WARWICK DISTRICT COUNCIL

STATEMENT OF ACCOUNTS 2006/07

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FOREWORD BY THE RESPONSIBLE FINANCIAL OFFICER

We are all very proud to have just received a national award winning level score for our European Quality Management System that compares us not just with other councils, but also with the private sector. This shows that we operate and achieve at the highest levels, and shows we have sustained performance since our 'excellent' assessment from the Audit Commission as part of Comprehensive Performance Assessment in 2004.

Every year our Annual Portfolio Holder Statements are agreed when we finalise our budget, they are set out in our Best Value Performance Plan. The statements include a review of achievements in the past year and key actions for the next. The paragraphs below summarise some of the main highlights in 2006/07.

The Council achieved a rating of 3 (consistently above minimum requirements – performing well) for its externally assessed Use of Resources judgement. The finance team have now closed down for the first year on the new financial system. We've continued to look for more efficient ways of working; we're making better use of the Town Hall, with the local CVS moving in during the year, and our administrative review will have saved over £100,000 per year when fully implemented. Our website has continued to develop with booking now being taken for the Spa Centre and leisure facilities as well as checking of council tax and benefit accounts on-line.

We are continually developing our accessibility to customers with our customer services centre hours increasing to the evenings and weekends, and the development of one stop shops in partnership with Warwickshire County Council continuing. We are now providing integrated home visiting with the pensions service.

The glorious Jephson Gardens has received a green heritage site accreditation award. Our leisure and cultural services have seen increased attendances with more golf and gym attendances and a 70% increase in attendances for the winter pantomime. The Richard Dadd exhibition at the Royal Pump Room received national media coverage. Over £70,000 of external funding has been received to conserve existing, and purchase new exhibits.

All the towns are preparing for the introduction next year of local control of on-street parking. We completed the third phase of our public conveniences upgrade. We've improved the layout of Warwick market and have worked with partners to obtain funds to improve the facilities for tourists in Warwick. We have received 'in principle' agreement to many £millions for economic and cultural development opportunities in Leamington.

We have invested in improving our street cleanliness, and became a top performer in this area with over 90% of streets meeting the standard. We've exceeded our recycling target, and issued tender invitations for the renewal of our major cleansing services from April 2008. A local plan enquiry has been held, in order for the inspector to consider the objections to our local plan, none of which has been upheld.

We completed the Tanyard stream phase one flood alleviation works. We've worked with the police to introduce eight safer neighbourhood panels and achieved an 11% reduction in alcohol related crime through our 'hot spot' policy.

We were selected by the Government Department as one of six councils to look at options for developing our housing stock outside the subsidy system. We've improved tenant and leaseholder involvement. We successfully bid for a County contract to make use of our telecare services. We completed our housing needs survey and successfully introduced a licensing scheme for houses in multiple occupation. We have introduced a rent guarantee and deposit scheme and can prevent homelessness better; we now have a policy of 40% of affordable homes in all new developments. We also improved our financial assistance policy for private sector grants and loans.

This has been another successful and busy year!

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FINANCIAL SUMMARY

1. General Fund Summary 2006/07

In February 2006 the Council approved a total net expenditure budget for 2006/07 of £15.9m (excluding Parish Precepts) and set a band D council tax for the district of £125.87. The following table shows how the net expenditure compared to the original estimates:

General Fund Net Service Expenditure	Original £'000	Actual £'000	Variation £'000
Democratic Representation and Management	1,168	1,041	(127)
Corporate Management	1,461	1,281	(180)
Central Services to the Public	858	925	67
Cultural and Related Expenses	7,297	6,298	(999)
Environmental Services	6,045	5,627	(418)
Planning and Development Services	2,970	2,438	(532)
Highways, Roads and Transport Services	1,323	960	(363)
Housing Services	1,167	975	(192)
Non Distributed Costs	349	867	518
Support Services	(16)	(15)	1
TOTAL GENERAL FUND NET EXPENDITURE	**22,622**	**20,397**	**(2,225)**
Replacement of Notional with Actual Cost of Capital:			
- Deduct Notional capital Financing Charges	(6,497)	(3,658)	2,839
- Adjust Loan Repayments, RCCO and Interest Paid	(213)	(202)	11
Net External Interest Received	(546)	(896)	(350)
Revenue Contributions to Capital	753	922	169
Contributions to / (from) Reserves	(210)	(347)	(137)
Governemnt Grants Deferred Written-Out	-	45	45
FRS17 Adjustments	-	(689)	(689)
NET EXPENDITURE FOR DISTRICT PURPOSES	**15,909**	**15,572**	**(337)**
Less Council Tax, RSG and NNDR Grants and Collection Fund Deficit	(15,909)	(17,030)	(1,121)
SURPLUS FOR YEAR	**-**	**(1,458)**	**(1,458)**

The main factors affecting the above statement are:

- The original estimates included notional interest charges for the use of capital resources. From 2006/07 onwards the need to make such charges has been reduced. The net effect on the Council Tax is zero since the notional charge is reversed out before calculating the net expenditure for district purposes.

- The Council has received government grants of £1.02m in respect of Local Authority Business Growth Incentive (LABGI) and prior year adjustments to RSG and NNDR grants of £100,000.

- Recycling income increased by £181,000 as a result of the success of the multi-materials collection scheme.

- Several initiatives and revenue programmes that were not completed during 2005/06, amounting to £602,000, were carried forward to 2006/07 as earmarked reserves. The expenditure on these items is included within the relevant service expenditure and the financing is by way of a contribution from the earmarked reserves. This has been offset by underspendings during 2006/07 of £757,000 which have been carried forward to 2007/08 as earmarked reserves.

- The Council has decided to allocate the surplus (a) £918,100 to a new Repair and Renewals Reserve, (b) £300,000 to the Early Retirement Reserve and (c) £240,000 to the 2007/08 Contingency Budget.

More detailed information on the transactions within the General Fund can be found in the Notes to the Core Financial Statements on pages 19 to 37.

2. Housing Revenue Account 2006/07

In February 2006, the Council approved a total net surplus budget on Council Housing for 2006/07 of £705,800 as a result of an estimated average rent increase of £2.83 per week, calculated using government rent restructuring requirements. The actual average rent of £59.39 for 2006/07 was an increase of £2.82 over the average rent of £56.57 for 2005/06.

The following table shows how the actual net surplus compared to the original estimates:

Housing Revenue Account	Original £'000	Actual £'000	Variation £'000
Income	(18,759)	(18,896)	(137)
Expenditure	13,390	12,913	(477)
Capital Financing	4,641	4,459	(182)
Contribution to / (from) Reserves	22	(52)	(74)
(SURPLUS) / DEFICIT FOR YEAR	**(706)**	**(1,576)**	**(870)**

There is no subsidy from council tax payers to Council Housing. These costs are met entirely from rents (£18.1m), and other charges (£0.8m). See pages 38 to 46 for more details.

3. Balance Sheet

The Balance Sheet reflects assets at their current value, totalling £392m. The Council has continued to maintain its debt-free status so as to take advantage of new freedoms arising from the introduction of the Prudential Borrowing Regime and the abolition of Part 4 of the Local Government and Housing Act 1989.

During 2006/07 net current assets increased by £2.6m from £21.4m to £24.0m. The main items being an increase in creditors (-£3.4m) and short term investments and loans (+£5.8m) and reductions in debtors (-£1.2m) and cash overdrawn (+£1.6m).

A total of £11.7m is held in earmarked reserves. Of this total, £4.3m is held for housing improvement, £3.0m is for future other capital investment and the remaining £4.4m is for specific revenue items. A full list of these reserves can be found on page 31.

A further £3.2m is held for future major housing repairs.

FINANCIAL SUMMARY

4. Collection Fund

The Collection Fund represents all the transactions on the collection and distribution of monies in respect of Council Tax and National Non-domestic Rates (NNDR).

During 2006/07 £65.4m (£61.9m in 2005/06) of Council Tax was collected. The precepts and demands on the Collection Fund were Warwickshire County Council (£51.1m), Warwick District Council (£7.4m - of which £0.9m relates to Town and Parish Council precepts) and Warwickshire Police Authority (£7.1m). After receiving payments totalling £0.783m towards deficits from previous years the Collection Fund had a deficit balance for the year of £0.3m. The deficit arose mainly due to the overestimation of new developments being completed within the year. The deficit will be recovered from the preceptors in proportion to their demands on the Fund in future years.

Each year the Government sets a national uniform business rate (43.3p for 2006/07) which, when multiplied by each non-domestic property's rateable value, determines the business rate levy for the year. £52.5m of Business Rates (NNDR) was collected during 2006/07 (£50.5m in 2005/06). This money is passed to the Government which operates a National Pool whereby it redistributes the sums collected to all local authorities. This Council received a contribution of £8.0m for 2006/07 (£3.8m in 2005/06) from the National Pool. An allowance of £216,000 (£218,000 in 2005/06) was given to the Council towards collection costs.

Details of the transactions on the Collection Fund can be found on pages 47 to 49.

5. Capital Expenditure

Capital investment of £8.2m took place during the year. The main items of expenditure are:

- Council Housing Improvement / Renewal Works	£4.2 million
- Regeneration Projects	£1.2 million
- e-government / ICT Strategy	£0.9 million
- Housing Association Schemes	£0.9 million
- Private Sector Renewal and Disabled Facilities Grants	£0.3 million
- Leisure Development	£0.2 million
- Conservation and Environmental Development	£0.2 million
- Traffic Schemes	£0.2 million
- Council Housing Asbestos study	£0.1 million

Major fixed assets disposed of during the year were:

- Sale of Council Houses and other Housing Revenue Account properties	£3.4 million

For further details see Note 9 to the Core Financial Statements.

6. Treasury Management

The Council's Treasury Management Policy Statement and Treasury Management Practices detail how the Council will manage its activities in relation to borrowing and investment. A copy of the statement and practices may be obtained from The Head of Finance, Warwick District Council, P.O. Box 2180, Riverside House, Milverton Hill, Royal Leamington Spa, Warwickshire, CV32 5QW.

The Council continued to be debt free throughout 2006/07, having repaid its remaining external long term debt in 2003/04.

During 2006/07, net capital expenditure was financed from the Council's internal resources, such as usable capital receipts, reserves and revenue (see Note 9 to the Core Financial Statements).

FINANCIAL SUMMARY

7. Euro Costs

The Council, as part of its routine Treasury Management activities, continues review the impact of the euro on its ongoing operations. The Council has participated in a project led by HM Treasury to produce Best Practice Changeover Plans for Local Authorities. Until a decision is made as to whether the UK should adopt the euro, the expenditure on euro activities will be absorbed, together with expenditure incurred on other strategic planning analyses, within existing budgetary provision.

8. Pension Costs

Pension costs are included in the accounts to meet the requirements of FRS 17 which requires an authority to see beyond its commitment to pay contributions to the pension fund and to determine the full longer-term effect that the award of retirement benefits in any year has had on the authority's financial position. A net pension asset indicates that an authority has effectively overpaid contributions relative to the future benefits earned to date by its employees. A net liability shows an effective underpayment.

As at 31 March 2007 this Council's pension fund liability is £17.1m. This policy reflects our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund. Over the period 2005/06 to 2010/11 the Council's contribution rate will increase to ensure that the pension fund liability can be met in full.

Further details of Pension transactions can be found in note 19 to the Core Financial Statements.

9. Change in Accounting Policies

A major change in Accounting Policy has occurred for 2006/07. The Statement of Recognised Practice (SORP) for Local Authority Accounting 2006 has removed the requirement to charge notional interest for the use of capital assets. As a consequence, comparative figures for service expenditure in respect of 2005/06 have had to be recast. Where appropriate a note has been included identifying the changes made.

In the past, External Audit Fees and National Non-Domestic Rates Discretionary Relief have become out of step with the years to which they relate. It has been decided that they would be re-aligned during 2006/07. As a consequence, General Fund Service expenditure includes 2 years' costs associated with these items.

GUIDE TO THE FINANCIAL STATEMENTS

A brief outline of the purpose of the Council's financial statements is given below:

Page 7 **Statement of Accounting Policies**
This statement explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts.

Page 13 **Income and Expenditure Account**
This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

Page 14 **Statement of Movement on the General Fund Balance**
This statement reconciles the differences between the Income and Expenditure Account and the General Fund balance.

Page 15 **Statement of Total Recognised Gains and Losses**
This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Page 16 **Balance Sheet**
This statement shows the overall financial position of the Council as at 31 March 2007. It shows the assets and liabilities of the Council as a whole, excluding the Collection Fund.

Page 17 **Cash Flow Statement**
This statement summarises the inflows and outflows of cash arising from Council transactions with third parties for both revenue and capital purposes.

Page 38 **HRA Income and Expenditure Account**
This statement shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account.

Page 39 **Statement of Movement on the HRA Balance**
This statement shows how the HRA Income and Expenditure Account surplus or deficit for the year reconciles to the movement on the Housing Revenue Account Balance for the year.

Page 45 **Housing Repairs Account**
This statement details the income and expenditure during the year on repairs and improvements to the Council's housing stock.

Page 46 **Major Repairs Reserve**
This statement details the income and expenditure during the year on major repairs and improvements to the Council's housing stock.

Page 47 **Collection Fund**
This statement details the transactions relating to the collection of Council Tax, National Non-Domestic Rates (NNDR) and residual Community Charge. The Council is responsible for collecting Council Tax on behalf of Warwickshire County Council, Warwickshire Police Authority and itself (which also includes the precepts of the Parish Councils). The Council is also responsible for collecting NNDR on behalf of the Government.

Page 50 **Statement of Responsibilities for the Statement of Accounts**
This statement identifies the responsibilities of the Council and of the Responsible Financial Officer.

Page 51 **Statement on Internal Control**
This statement provides details of the measures in place to safeguard the Council's resources.

Where appropriate, comparative figures for the previous financial year are given. For specific items detailed notes are provided giving further information.

STATEMENT OF ACCOUNTING POLICIES

The Statement of Accounts summarises the Council's transactions for the 2006/07 financial year and its position 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). The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In 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 are accounted for in the year to which it relates, on a basis that reflects the overall effect of the loan or investment.
- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Income and expenditure are credited and debited to the relevant service revenue account, unless they properly represent capital receipts or capital expenditure.
- Capital - All capital transactions are accounted for in the year to which they relate by the accrual of debtors and creditors. A de-minimis level of £20,000 has been used as the basis for inclusion as a capital asset. Capital charges are included in the service accounts as recommended by the C.I.P.F.A. Code of Practice.

Provisions

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

Provisions are charged to the appropriate service revenue account in the year that the authority 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 now not be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

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

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 to 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 and do not represent usable resources for the Council – these reserves are explained in the relevant policies below.

STATEMENT OF ACCOUNTING POLICIES

Retirement Benefits

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

Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Warwickshire County Council Pension 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 projected earnings for current employees.
- Scheme liabilities are discounted at a rate that reflects the time value of money and the characteristics of the liability.
- The assets of the Warwickshire County Council Pension Scheme are included in the balance sheet at their fair 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 relates 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 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 the 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 Warwickshire County Council pension fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the 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 powers 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 accrued 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.

VAT

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

STATEMENT OF ACCOUNTING POLICIES

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 authority 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 (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

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 relating to the Council's status as a multi-functional democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and the costs of long-term unused assets.

The two cost categories are accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

Intangible Fixed Assets

Intangible Fixed Assets relate to expenditure which has been properly capitalised, but which does not result in a tangible fixed asset owned by the Council. This includes such items as software licences and software development costs by third parties. An assessment of the period of economic benefit to the Council is made and the costs duly amortised over the length of that benefit. In 2006/07, with the exception of some expenditure incurred on upgrading the Joint Contact Centre System, all expenditure was written out to revenue as no economic benefit beyond 1 year was obtained but this did not affect the net cost of services as ultimately the expenditure was charged to the Capital Financing Account.

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. A de-minimis level of £20,000 has been used as the basis for inclusion as a capital asset.

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 the asset (e.g. 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:

Operational assets have been valued on the basis of either open market value for existing use, depreciated replacement cost or in the case of equipment, vehicles and plant, historical cost. Any additions or enhancements during 2006/07 which have not been the subject of a valuation are included at historical cost.

STATEMENT OF ACCOUNTING POLICIES

Tangible Fixed Assets (Continued)

Non-operational assets, including investment property, have been valued at open market value. The accrued cost of work in progress for capital schemes is also included with non-operational assets. Community Assets (e.g. land and buildings purchased for the benefit of the community and with little or no prospect of ever being disposed of) and Infrastructure Assets (e.g. Flood Alleviation Works) are valued at historical cost.

The current values shown in the Balance Sheet for General Fund properties are based on a valuation as at 1st April 2004. The valuations were carried out by the District Valuer, a part of the Valuation Office Agency.

For the Housing Revenue Account properties the valuation is based upon the valuation at 1st April 2006 provided by the District Valuer. This valuation has been updated for capital expenditure and Council house sales during the year and depreciation in order to provide the value at 31st March as shown in the balance sheet.

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 reduction in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for as follows:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account and then written off to the Capital Financing Account, to neutralise any impact on the Council Tax.
- Otherwise – written off against the Fixed Asset Restatement Reserve.

There were no instances of impairment identified during 2006/07.

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 Useable 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. Usable Capital Receipts at 31 March 2007 amounted to £6,205,643 including £2,628,573 capital receipts previously set aside for the repayment of debt which are now available for financing capital expenditure as a result of the Council's debt free status. Interest on usable capital receipts held during the year is credited to the General Fund.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Financing Account from the Statement of Movement on the General Fund Balance.

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

Depreciation is calculated on the following bases:

Tangible Fixed Assets (Continued)

Depreciation (continued):

Asset Type	Depreciation Method	Period of Years
General Fund Buildings	Straight Line	5 to 48 years
Infrastructure	Straight Line	40 years
Community Assets	Straight Line	Up to 50 years
Vehicles and Plant	Straight Line	3 to 21 years
Council Houses	Straight Line	90 years
HRA Shops, Community Centres etc.	Straight Line	45 to 65 years
HRA Garages	Straight Line	10 years

Grants and contributions: where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to offset depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

Charges to Revenue for Fixed Assets

Service revenue accounts and support services 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.

Deferred Charges

Deferred charges represent expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets e.g. Environmental Health Improvement Grants. 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.

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.

STATEMENT OF ACCOUNTING POLICIES

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.

Investments

Investments are recorded at original cost including broker's commission and other attributable expenses, with the exception of (a) an investment in 2½% Consolidated Stock which is stated at market value as at 1st April 1974 and (b) the Invesco Fund which is recorded at current value as at the 31st March 2007.

Interest Charges

Interest is credited to the Housing Revenue Account in respect of its working balance during the year. This is calculated using the actual external investment rate. All remaining interest income is credited to the General Fund Revenue Account.

Stocks and Work in Progress

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

Interest in Companies and Other Entities

The Council has no material interests in companies or other entities that have a nature of subsidiaries, associates and joint ventures and there is no requirement to prepare group accounts.

Post Balance Sheet Events

Any material post balance sheet events, which provide additional evidence relating to conditions existing at the balance sheet date or indicate that application of the going concern concept is not appropriate, have been included in the accounts.

Any material post balance sheet events that concern conditions that did not exist at the balance sheet date have been disclosed as a separate note to the accounts.