

2006/2007

STATEMENT OF ACCOUNTS



BASSETLAW
DISTRICT COUNCIL
NORTH NOTTINGHAMSHIRE

BASSETLAW DISTRICT COUNCIL
STATEMENT OF ACCOUNTS 2006/07
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EXPLANATORY FOREWORD

The following pages summarise the financial activities of the Council in 2006/07 and comment upon the most significant matters reported in the accounts. This publication incorporates all the financial statements and disclosure notes required by statute. The accounts have been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (SORP).

The 2006 SORP included significant legislative changes that required substantial changes to the 2006/07 accounts. It introduced a new format of accounts and revised the way in which the information is presented. This included:

- New core financial statements. For example the Income and Expenditure Account replaces the former Consolidated Revenue Account.
- Changes to the format and layout of the Statement of Accounts.
- Revised notes to the accounts.
- Changes to the treatment of certain transactions.

The accounts for 2005/06 have been restated in line with the new requirements and in order to provide meaningful comparisons. There is an inconsistency in some areas as a result of the impact of the new requirements. Note 2 to the Core Financial Statements includes a detailed breakdown of the changes. The major change areas relate to:

- **Capital Charges.** Capital charges are now treated differently and the Asset Management Revenue Account has now disappeared. An interest charge for the use of capital assets is no longer made to service accounts. The 2005/06 comparatives on the Income and Expenditure Account (Table 7) have been restated by reversing out these charges. The compensating amount in the Interest Payable line has also been reversed out so that there is no overall effect on the General Fund. Similar adjustments have also been made to the 2005/06 comparatives in Trading Operations (Table 15) and the Housing Revenue Account (Table 55).
- **Balance Sheet.** Certain elements within the Balance Sheet have been reclassified i.e. Deferred Government Grants. The new SORP recommends that the release of Grants and Contributions is credited to the relevant services rather than to the summary Income and Expenditure Account, as previously. In 2005/06, £451,000 of such grants were released and the 2005/06 comparatives on the Income and Expenditure Account (Table 7) have been restated. There is an inconsistency with previous years as a result.
- **New Accounting Policies.** The changes have resulted in changes to the Council's accounting policies. These have also been amended to reflect the introduction of the new SORP.

The Council's accounts for the year 2006/07 are set out on pages 13 to 69 and comprise:

- **Statement of Accounting Policies (pages 13 to 18).** These explain the basis of the figures in the accounts. The accounts can be properly appreciated only if the policies that have been followed in dealing with material items are explained.
- **Statement of Responsibilities for the Statement of Accounts (pages 19 to 20).** Under the Code of Practice on Local Authority Accounting in the UK 2005, there is a requirement for the Council, in addition to the Chief Financial Officer, to certify its approval of the Statement of Accounts.

Core Financial Statements Comprising:

- **Whole Authority Income and Expenditure Account (page 21).** This reports the day-to-day running costs and incomes for the services for which the Council is responsible, including Council housing services. The account also demonstrates the balance (surplus or deficit) arising from the day-to-day running of the Council.
- **Statement of Movement on the General Fund Balance (page 22).** This reports additional amounts required to show the actual change in the General Fund Balance (surplus or deficit for the year) and more accurately reflects the performance of the Council. A full explanation of this Statement is provided at Table 8.
- **Statement of Total Recognised Gains and Losses (page 22).** This statement shows all gains and losses for the year, including revaluations of assets and pension fund changes.
- **Balance Sheet (page 23).** This summarises the Council's assets and liabilities as they were at 31 March 2007. It indicates the level of reserves and balances at that date, together with long-term indebtedness, investments and the value of assets held. It includes the Collection Fund and the Housing Revenue Account balances.
- **Consolidated Cash Flow Statement (page 25).** This summarises the inflows and outflows of cash arising from transactions with third parties for both capital and revenue purposes.
- **Notes to the Core Financial Statements (pages 26 to 52).** These provide additional information about the figures in the core financial statements.

Supplementary Statements Comprising:

- **Housing Revenue Account (HRA) (pages 53 to 58).** This shows separately the revenue expenditure incurred in providing Council houses and demonstrates how this has been met by rents, subsidy and other income. The format of the account has changed to show an Income and Expenditure Account and Statement of Movement on the HRA Balance.
- **Collection Fund Account (pages 59 to 62).** This reports the transactions of the Council as a billing authority. Amounts in respect of business rates and council tax due are shown, together with how these have been distributed to precepting authorities, the Council's General Fund and the Government.
- **Group Accounts (pages 63 to 69).** The Group Accounts consolidate the accounts of A1 Housing Bassetlaw Ltd and the Council's accounts.
- **Statement on Internal Control (pages 70 to 76).** This Statement sets out the framework within which financial control is managed and reviewed and the main components of the system, including the arrangements for internal audit. The Statement reports on significant identified weaknesses and the actions taken to rectify these.
- **Auditors Report to Bassetlaw District Council – Audit Certificate and Opinion (page 77).** These pages will be provided by the Council's external auditors upon completion of the audit.
- **Glossary of Terms (pages 78 to 81).** Terms used throughout this document are described in detail in these pages.

FINANCIAL SUMMARY

The Council has incurred revenue and capital expenditure during the year. Revenue spending is generally on items that are used within a year. Capital spending is generally on the acquisition and improvement of assets, or extends their useful life. A major influence on the Council's financial position for 2006/07 was the building of two new leisure centres at Worksop and Retford incurring some £4.5m in capital expenditure during 2006/07 with a total final spend of some £11m. Once completed (towards the end of 2007) these two new facilities will provide the Council with two excellent facilities for delivery of the districts sports needs. Obviously, this level of spend has impacted on the Council's cash flow and borrowing requirements.

General Fund

The outturn position on the Council's General Fund is as follows:

| Cabinet Area | Original Estimate £'000 | Revised Estimate £'000 | Actual £'000 | Variance £'000 |
|---|------------------------------------|-----------------------------------|-------------------------|---------------------------|
| Leisure | 2,481 | 2,437 | 2,359 | -78 |
| Housing | 1,081 | 1,796 | 1,778 | -18 |
| Environment & LA21 | 4,016 | 4,107 | 4,194 | 87 |
| Economic Regeneration | 413 | 434 | 389 | -45 |
| Finance | 2,810 | 2,387 | 2,249 | -138 |
| Property, Central and Customer Services | 1,865 | 2,494 | 1,914 | -580 |
| Planning | 1,217 | 1,632 | 1,702 | 70 |
| Emergency Planning | 36 | 55 | 45 | -10 |
| Licensing | 96 | 56 | 58 | 2 |
| Policy | 1,390 | 1,120 | 998 | -122 |
| <u>TOTAL CABINET NET EXPENDITURE</u> | 15,405 | 16,518 | 15,686 | -832 |
| <u>Other Items</u> | | | | |
| Interest Payable & Similar Charges | 0 | 731 | 736 | 5 |
| Interest and Investment Income | 0 | -588 | -577 | 11 |
| Contribution to Housing Pool | 0 | 2,688 | 2,688 | 0 |
| Parish Precepts | 0 | 532 | 532 | 0 |
| Capital Charges | -262 | -3,703 | -3,732 | -29 |
| FRS 17 Pension Adjustments | 114 | 274 | 274 | 0 |
| <u>NET UNDERSPEND BEFORE USE OF RESERVES</u> | 15,257 | 16,452 | 15,607 | -845 |
| Transfer from/to Other Reserves | 0 | 611 | 612 | 1 |
| Transfer to Working Balance | 140 | 140 | 140 | 0 |
| Use of General Reserves | 0 | -1171 | -423 | 748 |
| Use of LABGI | 0 | -103 | 0 | 103 |
| Total Net Use of Reserves | 140 | -523 | 329 | 852 |
| TOTAL | 15,397 | 15,929 | 15,936 | 7 |

Table 1: General Fund Outturn

In 2006/07 the Council expected to spend £16.452m. The actual net expenditure was £15.607m giving a saving of £845k. Rather than using reserves of £523k to fund the revised budget, the Council was able to contribute £329k to reserves. Table 1 shows the Cabinet area analysis of underspends (-) / overspends. The major variances between the revised estimate and the actual outturn are explained below.

Leisure

There were savings resulting from vacancies within Sports Development (£28k) and Langold Country Park (£16k). The contribution to Experience Nottinghamshire for the Worksop Tourist Information Centre (£10k) has not yet been agreed. Expected legal costs (£35k) relating to the two new leisure centres will now fall in the 2007/08 financial year. These savings were offset by a need to spend an additional £27k at Bircotes Leisure Centre on building works and as a result of lost income due to the storm damage to the swimming pool.

Housing

Additional income of £25k was generated from the provision of agency services for renovation grants.

Environment

Additional expenditure was incurred on Refuse Collection (£47k) and Street Cleaning (£44k) due to the impact of an aging transport fleet and higher than budgeted staffing costs. There was additional grant income relating to kerbside collection for glass and garden waste (£49k) that will need to be carried forward into 2007/08. Capital charges (£34k) increased expenditure above the revised budget but this additional sum was offset by an equal and opposite amount elsewhere within the Councils accounts and therefore it does not affect the overall total spend.

Economic Regeneration

There were vacancy and other running costs savings (£32k) relating to the Bassetlaw Development Agency.

Finance

Additional income has been generated by writing back unidentified cash items (£46k). The budget for additional contributions to the Bad Debt Provision was not needed (£38k). The contribution to the Housing Revenue Account in respect of Best Value Accounting transactions was (£87k) less than expected. These savings were offset by additional Council Tax benefits costs (£58k).

Property, Central and Customer Services

Savings were achieved on rent allowances and rent rebates (£222k) on what is a very large turnover budget area. The budget for training was under spent (£59k) as a result of a delay in the programme delivery. Development work on GIS has been delayed (£30k) together with works to Kilton Youth Club (£30k) and implementation of commitment accounting (£10k). Additional income on land charges was achieved (£23k) and there were savings as a result of staff recruitment difficulties within the Accountancy Unit (£50k). There were a large number of small value savings (£111k) on support service costs.

Planning

On this service there was a fall in income (£173k). Expenditure on planning appeals was £62k more than had been expected. This was offset by underspends on employees (£88k), consultancy fees (£47k) and Local Development Framework (£25k).

Policy

Savings were achieved on the Managing Change budget (£64K) and work relating to Community Engagement (£25k) has been delayed slightly and will now be undertaken during 2007/08.

Funding from Government Grants and Local Taxation

| Actual Income 2005/06 £'000 | | Original Estimate 2006/07 £'000 | Revised Estimate 2006/07 £'000 | Actual Income 2006/07 £'000 |
|--|---|--|---|--|
| 5,967 | Revenue Support Grant | 1,686 | 1,686 | 1,699 |
| 4,848 | Council Tax Precept on Collection Fund | 4,977 | 4,977 | 4,977 |
| 3,159 | National Non Domestic Rates entitlement | 8,734 | 8,734 | 8,729 |
| 0 | Redistribution of Collection Fund Surplus | 0 | 0 | 0 |
| 13,974 | Total | 15,397 | 15,397 | 15,405 |

Table 2: Government Grants and Local Taxation

In addition, Parish Precepts totalled £531,613 (£488,603 in 2005/06).

Housing Revenue Account

The detailed analysis of transactions within the Housing Revenue Account is set out in Table 55 and the notes attached. The Council budgeted for a deficit of £241,443 and actually achieved a deficit of only £45,526 a decrease in deficit of £195,917. The major variances are shown in the table below.

| | 2006/07 £'000 |
|---|--------------------------|
| Additional Rent Income | -68 |
| Revenue funding for capital scheme not required until 2007/08 | -56 |
| Contribution to Bad Debt Provision not required | -53 |
| Additional Supporting People grant income | -40 |
| Saving on Asbestos Survey works | -36 |
| Resiting specialist equipment work not completed in year | -28 |
| Central support savings on rent accounting | -32 |
| Additional payments to A1 Housing | 50 |
| Reduced Council House Sales administration income | 42 |
| Increased contribution to General Fund (for corporate accounting charges) | 24 |
| Reduced income from General Fund towards shared amenities cost | 23 |
| Other Variances (Net) | -22 |
| Total Variations | -196 |

Table 3: Housing Revenue Account Variations

The Housing Revenue Account working balance as at 31 March 2007 was £715,109 (31 March 2006 £760,635).

Borrowing Facilities

The Council's borrowing facilities for 2006/07 are as follows:

- a) Bank Overdraft Limit of £500K (Short Term)
- b) Public Works Loans Board (Long Term Capital)
- c) London Money Markets (via brokers) for short and long term borrowing
- d) Co-operative Bank Treasury Department for short-term borrowing.

The maximum amount of external borrowing the Council can have at any one time is governed by the Prudential Code, which was introduced in April 2004. The Prudential Code controls borrowing by reference to an Authorised Limit and Operational Boundary. Council agreed these 2006/07 Prudential Indicator limits on 1st March 2006.

A £6.5m loan with DEPFA was rescheduled commencing 18 April 2006, it was subsequently assigned to WestLB in December 2006 at an initial rate of 4.63%, maturing on 18 July 2016. In addition a loan of £9.3m with Barclays was rescheduled over 2 separate loans of £5m and £4.3m, both from 6 October 2006 until 6 October 2076, at an initial rate of 4.85%. Both transactions achieved interest savings for the Council.

There was no new long-term borrowing in the year, however a £2m short-term loan was required for a period of 11 days (of those 2 days fall in 2007/08) to support the cashflow of the Council. The funding impact of building the two new leisure centres was initially in 2005/06 but there will be further borrowing in 2007/08.

Capital Expenditure

In 2006/07 the Council spent £14.399m on acquiring and improving assets, including grants made for the improvement of private homes. This spending results in a benefit that lasts for a number of years. This expenditure compares with an initial budget of £12.616m and increased as a result of securing additional grants and schemes being carried forward from the previous financial year.

The scale of the spend on sports facilities is unusual in that the Council is building two new leisure centres, one in Worksop and one in Retford. The project started in 2005/06 and is due to be completed towards the end of 2007. In total the Council will be spending almost £11m on these new facilities although only £4.5m was incurred during 2006/07.

Application of Capital Resources

| 2005/06 £'000 | Areas of Capital Expenditure | 2006/07 £'000 |
|------------------|----------------------------------|------------------|
| 7,110 | Housing | 7,316 |
| 1,117 | Renovation Grants | 1,458 |
| 515 | Sport and Recreation | 4,558 |
| 1,736 | Other | 1,067 |
| 10,478 | Total Capital Expenditure | 14,399 |

Table 4: Areas of Capital Expenditure

An analysis of how the expenditure in Table 4 has been financed is set out in Table 5 below. The expenditure of almost £4.5m on building the two new leisure centres was financed by borrowing.

| 2005/06 £'000 | Method of Financing | 2006/07 £'000 |
|--------------------------|----------------------------------|--------------------------|
| 1,369 | Loans | 4,927 |
| 241 | Revenue Contributions | 75 |
| 3,888 | Major Repairs Reserve | 3,920 |
| 929 | Grants and Capital Contributions | 1,112 |
| 102 | Internal Funds | 67 |
| 3,949 | Capital Receipts | 4,298 |
| 10,478 | Total Financing | 14,399 |

Table 5: Method of Financing

Service Delivery Changes

The Council is currently undergoing a period of reorganisation with the expectation that savings will be achieved upon the restructuring of services. Phase one of a Senior Management Structure Review was completed during 2006/07 with phase 2 planned to be undertaken in 2007/08.

With the completion of the two new leisure centres the Council is looking to secure a management company to deliver leisure services from these new centres from the initial date of operation. A large number of the Councils existing staff are expected to be transferred to the new management company as part of this service change.

As part of the annual budget process the Council assesses service needs to develop services and has approved, for service development, additional spend for both revenue and capital as follows:

| Area | 2007/08 £ | 2008/09 £ | 2009/10 £ | Ongoing £ |
|--------------|----------------------|----------------------|----------------------|----------------------|
| Revenue | 301,470 | 250,160 | 122,160 | 67,660 |
| Capital | 8,756,990 | 0 | 0 | 0 |
| Total | 9,058,460 | 250,160 | 122,160 | 67,660 |

Table 6: Service Developments

The Council has limited available capital resources at this time and therefore was not able to approve any capital spend beyond 2007/08. The final scheme costs of building the two new leisure centres will be funded in the main by prudential borrowing, with the borrowing costs having been built into the revenue budget and the Councils Medium Term Financial Strategy. Disposing of surplus assets is generating additional capital resources and capital investment plans are therefore being timed to reflect receipts generated.

Pensions

Disclosure requirements under the SORP are included and in accordance with Financial Reporting Standard (FRS) 17. Details of the information are set out in Note 45 to the Core Financial Statements and also Tables 41 to 46. The implementation of these accounting policies has a material effect on substantial parts of the Statement of Accounts.

Table 43 sets out the Council's estimated share of the Nottinghamshire County Council Pension Fund's assets and liabilities. The actual deficit has reduced from £37.792m at 31 March 2006 to £33.396m at 31 March 2007. Any shortfall at the next revaluation (31 March 2007) will require increased Council contributions to meet the deficit.

Table 43 sets out the Council's estimated share of the Nottinghamshire County Council Pension Fund's assets and liabilities. The actual deficit has reduced from £37.792m at 31 March 2006 to £34.253m at 31 March 2007. Any shortfall at the next revaluation (31 March 2007) will require increased Council contributions to meet the deficit.

Best Value Performance Plan 2006/07

The Best Value Performance Plan 2006/07 contains information on the Council's achievements over the last two financial years and the Council's priorities and plans for the next three years. It is the statutory duty for every Council to publish a Best Value Performance Plan by 30 June each year. The Plan is available from the Head of Community Engagement and Performance based in the offices at Queens Buildings, in local libraries and on the Council's website (www.bassetlaw.gov.uk).

Further Information

If you require further information concerning the accounts of the Council this is available from the Head of Finance and Property, Bassetlaw District Council, Queens Buildings, Potter Street, Worksop, Nottinghamshire S80 2AH (01909) 533174 or by e-mail: finance@bassetlaw.gov.uk.

CERTIFICATE

This Statement of Accounts has been prepared in accordance with the Local Government Finance Act 1982 and at the date of publication is subject to audit. It presents fairly the financial position of the Authority at 31 March 2007 and its income and expenditure for 2006/07.



David Hunter CPFA
Chief Executive

Date 28 June 2007

STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2006/07 financial year and its position as at the year-end of 31 March 2007. It has been prepared in accordance with The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2006 (the SORP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

1. ACCRUAL 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 particular:

- 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 – 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 works in progress on the balance sheet.
- Interest payable on borrowings and receivable on investments is accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income or 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 charged to a bad debts provision. Contributions to this provision are made by charging the service revenue accounts dependant upon the value of outstanding aged debts.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.

2. PROVISIONS

Provisions are made when an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For example, 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 each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account. The main provision that the Council currently holds is that for bad debts (Table 39).

Where some or all of the payment required to settle a provision is expected to be met by another party (eg from 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.

3. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the 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 statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits that do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

4. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (eg Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

5. RETIREMENT BENEFITS

Employees of the Council are members of the Local Government Pensions Scheme, administered by the Nottinghamshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

This scheme is accounted for as a defined benefits scheme:

- The liabilities of the scheme attributable to the Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of the projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount of 5.4% (4.9% 2005/06). This is based on an indicative rate of return on high quality corporate bond (iBoxx Sterling AA corporate bond over 15 years index.).
- The assets of the pension fund attributable to the Council are included in the balance sheet at their fair value:
 - Quoted securities – mid market value
 - Unquoted securities – professional estimate
 - Unlisted securities – average of the bid and offer rates
 - Property – market value

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked
- Past service cost – the increase in liabilities arising from current year decisions whose effect relate to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to 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 Net Operating Expenditure in the Income and Expenditure Account
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- Contributions paid to the fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising the council tax to cover amounts payable by the Council to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions 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 the year end.

Discretionary Benefits

The Council also has restricted power to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are incurred in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

6. VAT

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

7. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2006. The total absorption costing principle is used – the full

cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relate to the Councils status as a multi-functional, democratic organisation.
- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early together with any unused share of IT facilities and other assets.

These two cost categories are accounted for as separate headings in the Income and Expenditure Account.

8. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and are controlled by the Council (eg software licences) is capitalised when it will bring benefits to the council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

An annual valuation review is undertaken to ensure that the valuations are correctly reflected on the Balance Sheet.

9. TANGIBLE FIXED ASSETS

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

Recognition: Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (eg repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the balance sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use
- Infrastructure assets and community assets – depreciated historical cost.

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value.

Assets included in the balance sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Fixed Assets Restatement Account to recognise unrealised gains.

Impairment: The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Otherwise – written off against the Fixed Asset Restatement Reserve.

Disposals: when an asset is disposed of or decommissioned, the value of the asset in the balance sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

Depreciation: Depreciation is provided for on all assets with a determinable finite life (except for investment properties), by allocating the value of the asset in the balance sheet over the periods expected to benefit from their use.

10. CHARGES TO REVENUE FOR FIXED ASSETS

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service
- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Financing Account for the difference between the two.

11. DEFERRED CHARGES

Deferred charges represent expenditure that may be capitalised under statutory provision but does not result in the creation of tangible assets. Deferred charges incurred during the year have been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the cost of the deferred charges from existing capital resources or by borrowing, a transfer to the Capital Financing Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so there is no impact on the level of council tax.

12. LEASES

Finance Leases

The Council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property (recognised as a liability in the balance sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable) and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable)

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

13. 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 (except those relating to the HRA). 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 and losses are recognised on the balance sheet and written down to revenue on a straight-line basis over the term of the replacement loans for General Fund and for the HRA over the unexpired period of the original loan or 10 years, whichever is the greater.

14. INVESTMENTS

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

15. STOCKS AND WORK IN PROGRESS

Stocks are included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the Balance sheet at cost plus any profit reasonably attributable to the works.

16. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and joint ventures and require it to prepare 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 provisions for losses.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

1. AUTHORITY'S RESPONSIBILITY

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration for those affairs. In this Authority, that officer is the Chief Finance Office.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

I confirm that the Full Council at the meeting held on the 28th June 2007 approved these accounts.

Signed: 

On behalf of Bassetlaw District Council

Council Chairman approving the accounts

Date: 28th Jun 2007

2. CHIEF FINANCE OFFICER'S RESPONSIBILITY

The Chief Finance Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code of Practice).

In preparing this Statement of Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Chief Finance Officer has also:

- kept proper records that were up to date;
- taken responsible steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts for 2006/07 presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

Signed:



**David Hunter, CPFA
Chief Executive
Bassetlaw District Council**

Date: 28/6/07

CORE FINANCIAL STATEMENTS

WHOLE AUTHORITY INCOME AND EXPENDITURE ACCOUNT

| Net Cost | | Gross Cost | Gross Income | Net Cost |
|-----------------|---|-------------------|---------------------|-----------------|
| 2005/06 | | 2006/07 | 2006/07 | 2006/07 |
| £'000 | | £'000 | £'000 | £'000 |
| 589 | Central Services to the Public | 9,180 | -7,936 | 1,244 |
| 7,710 | Cultural, Environmental and Planning Services | 15,933 | -6,029 | 9,904 |
| -66 | Highways, Roads and Transport Services | 1,576 | -782 | 794 |
| 2,206 | Housing Services – General Fund | 22,330 | -20,315 | 2,015 |
| -1,353 | Housing Services – Housing Revenue | 18,283 | -19,825 | -1,542 |
| 2,500 | Corporate and Democratic Core | 2,636 | -920 | 1,716 |
| -1,028 | Non Distributed Costs | 14 | 0 | 14 |
| 10,558 | Net Cost of Services | 69,952 | -55,807 | 14,145 |
| 303 | Gain (-) or loss on disposal of fixed assets | | | 176 |
| 489 | Parish Precepts | | | 532 |
| 2,399 | Interest Payable and Similar Charges | | | 2,420 |
| -697 | Interest and Investment Income | | | -607 |
| 1,477 | Pensions Interest Cost and Expected Return on Pensions Assets | | | 1,303 |
| 3,293 | Contribution to Housing Pooled Capital Receipts | | | 2,688 |
| 17,822 | Net Operating Expenditure | | | 20,657 |
| -5,966 | General Government Grants | | | -1,699 |
| -3,159 | Non Domestic Rates Redistribution | | | -8,729 |
| -5,337 | Demand on the Collection Fund (including Parish Precepts) | | | -5,508 |
| 3,360 | Income and Expenditure account Deficit / Surplus (-) | | | 4,721 |

Table 7: Income and Expenditure Account

| |
|--|
| STATEMENT OF MOVEMENT ON 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 the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the useable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to the pension funds and pensioners, rather than as future benefits are earned.

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

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

| 2005/06 £'000 | Statement of Movement on the General Fund Balance | 2006/07 £'000 |
|------------------|---|------------------|
| 3,360 | Income and Expenditure account Deficit / Surplus (-) | 4,721 |
| -3,638 | Net additional amount required by statute or non-statutory proper practices to be debited or credited to the General Fund Balance for the year. (Note 19, Table 22) | -4,438 |
| -278 | Decrease/(-)Increase in General Fund Balance for the Year | 283 |
| -1,924 | Balance on General Fund Brought Forward | -2,202 |
| -2,202 | Balance on General Fund Carried Forward | -1,919 |

Table 8: Statement of Movement on the General Fund Balance

| |
|---|
| STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES |
|---|

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|---|------------------|
| -3,360 | Surplus or deficit (-) on the Income and Expenditure Account for the year | -4,721 |
| 20,337 | Surplus or deficit (-) arising on revaluation of fixed assets | 14,475 |
| -2,499 | Actuarial gains and losses (-) on pension fund assets and liabilities | 4,969 |
| 617 | Any other gains and losses (-) required to be included in this statement | 341 |
| 15,095 | Total Recognised gains and losses (-) for the year | 15,064 |

Table 9: Statement of Total Recognised Gains and Losses

| BALANCE SHEET | | | | |
|------------------|---|------|------------------|------------------|
| 2005/06 £'000 | | Note | 2006/07 £'000 | 2006/07 £'000 |
| | <u>Fixed Assets</u> | | | |
| | <u>Intangible Assets</u> | | | |
| 569 | Software | 20 | 569 | |
| 569 | Total Intangible Assets | | | 569 |
| | <u>Operational Assets</u> | | | |
| 227,947 | Council Dwellings | 20 | 233,450 | |
| 16,852 | Other Land and Buildings | 20 | 23,960 | |
| 2,059 | Vehicles, Plant and Equipment | 20 | 1,732 | |
| 795 | Infrastructure Assets | 20 | 671 | |
| 2,342 | Community Assets | 20 | 2,399 | |
| 249,995 | Total Operational Assets | | | 262,212 |
| | <u>Non Operational Assets</u> | | | |
| 308 | Assets Under Construction | 20 | 4,795 | |
| 7,189 | Investment Assets | 20 | 8,573 | |
| 7,497 | Total Non Operational Assets | | | 13,368 |
| 258,061 | Total Fixed Assets | | | 276,149 |
| 50 | Long Term Investments | | 50 | |
| 202 | Long Term Debtors | 32 | 135 | |
| 2,253 | Deferred Premia on the Early Repayment of Debt | | 1,645 | 1,830 |
| 260,566 | Total Long Term Assets | | | 277,979 |
| | <u>Current Assets</u> | | | |
| 93 | Stocks and Works in Progress | | 95 | |
| 8,774 | Debtors | 32 | 11,907 | |
| 13,773 | Investments | | 4,156 | |
| 0 | Cash and Bank | | 0 | |
| 22,640 | Total Current Assets | | | 16,158 |
| | <u>Current Liabilities</u> | | | |
| -16,307 | Borrowing repayable on demand or within 12 months | 35 | -2,508 | |
| -8,735 | Creditors | 32 | -8,058 | |
| -985 | Bank overdraft | | -583 | |
| -26,027 | Total Current Liabilities | | | -11,149 |
| 257,179 | Total Assets less Current Liabilities | | | 282,988 |
| | <u>Long Term Liabilities</u> | | | |
| -23,628 | Long Term Borrowing | 35 | | -38,920 |
| -959 | Government Grants | | | -809 |
| -37,793 | Liability related to defined benefit pension scheme | 45 | | -33,396 |
| 194,799 | Total Assets less Liabilities | | | 209,863 |

Table 10: Balance Sheet

| 2005/06 £'000 | | Table | 2006/07 £'000 | 2006/07 £'000 |
|------------------|---------------------------------|----------|------------------|------------------|
| | <u>Financed By:</u> | | | |
| 2,361 | Earmarked Reserves | Table 40 | 3,022 | |
| 170,558 | Fixed Asset Restatement Account | Table 40 | 181,187 | |
| 6,652 | Usable Capital Receipts Reserve | Table 40 | 3,605 | |
| -37,792 | Pensions Reserve | Table 40 | -33,396 | |
| 49,484 | Capital Financing Account | Table 40 | 52,578 | |
| 173 | Deferred Capital Receipts | Table 40 | 120 | |
| 0 | Major Repairs Reserve | Table 60 | 0 | |
| 400 | Collection Fund | Table 67 | 113 | |
| 761 | Housing Revenue Account Balance | Table 55 | 715 | |
| 2,202 | General Fund Balance | Table 7 | 1,919 | |
| 194,799 | Total Net Worth | | | 209,863 |

Table 11: Reserves

CASH FLOW STATEMENT

| 2005/06 £'000 | | 2006/07 £'000 | 2006/07 £'000 |
|------------------|---|------------------|------------------|
| | Revenue Activities | | |
| | <u>Cash Outflows</u> | | |
| 13,079 | Cash paid to Employees | 13,927 | |
| 21,511 | Other Operating Costs | 17,304 | |
| 13,686 | Housing Benefit Expended | 14,538 | |
| 41,674 | Payments to National Non Domestic Rates Pool | 41,978 | |
| 43,105 | Payments of Precepts | 44,873 | |
| 3,625 | Payments to Capital Receipts Pool | 2,289 | |
| 136,680 | | | 134,909 |
| | <u>Cash Inflows</u> | | |
| -7,604 | Rents (after rebates) | -7,561 | |
| -41,098 | Council Tax receipts | -43,380 | |
| -40,321 | National Non Domestic Rate Receipts | -37,747 | |
| -3,159 | National Non Domestic Rates Pool Receipts | -8,729 | |
| -5,967 | Revenue Support Grant | -1,699 | |
| -24,925 | Department of Work and Pensions Grants (for benefits) | -25,155 | |
| -203 | Other Government Grants | -538 | |
| -14,223 | Cash Received for Goods and Services | -10,878 | |
| -137,500 | | | -135,687 |
| -820 | Revenue Activities Net Cash Inflow (-) / Outflow | | -778 |
| | <u>Return on Investments and Servicing of Finance</u> | | |
| 1,573 | Interest Paid | 1,461 | |
| -655 | Interest Received | -546 | |
| 918 | | | 915 |
| 98 | Sub Total | | 137 |
| | <u>Capital Activities</u> | | |
| 7,680 | Purchase of Fixed Assets | 13,527 | |
| 1,567 | Deferred Charges | 1,692 | |
| 0 | Long Term Debtors | -67 | |
| -7,125 | Sale of Fixed Assets | -3,911 | |
| -431 | Capital Grants Received | -522 | |
| -1,784 | Other Capital cash Receipts | -148 | |
| -93 | | | 10,571 |
| 5 | Net Cash Inflow (-) / Outflow Before Financing | | 10,708 |
| | <u>Management of Liquid Resources</u> | | |
| 4,986 | Decrease / Increase (-) in Short Term Investments | -9,618 | |
| | <u>Financing</u> | | |
| -14,531 | Repayments of amounts Borrowed | 16,308 | |
| 10,608 | New long term loans raised | -15,800 | |
| 0 | New short term loans raised | -2,000 | |
| 1,063 | Net Cash Outflow / Inflow (-) on Financing | | -11,110 |
| 1,068 | Decrease / Increase (-) in Cash and Cash Equivalents | | -402 |

Table 12: Consolidated Cash Flow Statement

NOTES TO THE CORE FINANCIAL STATEMENTS

All notes as required by the new Statement of Recommended Practice are reproduced below for completeness. However, some notes are not relevant to this Council.

1. ACQUIRED AND DISCONTINUED OPERATIONS

There are no acquired or discontinued operations to report.

2. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

There are no exceptional or extraordinary items of income or expenditure in the 2006/07 accounts.

There have been prior year adjustments to the Whole Authority Income and Expenditure Account and Whole Authority Balance Sheet as detailed below. All adjustments have been incorporated throughout the Statement of Accounts for the 2005/06 comparative figures.

In the 2006/07 Statement of Accounts the Council has adopted three significant new accounting policies that impact on comparative figures for 2005/06 in the Income and Expenditure Account. Some of the changes also affect The Group Accounts Income and Expenditure Account (Table 75).

- Capital Financing Charges for the use of fixed assets are no longer made to service revenue accounts and support services.
- Credits for Government Grants Deferred are now credited to service revenue accounts and support services rather than credited as a corporate income item.
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.
- HRA interest has been restated to reflect gross amounts in the relevant section of the Income and Expenditure Account.

In addition there has been a review of Service Expenditure Analysis and how revenue services are represented.

These changes have had an affect on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts and the adjustments are detailed at Table 13.

| | Consolidated Revenue Account in 2005/06 Statement of Accounts £'000 | Removal of Capital Financing Charges £'000 | Relocation of Government Grants Deferred Credits £'000 | Recognition of Gains and losses on Disposal of Fixed Assets £'000 | HRA Interest Movements £'000 | Movement of Revenue Services £'000 | 2005/06 Comparatives in Income and Expenditure Account £'000 |
|---|---|--|--|--|---|---|---|
| Central Services to the Public | 1,223 | -180 | -226 | 0 | 0 | -229 | 588 |
| Cultural, Environmental and Planning Services | 8,240 | -395 | -225 | 0 | 0 | 91 | 7,711 |
| Highways, Roads and Transport Services | -81 | -48 | 0 | 0 | 0 | 63 | -66 |
| Housing Services - General Fund | 2,204 | -2 | 0 | 0 | 0 | 4 | 2,206 |
| Housing Services – Housing Revenue | 6,925 | -8,221 | 0 | 0 | -55 | -2 | -1,353 |
| Corporate and Democratic Core | 2,404 | 23 | 0 | 0 | 0 | 73 | 2,500 |
| Non Distributed Costs | -1,028 | 0 | 0 | 0 | 0 | 0 | -1,028 |
| Net of Cost Services | 19,887 | -8,823 | -451 | 0 | -55 | 0 | 10,558 |
| Gain or Loss on Disposal of Fixed Assets | 0 | 0 | 0 | 303 | 0 | 0 | 303 |
| Parish Precepts | 489 | 0 | 0 | 0 | 0 | 0 | 489 |
| Interest Payable and Similar Charges | -6,963 | 8,823 | 451 | 0 | 88 | 0 | 2,399 |
| Interest and Investment Income | -664 | 0 | 0 | 0 | -33 | 0 | -697 |
| Pensions Interest Cost and Expected Return on Pensions Assets | 1,477 | 0 | 0 | 0 | 0 | 0 | 1,477 |
| Contribution to Housing Pooled Capital Receipts | 3,293 | 0 | 0 | 0 | 0 | 0 | 3,293 |
| Net Operating Expenditure | 17,519 | 0 | 0 | 303 | 0 | 0 | 17,822 |

Table 13: Prior Year Adjustments to Income and Expenditure Account

In the 2006/07 Statement of Accounts, the Council has adopted two significant new accounting policies that impact on the comparative figures for 2005/06 in the Whole Authority Balance Sheet. These changes also affect the figures in the Group Accounts Balance Sheet (Table 79) that has also been restated to reflect these changes.

- Government grants that are used to offset depreciation on assets are now shown as a liability rather than as a reserve.
- Unused receipts from Section 106 agreements are now shown as creditors rather than an earmarked reserve.

In addition, some of the Fixed Asset values shown in the Balance Sheet as at 31 March 2006 were based on estimated amounts. These balances have now been restated to show the correct values. The adjusting amounts can be seen as separate lines in the Movement of Assets (Table 23).

All of the changes identified above have had the following impact on the comparative figures for 2005/06 compared with those published in the 2005/06 Statement of Accounts. Only figures that have been changed are included in the table.

| | Consolidated Balance Sheet in 2005/06 Statement of Accounts £'000 | Relocation of Unapplied Government Grants Deferred £'000 | Relocation of Section 106 Balances £'000 | Revaluation of Fixed Assets £'000 | 2005/06 Comparatives in Consolidated Balance Sheet £'000 |
|------------------------------------|---|---|---|---|--|
| <u>Operational Assets</u> | | | | | |
| Council Dwellings | 226,662 | 0 | 0 | 1,285 | 227,947 |
| Other Land and Buildings | 17,234 | 0 | 0 | -382 | 16,852 |
| Vehicles, Plant and Equipment | 2,060 | 0 | 0 | -1 | 2,059 |
| Infrastructure Assets | 824 | 0 | 0 | -29 | 795 |
| Intangible Assets - Software | 592 | 0 | 0 | -23 | 569 |
| Creditors | -8,090 | 0 | -645 | 0 | -8,735 |
| Government Grants Deferred | 0 | -959 | 0 | 0 | -959 |
| Net Assets less Liabilities | 195,553 | -959 | -645 | 850 | 194,799 |
| Fixed Asset Restatement Account | 169,708 | 0 | 0 | 850 | 170,558 |
| Earmarked Reserves | 3,006 | 0 | -645 | 0 | 2,361 |
| Government Grants Deferred | 959 | -959 | 0 | 0 | 0 |
| Total Net Worth | 195,553 | -959 | -645 | 850 | 194,799 |

Table 14: Prior Year Adjustments to Whole Authority Balance Sheet

3. UNDISCLOSED OBLIGATIONS ARISING FROM LONG-TERM CONTRACTS

There are no undisclosed obligations to report.

4. TRADING OPERATIONS

The Council undertakes a small number of Trading Operations. Any forecast surplus or deficit as a result of these services is included in the Council's Annual Budget and within the Net Cost of Services in the Income and Expenditure Account.

| 2005/06 Surplus(-) / Deficit £'000 | Trading Operation | 2006/07 Income £'000 | 2006/07 Expenditure £'000 | 2006/07 Surplus(-) / Deficit £'000 |
|---|----------------------|----------------------------|---------------------------------|---|
| 155 | Leisure Management | 0 | 0 | 0 |
| 34 | Markets | 326 | 373 | 47 |
| 71 | Industrial Estates | 184 | 189 | 5 |
| -28 | Trade Refuse | 146 | 135 | -11 |

Table 15: Trading Operations

The purposes of the above Trading Operations are:

- Leisure Management – The Leisure Management Trading Account ceased operations in December 2005 upon the transfer to a private organisation.
- Markets – The costs of operating the Council's two markets, one at Worksop and one at Retford.
- Industrial Estates – These costs are for operating the Council's industrial areas.
- Trade Refuse – The provision of a commercial waste collection service.

The Building Control Charging Account is summarised in Table 17.

5. SECTION 137 EXPENDITURE, LOCAL GOVERNMENT ACT 1972

Section 8 of the Local Government Act 2000 abolished all but one part of Section 137 of the Local Government Act 1972 for principal authorities. The remaining part of Section 137(3) gives power to contribute to charitable bodies and 'not for profit' organisations. Total permitted expenditure amounted to £210,330 (£209,570 in 2005/06) based on a population of 110,700 (110,300 in 2005/06) and actual expenditure amounted to £146,003 in 2006/07 (£141,212 in 2005/06).

The Council incurred no further expenditure under powers within the Local Government Act 2000 in the interests of the area or its inhabitants.

6. EXPENDITURE ON PUBLICITY

Section 5(1) of the Local Government Act 1986 requires the Council to keep a separate account of its expenditure on publicity. The Secretary of State has issued an Exemption Order, which provides that certain descriptions of publicity and expenditure are not required to be accounted for separately. Local Authorities are not prevented, however, from including all such publicity in the Account and this is the case in the following table.

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|------------------------------------|------------------|
| 130 | Tourism and Promotion | 107 |
| 25 | Information Services and Publicity | 15 |
| 125 | Recruitment Advertising | 151 |
| 66 | Public Relations Unit | 65 |
| 73 | Other Advertising | 79 |
| 419 | Total | 417 |

Table 16: Expenditure on Publicity

7. BUILDING CONTROL ACTIVITIES

The Local Authority Building Control Regulations (SI 1998/3129) require the disclosure of information regarding the setting of charges for the administration of the Building Control function. However, certain activities performed by Building Control cannot be charged for, such as providing general advice and liaising with the statutory authorities. The statement below shows the turnover and surplus / deficit of the Building Control Account.

| 2005/06 Total £'000 | | 2006/07 Non Chargeable £'000 | 2006/07 Chargeable £'000 | 2006/07 Total £'000 |
|---------------------------|---|---------------------------------------|--------------------------------|---------------------------|
| | Expenditure | | | |
| 377 | Employee Expenses | 221 | 179 | 400 |
| 0 | Premises | 0 | 0 | 0 |
| 27 | Transport | 5 | 25 | 30 |
| 72 | Supplies and Services | 9 | 36 | 45 |
| 293 | Central and Support Service Charges | 197 | 128 | 325 |
| 2 | Capital Charges | 0 | 2 | 2 |
| 771 | Total Expenditure | 432 | 370 | 802 |
| | Income | | | |
| -334 | Building Regulations Charges | 0 | -272 | -272 |
| -119 | Recharge to other Services | -104 | 0 | -104 |
| -12 | Recharged to other Services | 0 | -2 | -2 |
| -465 | Total Income | -104 | -274 | -378 |
| 306 | Surplus (-) / Deficit for the Year | 328 | 96 | 424 |

Table 17: Building Control Activities

Note: The table shows both the non-chargeable and chargeable elements of the Building Control Account.

The Building Regulations charging account is required to break even over a rolling three-year period. The Building Control charging account shows a £120,956 deficit for the three-year period. Charges are to be reviewed during 2007/08.

8. AGENCY INCOME AND EXPENDITURE

This is no agency income and expenditure to report.

9. TRANSPORT ACT SCHEMES

There are no schemes to report under the Transport Act 2000.

10. BUSINESS IMPROVEMENT DISCTRICT SCHEMES

There are no schemes to report.

11. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

There has been no service provision to other public bodies during the financial year.

12. PARTNERSHIP SCHEMES UNDER SECTION 31 HEALTH ACT 1999

There are no schemes to report.

13. EXPENDITURE ON MEMBERS ALLOWANCES

| 2005/06 £'000 | | 2006/07 £'000 |
|--------------------------|----------------------------------|--------------------------|
| 207 | Basic Allowance | 215 |
| 95 | Special Responsibility Allowance | 97 |
| 26 | Travelling Allowance | 22 |
| 2 | Subsistence Allowance | 2 |
| 330 | Total | 336 |

Table 18: Members Allowances

14. EXECUTIVE REMUNERATION

The number of employees whose taxable remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 is detailed below.

A review of the Senior Management structure was undertaken during the year resulting in a reduced Corporate Management Team.

| 2005/06 No of Employees | Remuneration Band | 2006/07 No of Employees |
|------------------------------------|--------------------------|------------------------------------|
| 9 | £50,000 - £59,999 | 5 |
| 1 | £60,000 - £69,999 | 1 |
| 1 | £70,000 - £79,999 | 1 |
| 0 | £80,000 - £89,999 | 0 |
| 0 | £90,000 - £99,999 | 1 |
| 11 | Total | 8 |

Table 19: Executive Remuneration

15. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with third parties (e.g. Central Government, Pensions Funds, other Local Authorities or precepting bodies, subsidiary and associated companies, joint ventures and joint venture partners, Members and Senior Officers). This is to draw attention to the possibility of the reported financial position being

affected by either the existence of these related parties or any material transactions with them.

Most transactions with related parties are disclosed elsewhere in the Statement of Accounts:

| | |
|-------------------------------------|--|
| Payments to Central Government | Cash Flow Statement Page 25 |
| Precepts from other Public Bodies | Collection Fund Accounts Page 59 to 62 |
| Government Grants | Note 53 Table 53 |
| Superannuation Contributions | Note 45 |
| Members Allowances | Note 13 |
| Trust Funds | Note 42 |
| A1 Housing Bassetlaw Ltd | Group Accounts Page 63 to 76 |
| Pension Fund Contributions | Note 45 |
| Controlled and Associated Companies | Note 33 |

Other transactions not disclosed elsewhere are:

| Net Balance 2005/06 £'000 | | Receipts 2006/07 £'000 | Payments 2006/07 £'000 | Net Balance 2006/07 £'000 |
|---------------------------------|-----------------------------------|------------------------------|------------------------------|---------------------------------|
| 70 | Citizens Advice Bureau | 0 | 86 | 86 |
| 59 | Grants to Parish Councils | 0 | 66 | 66 |
| 348 | Internal Drainage Boards | 0 | 350 | 350 |
| 28 | Bassetlaw Enterprise Board Grants | 0 | 35 | 35 |
| | Nottinghamshire County Council: | | | |
| 249 | - Concessionary Travel | 0 | 1,128 | 1,128 |
| -1,393 | - Leisure Centres | -247 | 0 | -247 |
| -241 | - Other | -407 | 0 | -407 |

Table 20: Related Party Transactions

The Council maintains a register of Members' interests, together with a record of interests declared at Cabinet and Council meetings. There are no material transactions to organisations included in these registers that are not disclosed elsewhere.

16. EXTERNAL AUDIT FEES

The following table shows the audit costs incurred in 2006/07 relating to external audit and inspections carried out by the Audit Commission.

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|---|------------------|
| 101 | Fees payable in respect of External Audit Services | 115 |
| 29 | Fees payable in respect of Grant Claims and Returns | 28 |
| 16 | Fees payable in respect of Statutory Inspection | 10 |
| 0 | Fees payable for Other services | 0 |
| 146 | Total | 153 |

Table 21: External Audit Fees

17. COUNCIL TAX BASE, NNDR & PRECEPTS

This note is for Welsh Authorities only.

18. STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

A full explanation of the importance of The Statement of Movement on the General Fund Balance can be found at Table 8.

19. BREAKDOWN OF RECONCILING ITEMS IN THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The reconciliation of The Statement of Movement on the General Fund Balance identifies those items that are accounting entries required by statute or by non-statutory proper practices from the balance shown on the Income & Expenditure Account. The items included in the Income & Expenditure Account are required by the 2006 SORP, but it is also a requirement that inclusion of these items should not impact on the level of Council Tax. The net amount of the balance on the Income and Expenditure Account and the additional items, is the surplus or deficit for the year added to the General Fund Balance.

| 2005/06 £'000 | | 2006/07 £'000 | 2006/07 £'000 |
|------------------|---|------------------|------------------|
| | <u>Amount included in Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</u> | | |
| -751 | Depreciation and impairment of fixed assets | -1,036 | |
| -10 | Excess of Depreciation charged to HRA Services over the Major Repairs Allowance element of Housing Subsidy | -63 | |
| 451 | Government Grants Deferred amortisation | 374 | |
| -303 | Net loss on sale of fixed assets | -176 | |
| -1,291 | Write downs of deferred charges to be financed from capital resources | -872 | |
| -2,156 | Net charges made for retirement benefits in accordance with FRS17 | -3,013 | |
| -4,060 | | | -4,786 |
| | <u>Amounts not included in Income and Expenditure Account required to be included by statute when determining the Movement on the General Fund Balance for the year</u> | | |
| 422 | Minimum Revenue Provision for Capital Financing | 412 | |
| 46 | Capital expenditure charged in-year to the General Fund balance | 74 | |
| -3,293 | Transfer from Useable Capital receipts to meet payments to the Housing Capital Receipts Pool | -2,688 | |
| 1,922 | Employers contributions payable to the Pension Fund and retirement benefits payable direct to pensioners | 1,984 | |
| -903 | | | -218 |
| | <u>Transfer to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</u> | | |
| -343 | Housing Revenue Account Balance | -46 | |
| 1,668 | Net Transfer to or from earmarked reserves | 612 | |
| 1,325 | | | 566 |
| -3,638 | Net additional amount required to be credited to the General Fund balance for the year | | -4,438 |

Table 22: Reconciliation of Statement of Movement on General Fund Balance

20. CAPITAL EXPENDITURE AND FIXED ASSET DISPOSALS

| | OPERATIONAL | | | | | NON-OPERATIONAL | | INTANGIBLE | |
|--|------------------|-------------------------|-------------------------------|------------------------|-------------------|-----------------------|----------------------------|------------------------------|----------------|
| | Council Dwelling | Other Land and Property | Vehicles Plant and Equipme-nt | Infrastruc-ture Assets | Comm-unity Assets | Investment Properties | Assets under Constr-uction | Intangible Assets – Software | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Gross Book Value 1 April 2006 | 227,707 | 20,017 | 8,405 | 2,390 | 2,342 | 7,219 | 308 | 770 | 269,158 |
| Prior Year Adjustments | 1,021 | -419 | 0 | -29 | 0 | 0 | 0 | 0 | 573 |
| Revised Gross Book Value 1 April 2006 | 228,728 | 19,598 | 8,405 | 2,361 | 2,342 | 7,219 | 308 | 770 | 269,731 |
| Additions | 7,166 | 609 | 175 | 2 | 60 | 1 | 4,487 | 207 | 12,707 |
| Disposals | -3,850 | -242 | 0 | 0 | -3 | 0 | 0 | 0 | -4,095 |
| Revaluations | 2,686 | 6,220 | 0 | 0 | 0 | 1,378 | 0 | 0 | 10,284 |
| Transfers | -91 | 91 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross Book Value at 31 March 2007 | 234,639 | 26,276 | 8,580 | 2,363 | 2,399 | 8,598 | 4,795 | 977 | 288,627 |
| <u>Less Depreciation</u> | | | | | | | | | |
| Balance at 1 April 2006 | 1,045 | 2,783 | 6,345 | 1,566 | 0 | 30 | 0 | 178 | 11,947 |
| Prior Year Adjustments | -264 | -37 | 1 | 0 | 0 | 0 | 0 | 23 | -277 |
| Revised Balance at 1 April 2006 | 781 | 2,746 | 6,346 | 1,566 | 0 | 30 | 0 | 201 | 11,670 |
| Incurred in Year | 3,595 | 586 | 502 | 126 | 0 | 4 | 0 | 207 | 5,020 |
| Assets Sold | -12 | -9 | 0 | 0 | 0 | 0 | 0 | 0 | -21 |
| Revaluations | -3,175 | -1,007 | 0 | 0 | 0 | -9 | 0 | 0 | -4,191 |
| Adj/Transfers | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2007 | 1,189 | 2,316 | 6,848 | 1,692 | 0 | 25 | 0 | 408 | 12,478 |
| Net Book Value 31 March 2007 | 233,450 | 23,960 | 1,732 | 671 | 2,399 | 8,573 | 4,795 | 569 | 276,149 |

Table 23: Movement of Assets

ACQUISITIONS AND ENHANCEMENTS

The main items of capital expenditure for the year on an accruals basis are shown below.

| | 2006/07 £'000 |
|--|------------------|
| <u>Housing</u> | |
| Major Works to HRA Assets | 7,256 |
| Advances to Housing Associations | 60 |
| Renovation Grants | 1,458 |
| <u>Other Areas</u> | |
| Refuse Collection | 37 |
| Leisure Facilities | 4,491 |
| Purchase of Computer Hardware / Software | 256 |
| Civic and Administrative Buildings | 418 |
| Leisure Playgrounds | 67 |
| New / Upgrade Equipment | 66 |
| Miscellaneous Spend | 290 |
| Total Spend | 14,399 |
| Fixed Assets | 12,707 |
| Deferred Charges | 1,692 |
| Total | 14,399 |

Table 24: Breakdown of Capital Expenditure

DISPOSALS

Disposals in Note 20 represent the net book value of assets that have been sold or otherwise disposed of during the year. Receipts from sales are detailed below.

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|---|------------------|
| 4,120 | Sale of Council Houses (Current Cost Valuation) | 3,838 |
| 0 | Sale of Community Assets | 3 |
| 305 | Sale of Investment Assets | 0 |
| 441 | Sale of Other Land and Buildings | 233 |
| 4,866 | Total | 4,074 |

Table 25: Disposal of Capital Assets

CAPITAL EXPENDITURE AND FINANCING

A detailed breakdown of capital expenditure of £14.399m is set out in Table 4. A breakdown of how this capital expenditure was financed is shown in Table 5. The Capital Financing Requirement represents the Council's underlying need to borrow for a capital purpose and the change year on year will be influenced by the capital expenditure in year.

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|---|------------------|
| 39,336 | Opening Capital Financing Requirement | 39,313 |
| | Capital Investment | |
| 8,602 | - Operational Assets | 8,219 |
| 308 | - Non-Operational Assets | 4,488 |
| 1,568 | Deferred Charges | 1,692 |
| - 695 | Write off Loan Premia | - 609 |
| | Sources of Finance | |
| -3,949 | - Capital Receipts | - 4,298 |
| - 929 | - Government Grants and other Contributions | - 1,112 |
| -4,928 | - Sums set aside from Revenue (inc MRP) | - 4,473 |
| 39,313 | Closing Capital Financing Requirement | 43,220 |
| | <u>Explanation of Movements in year</u> | |
| 1,369 | Government Supported borrowing | 4,927 |
| - 1,392 | Sums Set Aside to repay Debt | - 1,020 |
| | Increase / Decrease (-) in Capital Financing Requirement | 3,907 |
| - 23 | | |

Table 26: Capital Expenditure and Financing

21. MOVEMENT OF DEFERRED CHARGES

| 2005/06 £'000 | | Renovation Grants 2006/07 £'000 | Other 2006/07 £'000 | Total 2006/07 £'000 |
|------------------|------------------------------------|--|---------------------------|---------------------------|
| 0 | Balance as at 1 April 2006 | 0 | 0 | 0 |
| 1,567 | Expenditure | 1,518 | 174 | 1,692 |
| -1,291 | Use of Capital Receipts | -852 | -19 | -871 |
| -276 | Use of Government Grants | -666 | -155 | -821 |
| 0 | Balance as at 31 March 2007 | 0 | 0 | 0 |

Table 27: Deferred Charges

Note 11 of the Statement of Accounting Policies include an explanation of deferred charges.

22. SIGNIFICANT COMMITMENTS UNDER CAPITAL CONTRACTS

Significant commitments under capital contracts at 31 March 2007 amount to £5.806m (31 March 2006 £10.786m). The commitments at 31 March 2007 are as follows:

| Capital Scheme | £'000 |
|--------------------------------------|--------------|
| Provision of two new leisure centres | 5,806 |
| Total | 5,806 |

Table 28: Significant Commitments Under Capital Contracts

The two new leisure centres have been built in partnership with Nottinghamshire County Council and are shown as assets under construction in Table 23. It is expected that the project will be completed in May 2008. The total contract agreement is for £10.601m of which £5.806m is still outstanding and the final cost will be some £11m. Under the terms of the contract, after a term of 60 years, the ownership of the leisure assets will transfer to Nottinghamshire County Council. The Council has no other significant capital commitments as at 31 March 2007.

In addition, the Council has selected Consilium Technologies as its partner in order to replace a number of its major software systems at a value estimated at £600,000 per year for 8 years from 1 April 2004 for the revenue costs of software maintenance and support.

23. STATEMENT OF ASSETS

| Asset Description | 2005/06 | 2006/07 |
|---|----------------|----------------|
| Council Dwellings (see Table 58) | 7,153 | 7,001 |
| <u>Operational Buildings and Land</u> | | |
| - Leisure Centres | 3 | 3 |
| - Other Arts and Leisure Centres | 2 | 2 |
| - Community Centre (General Fund) | 1 | 1 |
| - Community Centre (Housing) | 20 | 13 |
| - Museum | 1 | 1 |
| - Public Conveniences | 8 | 7 |
| - Civic Buildings | 2 | 2 |
| - Administrative Buildings | 7 | 7 |
| - Operational Buildings | 2 | 2 |
| - Markets | 2 | 2 |
| - Garages (Housing) | 1,015 | 877 |
| - Garages (General Fund) | 0 | 13 |
| - Garage Sites | 37 | 37 |
| - Golf Course | 1 | 1 |
| - Car Parks | 17 | 17 |
| - Caravan Site (Housing) | | 0 |
| - Cemetery Buildings | 3 | 3 |
| - Tourist Information Centres | 2 | 2 |
| <u>Operational Equipment</u> | | |
| - Vehicles and Licensed Plant (Council owned) | 116 | 117 |
| - Vehicles and Licensed Plant (Held on Operating Lease) | 144 | 154 |
| - Mowers and Unlicensed Plant | 174 | 154 |
| - Computer Terminals and Laptops | 267 | 243 |
| <u>Community Assets</u> | | |
| - Parks and Open Spaces (acres) | 128 | 128 |
| - Allotment sites | 14 | 14 |
| - Cemeteries (Land Only) | 4 | 4 |
| - Civic Regalia Items | 4 | 4 |
| - Museum Exhibits | Over 30,000 | Over 30,000 |
| <u>Investment Properties</u> | | |
| - Shops | 29 | 29 |
| - Leasehold Flats | 108 | 121 |
| - Industrial Areas | 10 | 10 |
| <u>Strategic Land Holdings</u> | | |
| - Housing and General Fund | Various | Various |

Table 29: Balance Sheet Statement of Assets

24. LEASES – DISCLOSURE AS LESSEE

The Council has outstanding commitments as outlined in the table below of £1.340m (2005/06 £1.639m). A sum of £1.247m was paid out during 2006/07 on operating leases and contract hire. The Council does not have any hire purchase contracts but has a finance lease agreement for three small items of plant with a capital value of £4,395. Since the value of these items is less than the capital de minimis amount they have been treated as revenue expenditure. All operating leases comply with the Statement of Standard Accounting Practice 21 in that the assets have at least a 10% residual value.

| 2005/06 £'000 | Item | 2006/07 £'000 |
|------------------|---|------------------|
| | <u>Operating Leases</u> | |
| 1,432 | Vehicles | 1,217 |
| 11 | Employee Leased Cars | 11 |
| 196 | Computer and Other Equipment | 112 |
| 1,639 | Total Outstanding Commitment | 1,340 |
| | <u>Summarised as:</u> | |
| 637 | Leases expiring in 2007/08 | 542 |
| 1,002 | Leases expiring between 2008/09 and 2011/12 | 798 |
| 1,639 | Total Outstanding Commitments | 1,340 |

Table 30: Operating Lease and Hire Purchase Contracts

| 2005/06 £'000 | Category of Payments | 2006/07 £'000 |
|------------------|-------------------------|------------------|
| 1,198 | Operating Leases | 1,230 |
| 17 | Contract Hire | 17 |
| 0 | Hire Purchase Contracts | 0 |
| 1,215 | Total Payments | 1,247 |

Table 31: Lease and Hire Purchase Payments**25. LEASES – DISCLOSURE BY LESSORS**

The Council acts as a lessor of commercial property, shops, market stalls and industrial units. Leased income received in 2006/07 totalled £344,198. The gross value of assets leased out was £8.598m at 31 March 2007, with accumulated depreciation of £25,000.

26. PFI ARRANGEMENTS

There are no arrangements under a Private Finance Initiative.

27. BASIS OF VALUATION

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accrual basis. Due to the volatile nature of the local property market, it has been assumed that any expenditure on the enhancement of properties has not increased their market value. Valuations for inclusion in the financial statements are prepared in accordance with UK Generally Accepted Accounting Principles (UKGAAP) and are on the basis of Existing Use Value (EUV), as defined in UKPS1.3 (fifth edition of the RICS Appraisal and Valuation Manual), for properties that are owner occupied for the purposes of the entity's

business; or Market Value (MV), as defined in PS3.2, for property that is either surplus to an entity's requirements or held as an investment unless it is a specialised property in which case Depreciated Replacement Cost (DRC) may be the appropriate method of valuation.

Revaluations are carried out on a five-year rolling program with approximately 20% of properties revalued each year to ensure that all properties are revalued once every five years. These valuations have been carried out by the Council's internal valuers who are qualified Members of the Royal Institute of Chartered Surveyors.

Revaluations were at various dates throughout 2006/07 with changes adjusted as they occur. Any surpluses or deficits arising from movements in the general level of prices are credited or debited to the Fixed Asset Restatement Account. Where a loss in value occurs as a result of physical damage or other impairment, this is reflected in an increased charge to service revenue accounts.

The Council housing stock within the Housing Revenue Account has been valued in accordance with DETR Guidance Notes on Stock Valuation For Resource Accounting published May 2000. A full revaluation of the Council's total housing stock was carried out during 2005/06.

In order to arrive at the dwellings valuation figure for 2006/07, 11 distinctive areas of the district were identified based on location, housing stock and estate type. A representative selection from each of these separate areas that have been valued within the 2006/07 period for Right to Buy purposes has been identified. This value has then been compared to the 1 April 2005 value to determine any increase or decrease in value since the complete valuation in 2005/06. These percentage increases and decreases have been applied to all the properties within that area to give an overall value for the complete stock.

Properties regarded by the Council as operational were valued on the basis of open market value for the existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost. Properties regarded by the Council as non-operational have been valued on the basis of the open market value.

Vehicles, plant and machinery have been valued at historic cost, net of depreciation where applicable. Plant and machinery is included within the valuation of the buildings.

Infrastructure and Community Assets are valued at historic cost, net of depreciation where applicable.

Intangible Assets – Software, is valued at historic cost, net of depreciation and is reviewed annually for impairment.

All properties and land sold were revalued prior to sale. Revaluations totalled £10,284,000 in 2006/07 and are analysed by asset type in Table 23.

28. DEPRECIATION

Depreciation totalled £5,020,000 in 2006/07 and is analysed by asset type in Table 23.

Depreciation is calculated on the following bases:

- Dwellings and other buildings – straight-line allocation over the life of the property as estimated by the valuer.
- Infrastructure – straight-line allocation over periods of 25 to 35 years.
- Vehicles, plant and equipment – straight-line allocation typically over the following periods:

| | |
|----------------|------------|
| Mobile Plant | 5-10 years |
| Motor Vehicles | 5 years |
| Equipment | 5 years |
| IT Equipment | 3-5 years |

There is no depreciation charged on Community Assets and Assets under Construction. Where an asset has major components with different estimated useful lives, these are depreciated separately.

There have been no changes in estimated asset life or residual asset values in 2006/07 that would have a material affect.

29. CHANGES TO DEPRECIATION METHOD

There have been no changes to depreciation methods in 2006/07.

30. INTANGIBLE ASSETS - OTHER

The intangible assets shown in the balance sheet relate to software licences. Purchases of these totalling £207,000 were made in 2006/07. They are amortised over 3 or 5 years and the total amortisation charged in 2006/07 was £207,000.

31. CHANGES IN AMORTISATION METHOD FOR INTANGIBLE FIXED ASSETS

There has been no change in amortisation methods for intangible fixed assets in 2006/07.

32. ANALYSIS OF NET ASSETS AS AT 31 MARCH 2007

| | 2005/06 £'000 | 2006/07 £'000 |
|-------------------------|------------------|------------------|
| General Fund | -29,807 | -21,383 |
| Housing Revenue Account | 221,968 | 223,999 |
| Collection Fund | 2,638 | 6,317 |
| Total | 194,799 | 208,933 |

Table 32: Balance Sheet Analysis of Assets

LONG TERM DEBTORS

Long term debtors consist of items such as mortgage debts, amounts due from other local authorities arising out of local government reorganisations and other amounts due after a period of one year.

| | 2005/06 £'000 | Repayments/ Adjustment £'000 | 2006/07 £'000 |
|--|------------------|------------------------------------|------------------|
| Council House Sales Mortgages | 99 | -37 | 62 |
| Housing Act Advances | 4 | -3 | 1 |
| Loans – Sporting Activity | 82 | -19 | 63 |
| Car Loans to Employees due over 1 Year | 17 | -9 | 8 |
| Total | 202 | -68 | 134 |

Table 33: Long Term Debtors

ANALYSIS OF DEBTORS

| 2005/06 £'000 | | 2006/07 £'000 | 2006/07 £'000 |
|------------------|---|------------------|------------------|
| | <u>Government Departments</u> | | |
| 15 | General | 377 | |
| 1,538 | HM Revenue and Customs (VAT) | 561 | |
| 1,000 | Collection Fund | 5,202 | |
| 2,553 | Total Debt to Government Departments | | 6,140 |
| | <u>Loans</u> | | |
| 11 | Loans to Parishes | 10 | |
| 14 | Enterprise Board Loans | 34 | |
| 10 | Car Loans to Employees (up to 1 year) | 9 | |
| 35 | Total Loans | | 53 |
| | <u>Local Taxation</u> | | |
| 2,998 | Council Taxpayers | 2,922 | |
| 1,374 | Non Domestic Ratepayers | 960 | |
| 4,372 | Total Debt for Local Taxation | | 3,882 |
| 11 | Payroll | | 11 |
| 804 | Housing Rents | | 716 |
| 719 | A1 Housing Bassetlaw Ltd | | 289 |
| 11 | Other Local Authorities | | 3 |
| 2,010 | Other | | 2,508 |
| 10,515 | Total Debtors | | 13,602 |
| | <u>Less</u> | | |
| -3,128 | Provision for Bad and Doubtful Debts | | -2,527 |
| 1,387 | Payments in Advance | | 832 |
| 8,774 | Net Debtors | | 11,907 |

Table 34: Analysis of Debtors

ANALYSIS OF CREDITORS

| 2005/06 £'000 | | 2006/07 £'000 |
|--------------------------|--------------------------|--------------------------|
| 1,496 | Government Departments | 933 |
| | Collection Fund | |
| 384 | - Council Tax | 385 |
| 174 | - NNDR | 165 |
| 0 | - Precepts | 359 |
| 418 | Loans Fund | 613 |
| 410 | Payroll | 419 |
| 1,655 | Capital | 834 |
| 91 | Housing Rents | 80 |
| 738 | A1 Housing Bassetlaw Ltd | 738 |
| 239 | Other Local Authorities | 237 |
| 580 | Section 106 Amounts | 588 |
| 911 | Receipts in Advance | 887 |
| 1,639 | Other | 1,820 |
| 8,735 | Total | 8,058 |

Table 35: Analysis of Creditors**33. INTERESTS IN COMPANIES**Investments

The Council has a number of approved investments at 31 March 2007 totalling £4.156m (31 March 2006 £13.773m) representing investment of surplus balances. In addition, the Council has a £50,000 Debenture Holding with the Association of District Councils (Properties) Ltd that is redeemable in 2011.

A1 Housing Bassetlaw Ltd.

The Council is the sole shareholder of A1 Housing Bassetlaw Ltd. The Council created this Arms Length Management company on 1 October 2004 for the purpose of managing the Council's 7,000+ dwellings. The accounts for this company have been consolidated into the Group Accounts of the Council (Tables 75 to 79). The accounts have been audited and the auditor has not issued a qualified audit opinion on the accounts for the year. The company has net liabilities of £3.135m as at 31 March 2007 and returned a loss for the year of £733k. The Council is required to meet the whole of any trading loss.

Further information about the accounts of A1 Housing Bassetlaw Ltd. is available from the Managing Director, A1 Housing Bassetlaw Ltd, Carlton Forest House, Hundred Acre Lane, Worksop, Nottinghamshire, S80 0TS.

Other Companies

The Council is associated with the following companies which have been set up under Section 33 of the Local Government and Housing Act 1989 which provides for the Council to take appropriate action in order to promote the economic development of its area:

- Non Regulated Companies

Tuxford Mine of Information Ltd. This is a community resource centre. The Council does not hold any shares in the company. The Council did not make any payments to this company during 2006/07.

Worksoop and District Credit Union. Here the community have access to saving and borrowing facilities. It is registered with the Register of Friendly Societies. The Council holds no shares in this company. The Council made payments of £9,090 to this company during 2006/07.

Manton Community Initiatives Ltd. This company manages the running of the Manton Community Centre in Worksoop. The Council made payments of £486 to this company during 2006/07.

- Regulated Companies

Bassetlaw Town Centre Partnership Trust. This company has been set up to undertake community safety initiatives. The Council does not hold any shares in the trust. However, the Council is the main contributor to its running costs. Contributions for 2006/07 amounted to £207,550. The accounts of this company have not been consolidated within the Council's Group Accounts as it is considered that this relationship is not material.

34. CAPITAL INSTRUMENTS

No derivatives or other capital instruments have been issued in 2006/07.

35. ANALYSIS OF LONG TERM BORROWING

| 2005/06 £'000 | | 2006/07 £'000 | 2006/07 £'000 |
|------------------|--|------------------|------------------|
| 5,135 | Public Works Loans Board | | 4,628 |
| | Mortgages | | |
| 6,500 | - DEPFA Bank Plc (04/2002 – 04/2042) | 0 | |
| 0 | - WESTLB Bank (04/2006 – 04/2066) | 6,500 | |
| 3,300 | - Cheshire Building Society (10/2003 -10/2008) | 3,300 | |
| 5,000 | - DEPFA Bank Plc (03/2004 - 03/2054) | 5,000 | |
| 5,000 | - DEXIA Bank Plc (03/2004 – 03/2054) | 5,000 | |
| 9,300 | - Barclays Bank Plc (10/2004 – 10/2054) | 0 | |
| 0 | - Barclays Bank Plc (10/2006 – 10/2076) | 5,000 | |
| 0 | - Barclays Bank Plc (10/2006 – 10/2076) | 4,300 | |
| 5,700 | - DEPFA Bank (01/2006 – 01/2066) | 5,700 | |
| 34,800 | Total Mortgages | | 34,800 |
| -16,307 | Less: Long Term Loans Repayable within 12 months | | -508 |
| 23,628 | Total Long Term Borrowing | | 38,920 |
| 16,307 | Total Short Term Borrowing | | 2,508 |
| 39,935 | Total Borrowing | | 41,428 |

Table 36: Balance Sheet Analysis of Long Term Borrowing

| 2005/06 £'000 | | 2006/07 £'000 | 2006/07 £'000 |
|------------------|----------------------------------|------------------|------------------|
| 16,307 | Short Term Borrowing | | 2,508 |
| 508 | Loans maturing one to two years | 13,607 | |
| 13,732 | Loans maturing two to five years | 9,488 | |
| 188 | Loans maturing five to ten years | 12,325 | |
| 9,200 | Loans maturing ten or more years | 3,500 | |
| 23,628 | Total Long Term Borrowing | | 38,920 |
| 39,935 | TOTAL BORROWING | | 41,428 |

Table 37: Borrowing by Maturity

Note 13 to the Statement of Accounting Policies provides further information on repurchase of borrowing.

The method for showing the maturity profile for long-term borrowing reflects the total length of all long term loans except for loans that provide the lender with an option to change the interest rate and provide the Council with the option to end the deal at specified times have been shown to mature on the first specified date. This reflects the likelihood that the Council will repay and replace these loans at the first option date to ensure we continue to pay favourable interest rates on borrowing.

36. INSURANCE RESERVE

This account services an internal insurance revenue account. The reserve relates mainly to the internal insuring of the Council housing stock in the event of fire. Externally funded insurance transactions are now dealt with separately but any excess on claims made are also met from this reserve.

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|--|------------------|
| -4 | Balance as at 1 April 2006 | -77 |
| -73 | Net Contributions from (-) / to Income & Expenditure Account | 13 |
| -77 | Balance at 31 March 2007 | -64 |

Table 38: Insurance Reserve

37. MOVEMENT IN PROVISIONS

The Council does not have any provisions, as there are no known future obligations. However, a provision for bad and doubtful debts is maintained based on aged debt, the analysis by fund is detailed below. A full explanation of Provisions can be found in Note 2 of the Statement on Accounting Policies.

PROVISION FOR BAD AND DOUBTFUL DEBTS

| Total 2005/06 £'000 | | NNDR £'000 | Council Tax £'000 | General Fund £'000 | HRA £'000 | Total 2006/07 £'000 |
|---------------------------|-------------------------------------|---------------|-------------------------|--------------------------|--------------|---------------------------|
| 3,147 | Balance at 1 April 2006 | 588 | 1,315 | 334 | 891 | 3,128 |
| 1,045 | Provisions made in year | 87 | 302 | 297 | 145 | 831 |
| -1,064 | Write offs against Provision | -321 | -384 | -457 | -270 | -1,431 |
| 3,128 | Balance at 31 March 2007 | 354 | 1,233 | 174 | 766 | 2,527 |

Table 39: Provision for Bad and Doubtful Debts

38. MOVEMENT ON RESERVES

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

| Reserve | Purpose of Reserve | Balance at 1.04.06 £'000 | Movement in Year £'000 | Balance at 31.03.07 £'000 |
|--|---|---|---------------------------------------|--|
| Fixed Asset Restatement Account | Store of gains on revaluation of fixed assets | 170,558 | 10,629 | 181,187 |
| Capital Financing Account | Store of capital resources set aside to meet past expenditure | 49,484 | 3,094 | 52,578 |
| Usable Capital receipts Reserve | Proceeds of fixed assets available to meet future capital investment | 6,652 | -3,047 | 3,605 |
| Pensions Reserve | Balancing account to allow inclusion of Pensions Liability in the Balance Sheet | -37,792 | 4,396 | -33,396 |
| Statutory Housing Revenue Account Balance | Resources available to meet future running costs of Council houses | 761 | -46 | 715 |
| General Fund Balance | Resources available to meet future running costs of non housing services | 2,202 | -283 | 1,919 |
| Other Reserves | Collection Fund, Earmarked Reserves and Deferred Capital Receipts. | 2,934 | 321 | 3,255 |
| TOTAL | | 194,799 | 15,064 | 209,863 |

Table 40: Movement on Reserves**39. CONTINGENT LIABILITIES AND ASSETS**

The Council may have to pay an amount of up to £11,750 relating to a planning misadministration claim. The claim is dependant upon a valuation from the District Valuer and will likely be settled during 2007/08. There are no other significant liabilities outstanding. There are no contingent assets to disclose.

40. AUTHORISATION

This Statement of Accounts was authorised for issue on 21 June 2007 by John Dickson, Interim Head of Finance & Property.

41. POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.

42. TRUST FUNDS

The Council is trustee for the King George's Field Foundation and administers the trust that was set up with the sale proceeds of an area of land at Kings Park, Retford. The Trust Fund accrues interest earned on the investment annually with expenditure from the Trust Fund being made solely on investment in the Kings Park facilities. The Council holds £100,955 as at 31 March 2007 but it is not shown in the accounts.

The Council has an involvement in the administration, but is not the trustee of two small charities. The Council holds no funds for the Sir Stuart and Lady Florence Goodwin Charity. The Council holds £671.46 for Dr Kool Want Charity.

43. RESERVES AND BALANCES OF SCHOOLS UNDER DELEGATED SCHEMES

There are no amounts held by schools under delegated schemes.

44. AMOUNTS DUE FROM RELATED PARTIES

Amounts due from A1 Housing Bassetlaw Ltd total £281,754.16 and relates to outstanding amounts for Service Level Agreement charges. There is no Provision for Bad and Doubtful Debts in relation to A1 Housing Bassetlaw Ltd as there are no outstanding debts.

45. LOCAL GOVERNMENT PENSION SCHEME

Since 2003/04 Councils have had to comply with the requirement of FRS17 that retirement benefits be reflected in the accounts. The basic principle of FRS17 is that the Council should account for retirement benefits when it is committed to give them, even if the actual giving will be many years into the future. Further information is also contained within the Explanatory Forward and further information can be found in the Annual Report of the County Council Pension Fund, which is available upon request from the Nottinghamshire County Council, County Hall, West Bridgford, Nottingham, NG2 7QP.

Although the benefits 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 the employees earn their future entitlement. The cost of retirement benefits is recognised in the Net Cost of Services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on General Fund Balance during the year:

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|--|------------------|
| | <u>Net Cost of Service</u> | |
| 1,423 | Current Service Cost | 1,668 |
| -783 | Past Service Gain (-)/Cost | 27 |
| 39 | Curtailment/Settlement Gain (-)/Loss | 15 |
| | <u>Net Operating Expenditure</u> | |
| 3,715 | Interest Cost | 3,864 |
| -2,238 | Expected Return on Assets in the Scheme | -2,561 |
| | <u>Statement of Movement on General Fund Balance</u> | |
| -234 | Movement on Pensions Reserve | -1,029 |
| | <u>Actual Amount Charged Against Council Tax in the Year</u> | |
| 1,922 | Employers' Contributions payable to Scheme | 1,984 |

Table 41: Local Government Pension Scheme

Table 44 contains details of the assumptions made in estimating the figures included in this table.

In accordance with the Statement of Recommended Practice 2006 a further analysis is now given showing return on assets, gains and losses and financial assumptions over 5 years.

Included within the employers' contributions to the scheme is a contribution from the Housing Revenue Account totalling £302,000 relating to reducing the outstanding liability for Housing Revenue Account staff who were transferred to A1 Housing Bassetlaw Ltd with the benefit of a fully funded pension scheme. In addition, an adjustment amount of £151,000 has been included representing the HRA contribution for 2005/06. These amounts reduce the pension liability of the Council.

| | 2002/03 £'000 | 2002/03 % | 2003/04 £'000 | 2003/04 % | 2004/05 £'000 | 2004/05 % | 2005/06 £'000 | 2005/06 % | 2006/07 £'000 | 2006/07 % |
|---|------------------|---------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| Operating | | | | | | | | | | |
| Current Service Cost | 1,342 | N/a | -1,380 | 11.80 | -1,533 | 15.40 | -1,423 | 17.30 | -1,668 | 19.70 |
| Past Service Gain/Cost (-) | 0 | 0 | 0 | 0 | 0 | 0 | 783 | 0 | -27 | 0 |
| Curtailment Loss | 151 | 0 | -632 | 0 | -164 | 0 | -39 | 0 | -15 | 0 |
| Settlement Gain | 0 | 0 | 0 | 0 | 2,399 | 0 | 0 | 0 | 0 | 0 |
| Total | 1,493 | 0 | -2,012 | 0 | 702 | 0 | -679 | 0 | -1,710 | 0 |
| Market Value of Assets | 33,344 | 0 | 38,566 | 0 | 34,244 | 0 | 41,430 | 0 | 44,834 | 0 |
| Market Value of Liabilities | -59,992 | 0 | -62,812 | 0 | -69,713 | 0 | -79,150 | 0 | -78,397 | 0 |
| Net Liability | -26,648 | 0 | -24,246 | 0 | -35,469 | 0 | -37,720 | 0 | -33,563 | 0 |
| Expected Return on Assets | 3,034 | 9.10 | 2,158 | 5.60 | 2,282 | 6.66 | 2,238 | 5.40 | 2,561 | 5.82 |
| Interest on Pension Liabilities | -3,403 | 5.67 | -3,559 | 14.68 | -3,614 | 5.18 | -3,715 | 4.69 | -3,864 | 4.93 |
| Return on Net Assets | -369 | 0 | -1,401 | 0 | -1,332 | 0 | -1,477 | 0 | -1,303 | 0 |
| Statement of Actuarial Gains (Losses) – Difference in Estimated and Actual performance | | | | | | | | | | |
| Asset Gain / Loss (-) | -10,194 | -30.60 | 3,842 | 10.00 | 1,616 | 4.70 | 5,394 | 13.00 | 947 | 2.10 |
| Liability Gain / Loss (-) | 0 | 0 | 0 | 0 | -2,740 | 3.90 | -1,593 | 2.00 | 0 | 0 |
| Change in assumptions | 0 | 0 | 0 | 0 | -11,443 | 16.40 | -6,300 | 8.00 | 4,022 | 5.10 |
| Net Gain / Loss (-) | -10,194 | -17.00 | 3,842 | 6.10 | -12,567 | 18.00 | -2,499 | 3.20 | 4,969 | 6.30 |

Table 42: Pension Fund Disclosure Items

POST RETIREMENT BENEFITS

Table 43 sets out the Council's estimated share of the Nottinghamshire County Council Pension Fund's assets and liabilities. The estimated deficit has reduced from £37.720m at 31 March 2006 to £34,420m at 31 March 2007 based on the actuary's estimate of employees' contributions to the scheme.

In accordance with the requirements of FRS17, the Council is required to disclose its share of assets and liabilities related to pension schemes for its employees. The Council participates in the Local Government Pension Scheme administered by Nottinghamshire County Council and this is classified as a defined benefit scheme. Note 5 within the Statement of Accounting Policies also offers further explanation on pensions.

The date of the next full triennial actuarial valuation is 31 March 2007, however, this process is still ongoing and the outcome is still awaited. The last actuarial valuation was 31 March 2004 with the market value of the fund being £1.503m. Each year an updating calculation is done to estimate annually the market value of the fund. It is expected that the updating calculation should be within 1-2% of the true value of the scheme liabilities for each year of projection, so the difference may be up to 5%, say, after three years.

The Council's share of the County Council Fund's assets and liabilities were estimated by the actuary and are shown in the table below. However, the accounts reflect the actual total liability of £33,396m, the difference being actual amounts paid to the pension fund by the employer.

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|--|------------------|
| 41,430 | Estimated Share of Assets in the County Council Fund | 44,834 |
| -79,150 | Estimated Share of Liabilities in the County Council Fund | -78,397 |
| -37,720 | Net Asset / Liability (-) Based on Actuary's Report | -33,563 |
| 0 | Adjustment for Actual amounts paid | 167 |
| -37,720 | | -33,396 |

Table 43: Pensions Assets and Liabilities

The actual liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The actual total net liability of £33.396m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy since the deficit on the scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The main assumptions used in the calculations have been:

| Financial Assumptions | 2005/06 % | 2006/07 % |
|--|--------------|--------------|
| Rate of Inflation | 2.90 | 3.10 |
| Rate of Increase in Salaries | 4.65 | 4.85 |
| Rate of Increase in Pensions | 2.90 | 3.10 |
| Proportion of employees opting to take a commuted lump sum | 50.00 | 50.00 |
| Discount Rate | 4.90 | 5.40 |

Table 44: Actuarial Valuation Assumptions

The actuary has assessed the market value of the whole scheme, at 31 December 2006 as being £2,327m (£2,039m at 31 December 2005). The following table shows the split of the Council's proportion of these assets between investment categories.

| Expected Rate of Return on Assets | 2005/06 % | 2006/07 % |
|--|----------------------|----------------------|
| Equities | 7.00 | 7.50 |
| Bonds – Government | 4.30 | 4.70 |
| Bonds – Other | 4.90 | 5.40 |
| Property | 6.00 | 6.50 |
| Cash – Liquidity | 4.50 | 5.25 |
| Other | N/A | N/A |

Table 45: Expected Rate of Return on Assets

| Areas of Fund Analysis | 2005/06 £'000 | 2006/07 £'000 | 2005/06 % | 2006/07 % |
|-------------------------------|--------------------------|--------------------------|----------------------|----------------------|
| Equities | 28,753 | 30,756 | 69.40 | 68.60 |
| Bonds – Government | 3,314 | 3,452 | 8.00 | 7.70 |
| Bonds – Other | 2,610 | 1,883 | 6.30 | 4.20 |
| Property | 5,924 | 7,577 | 14.30 | 16.9 |
| Cash / Liquidity | 829 | 1,166 | 2.00 | 2.60 |
| Total | 41,430 | 44,834 | 100.00 | 100.00 |

Table 46: Analysis of Pension Fund

48. RECONCILIATION OF CASH FLOW AND INCOME & EXPENDITURE ACCOUNT

| 2005/06 £'000 | | 2006/07 £'000 | 2006/07 £'000 |
|--------------------------|--|--------------------------|--------------------------|
| 3,360 | Income & Expenditure Account Surplus (-) / Deficit in year | | 4,721 |
| 146 | Movement on Housing Revenue Account balance | 297 | |
| -58 | Movement on Collection Fund balance | 352 | |
| -1,702 | Adjustment for Net Interest | -1,813 | |
| | | | -1,164 |
| | <u>Adjustments for non-cash items in the Income & Expenditure Account</u> | | |
| -234 | Net Movement - Pension Reserves | -1,029 | |
| -1,482 | Capital Accounting Entries | -1,361 | |
| 46 | Capital Expenditure Funded from Revenue | 74 | |
| | | | -2,316 |
| | <u>Items on an Accruals Basis</u> | | |
| -5 | Increase (-)/Decrease in Stock | -2 | |
| -891 | Change in Amounts due To (-)/From us | -2,017 | |
| | | | -2,019 |
| -820 | Net Movement as per Cash Flow Statement | | -778 |

Table 47: Reconciliation of Fund Balances and Net Cash Movement

49. RECONCILIATION OF MOVEMENT IN CASH TO NET DEBT

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|-----------------------------------|------------------|
| -985 | Cash overdrawn | -583 |
| -16,307 | Temporary Borrowing | -2,508 |
| -23,628 | Long Term Borrowing | -38,920 |
| 13,773 | Temporary Investments | 4,156 |
| 0 | Capital Element of Finance Leases | 0 |
| -27,147 | Total Net Debt | -37,855 |

Table 48: Analysis of Net Debt

| | 2006/07 £'000 |
|--|------------------|
| Reduction (-)/Increase in Cash | 402 |
| Cash In from Reduction in Short Term Investment | -9,617 |
| Cash In from Increase in Temporary Borrowing | 13,800 |
| Cash Outflow from Finance Lease Principal | 0 |
| Cash Inflow from Increase in Long Term Borrowing | -15,292 |
| Movement in Net Debt | -10,707 |

Table 49: Movement in Net Debt

50. RECONCILIATION OF FINANCING AND LIQUID RESOURCES TO OPENING AND CLOSING BALANCES ON BALANCE SHEET

| | 2005/06 £'000 | Movement £'000 | 2006/07 £'000 |
|--|------------------|-------------------|------------------|
| Investments | 13,773 | -9,617 | 4,156 |
| Borrowing Repayable Within 12 Months | -16,307 | 13,799 | -2,508 |
| Long Term Borrowing | -23,628 | -15,292 | -38,920 |
| Net Cash Flow/Inflow on Financing | -26,162 | -11,110 | -37,272 |

Table 50: Reconciliation of Financing and Liquid Resources to Balance Sheet

51. MOVEMENT IN LIQUID RESOURCES

| | 2005/06 £'000 | Movement £'000 | 2006/07 £'000 |
|------------------------|------------------|-------------------|------------------|
| Short Term Investments | 13,773 | -9,617 | 4,156 |
| Total Movement | 13,773 | -9,617 | 4,156 |

Table 51: Movement in Liquid Resources

52. CASHFLOW – FURTHER EXPLANATIONS

| MOVEMENT IN BORROWING | 2005/06 £'000 | Movement £'000 | 2006/07 £'000 |
|--|------------------|-------------------|------------------|
| Short Term Borrowing (due within one year) | -16,307 | 13,799 | -2,508 |
| Long Term Borrowing | -23,628 | -15,292 | -38,920 |
| Total | -39,935 | -1,493 | -41,428 |

Table 52: Movement in Borrowing

53. ANALYSIS OF GOVERNMENT / OTHER GRANTS

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|--|------------------|
| | <u>Department of Work and Pensions Grants</u> | |
| 630 | Housing Benefit Administration Grant | 602 |
| 6,930 | Council Tax Benefit Subsidy | 7,139 |
| 10,535 | Rent Rebates Benefits Subsidy | 10,076 |
| 6,532 | Rent Allowance Subsidy | 7,013 |
| 124 | Anti Fraud Support | 199 |
| 174 | Pension Credits | 126 |
| 24,925 | Department of Work and Pensions Grant Total | 25,155 |
| | <u>Other Government Grants</u> | |
| 154 | Other Government Grants | 158 |
| 171 | Planning Delivery Grant | 102 |
| 25 | Anti Social Behaviour | 35 |
| 175 | Building Safer Communities | 305 |
| -5,870 | Housing Subsidy | -6,161 |
| 3,888 | Major Repairs Allowance | 3,920 |
| 25 | Homeless | 25 |
| 160 | National Non Domestic Rates | 163 |
| 20 | Refuse Collection and Recycling | 65 |
| 240 | Neighbourhood Pathfinder | 556 |
| 772 | Supporting People | 847 |
| 443 | Local Authority Business Incentive Scheme | 508 |
| 0 | Contaminated Land | 15 |
| 203 | Other Government Grants Total | 538 |
| | <u>Capital Grants</u> | |
| 259 | Renovation Grants | 214 |
| 172 | Capital Grants - Government Departments | 94 |
| 150 | Other Capital Grants | 214 |
| 0 | Other Contributions | 0 |
| 581 | Capital Grants Total | 522 |
| | <u>Other Revenue Grants</u> | |
| 319 | Other Grants | 332 |
| 319 | Other Revenue Grants Total | 332 |

Table 53: Analysis of Government and Other Grants

54. RECEIPTS UNDER S106 AGREEMENTS

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission (eg improvement to transport links to the new B&Q depot in Worksop). The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of Section 106 receipts held by the Council are as follows:

| | Balance 1.4.2006 | Income £'000 | Expenditure £'000 | Balance 31.3.2007 |
|--|-----------------------------|-------------------------|------------------------------|------------------------------|
| Transport Infrastructure for B&Q Depot | 195 | 0 | -14 | 181 |
| Open Space Equipment & Maintenance | 353 | 71 | -58 | 366 |
| Other | 97 | 14 | 0 | 111 |
| Total | 645 | 85 | -72 | 658 |

Table 54: S106 Receipts

SUPPLEMENTARY STATEMENTS

HOUSING REVENUE ACCOUNT

The Housing Revenue Account summarises the transactions relating to the provision, maintenance and management of the Council's housing stock. The account has to be self-financing and cannot be subsidised by the General Fund. The 2005/06 amounts have been restated for comparison purposes and to comply with the SORP with a number of these changes being declared in the Explanatory Forward.

| 2005/06 £'000 | HRA Income & Expenditure Account | 2006/07 £'000 |
|------------------|--|------------------|
| | <u>Income</u> | |
| -18,895 | Dwelling Rents | -19,220 |
| -125 | Non dwelling Rents | -103 |
| -333 | Charges for Services and Facilities | -537 |
| -1,232 | Contributions towards expenditure | -1,348 |
| 0 | Sums directed by the Secretary of State that are income in accordance with UK GAAP | 0 |
| -20,585 | Total Income | -21,208 |
| | <u>Expenditure</u> | |
| 4,980 | Repairs and Maintenance | 5,075 |
| 6,354 | Supervision and Management | 6,637 |
| 29 | Rents, Rates, Taxes and Other Charges | 62 |
| 1,810 | Negative Subsidy – Payments to Secretary of State | 2,241 |
| 397 | Provision for Bad and Doubtful Debts | 145 |
| 0 | Cost of Capital Charge | 0 |
| 3,898 | Depreciation and Impairment of Fixed Assets | 3,983 |
| 135 | Amortisation of Deferred Charges | 19 |
| 51 | Debt Management Costs | 57 |
| 0 | Sums directed by the Secretary of State that are expenditure in accordance with UK GAAP | 0 |
| 17,654 | Total Expenditure | 18,219 |
| -2,931 | Sub Total: Net Cost of HRA Services as included in whole authority Income & Expenditure Account | -2,989 |
| 164 | HRA services share of Corporate and Democratic Core | 184 |
| 1,438 | HRA share of other amounts included in whole authority Net Cost of Services but not allocated to specific services | 1,262 |
| -1,329 | Sub Total: Net Cost of HRA Services | -1,543 |
| 163 | Gain or loss on sale of HRA fixed assets | 176 |
| 1,125 | Interest payable and similar charges | 1,114 |
| 688 | Amortised Premiums and Discounts | 602 |
| -43 | Interest and Investment Income | -62 |
| 604 | Surplus or deficit for the year on HRA services | 287 |

Table 55: Housing Revenue Account (HRA)

| 2005/06 £'000 | STATEMENT ON MOVEMENT ON HRA BALANCE | 2006/07 £'000 |
|------------------|---|------------------|
| 604 | Surplus or deficit for the year on the HRA Income and Expenditure Account | 287 |
| -262 | Additional amounts required by statute or non-statutory proper practices | -242 |
| 342 | Increase (-)/Decrease in HRA Balance | 45 |
| -1,102 | Balance Brought Forward | -760 |
| -760 | Balance Carried Forward | -715 |

Table 56: Statement of movement on HRA Balance

| 2005/06 £'000 | NOTE TO STATEMENT ON MOVEMENT ON HRA BALANCE | 2006/07 £'000 |
|------------------|---|------------------|
| | <u>Items included in HRA Income and Expenditure Account but excluded from the Movement on HRA Balance in the year</u> | |
| 0 | Difference between I&E for premiums and discounts and charge for the year | 0 |
| -135 | Difference between any other items of Income and Expenditure in accordance with the SORP and determined in accordance with statutory HRA requirements | -19 |
| -163 | Gain (-)/Loss on disposal of assets | -176 |
| | <u>Items not Included in HRA Income and Expenditure Account but included in the movement on HRA Balance in year</u> | |
| -10 | Transfer to Major Repairs Reserve | -63 |
| 46 | Capital Expenditure funded by HRA | 16 |
| -262 | Net Additional Amount Required by Statute | -242 |

Table 57: Note to Statement of Movement on HRA Balance

NOTES TO THE HOUSING REVENUE ACCOUNT

(A) HOUSING STOCK

| Total 2005/06 | Housing Stock | Pre 1945 | 1945- 1964 | 1965- 1974 | After 1974 | Total 2006/07 |
|------------------|---|-------------|---------------|---------------|---------------|------------------|
| | <u>Traditional Houses and Bungalows</u> | | | | | |
| 3,032 | 1 - 2 Bedrooms | 247 | 1,033 | 516 | 1,224 | 3,020 |
| 1,822 | 3+ Bedrooms | 675 | 752 | 158 | 185 | 1,770 |
| | <u>Non Traditional Houses and Bungalows</u> | | | | | |
| 627 | Houses and Bungalows | 0 | 270 | 353 | 0 | 623 |
| | <u>Flats</u> | | | | | |
| 1,117 | Low Rise (1 - 2 Storeys) | 20 | 410 | 249 | 355 | 1,034 |
| 555 | Medium Rise (3 - 5 Storeys) | 0 | 21 | 369 | 164 | 554 |
| 7,153 | Total | 942 | 2,486 | 1,645 | 1,928 | 7,001 |

Table 58: Current Housing Stock

BALANCE SHEET VALUES

| 2006/07 ASSETS | | | | | | | |
|---------------------------------------|----------------------|---------------------|---------------------|--------------------------------|--|-------------------------|----------------|
| | Operational | | | | | Non Opera- tional | Total |
| | Council Dwellings | Community Assets | Infra- Structure | Other land and buildings | Vehicles Plant Furniture and Equipment | Investment Assets | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Value | | | | | | | |
| Gross Book Value 1 April | 227,707 | 33 | 1,623 | 6,257 | 1,570 | 4,557 | 241,747 |
| Prior Year Adjustments | 1,021 | 0 | 0 | -370 | 0 | 0 | 651 |
| Additions | 7,166 | 0 | 2 | 52 | 16 | 0 | 7,236 |
| Disposals | -3850 | 0 | 0 | -107 | 0 | 0 | -3,957 |
| Revaluations | 2,686 | 0 | 0 | 1,779 | 0 | 648 | 5,113 |
| Transfers | -91 | 0 | 0 | 91 | 0 | 0 | 0 |
| Gross Book Value 31 March | 234,639 | 33 | 1,625 | 7,702 | 1,586 | 5,205 | 250,790 |
| Depreciation | | | | | | | |
| Balance as at 1 April | 1,045 | 0 | 1,020 | 641 | 1,111 | 0 | 3,817 |
| Prior Year Adjustments | -264 | 0 | 0 | 0 | 0 | 0 | -264 |
| Incurred in Year | 3,595 | 0 | 93 | 185 | 107 | 0 | 3,980 |
| Transfers | | | | | | | |
| Revaluations | -3175 | 0 | 0 | -395 | 0 | 0 | -3,570 |
| For Assets Sold | -12 | 0 | 0 | -9 | 0 | 0 | -21 |
| Balance at 31 March | 1,189 | 0 | 1,113 | 422 | 1,218 | 0 | 3,942 |
| Net Book Value at 31 March | 233,450 | 33 | 512 | 7,280 | 368 | 5,205 | 246,848 |

Table 59: Balance Sheet Valuation of HRA Assets

(B) VACANT POSSESSION VALUE

The vacant possession value (Open Market Value) of Council dwellings as at 1 April 2006 is £446.174m (2005 £453.276m). This does not compare to the Balance Sheet which shows the Existing Use Value, the difference being an indication of the economic and social costs of providing Council housing at less than market rent.

(C) MAJOR REPAIRS RESERVE

This reserve is credited with the depreciation charged to the Housing Revenue Account, together with an adjusting transfer to ensure the net credit in the year is equal to the Major Repairs Allowance that forms part of the Housing Subsidy arrangements / agreement. The reserve is only available for funding major repairs to the housing stock. Any sums unspent are carried forward for use in future years.

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|--------------------------------------|------------------|
| 0 | Balance as at 1 April 2006 | 0 |
| 3,898 | Depreciation on HRA Assets | 3,983 |
| -10 | Adjusting transfer to (-) / from HRA | -63 |
| -3,888 | Funding of HRA expenditure | -3,920 |
| 0 | Balance as at 31 March 2007 | 0 |

Table 60: Major Repairs Reserve

(D) MOVEMENT ON HOUSING REPAIRS ACCOUNT

The Council does not operate a Housing Repairs Account. All costs are charged directly to the Housing Revenue Account.

(E) HRA CAPITAL FINANCING

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|--------------------------------|------------------|
| 6,929 | HRA Capital Expenditure | 7,256 |
| | Financed by: | |
| 1,049 | Borrowing | 440 |
| 103 | Grants and Contributions | 135 |
| 1,843 | Usable Capital Receipts | 2,745 |
| 46 | Revenue Contributions | 16 |
| 3,888 | Major Repairs Reserve | 3,920 |
| 6,929 | Total | 7,256 |

Table 61: Capital Funding HRA

SUMMARY OF HOUSING CAPITAL RECEIPTS FROM DISPOSALS OF LAND, HOUSES AND OTHER PROPERTY WITHIN THE AUTHORITY'S HOUSING REVENUE ACCOUNT

| 2005/06 £'000 | | 2006/07 £'000 |
|--------------------------|--------------|--------------------------|
| 10 | Land | 57 |
| 4,659 | Houses | 3,729 |
| 750 | Other | 0 |
| 5,419 | Total | 3,786 |

Table 62: Housing Capital Receipts

(F) DEPRECIATION AND CAPITAL CHARGES

The Housing Revenue Account includes a depreciation charge. Council buildings, including Council dwellings, are depreciated over the remaining useful life of the buildings.

| 2005/06 £'000 | | 2006/07 £'000 |
|--------------------------|---|--------------------------|
| 3,502 | Depreciation on Housing Revenue Account dwellings | 3,595 |
| 395 | Depreciation on Housing Revenue Account other land and property | 385 |
| 3,897 | Total | 3,980 |

Table 63: HRA Depreciation Costs

| 2005/06 £'000 | | 2006/07 £'000 |
|--------------------------|---|--------------------------|
| 135 | Amortisation of Deferred Charge | 19 |
| 916 | Cost of Capital Accounting Adjustment | 1,071 |
| -10 | Major Repairs Allowance Minus Depreciation | -63 |
| 1,041 | Housing Revenue Account Debt Financing Costs | 1,027 |

Table 64: HRA Debt Financing Costs

(G) IMPAIRMENT CHARGES

There are no impairment charges for 2006/07 within the Housing Revenue Account. An explanation of impairment is contained within the Statement of Accounting Policies Note 9 and the Glossary.

(H) DEFERRED CHARGES

Deferred charges are created when expenditure has been incurred on items that are not capitalised as fixed assets and have been financed from capital resources. Deferred charges are written down to the Housing Revenue Account over an appropriate period, usually in the same year in which the expenditure has been incurred.

There are deferred charges totalling £19,331 included within the Housing Revenue Account for 2006/07.

(I) HOUSING SUBSIDY

The figure of £2.238m is the amount of housing subsidy payable to the Government by the Council. Table 65 shows the breakdown of the net subsidy payable.

| 2005/06 £'000 | | 2006/07 £'000 |
|--------------------------|-----------------------------|--------------------------|
| 8,774 | Management and Maintenance | 9,375 |
| 2,083 | Charges for Capital | 1,991 |
| 7 | Admissible Allowance | 3 |
| -16,539 | Notional Rent | -17,527 |
| -15 | Interest on Receipts | -7 |
| 3,888 | Major Repairs Allowance | 3,920 |
| -8 | Housing Defects Subsidy | 0 |
| 0 | Rental Constraint Allowance | 7 |
| -1,810 | Total | -2,238 |

Table 65: Housing Subsidy**(J) PENSIONS**

With the transfer of all HRA staff to A1 Housing Bassetlaw Ltd there are no adjustments in the HRA for FRS17.

(K) ARREARS

The average rent per dwelling was £52.66 in 2006/07 compared to £50.85 in 2005/06 with arrears 3.59% of gross debit in 2006/07 compared to the 2005/06 figure of 3.94%.

| 2005/06 £'000 | | 2006/07 £'000 |
|--------------------------|--|--------------------------|
| 802 | Total Arrears (includes amounts collectable on behalf of other agencies) | 716 |
| 891 | Provision for Bad and Doubtful Debts | 766 |

Table 66: Housing Arrears and Bad Debts Provision

The Provision for Bad and Doubtful Debts amount includes an allowance for other debts not relating to rent arrears.

(L) ITEMS DEBITED OR CREDITED TO HRA AS DIRECTED BY SECRETARY OF STATE

The Secretary of State has not directed that any other items should be charged to the Housing Revenue Account.

(M) EXCEPTIONAL OR PRIOR YEAR ADJUSTMENTS

There were no exceptional items in 2006/07. Prior Year Adjustments have been made for Capital Charges and Fixed Asset Valuations and these are explained in Note 2 of the Notes to the Core Financial Statements.

COLLECTION FUND ACCOUNT

The Collection Fund is a statutory fund separate from the General Fund of the Council. Administration costs of the Fund are, however, borne by the Council's General Fund.

| 2005/06 £'000 | Income / Expenditure | Note | 2006/07 £'000 |
|------------------|--|------|------------------|
| | <u>Income</u> | | |
| -41,006 | Council Tax Billed | | -43,335 |
| -6,847 | Council Tax Benefit awarded | | -7,230 |
| -40,946 | Income collectable from business ratepayers | (A) | -38,156 |
| -88,799 | Total Income | | -88,721 |
| | <u>Expenditure</u> | | |
| 47,953 | Precepts and demands from other Authorities | (C) | 50,209 |
| 40,613 | National Non Domestic Rates Payments to Pool | (A) | 37,776 |
| 113 | Reduction to Provision for Bad and Doubtful Debts | (E) | -243 |
| 172 | Bad and Doubtful Debts - Write offs | (E) | 705 |
| 70 | Interest on National Non Domestic Rates refunds | | 40 |
| 159 | National Non Domestic Rates Costs of Collection | (A) | 163 |
| 0 | Contribution to Collection Fund Surplus | (C) | 0 |
| 89,080 | Total Expenditure | | 88,650 |
| 281 | Decrease / Increase (-) in Fund Balance in Year | | -71 |
| -681 | Surplus Brought Forward at 1 April | | -400 |
| -400 | Surplus Carried Forward at 31 March | | -471 |

Table 67: Collection Fund Revenue Account

The overall Collection Fund surplus is available to be shared between the precepting authorities. The surplus is shown on the balance sheet as follows. Analysis of the surplus between Authorities can be found at Table 72.

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|--|------------------|
| 40 | Bassetlaw Collection Fund | 113 |
| 360 | Balance Sheet | 0 |
| 0 | Other Precepting Authorities - Creditors | 358 |
| 400 | | 471 |

Table 68: Collection Fund Surplus

The Collection Fund recorded a surplus of £71,000 for 2006/07. Due to a change in the SORP the Collection Fund Surplus for 2006/07 is represented on the Balance Sheet as the amount relating to Bassetlaw District Council. Amounts owed to other precepting authorities are included in Creditors. This is a change from 2005/06 when the whole surplus was reflected on the Collection Fund.

| |
|---|
| NOTES TO THE COLLECTION FUND ACCOUNT |
|---|

(A) NATIONAL NON-DOMESTIC RATES

Non-Domestic rates are organised on a national basis. The Government specifies an amount, 43.3p in 2006/07 (42.2p 2005/06) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from the ratepayers in its area but pays the proceeds into a National Non Domestic Rates Pool administered by the Government. The total non-domestic rateable value at 31 March 2007 was £90,789,849 (31 March 2006 £90,473,659).

The Government redistributes the sums paid into the pool back to local authorities on the basis of a fixed amount per head of population. The amounts collected on behalf of the Government and paid into the Pool are analysed in Table 69.

| 2005/06 £'000 | National Non Domestic Rate Income | 2006/07 £'000 |
|------------------|--|------------------|
| 35,081 | Gross Amount Due | 37,722 |
| -735 | Charitable Relief etc | -930 |
| 9,339 | Transitional Relief | 4,470 |
| 46 | Small Business Rate Relief | -8 |
| -2,785 | Empty and Part Occupation Relief | -3,098 |
| 40,946 | Net Amount Collectable | 38,156 |
| | <u>Less</u> | |
| -151 | Provision for Bad Debt | -201 |
| -23 | Interest on Overpayments | -16 |
| -159 | Cost of Collection Allowance payable to General Fund | -163 |
| 40,613 | Amount Payable to NNDR Pool | 37,776 |

Table 69: Analysis of National Non Domestic Rate Income

(B) COUNCIL TAX BASE

Council Tax income derives from charges raised according to the value of residential properties that have been classified into 8 bands, based on valuations as at 1 April 1991. Individual charges are calculated by estimating the amount of income required from the Collection Fund by Nottinghamshire County Council, Nottinghamshire Police Authority, Nottinghamshire Fire Authority and this Council and dividing this total figure by the Council Tax Base. The Council Tax base for the year was calculated as follows:

| Valuation Band | Proportion of Band D Charge (ninths) | No of Dwellings in Valuation List | | No of Band D Equivalent Dwellings | |
|---|--------------------------------------|-----------------------------------|---------------|-----------------------------------|---------------|
| | | 2005/06 | 2006/07 | 2005/06 | 2006/07 |
| Band A | 6 | 25,181 | 25,242 | 14,303 | 14,533 |
| Band B | 7 | 6,893 | 6,999 | 4,848 | 4,945 |
| Band C | 8 | 5,634 | 5,739 | 4,610 | 4,682 |
| Band D | 9 | 5,423 | 5,481 | 5,030 | 5,101 |
| Band E | 11 | 2,614 | 2,670 | 3,014 | 3,074 |
| Band F | 13 | 1,241 | 1,273 | 1,680 | 1,734 |
| Band G | 15 | 619 | 633 | 936 | 969 |
| Band H | 18 | 57 | 57 | 79 | 84 |
| Total | | 47,662 | 48,094 | 34,500 | 35,122 |
| Deduction for non-collection, new build, demolition and other adjustments | | | | -354 | -355 |
| Additional properties and adjustments during the year | | | | 874 | 305 |
| Council Tax Base (Band D equivalent) | | | | 35,020 | 35,072 |

Table 70: Council Tax Base

(C) PRECEPTS

Monies are paid from the Collection Fund to finance a proportion of expenditure of each of the Precepting Authorities, these being Bassetlaw District Council, Nottinghamshire County Council, Nottinghamshire Police Authority and Nottinghamshire Fire Authority. Precepts are also paid via the District Council to 48 Parish Councils and Charter Trustees. Details of actual payments made are shown in Table 71.

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|---|------------------|
| | <u>Payable to Bassetlaw District Council for precepts from:</u> | |
| 4,848 | Bassetlaw District Council | 4,977 |
| 489 | Parish Councils and Charter Trustees | 532 |
| | <u>Payable to Other Precepting Authorities</u> | |
| 36,172 | Nottinghamshire County Council | 37,928 |
| 4,413 | Nottinghamshire Police Authority | 4,638 |
| 2,031 | Nottinghamshire Fire Authority | 2,134 |
| 47,953 | Total Precepts Payable | 50,209 |

Table 71: Precepts on the Collection Fund

The year-end surplus or deficit on the Collection Fund is to be distributed between billing and precepting authorities on the basis of estimates made on 15th January of the year-end balance. For 2006/07 there was no distribution of surplus based on this calculation. The amounts held for each authority is detailed below.

| 31.3.2006 £'000 | | Surplus(-) / Deficit In Year 2006/07 £'000 | 31.3.2007 £'000 |
|----------------------------|--|---|----------------------------|
| -42 | Bassetlaw District Council – Council Tax | -7 | -49 |
| -304 | Nottinghamshire County Council | -54 | -358 |
| -36 | Nottinghamshire Police Authority | -7 | -43 |
| -18 | Nottinghamshire Fire Authority | -3 | -21 |
| -400 | Total | -71 | -471 |

Table 72: Distribution of Collection Fund Surplus

(D) COUNCIL TAX INCOME

The Council set a Council Tax (excluding local precepts) at Band D of £1,416.42 in 2006/07 compared to £1,355.34 in 2005/06. This is broken down as follows:

| 2005/06 £ | Band D Council Tax | 2006/07 £ |
|----------------------|----------------------------------|----------------------|
| 138.44 | Bassetlaw District Council | 141.90 |
| 1,032.88 | Nottinghamshire County Council | 1,081.43 |
| 126.01 | Nottinghamshire Police Authority | 132.24 |
| 58.01 | Nottinghamshire Fire and Rescue | 60.85 |
| 1,355.34 | Total Council Tax Income | 1,416.42 |

Table 73: Council Tax Income

(E) PROVISIONS FOR BAD AND DOUBTFUL DEBTS

| | National Non- Domestic Rates £'000 | Council Tax £'000 | Total £'000 |
|----------------------------------|---|------------------------------|------------------------|
| Provision Brought Forward | 588 | 1,315 | 1,903 |
| Adjustment to Provision in Year | 87 | 302 | 389 |
| Write on / Write-offs (-) | -321 | -384 | -705 |
| Provision Carried Forward | 354 | 1,233 | 1,587 |

Table 74: Collection Fund Provision for Bad and Doubtful Debts

GROUP ACCOUNTS

Introduction to the Group Accounts

The Council's Statement of Account includes the accounts of a company where the Council is the sole shareholder. A1 Housing Bassetlaw Ltd was incorporated on 16 September 2004 and commenced trading on 4 October 2004. The company's principle activity during the year was the management and maintenance of the housing stock owned by the Council, which numbered 7,001 dwellings as at 31 March 2007 (7,153 as at 31 March 2006). The company is responsible for the day to day management of the housing services which includes housing management, warden services, housing repairs, capital works and technical and design services.

Under the management agreement with the Council the company receives a sum of money to run the business of managing and maintaining the stock on behalf of the Council.

The Council has maintained a bank account solely for A1 Housing Ltd transactions on a Service Level Agreement basis. This is not shown within the Council's accounts and is shown as a debtor within A1 Housing Bassetlaw Ltd. The Council uses all daily cash balances for treasury management purposes. Short-term borrowing and investments are reflected in the Balance Sheet of Bassetlaw District Council only. The Council is therefore unable to produce a Group Cash Flow statement. There would be no material impact upon the Cash Flow shown at Table 12.

The accounting policies of A1 Housing Bassetlaw Ltd are consistent with those of Bassetlaw District Council.

The following group financial statements show the consolidated position of the Council and its interest in A1 Housing Bassetlaw Ltd.

GROUP INCOME AND EXPENDITURE ACCOUNT FOR 2006/07

| 2005/06 Net Total £'000 | | 2006/07 Gross Expend £'000 | 2006/07 Gross Income £'000 | 2006/07 Net Total £'000 |
|--|--|---|---|--|
| 2,260 | Central Services to the Public | 9,171 | -7,936 | 1,235 |
| 8,307 | Cultural, Env & Planning Services | 15,833 | -3,907 | 11,926 |
| -66 | Highways | 1,575 | -782 | 793 |
| 2,011 | Housing Services- General Fund | 22,133 | -20,282 | 1,851 |
| 2,609 | Corp & Democratic Core | 2,625 | -788 | 1,837 |
| -1,028 | Non Distributed Costs | 14 | 0 | 14 |
| 14,093 | Gross Expenditure and Income | 51,351 | -33,695 | 17,656 |
| -3,585 | Housing Services – Housing Revenue | 18,496 | -21,561 | -3,065 |
| 103 | Exceptional Items of Group not included in costs of specific services | 277 | 0 | 277 |
| 10,611 | Net Cost of Services | 70,124 | -55,256 | 14,868 |
| 303 | Gain or Loss on Disposal of Assets | 176 | 0 | 176 |
| 489 | Parish Precepts | 532 | 0 | 532 |
| 2,399 | Interest payable and similar charges | 2,420 | 0 | 2,420 |
| -697 | Interest and Investment Interest | -607 | 0 | -607 |
| 1,513 | Pensions Interest Costs and Expected return on Assets | 4,683 | -3,370 | 1,313 |
| 3,293 | Contribution to Housing Pooled Capital Receipts | 2,688 | 0 | 2,688 |
| -8 | Taxation of Group Entities | 0 | 0 | 0 |
| 17,903 | Net Operating Expenditure Before Reserves Movements | 80,016 | -58,626 | 21,390 |
| -5,966 | General Government Grants | 0 | -1,699 | -1,699 |
| -3,159 | Non Domestic Rates Distribution | 0 | -8,729 | -8,729 |
| -5,337 | Demand on Collection Fund | 0 | -5,508 | -5,508 |
| 3,441 | Income and Expenditure Account Deficit/Surplus (-) | 80,016 | -74,562 | 5,454 |

Table 75: Group Income and Expenditure Account

| |
|--|
| STATEMENT OF MOVEMENT ON GROUP BALANCES 2006/07 |
|--|

| 2005/06 £'000 | | 2006/07 Group Total £'000 |
|------------------|---|------------------------------------|
| 3,441 | Income and Expenditure Account Surplus (-) / Deficit | 5,454 |
| -3,672 | Net Additional Amount Required by Statute to be debited or credited to the Income and Expenditure Account | -4,819 |
| -1,891 | Balance Brought Forward | -836 |
| -2,121 | Balance Carried Forward | -201 |

Table 76: Statement of Movement on Group Balances

| |
|--|
| RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT |
|--|

| 2005/06 £'000 | | 2006/07 £'000 |
|------------------|--|------------------|
| 3,360 | Surplus (-) / Deficit on Authority's own Income and Expenditure Account | 4,721 |
| -8,197 | Adjustments for Transactions with other group Entities | -8,563 |
| -4,837 | Surplus in the Group Income and Expenditure Account attributable to the Authority | -3,842 |
| 8,278 | Surplus (-) / Deficit from Subsidiary Profit and Loss Account | 9,296 |
| 3,441 | Group Account Surplus (-)/Deficit | 5,454 |

Table 77: Reconciliation of the Single Entity Surplus or Deficit for the year to the Group Surplus

| |
|---|
| GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES |
|---|

| 2005/06 Total £'000 | | Bassetlaw District Council £'000 | A1 Housing £'000 | 2006/07 Total £'000 |
|---------------------------|---|---|---------------------|---------------------------|
| -3,441 | Surplus / Deficit (-) on Income and Expenditure Account | -4,721 | -733 | -5,454 |
| 20,337 | Surplus / Deficit (-) on revaluation of fixed assets | 14,475 | 0 | 14,475 |
| -3,257 | Actuarial Gains / Loss (-) on Pension Fund assets and liabilities | 4,969 | 1,460 | 6,429 |
| 583 | Any other Net Gains / Losses (-) recognised in this statement | 341 | 0 | 341 |
| 14,222 | Total Recognised Gains and Losses | 15,064 | 727 | 15,791 |

Table 78: Group Statement of Total Recognised Gains and Losses

The cumulative effect on reserves of prior period adjustments made during the period have reduced Bassetlaw District Council's reserves by £754k. This related to the Fixed Asset Restatement Account (increase of £850k) and Other Reserves (reduction of £1,604k). There has been no impact on the reserves of A1 Housing Bassetlaw Ltd.

GROUP BALANCE SHEET

| Restated 2005/06 Total £'000 | | Bassetlaw District Council £'000 | A1 Housing £'000 | Adjustment £'000 | 2006/07 Total £'000 |
|---------------------------------------|---|---|------------------------|---------------------|---------------------------|
| | Fixed Assets | | | | |
| | <u>Intangible Assets</u> | | | | |
| 569 | Software | 569 | 0 | 0 | 569 |
| 569 | | 569 | 0 | 0 | 569 |
| | <u>Operational Assets</u> | | | | |
| 227,947 | Council Dwellings | 233,450 | 0 | 0 | 233,450 |
| 16,852 | Other Land and Buildings | 23,960 | 0 | 0 | 23,960 |
| 2,059 | Vehicles, Plant and Equipment | 1,732 | 0 | 0 | 1,732 |
| 795 | Infrastructure Assets | 671 | 0 | 0 | 671 |
| 2,342 | Community Assets | 2,399 | 0 | 0 | 2,399 |
| 249,995 | | 262,212 | 0 | 0 | 262,212 |
| | <u>Non Operational Assets</u> | | | | |
| 308 | Assets Under Construction | 4,795 | 0 | 0 | 4,795 |
| 7,189 | Investment Assets | 8,573 | 0 | 0 | 8,573 |
| 258,061 | Total Fixed Assets | 276,149 | 0 | 0 | 276,149 |
| 50 | Long Term Investments | 50 | 0 | 0 | 50 |
| 202 | Long Term Debtors | 135 | 0 | 0 | 135 |
| 2,253 | Deferred Premia on the Early Repayment of Borrowing | 1,645 | 0 | 0 | 1,645 |
| 260,566 | Total Long Term Assets | 277,979 | 0 | 0 | 277,979 |
| | <u>Current Assets</u> | | | | |
| 180 | Stocks and Works in Progress | 95 | 90 | 0 | 185 |
| 9,050 | Debtors | 11,907 | 1,075 | -1,027 | 11,955 |
| 13,773 | Investments | 4,156 | 0 | 0 | 4,156 |
| 0 | Cash and Bank | 0 | 0 | 0 | 0 |
| 23,003 | | 16,158 | 1,165 | -1,027 | 16,296 |
| | <u>Current Liabilities</u> | | | | |
| -16,307 | Borrowing repayable on demand or within 12 months | -2,508 | 0 | 0 | -2,508 |
| -9,111 | Creditors | -8,058 | -1,530 | 1,027 | -8,561 |
| -985 | Bank Overdraft | -583 | 0 | 0 | -583 |
| -26,403 | | -11,149 | -1,530 | 1,027 | -11,652 |
| 257,166 | Total Assets less Current Liabilities | 282,988 | -365 | 0 | 282,623 |
| | <u>Long Term Liabilities</u> | | | | |
| -23,628 | Long Term Borrowing | -38,920 | 0 | 0 | -38,920 |
| -959 | Government Grants Deferred | -809 | 0 | 0 | -809 |
| -41,371 | Liability related to defined benefit pension scheme | -33,396 | -2,499 | 0 | -35,895 |
| 191,208 | Total Assets less Liabilities | 209,863 | -2,864 | 0 | 206,999 |

| 2005/06 Total £'000 | | Bassetlaw District Council £'000 | A1 Housing £'000 | Adjustment £'000 | 2006/07 Total £'000 |
|------------------------------------|---------------------------------|---|---------------------------------|-----------------------------|------------------------------------|
| | Reserves | | | | |
| 2,361 | Earmarked Reserves | 3,022 | | 0 | 3,022 |
| 170,558 | Fixed Asset Restatement Account | 181,187 | | 0 | 181,187 |
| 6,652 | Usable Capital Receipts | 3,605 | | 0 | 3,605 |
| -41,370 | Pension Reserve | -33,396 | -2,499 | 0 | -35,895 |
| 49,484 | Capital Financing Reserve | 52,578 | | 0 | 52,578 |
| 0 | Government Grants – Deferred | 0 | | 0 | 0 |
| 173 | Deferred Credits | 120 | | 0 | 120 |
| 0 | Major Repairs Reserve | 0 | | 0 | 0 |
| 400 | Collection Fund | 113 | | 0 | 113 |
| 761 | Housing Revenue Account Balance | 715 | | 0 | 715 |
| 2,202 | General Fund | 1,919 | | 0 | 1,919 |
| -13 | A1 Profit and Loss Reserve | 0 | -365 | 0 | -365 |
| 191,208 | Total Reserves | 209,863 | -2,864 | 0 | 206,999 |

Table 79: Group Balance Sheet

NOTES TO THE GROUP ACCOUNTS

1. MATERIAL ADDITIONAL AMOUNTS

There are no material, additional amounts or details to the disclosure notes contained within the Statement of Accounts in relation to A1 Housing Bassetlaw Ltd.

2. THE ENTITIES INCLUDED IN THE GROUP ACCOUNTS

The Accounts of Bassetlaw District Council and A1 Housing Bassetlaw Ltd have been consolidated in the Group Accounts.

3. INTER COMPANY TRANSACTIONS

The Group Accounts exclude transactions between the two organisations; this ensures that expenditure and income is only reflected once within the account. These net adjustments total £8.563m in 2006/07 and £8.197m in 2005/06.

A1 Housing Bassetlaw Ltd prepares their accounts under the requirements of the Companies Act. A1 Housing Bassetlaw Ltd has incorporated the requirements of FRS17 relating to pensions within their accounts.

Group Accounts require that all transactions between the two entities be removed to reflect the true financial position of the group. These adjustments are shown in the tables above. The adjustments are related to the amounts owed/due between Bassetlaw District Council and A1 Housing Bassetlaw Ltd and vice versa.

A1 Housing Bassetlaw Ltd has created a debtor of £189k (£628k in 2005/06) to reflect their bank balance position. This amount has been included in the A1 Housing Bassetlaw Ltd Balance Sheet on consolidation.

A1 Housing Bassetlaw Ltd created a creditor accrual of £392K to reflect amounts owed to Bassetlaw District Council as at 31 March 2007, however, Bassetlaw District Council had raised these invoices prior to the year-end. This amount has been included in the A1 Housing Bassetlaw Ltd Balance Sheet on consolidation.

Bassetlaw District Council

Debtors reduced by £0.289m to £11.545m (£0.453m to £8.321m 2005/06)

Creditors reduced by £0.738m to £7.320m (£0.738m to £7.352m 2005/06)

To A1 Housing Bassetlaw Ltd.

Debtors reduced by £0.738m to £0.337m (£0.738m to £0.729m 2005/06)

Creditors reduced by £0.289m to £1.241m (£0.453m to £1.114m 2005/06)

A1 Housing Bassetlaw Ltd accounts can be obtained from the Managing Director, A1 Housing Bassetlaw Ltd., Carlton Forest House, Hundred Acre Lane, Worksop, Nottinghamshire, S80 0TS.

4. STATUS OF A1 HOUSING BASSETLAW LTD

The company is limited by guarantee without share capital. The liability of the members in the event of winding up is limited to £1 for each member.

STATEMENT ON INTERNAL CONTROL

1. Introduction

Regulation 4 of the Accounts and Audit Regulations 2003, which came into force on 1 April 2003, requires the Council to publish a Statement on Internal Control (SIC) with its financial statements in accordance with proper practice. The necessary assurances in support of a full statement for 2006/07 were presented to the Overview & Scrutiny Committee on 19 June 2007.

The Accounts and Audit (Amendment) (England) Regulations 2006 set out some updated reporting requirements. The main change is under Regulation 6 requiring the Council, at least once in each year, to conduct a review of the effectiveness of its system of internal audit. A report of this review was submitted to the Overview & Scrutiny Committee on 19 June 2007.

In addition, the 2006 statutory Statement of Recommended Practice (SORP) which governs what has to be included in the Statement of Accounts now states that the SIC should embrace the controls of significant group activities. For the Council, this means that from 2006/07 the SIC also applies to A1 Housing. Therefore, any reference to controls also covers A1 Housing.

2. Corporate Governance

The Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this accountability, Members, Corporate Management Team (CMT) and other senior Officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.

3. Internal Control

i) Scope of Responsibility

Bassetlaw 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.

ii) The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to 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 and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the Council for the year ended 31 March 2007 and up to the date of approval of the annual accounts.

In respect of A1 Housing controls, they often replicate similar procedures to those of the Council. However, they have their own Financial Regulations and Internal Controls, all of which have been approved by the Council. A1 also have an Audit & Accounts Sub-Committee that ensures that risk management, internal audit reports and budgets are adequately monitored and controlled.

iii) The Internal Control Environment

The Council's internal control environment consists of a number of key elements and these are described below:

Establishing and Monitoring the Achievement of Objectives

In June 2006, the Council published its Best Value Performance Plan 2006/07, setting out the Council ambitions for the District until 2010/11. The plan sets out the Council's vision for the next five years, its core values and its strategic aims. The Plan, via its detailed objectives, also links with the Bassetlaw Community Strategy and is supported by a series of other strategies and plans, including Service Plans. The Plan has been placed at the centre of the Council's policy and financial planning framework, so that service priorities and budgets decisions are formed with the achievement of the Plan as the highest corporate priority. All objectives in the Plan are each individually 'owned' by a Portfolio Holder and a senior Officer, and there are regular reviews of the Plan by CMT and Cabinet during the year. The Council has developed and enhanced strong and robust performance monitoring arrangements for key performance indicators through the Performance Improvement Scrutiny Committee (PISC). The PISC ensures that performance monitoring focuses on priorities and outcomes whilst enabling Members and Officers to understand the reasons for variations in performance against targets with corrective action taken where necessary.

The Council is currently preparing a new Strategic Plan for the organisation.

The Council's new priorities are:

Clean and Green
Safe and Strong
Jobs and Enterprise
Efficient and Effective

The priorities for the new plan reflect the national agenda, respond to local issues identified through consultation and clearly link to the Community Strategy and priorities with the Nottinghamshire Local Area Agreement. These priorities will be embedded in the organisation through the corporate Service Planning process. The Service Planning process re-enforces the 'Golden Thread' from the Community Strategy, Strategic Plan down to individual appraisals. Progress against Service Delivery Plans is monitored through the monthly Service Management Team meetings.

The Facilitation of Policy and Decision Making

The Council has an approved Constitution, which details how the Council operates, how decisions are made and the procedures which are to be followed to ensure that these are efficient, transparent and accountable to local people. Contained within this document are the rules governing its business, including its Committee structure, Codes of Conduct, Protocols and Scheme of Delegation. In addition, the Council has a standard Proforma for Committee reports to ensure all key issues are identified in a consistent way.

The majority of the Council's functions are vested in the Cabinet, Committees of the Cabinet, or by the relevant individual Portfolio Holder. Those Council functions which are not vested in the Cabinet (mainly planning and development, standards and licensing functions) are taken by various regulatory Committees appointed by the Council. Under the

Council's Constitution, the Cabinet meets at least once a month, with the exception of August, and comprises the leader of the Council, an Opposition Member (non-voting) and six other Councillors from the majority Group, who, together with the Leader, have a specific area of responsibility, or Portfolio. The Portfolio areas are:

- Policy
- Housing and Leisure
- Finance
- Environment and Local Agenda 21
- Economic Regeneration
- Property, Central and Customer Services
- Planning

The Council appoints the Leader and agrees the extent of the seven individual portfolios functions. Major or 'Key' decisions are required to be published in advance on the Council's website, as part of the Cabinet four month 'Forward Plan' and will generally be discussed in a meeting open to the public. All decisions must be made within the parameters of the overall policy and budgetary framework which has been set by full Council. Any decisions the Cabinet wishes to take outside the budgetary or policy framework must be referred to full Council for approval. There is one Overview & Scrutiny Committee who support and monitor the work of the Cabinet and also monitor other decisions, such as Portfolio Holder and delegated decisions and service performance. A 'call-in' procedure allows the Scrutiny Committee to scrutinise decisions taken by the Cabinet or individual Portfolio Holder before they are implemented, thus presenting challenge and the opportunity for a decision to be reconsidered by the decision taker. The Constitution itself is subject to periodic review and is in the process of being updated.

Compliance with Policies, Procedure, Laws and Regulations

The Council has structured its Cabinet and Scrutiny Committee, plus other committees, such as the regulatory ones, to minimise the risk of it acting in contravention of its own policies and external laws and regulations. It also appoints Officers, qualified to undertake statutory responsibilities, such as contained within Section 151 Officer, Local Government Act 1972, Section 114 of the Local Government Finance Act 1988 (Chief Financial Officer) and Section 5 of the Local Government and Housing Act 1989 (Monitoring Officer). The Monitoring Officer, who during the year was initially the Head of Law & Scrutiny and then subsequently the Interim Head of Support Services, was responsible for reporting to the Council on any act or proposed act by the Cabinet, or by any Committee, or individual Member or Officer that would give rise to a contravention of the law, a code of practice or maladministration.

The Council has a duty to ensure that it acts in accordance with the relevant legislation in the performance of its functions. It has developed policies and procedures for its Officers to ensure that, as far as possible, all Officers understand their responsibilities, both to the Council and to the public. Two key documents are the Financial Regulations and the Contract Standing Orders, which are available to all Members and Officers on the Council's intranet as well as available to the public as part of the Constitution. Heads of Service and senior management carry responsibility for ensuring that legislation and policy relating to service delivery and health and safety are implemented in practice.

Risk Management

Risk Management was an area identified for improvement in the Council's Comprehensive Performance Assessment (CPA) inspection in 2003. In response to the inspection, Risk Management has been developed in the Council, which now has:

- a Member responsible for risk management
- an updated risk management strategy

- Members and senior Officers trained in risk management
- compiled a corporate risk register
- compiled operational risk registers
- action plans in place to mitigate the top corporate risks
- strengthened risk management through the service delivery planning process
- established a monitoring process to review corporate risks at Officer and Member level
- operational risk register monitoring by the relevant Heads of Service
- identified project risks for major capital schemes before approval

The Council has commissioned further external expertise to continue developing its approach to Business Continuity Planning and Governance of Partnerships. The corporate risk register is currently being reviewed. It will then be submitted to the Cabinet and subsequently, Council for approval. All strategic risks are cross referenced to the Council's ambitions and priorities, list the risk and mitigation owners and explain the potential consequences if risks are to materialise.

Internal Audit Arrangements

Internal Audit is delivered to both the Council and A1 Housing in partnership with Bentley Jennison, an arrangement that continues to satisfy the statutory regulation for internal audit set out in Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988. Annual audit coverage is linked to an approved strategic work plan and ensures that all services are reviewed on a cyclical basis. The frequency with which services are audited within the cycle is determined by risk assessment. By reviewing the Council's systems of internal control in accordance with an approved Audit Plan, Internal Audit contribute to the Council's corporate governance framework. Internal Audit operates to defined standards (CIPFA/IIA). The Acting Audit Manager reports to the Council's Head of Finance & Property (S151 Officer). The responsible Committee is the Overview & Scrutiny Committee and its duties are being updated in the revised Constitution and will include advising and commenting on: -

- all external and internal audit or inspector reports and monitoring their implementation
- the Council's Statement on Internal Control
- the Council's risk management arrangements
- the Council's arrangements for delivering value for money
- the review of the effectiveness of the Council's system of internal audit
- internal audit periodic plans and strategy
- the monitoring of performance and achievement against the internal audit plan

The Acting Audit Manager provides an independent opinion on the adequacy and effectiveness of the system of internal control and reports annually to the Overview & Scrutiny Committee. The main responsibility of the Internal Audit Team is to provide assurance and advice on the internal control systems of the Council to CMT and Members. Internal Audit reviews and appraises the adequacy, reliability and effectiveness of internal control within systems and recommends improvement where necessary. It also supports management in developing systems, providing advice on matters pertaining to risk and control.

Ensuring Economic, Efficient and Effective Use of Resources

The Council continues to review and develop its budgetary monitoring and control processes to ensure that financial resources are used to their best advantage. Financial Planning is underpinned by Service Planning with increased expenditure in any service being justified to the CMT or where necessary, approved by the Cabinet. Key to the service

planning process is a requirement to demonstrate planning for continuous improvement over several years. PISC is tasked with prioritising resources to ensure that the objectives

within the Best Value Performance Plan are supported by the individual service plans and that improvements are in line with corporate objectives. Economic and effective use of services is subject to review through the work of both Internal and External Audit.

The Council continues to be strongly committed to the principles of Best Value (BV) and continuous improvement. The BV Review methodology takes into account the requirement of the Gershon efficiency and collaboration agendas. An essential part of Internal Audit's role is to make recommendations where appropriate through Management Action Plans to ensure measures are taken to improve and strengthen the efficiency and effectiveness of the Council's services.

Financial Management

Ensuring that an effective system of internal financial control is maintained and operated is the responsibility of the S151 Officer. The systems of internal financial control provide reasonable, but not absolute assurance that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Internal financial control is based on a framework of management information, financial regulations and administration procedures, which include the separation of duties, management supervision and a system of delegation and accountability. Ongoing development and maintenance of the various processes may be the responsibility of other managers within the Council. In particular, the Council's current processes (2006/07) include the following:

- the setting of annual budgets;
- monitoring of actual income and expenditure against the annual budgets;
- a mid year review of the annual budget;
- monthly budget reviews to estimate the likely outturn figures;
- periodic reporting of the Council's financial position to Members;
- clearly defined capital expenditure guidelines as outlined in the Capital Strategy;
- the monitoring of finances against a Medium Term Financial Strategy.

During 2007/08, the Council proposes to strengthen these processes and will be responding to external audit and Use of Resources requirements.

The Council does not have comprehensive procedure notes/manuals in place for all key financial systems, but it is planned to produce this guidance on a phased basis, which will be completed by March 2008. The controls created by management are evaluated to ensure:

- Council objectives are being achieved;
- economic and efficient use of resources;
- compliance with policies, procedures, laws and reputations;
- the safeguarding of Council assets;
- the integrity and reliability of information and data.

The Council's financial management arrangement consists of a number of interlocking strands:

Financial Regulations – The regulations provide the framework for managing the Council's financial affairs. They identify the financial responsibilities of the Cabinet, Portfolio Holder and Officers. They also set out the procedures that the Council has adopted for finance

planning, budgeting, risk management, auditing, treasury management and procurement of goods and services, including standing orders for contracts.

Medium Term Financial Planning – The Council publishes revenue and capital projects for the next few years. The projections are reviewed and updated on an annual basis. Additionally, to inform the capital planning process the Council has developed a Capital Strategy to prioritise, target and measure the performance of its capital resources. The Strategy has been developed in consultation with stakeholders and partners and is coordinated as part of the Development Bid process.

Budget Preparation – The Council has a robust budgetary process driven by the objectives outlined in its Best Value Performance Plan. In 2007/08 the Council will strengthen the links between the budget and the Plan, by continuing to develop a process to prioritise the allocation of resources in line with the objectives of the plan.

Budget Management – A protocol is in place for the management of budget over and underspends and the Council's financial reserves that is designed to manage areas of known budget risk, the planning for predictable budget peaks and change management issues. In addition a review is taking place to identify reasons for underspends and implement systems to avoid material variances. The responsibility for all earmarked reserves is assigned to individual Officers.

Budgeting, Monitoring and Reporting – Officers are provided with information enabling them to manage their budgets. All budgets are assigned to responsible Officers. Additionally, key budget control information is produced on a monthly basis for managers and quarterly to PISC.

Performance Management – The Council has had a performance management framework for several years based on a range of local and national performance indicators. It was identified as a strength in the CPA. The Council's strategic priorities are monitored through the performance management framework. Every action in the Council's revised strategic plan has a responsible Officer and each action has its own performance measure. Performance data is reported quarterly to CMT and to the Overview & Scrutiny Committee, and on an annual basis to Cabinet. An annual progress report is published on the Council's website and the Council feeds back progress direct to community groups and through its newspaper 'Bassetlaw News'. Areas where performance is below target are highlighted and responsible Officers are required to provide a Performance Improvement Plan for these items. The Council uses benchmarking figures to compare itself with other Councils and is working on re-engineering processes as a key step to improving performance.

The Council recently installed a comprehensive software package to enhance performance monitoring. The system enables a more sophisticated analysis of performance trends, provides early warnings of dips in performance, provides instant access to performance information for all Members and Managers, enables comparisons to be made quickly with previous years performance, national benchmarks and similar authorities and tracks progress of implementing key actions and priorities.

Review of Effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control.

The review is principally informed by:

- the work of the Internal Auditors
- the work of managers within the Council
- the external auditors in the annual audit inspection letter and other reports
- comments by other review agencies and inspectorates

A report of the effectiveness of the system of internal audit was presented to the Overview & Scrutiny Committee on 19 June 2007. After a robust self-assessment process, this confirmed that the system of internal audit undertaken by the Council is effective.

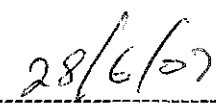
The Acting Audit Manager's Annual Report for 2006/07 has been presented to the Overview and Scrutiny Committee on 19 June 2007. There are no significant control issues which need to be included in the Statement of Internal Control.

The 2005/06 Annual Audit & Inspection Letter was also presented to the Overview & Scrutiny Committee on 19 June 2007. External Audit generally found the Council's systems of internal control robust. However, relevant areas where further development is needed by the Council are:-

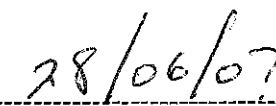
- putting in place an assurance framework that maps the Council's strategic objectives to risks, controls and assurances; and
- undertaking an assessment of standards of conduct, including how effectively members are complying with the Code of Conduct.

We have been advised on the progress in implementing a coordinated review of the effectiveness of the system on internal control and are aware of the issues identified in this statement which require actions.


Leader of the Council


Date


Chief Executive


Date

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

Opinion on the financial statements

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

This report is made solely to Bassetlaw 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 Chief Finance Officer and auditors

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

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

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

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

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information. I am not required to consider, nor have I considered, information regarding future projections included within the statement of accounts

Basis of audit opinion

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

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

Opinion

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



Neil Bellamy

District Auditor

30 September 2007

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

Authority's Responsibilities

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

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

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me/us 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/our attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

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

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Bassetlaw District Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best Value Performance Plan

I will issue my statutory report on the audit of the authority's best value performance plan for the financial year 2007/08 on 30 September 2007. I have identified any matters to be reported to the Council and there are not 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.



Neil Bellamy

District Auditor

30 September 2007

GLOSSARY OF TERMS

ACCRUALS

Sums included in the final accounts of the Council to cover income or expenditure attributable to the accounting period for which payments have not been received/made in the financial year. Local authorities accrue for both revenue and capital expenditure.

AMORTISATION

The measure of the consumption or other reduction in the useful life of an intangible asset.

ARMS LENGTH MANAGEMENT COMPANY

The Council is the sole shareholder of this company that it created solely for the purpose of managing its Housing stock.

ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

An account the Council was required to maintain under capital accounting arrangements. Its use was ended from 1.4.2006 it is still referred to in the 2006/07 accounts for comparisons. It contained the credit for capital charges and government grants deferred contributions, offset by charges for depreciation and external interest payments.

CAPITAL CHARGES

A charge covering fixed assets used in the provision of services. The charge comprises depreciation plus notional interest.

CAPITAL EXPENDITURE

Spending that produces or enhances an asset, like land, buildings, roads, vehicles, plant and machinery. Definitions are set out in Section 40 of the Local Government and Housing Act 1989. Any expenditure that does not fall within the definition must be charged to a revenue account.

CAPITAL FINANCING ACCOUNT

A reserve that reflects financing of capital from revenue and capital receipts together with the adjustment of the minimum revenue provision.

CAPITAL RECEIPTS

The proceeds from the sale of fixed assets such as land and buildings. Capital receipts can be used to repay any outstanding debt on fixed assets or to finance new capital expenditure within rules set down by government. Capital receipts cannot, however, be used to finance revenue expenditure.

CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY (CIPFA)

The professional accountancy body concerned with local authorities and the public sector.

COLLECTION FUND

The Collection Fund is a statutory fund set up under the provisions of the Local Government Finance Act 1988. It includes the transactions of the charging Authority in relation to Non-Domestic Rates and Council Tax and illustrates the way in which the fund balance is distributed to preceptors and the General Fund.

COMMUNITY ASSETS

These are assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings not used in the direct provision of services.

CONTINGENT LIABILITIES

Potential losses for which a future event will establish whether a liability exists and for which it is inappropriate to set up a provision in the accounts.

DEFERRED CHARGES

Expenditure of a capital nature for which there is no tangible asset acquired by the Council. This would include capital grants or renovation grants to private persons.

DEFERRED CREDITORS

This is the term applied to deferred capital receipts. These transactions arise when fixed assets are sold and the amounts owed by the purchasers are repaid over a number of years, e.g. mortgages. The balance is reduced by the amount repayable in any financial year.

DEFERRED GRANTS

Amounts received or receivable that have been used to finance capital expenditure within the year. Under the capital accounting arrangements these amounts will be written off over the same period as the assets to which they relate.

DEPRECIATION

The measure of the wearing out, consumption or other reduction in the useful life of a fixed asset.

EARMARKED RESERVES

These are reserves set aside for a specific purpose or a particular service, or type of expenditure.

FINANCE LEASE

Arrangement whereby the lessee is treated as owner of the leased asset and is required to include such assets within fixed assets on the balance sheet.

FINANCIAL REPORTING STANDARD (FRS)

A statement of accounting practice issued by the Accounting Standards Board.

FIXED ASSET

Tangible asset that yields benefits to the Council and the services it provides for a period of more than one year.

FIXED ASSET RESTATEMENT ACCOUNT

This account was created as a result of the current capital accounting regulations that enables assets to be shown in the account at current values.

GAAP

Generally Accepted Accounting Principles is the standard framework of guidelines for financial accounting. It includes the standards, conventions and rules accountants follow in recording and summarising transactions and in the preparation of financial statements.

HOUSING SUBSIDY

This represents a Government grant payable towards the cost of providing Local Authority housing and the management and maintenance of that housing.

IMPAIRMENT

Impairment occurs when that value of an asset has reduced,. This can be either as a result of a general fall in prices or by a clear consumption of economic benefits such as by physical damage to the asset.

INFRASTRUCTURE ASSETS

Expenditure on works of construction or improvement but which have no tangible value, such as construction of, or improvement to highways.

INVESTMENTS

Deposits for less than one year with approved institutions.

LONG TERM DEBTORS

Amounts due to the Council more than one year after the balance sheet date.

MINIMUM REVENUE PROVISION (MRP)

The Council must make a minimum annual provision from revenue towards a reduction in it's overall borrowing requirement. This is equal to 4% of the adjusted capital financing requirement (CFR).

NATIONAL NON-DOMESTIC RATE (NNDR)

Under the revised arrangements for uniform business rates, that came into effect on 1st April 1990, the Council collect Non-Domestic Rates for its area based on local rateable values, multiplied by a national uniform rate. The total amount, less certain reliefs and deductions, is paid to a central pool managed by the Government, that in turn, pays back to Authorities their share of the pool based on a standard amount per head of the local adult population.

NON-OPERATIONAL ASSET

Fixed assets held by the Council but not directly used or consumed in the delivery of its services. This would include surplus properties awaiting disposal.

OPERATIONAL ASSET

Fixed assets held by the Council and used or consumed in the delivery of its services.

OPERATIONAL LEASE

An arrangement whereby the risks and rewards of ownership of the leased asset remain with the leasing company.

PENSION FUND

An employees' pension fund maintained by an authority, or a group of authorities, in order primarily to make pension payments on retirement of participants. It is financed from contributions from the employing authority, the employee and investment income.

PRECEPTING AUTHORITIES

Those authorities that are not billing authorities (i.e. do not collect Council Tax or NNDR) and precept upon the billing authority, which then collects on their behalf. Nottinghamshire County Council, Nottinghamshire Police Authority, Nottinghamshire Fire and Rescue and Parish Councils all precept upon Bassetlaw District Council.

PRIVATE FINANCE INITIATIVE

A means of procurement for delivering investment in public infrastructure that supports public services using a partnership arrangement with private sector. The private sector assumes the majority of the risks of the scheme.

PROVISIONS

Sums set aside to meet future expenditure where a specific liability is known to exist but that cannot be measured accurately.

PUBLIC WORK LOANS BOARD (PWLb)

A Government body that meets part of the Council's loan finance for capital purposes.

REVENUE SUPPORT GRANT (RSG)

This funding is the Government Grant provided by the Department of Communities and Local Government (DCLG) that is based on the Government's assessment as to what should be spent on local services. The amount provided by the DCLG is fixed at the beginning of each financial year.

STATEMENT OF RECOMMENDED PRACTICE (SORP)

The accounts have been produced in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice. This has introduced a number of changes to the format of the Statement of Accounts.

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP)

A statement of accounting practice issued by the Accounting Standards Board.

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