the LSP in 2007/08 was £37.0m.

The amount of LAA Grant received by Ashfield District Council in 2007/08 was £2.3m.

7. Members Allowances

The total amount paid under the members' allowances scheme during the year was £378,284 (£389,186 in 2006/07).

8. Officers' Remuneration

The Council has employed the following numbers of employees, whose remuneration, excluding National Insurance and pensions' contributions exceeded £50,000 per annum:

Remuneration £	Number of Employees	
	2006/07	2007/08
50,000 – 59,999	3	2
60,000 – 69,999	1	3
70,000 – 79,999	2	2
80,000 – 89,999	-	-
90,000 – 99,999	1	1

9. Related Party Transactions

Financial Reporting Standard 8 requires the council to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

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

Members of the council have direct control over the council's financial and operating policies. During 2007/08, works and services to the value of £14,989 were commissioned from a company in which two members had an interest. Works and services to the value of £62,446 were also commissioned from a company in

which one other member had an interest. Contracts were entered into following a competitive process.

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

Payments to/from Central Government	Cash Flow Statement
Precepts from other local authorities	Collection Fund Note 1
Manage & Operate Partnership with NCC	I & E Account Note 5
Superannuation Contributions	I & E Account Note 30
Members Allowances	I & E Account Note 7
Ashfield Homes Limited	Group Accounts

Any other transactions with organisations of interest to members were low in value and therefore considered to be immaterial.

The Council 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 disclosure.

10. Audit Costs

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

	2006/07	2007/08
	£000	£000
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	78	82
Fees payable to the Audit Commission in respect of statutory inspection	12	6
Fees payable to the Audit Commission for the certification of grant claims and returns	29	26
Fees payable to the Audit Commission in respect of Use of Resources	34	25
Total	<u><u>153</u></u>	<u><u>139</u></u>

Notes to the Balance Sheet

11. Capital Expenditure and Financing

	2006/07 £000	2007/08 £000
Opening Capital Financing Requirement	94,678	97,011
Capital Investment		
Operational Assets	6,452	8,603
Non-Operational Assets	4,072	10,607
Deferred Charges	1,187	2,565
Other	1,280	448
Sources of Finance		
Capital Receipts	(4,623)	(11,412)
Government Grants and Other Contributions	(3,088)	(3,378)
Major Repairs Reserve	(2,195)	(4,316)
Minimum Revenue Provision	(602)	(672)
Revenue Contributions	(150)	0
Closing Capital Financing Requirement	97,011	99,456
Movement in the Year	2,333	2,445
Explanation of Movement in the Year		
Increase in Underlying Need to Borrow (Supported by Government Financial Assistance)	0	0
Increase in Underlying Need to Borrow (Un-Supported by Government Financial Assistance)	2,935	3,117
Minimum Revenue Provision	(602)	(672)
	2,333	2,445

12. Movement in Deferred Charges and Intangible Assets

Deferred charges comprise of Improvement Grants, Intangible assets comprise of Computer Licences and Training.

	Deferred Charges £000	Intangible assets £000	Total £000
Balance as at 31st March 2007	0	0	0
Expenditure	2,565	448	3,013
Government Grant	(231)	0	(231)
Amounts written off to Income and Expenditure Account	(2,334)	(448)	(2,782)
Balance as at 31st March 2008	0	0	0

13. Capital Commitments

As at 31st March, 2008, the Council was committed to capital works amounting to £19.8m. The large contracts entered into include £6.5m for the North Ashfield Leisure Centre and £12.8m for decent homes work scheduled to occur between April 2008 and March 2011. Additionally the Councils Building Services section is committed to numerous outstanding projects at a combined cost of £0.5m.

14. Undischarged Obligations

There were no undischarged obligations under PFI schemes during 2007/08.

15. Tangible Fixed Assets

The major asset group held by the Council is dwellings. At 31st March 2008 there were 7084 Housing Revenue Account units (7,250 at 31st March 2007). The main type of asset within other HRA property are garages let to Council tenants. Land and buildings covers a diverse range of property of which the major items are the main civic offices in Kirkby and the offices and depot at Sutton. Other significant items include the 4 sports centres along with 92 commercial units rented out (94 at 31st March 2007). The remainder include buildings on parks and cemeteries, smaller offices and homeless accommodation.

Although Community assets are included at a low value because there is not a market valuation or historical valuation available. As a proxy for historical cost, capital expenditure has been accumulated from 2007/08. This does not reflect the value of these assets to Ashfield. This category includes both country parks such as Brierley Forest and Portland and town park space such as Sutton Lawn, Kingsway and Titchfield. Also included is the Kingsmill Reservoir, and cemeteries and allotments.

Non Operational assets comprise unfinished capital schemes and assets no longer required for Council use.

An analysis of Fixed Assets can be found on the next page:

Fixed Assets Analysis

Operational

	Council Dwellings	Other HRA	Land & Buildings	Vehicles, Plant & Equipment	Infra - structure	Community	Total
	£000	£000	£000	£000	£000	£000	£000
Net opening current cost value of assets	285,097	3,101	25,352	4,969	4,145	0	322,664
Movement in 2007/2008							
Capital programme expenditure	5,204	81	1,065	1,606	984	152	9,092
Change of use	(1,939)	(41)	(48)				(2,028)
Disposals	(4,067)		(40)	(13)			(4,120)
Impairment	(231)		(423)				(654)
Previous impairment reversed			250				250
Revaluations	2,490	291	11,751	154			14,686
Depreciation	(5,519)	(58)	(780)	(1,475)	(145)		(7,977)
Net closing current cost value of assets	281,035	3,374	37,127	5,241	4,984	152	331,913
Associated Revaluation Reserve	(1,240)	(290)	(12,174)	(87)	0	0	(13,791)
Net closing historic cost value of assets	279,795	3,084	24,953	5,154	4,984	152	318,122

Non operational

	Assets under constructi on	Surplus assets held for disposal	Total
	£000	£000	£000
Net opening current cost value of assets	4,364	6,259	10,623
Movement in 2007/2008			
Capital programme expenditure	10,255	352	10,607
Change of use		2,029	2,029
Disposals	(489)	(5,336)	(5,825)
Loss on sale		(425)	(425)
Impairment		(343)	(343)
Revaluations		2,405	2,405
Depreciation		(6)	(6)
Net closing current cost value of assets	14,130	4,935	19,065
Associated Revaluation Reserve		(1,095)	(1,095)
Net closing historic cost value of assets	14,130	3,840	17,970
Total net current cost value of tangible fixed assets 31st March 2008			350,978
Total associated Revaluation Reserve 31st March 2008			(14,886)
Total net historic cost value of tangible fixed assets 31st March 2008			336,092

16. Tangible Fixed Asset Valuations

	Council Dwellings	Other HRA	Land & Buildings	Vehicles, Plant & Equipment	Infra - structure	Community	Assets under constructio n	Surplus assets held for disposal	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value of assets 31st March 2008	281,035	3,374	37,127	5,241	4,984	152	14,130	4,935	350,978
Valued at historical cost	-	77	1,446	5,241	4,984	152	14,130		26,030
Valued at current value:									
31 March 2008 by the Estates manager (MRICS) employed by ADC	-	-	2,312	-	-	-	-	4,971	7,283
31 March 2006 by King Sturge professional valuers plus inflation index recommended by the Estates manager	281,035	-	-	-	-	-	-	-	281,035
31 March 2006 by King Sturge professional valuers	-	2,280	-	-	-	-	-	-	2,280
31 January 2008 by Robert Clark professional valuers	-	1,017	33,808	-	-	-	-	-	34,825

17. Fixed Assets – Information about Depreciation Methodologies

The methodologies used for depreciation are described fully within accounting policy number 11. The total amount of depreciation at the end of the year carried over all classes of asset was £21.494m (£12.735m 31st March 2007). The total amount of impairment carried forward at the end of the year was zero (£250k 31st March 2007)

18. Assets held under Leases

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 vehicle for a set number of years. It is now the Council's policy to purchase these assets. The Council does not have any finance leases.

Other land and buildings – The Council does not lease any land and buildings.

Vehicles, plant and equipment – The Council uses refuse vehicles, vehicles used for highways and ground maintenance, pest control vehicles and other assorted small plant financed under the terms of an operating lease.

The SORP requires charges to be made evenly throughout the period of the lease.

Commitments under operating leases – the authority was committed at the 31st March 2008 to making payments of £188k under operating leases in 2008/09 comprising the elements in the table below:

	Other Land and Buildings	Vehicles, Plant and Equipment	Total
	£000	£000	£000
Total Rentals Paid in 2007/08	0	231	231
Outstanding Undischarged Leasing Obligations			
Leases expiring in 2008/09	0	107	107
Leases expiring between 2009/10 and 2013/14	0	81	81
Leases expiring after 2013/14	0	0	0

19. Assets held for Leases

With regard to the Council's activity as a lessor, the gross value of assets held for use in operating leases as at 31st March 2008 was £7.2m (these properties were subject to depreciation of £0.1m during 2007/08).

Rental income from leases relating to retail, commercial and industrial units was £442k

20. Analysis of Net Assets Employed

	31st March 2007 £000	31st March 2008 £000
General Fund	(7,526)	(1,183)
Housing Revenue Account	230,719	225,711
Trading Undertakings	2,913	4,862
	<hr/> <hr/>	<hr/> <hr/>
	226,105	229,390

21. Interests in Companies

The Council has 100% interest in Ashfield Homes Limited (AHL), through the issue of a single £1 investment share, which does not impact on the Balance Sheet. The Balance Sheet includes inter-company balances of £0.7m owed to Ashfield Homes Limited and £1.9m owed by Ashfield Homes Limited.

22. Provisions

Insurance Provision

At the end of the year the Council had a £211k insurance provision. The Council maintains an insurance provision to meet its outstanding liability (within the policy excess) for claims in line with the reserves calculated by the Council's Insurers. Most claims come to fruition within 1-2 years. The factors affecting these values can change and the Insurance companies regularly review the reserves. The insurance provision's main risk is that several incurred but not reported claims could affect its adequacy. Over and above this provision the Council also maintains additional insurance funds.

23. Other Provisions

The Council have no other provisions other than the above insurance provision. All the opening provisions have been extinguished and reclassified as Earmarked Reserves, by repaying the provisions to the Income and Expenditure Account and transferring relevant balances into the Reserves. The exception to this lies with the LEGI – Capital and Revenue Provisions which have been reclassified as Unapplied Contributions and any outstanding balance is now included there.

	Balance at 31 March 2007 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2008 £000
Neighbourhood Renewal Fund	(778)		778	0
Local Enterprise Growth Initiative Capital	(4)	(406)	410	0
Local Enterprise Growth Initiative Revenue	(44)	(1,058)	1,102	0
Elections	(31)	0	31	0
Energy Efficiency Fund	(50)	0	50	0
Harold Farr Bequest Fund	(14)	0	14	0
Grant Aid Working Party	(1)	0	1	0
Joint Use	(150)	0	150	0
	<u>(1,071)</u>	<u>(1,464)</u>	<u>2,536</u>	<u>0</u>
Liability Insurance Fund	(352)		141	(211)
	<u>(1,423)</u>	<u>(1,464)</u>	<u>2,677</u>	<u>(211)</u>

24. Reserves

	Balance at 31 March 2007 £000	Receipts In Year £000	Payments In Year £000	Balance at 31 March 2008 £000
Specific Reserves:				
Agenda 21	(30)	0	0	(30)
Capital Reserve	(62)	(54)	0	(116)
Corporate Improvement	(472)	0	71	(401)
Coxmoor Community Centre	(32)	(17)	0	(49)
District Planning Enquiry	(45)	(38)	0	(83)
Elections	0	(161)	115	(46)
Energy Efficiency Fund	0	(50)	10	(40)
Grant Aid Working Party	0	(1)	0	(1)
Grave Spaces Maintenance	(1)	0	0	(1)
Harold Farr Bequest Fund	0	(15)	1	(14)
Information Technology Fund	(167)	0	0	(167)
Joint Use	0	(150)	0	(150)
Law and Order Initiatives	(2)	0	0	(2)
Neighbourhood Renewal Fund	0	(1,099)	262	(837)
Planning Delivery Grant	(771)	(277)	291	(757)
Redeployment Fund	(156)	(150)	53	(253)
Regeneration Fund	(58)	(50)	5	(103)
Single Status Contingency	(550)	(100)	223	(427)
Sutton Landfill Closure	(740)	0	178	(562)
Sutton Market Hall Rates	(2)	0	0	(2)
Insurance Related Funds:				
Computer	(17)	(3)	0	(20)
Liability	(205)	(130)	117	(218)
Motor	(16)	(14)	13	(17)
Property	(130)	(251)	240	(141)
Risk Management	(230)	(2)	183	(49)
	<u>(3,687)</u>	<u>(2,562)</u>	<u>1,762</u>	<u>(4,486)</u>

Further details of reserves held by the council are as follows:

Agenda 21 – The fund was originally established to meet the Council’s Agenda 21 objectives.

Capital Reserve – This fund was set up out of available monies to support spending on capital projects.

Corporate Improvement – As part of the Councils move to redirect resources to its corporate priorities and seek improvement in services through fundamental reviews of service delivery there are occasions where the recommendations of the review propose major changes to the service provision which have “one off” costs. This may also be true when services have been inspected by the Audit Commission or where the Council has been inspected as a whole through exercises such as the Comprehensive Performance Assessment. To ensure that these one off areas of expenditure do not have an adverse impact on the ongoing underlying financial position of the Authority a Corporate Improvement Fund has been established by utilising any under spends within the budget for contingencies.

Coxmoor Community Centre – Established out of income streams to Coxmoor Community Centre. The funds will be applied to support the activities of the Centre when grant support from Neighbourhood Management expires.

District Planning Enquiry – Monies are being set aside out of revenue over the next four years to meet costs associated with the Local Development Framework and any subsequent inquiry.

Elections fund – To support the cost of local elections including by-elections, the timing of which are uncertain. An annual contribution is made from revenue.

Energy Efficiency fund – To support cost saving initiatives which are energy related. A proportion of the savings are repaid to the fund.

Grant Aid Working Party – Annual sums are paid into this fund from revenue each year and the working party determines how the money is spent. Applications are received and have to meet certain predetermined criteria to be considered.

Grave Spaces Maintenance – This fund was established many years ago to maintain grave spaces.

Harold Farr Bequest fund – A sum of money that was bequeathed to the Council to be used for good causes. Interest is added annually and is used for this purpose, thus maintaining the capital sum.

Information Technology – Established to fund IT replacement programmes.

Joint Use Fund – This was set up to carry out necessary improvements to the Joint Use Centres.

Law and Order Initiatives – Available monies have been set aside to provide a source of funding to help the Council meet its law and order aspirations.

Neighbourhood Renewal Fund - This is substantially dedicated to meeting the costs of the Neighbourhood Wardens Service over the next few years. The fund has been established with contributions from the Neighbourhood Renewal money along with annual contributions from the Council, Nottinghamshire County Council and Nottinghamshire Police Authority. The service is managed on a day to day basis by Ashfield Homes Limited.

Redeployment Fund – This fund is used to fund staff whilst on redeployment within the Council.

Regeneration Fund – This fund was set up to provide leverage by way of match funding for grant aided regeneration schemes.

Single Status – This fund was established to meet the ongoing costs and residual costs of Single Status negotiations.

Sutton Landfill – Initially established from the first tranche of LABGI monies, followed by contributions from the revenue account. The fund will be used to meet additional costs of refuse collection and disposal as a result of the closure of the Sutton landfill site.

25. Contingent Assets and Liabilities

Insurance

During 1992/93, Municipal Mutual Insurance (MMI) who had been the Council's main insurers ceased accepting new business. The Council still has one outstanding claim with M.M.I. and arrangements are in place to try to ensure an orderly settlement of the sums due. As at 31st March 2008 the estimate for the claim outstanding was less than £1k (31st March 2007 - £30k). The total amount paid under this scheme of arrangement since 1992/93 has been £420k. If MMI funds ran out this would be subject to claw-back, however no such claw-back is anticipated by them at this time.

The Independent Insurance Company who were the Council's Liability Insurer between 1992 & 1998 have been forced into liquidation. As at the 31st March 2008 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.

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 2008 was £4.2m.

Back Pay Claims

The Council is in the process of reviewing its pay and grading structure in line with a national agreement. A key aspect of this review is to ensure equal pay is given to jobs of equal value. The review has still to be finalised. It is the intention of the Council that the result of the review will be cost-neutral.

Once the review has completed there remains the potential for individual employee groups to make equal pay claims covering the period of up to six years prior to the implementation date. Given the process has not concluded it is not presently possible to quantify the nature or quantum of any claim that may arise but the Council has given consideration as to how it may fund any such claims that may materialise. The Single Status Contingency Reserve is available for this purpose.

Sale of Garden Road Allotments

As part of the agreement to the sale of Garden Road Allotments a £400,000 top-soil allowance is being held in an escrow agreement by Eversheds LLP. The work has now been completed, however the final sum is in dispute. It is likely that the outcome will be decided by an independent expert. The cost of the work will be within the £400,000 and any agreed sum will be paid directly to the contractor with the balance due to the Council.

26. Authorisation of Accounts for Issue

The Accounts were authorised by the Council on 30th June 2008.

27. Events after the Balance Sheet Date

Under the requirements of FRS 21 the Council is required to disclose any post balance sheet events that may have a material effect on the account balances and financial position shown in these accounts. When the Accounts were authorised by the Council, there were no known events transpiring after 31st March that were material to these accounts.

28. Trust Funds

The District Council acts as the sole trustee to the Teversal Community Centre and Recreation Ground. Funds are on deposit with Co-operative Bank plc and the day to day activities are included within the Councils ledger. Balances at the year end are transferred between the Councils main account and the Community Centre account, any balances due are carried as a debtor or creditor on the balance sheet. The annual return is completed and audited by the Council and sent to the Charity Commission by the end of January in the year following the year of account. The Community Centres accounts have been evaluated and excluded from the group accounts.

The purpose of Teversal Community Centre is for the "Provision and maintenance of a community centre and recreation ground for the use of the inhabitants of

Teversal, Stanton Hill, Skegby and the neighbourhood thereof without distinction of political, religious or other opinions including use for meetings, lectures and classes and for other forms of recreation and leisure time occupation, with the object of improving the conditions of life for the said inhabitants”.

In the financial year 2007/08 the gross expenditure was £22k with a gross income of £32k. The trust has assets of 99K as at the balance sheet date.

There are a number of smaller trust funds where the Council act as the sole trustee. A review of these funds is currently being undertaken to determine their relevance and the extent of the Council's responsibilities in its capacity as trustee. None of these funds are included in the balance sheet or within the group accounts.

The purpose of the Beecroft Charity is for “the purchase of coal for poor people living in Sutton in Ashfield”. There has been no expenditure in respect of this charity within the last year.

The William Barret Prize fund exists for the purchase of “prizes for swimming for children attending elementary school”. There has been no expenditure in respect of this charity within the last year.

Analysis of current bank activity:

Name of Trust Fund	Balance as at			Balance as at
	31st March	Income	Expenditure	31st March
	2007			2008
	£	£	£	£
Teversal Community Centre and Recreation Ground	28,931	0	0	28,931
Beecroft Charity	262	1	0	263
William Barret Prize Fund	228	1	0	229
	<u>29,421</u>	<u>2</u>	<u>0</u>	<u>29,423</u>

Please note that a creditor exists on the balance sheet for Teversal in the sum of £10,067 and when paid into their bank account will increase the above balance to £38,998.

There are three recreation charities that the council are also sole trustees for where no bank account exists. These are:

- Sutton-in-Ashfield Recreation Grounds 2006 Trust
- Kirkby-in-Ashfield Recreation Ground, Lord Francis Park
- Skegby Recreation Ground

Governance arrangements need establishing for each of these.

There are two other trust funds which the Council have an apparent responsibility to and their current status is being investigated. They are:

- William Booth's Charity for the Poor, which holds investment units that generate income which is paid into an account to which the Council is not a signatory. This charity was removed from the Charities Register on 12th February 2004 but has not been wound up.

- Wansley Hall Trust Fund, which does not show up on the Charity Commissions database and may just be a joint arrangement between Ashfield District Council and Nottinghamshire County Council to carry out a specific project. The balance on this bank account is £396 as at 31st March 2008 (£394 as at 31st March 2007). There has been no movement on this account within the last financial year.

29. Amounts to and from Related Parties

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 disclosure. There were no significant transactions arising from this analysis affecting Balance Sheet values.

Amounts owing to and from Central Government, other local authorities and Ashfield Homes Limited are stated within the notes 21, 34 and 35 to the Balance Sheet.

30. Retirement Benefits

In 2007/08 the Council has been required to make an employer's contribution to the Local Government Superannuation Fund, a defined benefit scheme, of £2.48m (2006/07 £2,017m) which covers 100% of liabilities. This equates to 20.2% of employees net pensionable pay (2006/07 18.6%). Of this, 10% is funding for future liabilities and 10.2% for back-funding (2006/07 10 % and 8.6% respectively).

Expenditure on added years awarded by the Council was £149k representing 1.4% of total pensionable pay, (2006/07 £248k and 2%).

The Local Government Superannuation Fund was valued by the actuary as at March 2007.

Further information is included in Accounting Policy 7.

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

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

In 2007/08, pension costs have been charged to the income and expenditure account on the basis of FRS17 (based on a formal actuarial valuation for 31st March 2007) and the pensions payable in the year to retired officers. However, at

31st March 2008, the Council had the following overall assets and liabilities for pensions that have now been included in the Balance Sheet.

Please Note

The actual payment for employer contributions differs from the estimate submitted (in February) and eventually included in the actuaries report. In past years 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. During 2007/08 it was decided that the Council would, for clarity, resort to the original figures in the actuaries report and this has resulted in a one-off adjustment to the Pension Accounts for that year.

Pension Statement

31st March 2007 £000		31st March 2008 £000	Notes
Balance Sheet Items:			
54,540	Market Value of Assets	51,999	30.1
(87,199)	Liabilities	(94,494)	
(32,659)	Surplus/(Deficit)	(42,495)	
Movement in Surplus During 2007/2008:			
(36,563)	Surplus/(Deficit) @ Beginning of Year	(32,659)	
(2,017)	Current Service Costs	(1,761)	
0	Adj: To Previous Yrs Emp Contributions	369	
1,965	Employer Contributions	2,480	
(257)	Past Service Cost/Curtailment Cost	(742)	
(1,129)	(Net Interest)/Return on Assets	(1,020)	
5,342	Actuarial Gain (or Loss)	(9,162)	
(32,659)	Surplus/(Deficit)	(42,495)	
Revenue Items:			
Operating			
(2,017)	Current Service Cost	(1,761)	
(232)	Past Service Cost	(628)	
(25)	Curtailment Cost	(114)	
(2,274)	Total Cost	(2,503)	
Finance			
3,121	Expected Return on Assets	3,633	
(4,250)	Interest on Pensions Liabilities	(4,653)	
(1,129)	Net Gain/(Cost)	(1,020)	
Statement of Actuarial Gains (Losses)			
1,154	Asset Gain/(Loss)	(5,911)	30.2
0	Liability Gain/(Loss)	69	30.3
4,188	Change in Assumptions	(3,320)	30.4
5,342	Net Gain/(Loss)	(9,162)	30.5

Notes

30.1 Additional Disclosure Items

	Assets at 31st March 2007		Assets at 31st March 2008	
	£000	%	£000	%
Equities	37,414	68.6	33,955	65.3
Government Bonds	4,200	7.7	5,200	10.0
Other Bonds	2,291	4.2	1,508	2.9
Property	9,217	16.9	8,736	16.8
Cash/Liquidity	1,418	2.6	2,080	4.0
Other	0	0.0	520	1.0
	<u>54,540</u>	<u>100.0</u>	<u>51,999</u>	<u>100.0</u>

30.2 Represents 11.40% of Assets.

30.3 Represents 0.10% of Liabilities.

30.4 Represents 3.50% of Liabilities.

30.5 Represents 9.70% of Liabilities.

30.6 (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 2007 actuarial valuation.

The actuarial assumptions made in the calculations are:

	1st April 2007	31st March 2008
Financial Assumptions		
Rate of Inflation	3.10%	3.60%
Rate of increase in salaries	4.85%	5.10%
Rate of increase in pensions	3.10%	3.60%
Discount Rate	5.40%	6.10%
Expected Rate of Return on Assets		
Equities	7.50%	7.50%
Government Bonds	4.70%	4.60%
Other Bonds	5.40%	6.10%
Property	6.50%	6.50%
Cash Liquidity	5.25%	5.25%
Other	N/A	7.50%
Split of Assets Between Investment Categories		
Equities	68.60%	65.30%
Government Bonds	7.70%	10.00%
Other Bonds	4.20%	2.90%
Property	16.90%	16.80%
Cash Liquidity	2.60%	4.00%
Other	0.00%	1.00%
Market Value of Assets (£'s millions)	2,418	2,500

Actuarial Gains and Losses

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences between the Expected and Actual Return on Assets	3,720	10.1	1,769	4.2	6,575	13.0	1,154	2.1	(5,911)	(11.4)
Differences between Actuarial Assumptions about Liabilities and Actual Experience	0	0.0	(788)	(1.0)	(1,541)	(1.8)	0	0.0	69	0.1
Changes in the Demographic and Financial Assumptions used to Estimate Liabilities	0	0.0	(12,426)	(16.3)	(6,539)	(7.5)	4,188	4.8	(3,320)	(3.5)
	3,720		(11,445)		(1,505)		5,342		(9,162)	
Market Value of Assets (£000)	36,850		41,696		50,587		54,540		51,999	
Liabilities (£000)	(59,192)		(76,206)		(86,954)		(86,830)		(94,494)	
Net (£000)	(22,342)		(34,510)		(36,367)		(32,290)		(42,495)	

The actuarial gains identified as movements on the pensions reserve can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at the 31st March each year.

The difference between the expected and actual return on assets is measured against the market value of assets.

The differences between actuarial assumptions about liabilities and actual experience is measured against liabilities.

The changes in the demographic and financial assumptions used to estimate liabilities is measured against liabilities.

31. Minimum Revenue Provision

2006/07 £000		2007/08 £000
602	Non-Housing Amount - 4% of Credit Ceiling after adjustment	672
<u>602</u>		<u>672</u>
2,213 (1,611)	Amount Charged as Depreciation Net Charge to Statement of Movement on the General Fund Balance	2,140 (1,468)
<u>602</u>		<u>672</u>

32. Investments

	31st March 2007 £000	31st March 2008 £000
Short Term Investments:		
Direct Short Term Investment	4,046	458
City Deposit Brokers Managed Fund	7,000	8,360
	<u>11,046</u>	<u>8,818</u>
Long Term Investments:		
Association of District Councils	50	50
Other Securities	4	1
City Deposit Brokers Managed Fund	5,000	4,154
	<u>5,054</u>	<u>4,205</u>
Total Investments	<u>16,100</u>	<u>13,023</u>

33. Stocks and Work in Progress

A breakdown of the balance sheet figure is given below:

	31st March 2007 £000	31st March 2008 £000
Stocks	62	124
Work in Progress	56	23
	<u>118</u>	<u>147</u>

34. Debtors

	31st March 2007 £000	31st March 2008 £000
Amounts falling due in one year:		
National Non Domestic Rates	1,153	1,449
Council Tax	4,122	3,920
Council Tax Costs	215	259
Government Departments	1,624	1,978
Public Sector Bodies	1,451	1,152
Inland Revenue / Customs and Excise	477	742
Housing Rents	411	462
Housing Benefit Overpayments	238	369
Investment Fund / Loan Interest	416	0
Sundry Debtors	2,012	1,886
Other Debtors	2,617	1,395
	<u>14,736</u>	<u>13,612</u>
Less - Bad Debt Provisions:		
Housing	(276)	(318)
National Non Domestic Rates	(353)	(412)
Council Tax	(2,614)	(2,337)
Council Tax Costs	(125)	(113)
Other	(599)	(541)
	<u>10,769</u>	<u>9,891</u>
Payments in Advance:	<u>354</u>	<u>1,129</u>
	<u>11,123</u>	<u>11,020</u>
Long Term Debtors:		
Mortgages	16	16
Car Loans	106	86
Advances to Housing Associations	110	104
	<u>232</u>	<u>206</u>

35. Creditors

	31st March 2007 £000	31st March 2008 £000
Housing Rents	123	109
National Non Domestic Rates	255	406
Council Tax	283	316
Government Departments	886	762
Income Tax and PAYE / NI	329	0
Public Open Space Maintenance Fund	76	746
Creditors Total Account	0	255
Deposits	450	118
Accruals: PWLB Interest	405	0
Mortgage Loan Interest	562	0
Public Sector Bodies	1,260	2,202
Connaught	0	737
Other Accruals	1,900	1,725
Other Creditors	159	113
Income in Advance:	1,764	1,824
	<u>8,452</u>	<u>9,313</u>

36. Financial Instruments

Further information regarding Financial Instruments is contained within Accounting Policy number 23

36.1 The borrowings and investments included in the Balance Sheet are made up of the following categories of financial instruments

	Long Term		Short Term	
	31st March 2007 £000	31st March 2008 £000	31st March 2007 £000	31st March 2008 £000
Borrowings				
Financial Liabilities at Amortised Cost	79,610	80,851	36	36
Financial Liabilities at Fair Value through Profit and Loss	0	0	0	0
Total Borrowings	<u>79,610</u>	<u>80,851</u>	<u>36</u>	<u>36</u>
Investments				
Loans and Receivables Available for Sale Financial Assets	5,054	4,205	11,046	8,818
Unquoted Equity Investment at Cost	0	0	0	0
Total Investments	<u>5,054</u>	<u>4,205</u>	<u>11,046</u>	<u>8,818</u>

36.2 The gains and losses recognised in the Income and Expenditure Account, in relation to Financial Instruments are detailed in the following table.

	£000
Interest Expense	
Liabilities measured at 'Amortised Cost'	3,951
Interest Income	
Loans and Receivables	(1,168)
Net Gain / (Loss) for the Year	<u>2,783</u>

36.3 Fair Value

Financial liabilities and assets are carried in the balance sheet at amortised cost. The following table shows the fair value of those liabilities by using prevailing PWLB interest rates at 31.3.08. No early repayment penalties have been included. The fair value of assets has been calculated by using 12 month LIBOR rate at 31.3.08. The fair value of trade and other receivables has been adjudged to be the same as the carrying value and not included in the table below. The fair value of financial liabilities is higher than the carrying value, because a number of fixed loans within the Council's portfolio are running at rates lower than the prevailing rate. The fair value of financial assets is very similar to the carrying amount because they are comprised of short-term deals.

	31st March 2007		31st March 2008	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
PWLB	31,302	28,378	31,707	33,598
Money Market	48,000	47,921	48,879	56,396
Other Local Authorities	308	308	265	265
Short Term Borrowing	36	36	36	36
Cash Overdrawn	1,514	1,514	518	518
	<u>81,160</u>	<u>78,157</u>	<u>81,405</u>	<u>90,813</u>
Association of District Councils	50	50	50	50
Money Market over 12 months	5,000	4,277	4,154	3,949
Other Securities	4	4	1	1
Direct Short Term Investments	4,046	4,046	458	458
Money Market less than 12 months	7,000	7,000	8,360	8,360
	<u>16,100</u>	<u>15,377</u>	<u>13,023</u>	<u>12,818</u>

36.4 Market Rate Risk

The impact of a one percent rise in interest rates at 31st March 2008 is minimal as regards interest payable and nil on interest receivable. This is due to not usually using variable rate deals. However the fair value of financial liabilities would decrease by £16,544 and the fair value of financial assets would decrease by £563k. This is a memorandum item only and would not change the Balance Sheet or other accounts.

36.5 An analysis of the long term borrowings included in the balance sheet is shown below

Balance Outstanding 31st March 2007 £000	Source of Loan	Ranges of Interest Rates Payable %	Balance Outstanding 31st March 2008 £000
31,302	Public Works Loan Board	4.25% to 9.875%	31,707
48,000	Money Market	3.40% to 7.95%	48,879
308	Other Local Authorities	5.56%	265
<u>79,610</u>			<u>80,851</u>
31st March 2007 £000	Maturity Within:		31st March 2008 £000
0	1-2 years		92
0	2-5 years		10,727
12,808	5-10 years	6.25% to 7.95%	3,069
66,802	More than 10 years	3.40% to 9.875%	66,963
<u>79,610</u>			<u>80,851</u>

37. Capital Adjustment Account

The capital adjustment 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 31st March 2007		0
Transfer from the Fixed Asset Re-statement Account		(178,241)
Transfer from the Capital Financing Account		(51,804)
Capital Resources:		
Capital Receipts Set Aside - Useable Receipts Applied	(11,412)	
Major Repairs Allowance Applied	(4,316)	
Disabled Facilities Grant Applied	(231)	
Revenue Resources:		
Minimum Revenue Provision	(672)	
Other Adjustments:		
Re: Council Tax - Depreciation	2,401	
Re: Council Tax - Intangible Assets	448	
Re: Council Tax - Deferred Charges	2,565	
Re: Council Tax - Government Grants Deferred	(1,493)	
Re: Council Tax - Impairment of Fixed Assets	24	
Re: Rents - Impairment of Fixed Assets	231	
Re: Rents - Loss on Sale of Fixed Assets	425	
Re: Rents - Depreciation	5,069	
Amounts Written off Fixed Assets for Disposals	7,417	
Amounts Written off Fixed Assets for Impairment	343	
Amendments to Fixed Asset Register	592	
	<hr/>	1,391
Repayment for Transferred Debt		(35)
		<hr/>
Balance as at 31st March 2008		<u>(228,689)</u>

38. Revaluation Reserve

	£000
Balance as at 31st March 2007	0
Revaluations	(17,979)
Transfers	3,093
	<hr/>
Balance as at 31st March 2008	<u>(14,886)</u>

39. Financial Instruments Adjustment Account

	£000
Balance as at 31st March 2007	0
Derecognition of Premia	(877)
Adjustment of Stepped Interest Loans	(401)
Premia Written Off to HRA in Year	173
Balance as at 31st March 2008	<u>(1,105)</u>

This new account is a requirement of the 2007 Statement of Recommended Practice and the exceptional adjusting entries are needed by statute to reduce the impact on the Council Tax to zero. The contra entries appear in the Statement of Movement on the General Fund Balance. The third item is the annual charge to HRA under the item '8' determination. The contra entry is within the Net Operating Expenditure of the Income and Expenditure Account.

40. 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 31st March 2007		(9,637)
Capital Receipts in Year		(9,415)
Less:		
In Year Capital Receipts Pooled	2,514	
Reserved Receipts	6	
Capital Receipts used for Financing	<u>11,412</u>	<u>13,932</u>
Balance as at 31st March 2008		<u>(5,120)</u>

Notes to the Cash Flow Statement

41. Reconciliation of Net (Surplus) / Deficit on Income & Expenditure Account to Net Cashflow

	£000
(Surplus) / Deficit on Income & Expenditure Account	4,258
Net Additional Amount Required by Statute and Non-Statutory Proper Paractises to be debited or Credited to the General Fund Balance for the Year	(6,274)
Interest Paid	(3,936)
Interest Received	1,160
Minimum Revenue Provision	(672)
Transfer to Housing Repairs Account	77
Other non-cash items	7
Decrease in Provisions	1,212
Increase in Stocks	62
Decrease in Work in Progress	(33)
Decrease in Debtors	(130)
Increase in Creditors	<u>(861)</u>
Net Revenue Cashflow	<u><u>(5,130)</u></u>

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

	Opening Balance	Financial Instruments Adjustment	Loans Raised	Loans Repaid	Closing Balance
	£000	£000	£000	£000	£000
Long Term Loans:					
Mortgage	48,000	398	0	0	48,398
PWLB	31,302	0	0	0	31,302
Broxtowe	308	0	0	(43)	265
	<u>79,610</u>	<u>398</u>	<u>0</u>	<u>(43)</u>	<u>79,965</u>
Short Term Loans:					
General	<u>36</u>	<u>0</u>	<u>700</u>	<u>(700)</u>	<u>36</u>
Liquid Resources:					
Investments	<u>16,100</u>	<u>(1)</u>	<u>109,717</u>	<u>(113,308)</u>	<u>12,508</u>

43. Explanation of the Liquid Resources Figure

Amounts included in the liquid resources figure include both long (£4.0m) and short (£8.5m) term investments.

44. Reconciliation of the Movement in Cash to the Movement in Net Debt

	2006/07 £000	2007/08 £000
Net Increase/(Decrease) in Cash	(1,684)	996
Net Cash flow Before Financing	(13,078)	2,553
Movement in Liquid Resources	2,721	(3,592)
	<u>(12,041)</u>	<u>(43)</u>

This reconciliation indicates that during 2007/08 the Council reduced its borrowings by £43k.

45. Analysis of Government Grants

	2006/07 £000	2007/08 £000
Department of Works & Pensions Grant:		
Council Tax Benefit Subsidy	(7,721)	(9,374)
Rent Allowances Subsidy	(8,654)	(8,520)
Non HRA Rent Rebates	(10,602)	(11,087)
Administration Grant	(880)	(977)
Fraud Initiative	(33)	0
Rent Rebates Administration		
	<u>(27,890)</u>	<u>(29,958)</u>
Other Government Grants:		
Housing Revenue Account Subsidy	(2,925)	(2,433)
Housing Defect Grant	(30)	0
Local Authority Business Growth Initiative	(1,264)	(157)
Public Sector Agreement	(124)	(54)
Pathfinder	(358)	(304)
LAA Grants	(642)	(1,823)
Planning Delivery Grant	(401)	(277)
Local Housing Allowance	0	(132)
Flood Alleviation Scheme	0	(20)
	<u>(5,744)</u>	<u>(5,200)</u>
Capital Grants:		
Improvement Grants	(219)	(252)
LAA Grants	0	(499)
	<u>(219)</u>	<u>(751)</u>

Supplementary Financial Statements

Housing Revenue Account – Income and Expenditure Account

2006/07 £000	Income	2007/08 £000
(18,216)	Dwelling Rents (gross)	(19,417)
(129)	Non-dwelling Rents (gross)	(132)
(1,071)	Charges for Services and Facilities	(1,088)
(86)	Contribution Towards Expenditure	(30)
(3,035)	HRA Subsidy Receivable (including MRA)	(2,145)
0	Repayment of balances from AHL	(1,520)
(22,537)	Total Income	(24,332)
	Expenditure	
6,607	Repairs and Maintenance	6,657
5,607	Supervision and Management	5,786
74	Rents, Rates, Taxes and other charges	55
646	Rent Rebates	687
76	Increased provision for bad or doubtful debts	161
5,505	Depreciation and impairments of fixed assets	6,067
0	Deferred Charge	425
21	Debt Management Costs	63
18,536	Total Expenditure	19,901
(4,001)	Net Cost of HRA Services (as included in the authority Income & Expenditure Account)	(4,431)
391	HRA share of Corporate and Democratic Core	329
(3,610)	Net Cost of HRA Services	(4,102)
81	Gain or loss on sale of HRA fixed assets	624
3,968	Interest payable and similar charges	4,044
199	Amortisation of premiums and discounts	173
0	Interest and investment income	(320)
638	(Surplus) or deficit for the year on HRA services	419

Statement of Movement on the HRA Balance

2006/07 £000		2007/08 £000
638	(Surplus) or deficit for the year on the HRA I & E Account	419
(1,427)	Net Additional amount required by statute to be debited or (credited) to the HRA balance for the year	(2,983)
(789)	(Increase) or decrease in the HRA Balance	(2,564)
(5,200)	Housing Revenue Account Balance brought forward	(5,989)
(5,989)	Housing Revenue Account Balance carry forward	(8,553)

Note to the above Statement

Items included in the HRA I & E Account but excluded from the movement on the HRA Balance for the year

0	Impairment of fixed assets charged to HRA	(999)
0	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	0
(51)	Gain or (loss) on sale of HRA fixed assets	(514)
0	Net charge made for retirement benefits in accordance with FRS17	0
0	Sums directed by the Secretary of State to be debited or credited to the HRA that are not income or expenditure in accordance with UK GAAP	0
(51)		(1,513)

Items not included in the HRA I & E Account but included in the movement on the HRA Balance for the year

(1,468)	Transfer to/(from) Major Repairs Reserve	(1,393)
92	Transfer to/(from) Housing Repairs Account	(77)
0	Employer's contributions payable to the Nottinghamshire pension Fund and retirement benefits payable direct to pensioners	0
0	Voluntary set aside for debt management	0
0	Capital expenditure funded by the HRA	0
(1,427)	Net additional amount required by statute to be debited or (credited) to the HRA balance for the year	(2,983)
(1,427)		(2,983)

Notes to the Housing Revenue Account

1. Dwelling Rents

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). Gross dwelling rents for 2007/08 amounted to £19.4m. During 2007/08, £412k or 2.1% of income was not received due to voids (£453k or 2.5% in 2006/07).

2. Non-Dwelling Rents

This represents rent received from other Housing Revenue Account assets which are not defined dwellings, for example, garages. For 2007/08, this amounted to £132k.

3. Charges for Services and Facilities

This represents the income of the Council for the year in respect of services or facilities provided by the Council in connection with the provision of houses and other property within the account. For 2007/08, the income received for these services was £1.08m

4. Contributions Towards Expenditure

This item covers contributions received, mainly from the General Fund and outside bodies or persons towards expenditure. This equates to £30k for 2007/08.

During the year a contribution was received from Ashfield Homes Limited in the sum of £1.52m, this sum represents a repayment of management fees paid since 2002 which had been held as a surplus in their accounts.

5. Housing Subsidy

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 2006/07 and 2007/08 are analysed as follows:

	2006/07	2007/08
	£000	£000
Management and Maintenance	9,534	9,595
Capital Charges Allowance	6,289	6,314
Rent Rebates:		
Previous Year Adjustment	88	(16)
Major Repairs Allowance	4,037	4,102
	<u>19,948</u>	<u>19,995</u>
Less:		
Notional Rent Income	(16,940)	(17,847)
Notional Interest Receipt	(3)	(3)
	3,005	2,145
Housing Defect Repurchase	<u>30</u>	<u>30</u>
	<u><u>3,035</u></u>	<u><u>2,175</u></u>

6. Balance Sheet Values

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

	1st April 2007	31st March 2008
	£000	£000
HRA Dwellings (inc garages)	287,418	283,315
Community Facilities	575	782
Community projects	69	120
Offices	136	190
	<u>288,198</u>	<u>284,407</u>

The Housing Revenue Account dwellings were last re-valued at 31st March 2006 by King Sturge. 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.

7. Vacant Possession Value

The open market value assuming vacant possession within the Council's Housing Revenue Account is as follows:

	1st April	31st March
	2007	2008
	£000	£000
	<u>443,914</u>	<u>452,089</u>

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

Type	1st April 2007 No.	31st March 2008 No.
Low Rise Flats	1,856	1,856
Medium Rise Flats	487	487
Houses and Bungalows	4,827	4,714
Bedsits	80	52
	<u>7,250</u>	<u>7,109</u>

9. Major Repairs Reserve

During 2001/02 the Council established a Major Repairs Reserve. The reserve is utilised to fund capital expenditure on Council properties.

	2006/07 £000	2007/08 £000
Balance brought forward	(4,157)	(6,000)
Expenditure		
Financing of HRA capital Expenditure	2,194	4,316
Transfer to the HRA	1,468	1,393
Income		
Depreciation	(5,505)	(5,494)
Balance carried forward	<u>(6,000)</u>	<u>(5,785)</u>

10. Housing Repairs Account

Repairs and Maintenance covers the actual expenditure undertaken during the year in respect of the repair and maintenance of the houses and other property within the Housing Revenue Account.

The Council funds housing repairs via a fund set up for this purpose, the Housing Repairs Account, 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.

	2006/07	2007/08
	£000	£000
Balance brought forward	(1,716)	(1,808)
Expenditure		
Responsive Repairs	2,791	2,562
Planned Maintenance	3,056	3,380
Administration Charges	760	714
	<u>6,607</u>	<u>6,656</u>
Income		
Contribution from Housing Revenue Account	(6,699)	(6,579)
Balance carried forward	(1,808)	(1,731)

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

11. Housing Capital Expenditure

Housing capital expenditure incurred amounted to £5.7 m.

The main elements of expenditure were as follows:

	2006/07	2007/08
	£000	£000
Decent homes Contract	833	4,103
Ashfield Homes Limited New Offices	35	0
Environmental Works	335	276
Capital Salaries	910	408
Demolition of Courts	0	579
Other minor items	1,583	354
	<u>3,696</u>	<u>5,720</u>

The expenditure of £5.7m was financed from £1.0m of Prudential Borrowing and £4.3m from the Major Repairs Reserve and £0.4m S106 Affordable Housing money.

The difference in expenditure between 2006/07 and 2007/08 is due to an increase in the capital programme in respect of Decent Homes work. The new contract

includes work being carried out where people refused the offer of improvements in the first tranche.

12. Housing Capital Receipts

During the year £8.3m of housing capital receipts were received by the Council. The amounts are summarised below:

	2006/07	2007/08
	£000	£000
Council House Sales (RTB)	4,057	3,698
Open Market House Sales (Trusteel)	816	412
Mortgage Repayments	31	6
Land/Property Sales	0	4,232
	<u>4,904</u>	<u>8,348</u>

13. Depreciation , Impairment and loss on sale of Fixed Assets

Depreciation calculated for the Housing Revenue Account assets during 2007/08 was as follows:

	£000
Council Dwellings	5442
Other Land and Buildings	<u>58</u>
	<u>5500</u>

The impairment of £574k charged during the year relates to the following:

	£000
Demolition of 8 properties at Warwick Avenue for green space	231
Reduction in value St James/St Georges Court following demolition	203
Reduction in Market value of the Poplars	<u>140</u>
	<u>574</u>

The Council sold the St James/St Georges Court site following demolition at a 50% discount to ensure future use for social housing. This loss was £425k.

14. Deferred Charges

The deferred charges of £425k relate to a grant made to a Housing Association.

15. Pension Contribution

A contribution of £260K has been made for 2007/08 to the backfunding costs relating to employees transferred to Ashfield Homes Limited.

16. Rent Arrears and Bad Debt Provision

During 2007/08 the percentage of rent arrears was 2.39% of income due (2.28% for 2006/07). The value of arrears at 31st March 2008 was £463k (£415k at 31st March 2007).

The Council has a bad debt provision for council house rents in accordance with the Housing Subsidy regulations. During 2007/08, this was increased by £160k. Rents written off in the year amounted to £118k leaving a balance carried forward of £318k.

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.

17. Subsidy Limitation

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 2007/08.

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. During 2007/08, this amounted to £687k.

18. Supervision and Management

This represents the expenditure for the year in respect of the supervision and management of dwellings, including tenancy management and rent collection. During 2007/08, expenditure amounting to £5.78m was incurred, inclusive of the management fee paid to Ashfield Homes Limited.

19. Rents, Rates, Taxes and other charges

This includes all such items which the Council is liable to pay in respect of property within the Housing Revenue Account, which includes council tax on empty property. During 2007/08 £55k of expenditure was incurred on Council Tax.

Collection Fund

2006/07		2007/08
£000		£000
	INCOME	
(40,942)	Income from Council Tax (Note 3)	42,739
	Transfers from General Fund (Note 4)	
(7,926)	Council Tax Benefits	8,257
(108)	Charitable Relief	0
(25,053)	Income Collectable from Business Ratepayers (Note 2)	25,552
	Contributions:	
0	Towards Previous Years Collection Fund Deficit	397
<u>(74,029)</u>	Total Income	<u>76,945</u>
	EXPENDITURE	
48,651	Precepts and Demands (Note 1)	50,963
	Business Rates	
25,030	Payment to National Pool	25,422
131	Costs of Collection	130
	Bad and Doubtful Debts/ Appeals	
0	Write Offs	225
418	Provisions	(277)
	Contributions	
0	Adjustment of Previous Years Community Charge	0
<u>74,230</u>	Total Expenditure	<u>76,463</u>
201	Movement on Fund Balance - Increase in (Surplus)/ Deficit	(482)
397	Balance at 1st April 2007	598
<u>598</u>	Balance at 31st March 2008	<u>116</u>

Notes to the Collection Fund

1. Precept Payments

The following precepts have been made on the Collection Fund:

	2006/07	2007/08
	£000	£000
Nottinghamshire County Council	36,747	38,501
Nottinghamshire Police Authority	4,494	4,751
Nottinghamshire Fire Authority	2,068	2,175
Ashfield District Council	5,184	5,373
Selston Parish Council	148	152
Annesley / Felley Parish Council	10	11
	<u>48,651</u>	<u>50,963</u>

The precepts shown above are gross precepts before adjustment for each precepting bodies share of the collection fund deficit. The current deficit as at the 31st March 2008 is £116k and the share is demonstrated as follows:

	2006/07	2007/08
	£000	£000
Nottinghamshire County Council	454	88
Nottinghamshire Police Authority	55	11
Nottinghamshire Fire Authority	25	5
Ashfield District Council	64	12
	<u>598</u>	<u>116</u>

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:

	2006/07 £000	2007/08 £000
Business Rates income	(25,053)	(25,552)
Less:		
Cost of Collection Allowance	131	130
Add:		
Transfers from General Fund	(108)	-
Net Contribution to National Pool	<u>(25,030)</u>	<u>(25,422)</u>

Non-Domestic rateable value as at 31st March 2008 was £67.7m. The uniform business rate for 2007/08 was 0.444.

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 2007/08 is £1,488.72 (£1,431.71 in 2006/07) per band 'D' dwelling.

The calculation of the tax base for 2007/08 is given below:

	Total Net No. of Dwellings	Ratio to Band "D"	Band "D" Equivalents
Disabled Persons Relief	51.50	5/9	28.6
Band "A"	24,279.75	6/9	16,186.5
Band "B"	9,244.75	7/9	7,190.4
Band "C"	6,933.50	8/9	6,163.1
Band "D"	3,098.50	1	3,098.5
Band "E"	961.50	11/9	1,175.2
Band "F"	352.50	13/9	509.2
Band "G"	125.50	15/9	209.2
Band "H"	<u>8.75</u>	2	17.5
Total	45,056.25		34,578.2
Less Provision for Bad Debts			
Council Tax Base for 2007/08			<u><u>34,578.2</u></u>

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 2007/08:

	£000
Council Tax Benefits	8,257
NNDR Charitable Relief	103
	<hr/>
	<u>8,360</u>

Group Accounts

Group Accounting Policies

1. General

The accounting policies of Ashfield Homes Limited are congruent where appropriate with Ashfield District Council with one minor exception in respect of the valuation of stocks. The variation is not material to require any restatement.

Group Explanatory Foreword

1. General

The Council has 100% interest in Ashfield Homes Limited (AHL). This company was formed on the 26th September 2001 and commenced business to undertake the Housing Management function on behalf of Ashfield District Council on 1st April 2002. The following group financial statements show the consolidated position of the Council and it's interest in AHL.

2. Other entities

There are no other entities for which it would be appropriate to include within the group accounts.

3. Voting rights & ownership

The Council has 4 voting representatives on the board of AHL out of a total of 12 members. AHL is limited by guarantee and does not have share capital. In the event of AHL being wound up, residual assets would be transferred to the Housing Revenue Account after settlement of outstanding debts and liabilities. If assets were insufficient the Council's liability is limited to £1.

4. Turnover

The turnover of AHL in 2007/08 was £10.3m this consisted of the management fee received from the Council.

5. Auditors

The AHL accounts have been audited by KPMG LLP, 2 Cornwall Street, Birmingham B3 2DL. There were no qualification issues arising.

6. Accounts

Further information about AHL's accounts is available from:

Company Accountant,
Ashfield Homes Limited,
Broadway,
Brook Street,
Sutton-in-Ashfield,
Nottinghamshire,
East Midlands, NG17 1AL.

Group Income and Expenditure Account

2006/07 Total		Gross Expend £000	2007/08 Gross Income £000	Net Expend £000
£000				
	Service Expenditure			
1,626	Central Services to the Public	12,747	(11,101)	1,646
9,791	Cultural, Environmental and Planning Services	16,471	(5,067)	11,404
1,507	Highways, Roads and Transport Services	3,110	(1,490)	1,620
(1,009)	Housing Services	54,380	(56,066)	(1,686)
2,393	Corporate and Democratic Core	3,166	(1,635)	1,531
551	Non Distributed Costs	432	(6)	426
14,859	Net Cost of Services	90,306	(75,365)	14,941
223	Net Loss or Gain on sale of Fixed Assets			759
158	Parish Council Precepts			163
50	Net (Surplus)/Deficit on Trading Undertakings.			(54)
1,221	Pensions Interest Cost and Expected Return			1,020
4,221	Interest Payable and Other Charges			4,418
0	Amortisation of Premiums and Discounts			173
(696)	Interest and Investment Income.			(1,279)
2,685	Contribution to Housing Pooled Capital Receipts			2,514
20	Tax Charged on Profit on Ordinary Activities			30
22,741	Net Operating Expenditure			22,685
(1,673)	General Government Grants.			(1,537)
(1,264)	LABGI Grant			(870)
(62)	PSA Grant			(108)
0	Planning Delivery Grant			(277)
(1,323)	Government Grants Deferred			0
(8,577)	Non-domestic Rate Redistribution			(9,158)
(5,342)	Demands on the Collection Fund			(5,494)
4,500	Net (Surplus) / Deficit			5,241

Note:

All figures relate to the continuing operations of the group.

Reconciliation of the Single Entity Surplus or Deficit to the Group Surplus or Deficit

Reconciliation of the Single Entity Surplus/ Deficit to the Group Surplus/Deficit

2006/07		2007/08
£000		£000
3,297	(Surplus)/Deficit for the year on the Authority Income and Expenditure Account	4,258
<u>0</u>	Adjustments for transactions with other group Entities	<u> </u>
3,297	Surplus in the Group Income and Expenditure Account attributable to the Authority	4,258
	(Surplus) / Deficit in the Group Income and Expenditure Account attributable to Group Entities (adj for intra Group transactions)	
1,203	Subsidiaries	983
<u>4,500</u>	(Surplus)/Deficit for the Year on the Group Income and Expenditure Account	<u>5,241</u>

Group Statement of Total Recognised Gains and Losses

2006/07 Total £000		ADC £000	2007/08 AHL £000	Total £000
1,203	(Surplus) / Deficit for the year on Ashfield Homes Limited Income and Expenditure Account		983	983
3,297	(Surplus) / Deficit for the year on Ashfield District Council	4,258		4,258
(10,635)	(Surplus) / Deficit arising on revaluation of fixed assets	(17,232)		(17,232)
(6,734)	Actuarial (gains)/Losses on pension fund assets and liabilities	9,162	229	9,391
	Adjustments to value of pension fund assets - prior years	(368)		(368)
22	Movement in Collection Fund balance (Ashfield share only)	(51)		(51)
	Other adjustments	(77)		(77)
<u>(12,847)</u>		<u>(4,308)</u>	1,212	<u>(3,096)</u>
0	Adjustments to carrying value of financial instruments	1,023		1,023
<u>(12,847)</u>	Total Recognised (Gains) / Losses for the year	<u>(3,285)</u>	1,212	<u>(2,073)</u>
	Reconciliation to Balance Sheet:			
215,378	Net worth as per Balance Sheet as @ 1st April 2007	226,105	2,120	228,225
228,225	Net worth as per Balance Sheet as @ 31st March 2008	229,390	908	230,298
<u>(12,847)</u>	Movement in net worth	<u>(3,285)</u>	1,212	<u>(2,073)</u>

Group Balance Sheet

	Ashfield District Council £000	Ashfield Homes Limited £000	2007/08 Consolidation Adjustments £000	TOTAL £000
FIXED ASSETS				
Operational Assets :				
Council Dwellings	281,035	0	0	281,035
Other HRA	3,374	0	0	3,374
Other Land and Buildings	37,127	0	0	37,127
Vehicles, Plant and Equipment	5,241	57	0	5,298
Community Assets	152	0	0	152
Infrastructure Assets	4,984	0	0	4,984
Non-Operational Assets :	19,065			19,065
Total Fixed Assets	350,978	57	0	351,035
Long Term Investments	4,205	0	0	4,205
Long Term Debtors	206	0	0	206
Deferred Premiums on Early Repayment of Debt	0	0	0	0
Total Long Term Assets	355,389	57	0	355,446
CURRENT ASSETS				
Stocks and Work in Progress	147	323	0	470
Debtors	11,020	1,128	(2,984)	9,164
Investments	8,818	0	0	8,818
Suspense Accounts	11	0	0	11
Cash at Bank and in Hand	0	2,205	323	2,528
	375,385	3,713	(2,661)	376,437
CURRENT LIABILITIES				
Short Term Borrowing	(36)	0	0	(36)
Creditors	(9,313)	(2,783)	2,661	(9,435)
Cash overdrawn	(518)	0	0	(518)
TOTAL ASSETS LESS CURRENT LIABILITIES	365,518	930	0	366,448
Long Term Borrowing	(80,851)	0	0	(80,851)
Provision	(211)	(22)	0	(233)
Government Grants Deferred Account	(7,378)	0	0	(7,378)
Unapplied contributions	(5,164)	0	0	(5,164)
Deferred Capital Receipts	(29)	0	0	(29)
Pensions Related Asset	0	4,192	(4,192)	0
Liability Related to Defined Benefit Pension Scheme	(42,495)	(4,192)	4,192	(42,495)
TOTAL ASSETS LESS LIABILITIES	229,390	908	0	230,298

Group Balance Sheet (Continued)

		2007/08		
	Ashfield District Council £000	Ashfield Homes Limited £000	Consolidation Adjustments £000	TOTAL £000
Pensions Reserve	(42,495)	0	0	(42,495)
Fixed Assets Restatement Reserve	0	0	0	0
Capital Financing Account	0	0	0	0
Revaluation Reserve	14,886	0	0	14,886
Capital Adjustments Account	228,689	0	0	228,689
Useable Capital Receipts Reserve	5,120	0	0	5,120
Earmarked Reserves	4,484	908	0	5,392
General Fund Balance	5,485	0	0	5,485
Collection Fund Revenue Account	(13)	0	0	(13)
Major Repairs Reserve	5,785	0	0	5,785
Housing Revenue Account	8,554	0	0	8,554
Financial Instruments Adjustment Account	(1,105)	0	0	(1,105)
TOTAL NET WORTH	229,390	908	0	230,298

Group Cash Flow Statement

Total	Ashfield District Council	Ashfield Homes Limited	Consolidation Adjustments	Total
£000	£000	£000	£000	£000
(9,161) NET REVENUE CASHFLOW	(5,130)	(265)	0	(5,395)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Cash Outflows				
4,221 Interest Paid	3,936	0	0	3,936
18 Taxation Paid	0	31	0	31
Cash Inflows				
(696) Interest Received	(1,160)	(119)	0	(1,279)
CAPITAL ACTIVITIES				
Cash Outflows				
11,526 Purchase of Fixed Assets	21,824	17	0	21,841
1,072 Other	0	0	0	0
Cash Inflows				
14,290 Sale of Fixed Assets	(9,498)	0	0	(9,498)
(219) Government Capital Grants Received (See Note 1)	(751)	0	0	(751)
(4,994) Other Capital Income	(6,668)	0	0	(6,668)
(12,523) Net Cash (Inflow)/Outflow Before Financing	2,553	(336)	0	2,217
MANAGEMENT OF LIQUID RESOURCES				
2,721 Net Increase/Decrease in other Liquid Resources	(3,592)	0	0	(3,592)
FINANCING				
Cash Outflows				
41,069 Repayment of Amounts Borrowed	743	0	0	743
Cash Inflows				
(29,028) Short Term Loans Raised	(700)	0	0	(700)
2,239 Net (Increase)/Decrease In Cash	(996)	(336)	0	(1,332)

Note:

There are no specific notes provided for the group accounts as they are not materially different from Ashfield District Council's notes. The accounts of Ashfield Homes Limited along with the notes are available from the address given in note 6 on the Group Accounts Explanatory Foreword.

Annual Governance Statement

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.

The management of the Council's housing stock is contracted to Ashfield Housing Ltd. For the purpose of assurance, reliance is placed upon the Statement of Internal Control within Ashfield Housing Ltd's audited Statement of Accounts for 2007/08.

Ashfield District Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code can be obtained from Ashfield District Council, Council Offices, Urban Road, Kirkby in Ashfield, Nottingham NG17 8DA. This statement explains how Ashfield District Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and 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 governance framework has been in place at Ashfield District Council for the year ended 31st March 2008 and up to the date of approval of 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 Council's objectives 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 Council on a regular basis. In addition, all Service's 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 Cabinet, Committees, Scrutiny Committees and the process for determining the Council'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 Council'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 Council 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 Monitoring Officer and the 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 Council's compliance with its policies, procedures, laws and regulations.

- Identifying, assessing and managing risks to the Council'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 Council. A risk management Member champion has been appointed via the Finance portfolio. Key risks have been identified in a corporate Risk Register which is linked 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 Council's 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 Council's standing orders and procurement strategy and undertaking best value service reviews.

The Council's budget process establishes the resources required to deliver 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. Efficiency Reviews are conducted and the Council's Performance Plan is produced in compliance with annual Best Value requirements. A Procurement Strategy and dedicated Procurement post are in place to ensure the Council uses its resources efficiently and effectively. Internal Audit's annual plan of work includes reviewing the use of resources.

- The financial management of the Council 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 Council 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 Council maintains an adequate internal audit function. Financial procedures are identified in approved Financial Regulations. There is also an anti-fraud and corruption policy and whistle-blowing policy, although the former policy requires updating and awareness raising. 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 Council prepares its accounts in accordance with professional guidance and complies with the statutory timetable for publication

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

The Council'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 reports regularly to Cabinet and Scrutiny Committee. A computerised Performance Management System has been introduced. Benchmarking is a regular feature of Efficiency Review reporting. Progress against the Comprehensive Performance Assessment Action Plan is regularly monitored and appraised by 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:

- Extended Management Team who are the executive managers within the Council who have responsibility for the development and maintenance of the internal control environment;
- Internal Audit;
- External Audit's comments in the Annual Audit Letter;
- Other significant partner organisation's Governance Statements;
- Other review agencies and inspectorates 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

Full Council approves all the policies.

Full Council approves the annual budget and council tax.

Cabinet (Executive) has authority from Full Council to deliver Policy.

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 Cabinet which are appraised in accordance with the Council's 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 Council's 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 independently review, appraise and report on the adequacy and effectiveness of the control environment comprising of risk management, control and governance, and the arrangements made by Management and Councillors 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 agreed with management and Members. The overall three-year strategy and plan, renewed each year, is formally agreed by senior management and presented to the Audit Committee.

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 & 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

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 take into account CIPFA's Audit Committees – Practical Guidance for Local Authorities.

Other explicit review / assurance mechanisms

The Council reviews its Constitution in detail on an annual basis.

The Overview and Scrutiny Committee has carried out a programme of Scrutiny reviews on different services

Reports are presented to the Cabinet on a minimum of two occasions per year to review the financial position of the Council. One report includes the Medium Term Financial Strategy.

Financial Regulations and Standing Orders are reviewed by the Council annually.

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 Audit Commission as the Council's External Auditor through the Annual Audit Letter which is presented to Members.

5. Significant Internal Control Issues

The Council faces another challenging year in 2008-09 and the following represent the key issues in relation to internal control:

	Issue	Action
1.	The Council does not have a Business Continuity Plan in place. This needs to be underpinned by detailed disaster recovery plans and interim testing of back-up procedures.	In progress - Zurich Municipal is working with the Council to create the initial plan.

	Issue	Action
2.	The Council does not have an approved IT security policy.	In progress - draft policy produced but not yet formally adopted.
3.	Bank reconciliation not done satisfactorily due to software not delivering required output.	Significant progress being made - daily routine established but overall control not yet adequately achieved.
4.	Use of Resources requirements to be further developed.	The Corporate Action Plan includes actions to improve this score – progress is being reviewed regularly by the Extended Management Team.
5	Procurement Strategy – the refresh of the strategy for 2008-11 is not yet complete	Scheduled for completion as soon as possible and not later than the end of August 2008.
6.	There have been occasions when officers have acted beyond their delegated authority.	Review the way in which delegated authority is exercised, thus ensuring that the Scheme of Delegation <ul style="list-style-type: none"> • Is understandable • Has resilient procedures • Is backed by effective legal advice
7.	Training on key governance issues is overdue. The subjects include <ul style="list-style-type: none"> • Procurement • Standing Orders - general and relating to contracts • Financial Regulations • Scheme of Delegation 	Suitable training to be organised and subsequently included in personal development plans

We have been advised on the implications of the result of the review of effectiveness of the Council's system of internal control by the Head of Financial Management & Audit Services and where appropriate the Cabinet and the officers within the Extended Management Team plan to address weaknesses and ensure continuous improvement of the system of internal control is in place.

Councillor J B Zadrozny
Leader of the Council

A G Mellor
Chief Executive

Date 23rd September 2008

Date 23rd September 2008

Audit Certificate and Opinion

Independent auditor's report to the Members of Ashfield District Council

Opinion on the financial statements

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

This report is made solely to the members of Ashfield District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Head of Financial Management and Audit Services and auditor

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

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

I report to you my opinion as to whether the Authority [and Group] accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority and Group accounting statements, and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. However, in respect of the Authority cash overdrawn balance, the evidence available to me was limited because the working papers relating to the year end bank reconciliation did not support the cash overdrawn balance of £518,000 in the accounts. The reconciliation provided for audit supports a cash overdrawn figure of £240,000. Owing to the nature of the Authority's records, I was unable to obtain sufficient appropriate audit evidence regarding the accuracy of the reconciliation by using other audit procedures.

In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

Qualified opinion arising from limitation of audit scope

Except for the financial effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the accuracy of the cash overdrawn balance, in my opinion the Authority and Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

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

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper

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

Auditor's Responsibilities

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

Qualified Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice. In so doing, I was unable to obtain sufficient appropriate evidence that Ashfield District Council had adequate arrangements in place to maintain a sound system of internal control.

Having regard to relevant criteria specified by the Audit Commission for principal local authorities, I am satisfied that, in all significant respects, Ashfield District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008 except that it did not put in place:

- arrangements to maintain a sound system of internal control.

Best Value Performance Plan

I have issued our statutory report on the audit of the Authority's best value performance plan for the financial year 2007/08 on 15 August 2007. I did not identify any matters to be reported to the Authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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

Andrew Blackburn

District Auditor

Audit Commission

Littlemoor House

Littlemoor

Sheffield S21 4EF

30 September 2008

Glossary of Terms & Abbreviations

This glossary provides an explanation of terms, not precise definitions. It should not be used as a substitute for the more detailed and specific definitions given in statute, codes of practice and technical guidance. It should be used in conjunction with explanations provided within and supporting the accounting statements.

Accounting period – the period of time covered by the accounts. This is normally 12 months commencing on 1st April and finishing on 31st March the following year. The end of the accounting period is the balance sheet date.

Accrual – an amount included in the accounts to cover income or expenditure relating to an accounting period but for which payment has not been received or made. This means that income and expenditure is recognised in the accounts when they are earned or incurred, not when money is exchanged.

Amortisation – the reduction of an amount over the life of an asset.

Ashfield Homes Limited – an arms length management organisation who look after the Councils housing stock.

Balance sheet – a statement of the recorded assets, liabilities and other balances as they stand in monetary terms, at the end of an accounting period.

Billing authority – a local authority responsible for collecting the council tax and business rates from within its district boundaries (Ashfield District Council is a billing authority).

Budget – a statement defining the council's policies over a specified period of time (usually an accounting period) in terms of finance.

Business rates and the NNDR pool – National non domestic rates pool a fund controlled by central government. Income collected from business ratepayers (**business rates**), based on a national rate in the pound set by central government multiplied by the rateable value of the premises they occupy. This national rate is collected by local councils on behalf of central government and is redistributable among all local authorities on the basis of population.

Capital charges – the amounts charged to individual services for the use of assets. The charge must equal at least, an amount for depreciation. These charges do not relate to cash payments, but are internal charges designed to show the cost of assets used in providing services.

Capital expenditure – this includes expenditure on the acquisition of, or major enhancement of fixed assets such as land, property and other structures.

Capital receipts – the proceeds from the sale of council houses, buildings, land and other assets. Capital receipts can be used to finance new capital expenditure, within rules set down by central government, but they cannot be used to finance revenue expenditure.

Community assets – assets that a local council holds which may have restrictions on their use and disposal. Examples include playing fields and parks.

Council tax – the main source of local taxation to councils. It is levied on households within its area by the billing authority and distributed to the county council, police and fire authorities, and to the Council's own General Fund.

Council tax bands – each property in a local authority's area is valued by central government's valuation office agency, and placed in one of 8 bands ranging from a to h. Each band is averaged out in relation to band d, bands a to c paying less, and bands e to h paying more on an increasing scale.

Creditors – an amount owed by a council for work done, goods received or services rendered relating to the accounting period, but for which payment has not yet been made.

Current assets – an amount held at the balance sheet date, which will be used within the following accounting period; for example, stock, cash and debtors.

Current liability – an amount owing at the balance sheet date, which will be paid in the next accounting period; for example, creditors, cash and loan repayments.

De Minimus – This is the term given to expenditure incurred which is classified as expenditure for capital purposes with respect to capital controls i.e. forms part of the approved capital programme expenditure, but is below the threshold to form part of the Council's defined fixed assets

Debtors – an amount owing to a council relating to the accounting period, but for which money has not yet been received.

Deferred charges – capital payments where no fixed asset is created; for example, improvement grants.

Depreciation – the reduction in value of a fixed asset due to age or deterioration through usage.

DWP – Department of Works & Pensions, a central government agency.

Earmarked reserves – amounts put aside to meet specific liabilities in the future.

Fair Value – This in relation to financial instruments assumes that the deal was negotiated with no other motive than to secure a fair price.

Financial instrument – is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another.

Finance lease – a form of borrowing, usually for land and buildings, where the ownership of the fixed asset eventually passes over to the council.

Fitch Credit Rating - an opinion on the relative ability of an entity to meet financial commitments, such as interest, preferred dividends, repayment of principal, insurance claims or counterparty obligations. 'BBB' rating is a good credit quality. 'BBB' ratings indicate that there are currently expectations of low credit risk. The capacity for payment of financial commitments is considered adequate but adverse changes in circumstances and economic conditions are more likely to impair this capacity. 'F3' rating is a fair credit

quality. The capacity for timely payment of financial commitments is adequate; however, near term adverse changes could result in a reduction to non investment grade.

Fixed asset – an asset, which has a substantial value to the council over a number of years; for example, land, buildings and equipment.

FRS – Financial Reporting Standard. These are accounting standards developed by the Accounting Standards Board.

General fund – the main revenue fund of the council. Day-to-day spending on services is met from this fund. The exception to this is for the provision of council dwellings

General reserves – amounts put aside, but not allocated to meet any future spending commitments. The Council's main general reserves are its general fund and housing revenue account balances.

Housing benefit – an allowance to persons on low income to meet, in whole or part, their rent. Local authorities pay benefit but central government refunds most of the cost of the benefits and of the running costs of administering the service. Benefit paid to the authority's own tenants is known as rent rebate and that paid to private sector tenants as rent allowance.

Housing Revenue Account / HRA – all revenue expenditure and income related to the provision of council dwellings are accounted for here. It includes an optional sub – division, the Housing Repairs Account.

Housing subsidy – a government grant paid to housing authorities towards the cost of providing, managing and maintaining council dwellings.

Impairment – this reflects a reduction in the market value of a fixed asset due to significant changes in the market (i.e. Introduction of new technology), obsolescence, or damage, etc.

LAA – Local Area Agreement, a three year agreement between the Government Office for the area and a Local Strategic Partnership.

LABGI – Local Authority Business Growth Incentive, money received by the council to regenerate business.

Long term borrowing / investment – borrowing / investment repayable after more than 12 months..

LSP – Local Strategic Partnership, a partnership that represents local authorities, other public, private, voluntary and community interests for the area.

Minimum revenue provision – the minimum amount that must be charged against the council's revenue accounts each year, as a provision to repay borrowing and finance leases.

MOP – Manage and Operate Partnership to undertake highways work in partnership with neighbouring authorities and Nottinghamshire County Council

MRA – Major Repairs Account.

Net book value – the amount at which fixed assets are included (valued) in the balance sheet, i.e. their historic value or current valuation less depreciation.

Non – operational assets – fixed assets held but not currently used by the council in delivering services; for example property surplus to requirements or land awaiting sale or redevelopment.

Operating lease – a type of rental agreement, usually for computer equipment, office furniture and equipment, where the council never owns the asset.

Operational assets – fixed assets held and being used in delivering services.

PFI – Private Finance Initiative.

Precept – the levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf, for services they provide in the billing authorities area.

Precepting authorities – those authorities who are not billing authorities, e.g. “major” authorities such as the county council and police and fire authorities and “local precepting authorities” such as parish, town or community councils.

Provisions – pre-determined amounts put aside in the accounts for liabilities or losses which are certain or very likely to occur, but the amounts involved or the date when they need to be settled are uncertain.

Public works loan board /PWLB – a central government agency, which provides loans to local authorities.

Revenue expenditure – running costs of services, which include employees, premises, transport, interest, supplies and services.

Revenue support grant / RSG – the main general grant paid by central government to aid general fund services.

RTB – Right to buy, whereby tenants are entitled to buy their dwelling.

Short term borrowing / investments – borrowing / investments repayable on demand or within 12 months.

SORP - Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2006.

Work in progress / WIP – the cost of work done on an uncompleted project at the balance sheet date.