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June 2007

EXPLANATORY FOREWORD

The purpose of this foreword is to assist the reader's understanding of the Financial Statements and to summarise the Council's financial position.

FINANCIAL STATEMENTS

The Council's Core Financial Statements for the year ended 31 March 2007 are set out on pages 11 to 33. They consist of:

- **The Statement of Responsibilities for the Statement of Accounts** (page 11).
- **The Income and Expenditure Account** (page 12) - summarises the resources that have been generated and consumed in providing services and managing the Council during the year.
- **Statement of Movement on the General Fund Balance** (pages 13-14) - summarises the differences between the year end position on the Income and Expenditure Account and the General Fund Balance.
- **Statement of Total Recognised Gains and Losses** (page 15) - details all the gains and losses of the Council for the year and shows the aggregate increase/decrease in its net worth as shown on the Balance Sheet.
- **The Balance Sheet** (page 16) - shows the Council's overall financial position in terms of its assets and liabilities.
- **The Cash Flow Statement** (page 17) - summarises the total movement of cash to and from the Council or, simply where the money came from and where it was spent.
- **Notes to the Core Financial Statements** (pages 18-33)

In addition to the core financial statements the following supplementary statements are set out on pages 34-40. They consist of:

- **The Housing Revenue Account** (pages 34-38) - details the major elements of housing revenue expenditure such as repairs & maintenance, administration, capital financing costs, and shows how these are met by rents, fees & charges and other income. The Housing Revenue Account is incorporated with the Income & Expenditure Account but is also shown separately as required.
- **The Collection Fund** (pages 39-40) - shows the transactions relating to the collection of Council Tax and Non-Domestic Rates. It shows how this money is then distributed between authorities delivering services to the people and businesses within the Borough.

This is followed by:

- **The Statement on Internal Control & the System of Internal Financial Control** (pages 41-42).
- **The Independent Auditor's Report** (pages 43-45).

FINANCIAL POSITION

The Council incurs revenue and capital expenditure during the year.

Revenue Expenditure – covers most day-to-day items, usually involving the provision of ongoing services.

Capital Expenditure – relates to spending of a more lasting nature such as the purchase of an asset which has a life beyond one year and is used in the provision of services.

Revenue spending is financed from Council Tax, fees and charges, Government grants and other income. Capital spending is financed mainly from loans, useable capital receipts from the sale of Council assets, Government grants, contributions and revenue.

Revenue Expenditure

The net costs of the main functions of the Council are included in the Income and Expenditure account. This comprises of general fund expenditure, both general and special expenses and the Housing Revenue Account.

General Fund Services

General Expenses – the net revenue expenditure of the Council for 2006-07 was originally estimated at £5,893,360, which was subsequently updated to an estimated year end position of £6,157,980. The actual net expenditure for the year was £5,644,395, a reduction over the original estimate of £248,965.

Special Expenses – the net revenue expenditure for 2006-07 in respect of special expenses was originally estimated at £416,610 which was subsequently updated to an estimated year end position of £427,288. The actual net expenditure for the year was £420,275, an overspend over the original estimate of £3,665.

Housing Revenue Account (HRA) – The original estimate for the HRA was a surplus of £149,120, which was subsequently updated to an estimated year end position of £54,080. The actual surplus was £114,329, a reduction over the original estimate of £34,791.

The table below compares the original estimate with the actual year end position for all Council funds.

	2006-07 Original Estimate	2006-07 Actual	2006-07 Variances
	£	£	£
<u>General Expenses</u>			
Cost of Service Provision	6,711,740	5,186,878	-1,524,862
Other Items	-818,380	457,517	1,275,897
Council Tax & Grant Income	-5,893,360	-5,896,537	-3,177
Surplus(-)/Deficit for Year	0	-252,142	-252,142
Transfer to/from Reserves	0	252,142	252,142
Net Surplus(-)/Deficit	0	0	0
<u>Special Expenses</u>			
Cost of Service Provision	428,680	424,364	-4,316
Other Items	-12,070	-4,089	7,981
Council Tax & Grant Income	-411,889	-411,889	0
Surplus(-)/Deficit for Year	4,721	8,386	3,665
Transfer to/from General Reserve	-4,000	-7,179	-3,179
Net Surplus(-)/Deficit	721	1,207	486
<u>Housing Revenue Account</u>			
Expenditure	5,271,250	5,382,395	111,145
Income	-5,420,370	-5,496,724	-76,354
Surplus(-)/Deficit	-149,120	-114,329	34,791

There are a number of services where the actual year end position shows a significant reduction in net expenditure when compared to the original budget. This includes the net cost of housing benefits due to a higher level of government subsidy entitlement, a higher level of Business Growth Incentive Grant from the government, an increase of interest received on Council reserves and balances and additional income from fees and charges i.e. planning application fees. There has also been some slippage in some programmed work for items such as the replacement Local Plan and repairs and maintenance of the Leisure Pools whilst a condition survey was undertaken.

In addition to the above there are a number of other service underspends where approval has been given to carry forward the budget into 2007-08.

The HRA year end position when compared to the original budget shows a net increase in spending of £34,791. This is mainly due to additional costs of Grounds Maintenance and an amount owing to Severn Trent Water in connection with previous years charges.

Prior Period Adjustments

In the 2006-07 Statement of Accounts the Council has adopted three significant new accounting policies that impact on the comparative figures for 2005-06 in the Income and Expenditure Account:

- Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts
- Credits for Government Grants Deferred are now posted to service revenue accounts, support services and trading accounts rather than credited as a corporate income item. There are no entries to be shown for 2005-06
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account. There are no entries to be shown for 2005-06

These changes 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 changed are included in the table):

	Consolidated Revenue Account in 2005-06 Statement of Accounts	Removal of Capital Financing Charges	Other Movements	2005-06 Comparatives in Income and Expenditure Account
	£	£	£	£
Central Services to the Public	401,424	10,056	0	411,480
Cultural, Environmental & Planning Services	4,491,354	-156,365	37,537	4,372,526
Highways, Roads & Transport Services	-133,597	-20,302	0	-153,899
Local Authority Housing (HRA)	0	-1,089,967	768,902	-321,065
Other Housing Services	4,663,266	-3,406,368	-768,902	487,996
Corporate & Democratic Core	982,974	-5,770	0	977,204
Non Distributed Costs	38,356	0	0	38,356
Impact on Net Cost of Services	<u>10,443,777</u>	<u>4,668,716</u>	<u>37,537</u>	<u>5,812,598</u>
Trading Accounts	-2,450	-85,285	-37,537	-125,272
Asset Management Revenue Account (interest payable and similar charges in 2006-07)	-4,405,199	4,754,001	0	348,802
Impact on Net Operating Expenditure	<u>£6,036,128</u>	<u>£0</u>	<u>£0</u>	<u>£6,036,128</u>

Other movement has been caused by the following:

- Local Authority Housing and Other Housing Services are now shown separately in the accounts
- The Environmental Maintenance Service has been reclassified within Cultural, Environmental and Planning Services

Capital Expenditure

Capital expenditure amounted to £3,109,714 which was an underspend on the programme of £701,286, of this underspend £685,000 has been carried forward into 2007-08.

The major items of capital expenditure in 2006-07 were renovation/disabled facilities grants (£253,697) and works to Council dwellings (£2,280,503).

The programme was funded by the following sources:

	£
Loan	343,033
Capital receipts	222,717
Major repairs reserve	1,909,411
Third party contributions	334,322
Government grants	200,504
Use of reserves	99,727
	£3,109,714

During the year the Council generated some £1.064m from two land disposal transactions. Other than this and the expenditure on capital projects set out above there have been no other material changes to assets and liabilities.

Reserves

Overall revenue reserves and revenue account surpluses increased by £386,754 and at 31 March 2007 totalled £2,822,262. These are analysed below:

	31 March 2006	31 March 2007
	£	£
Special Reserves	70,667	187,679
Other Reserves	1,466,638	1,623,257
General Expenses working balance	580,000	580,000
Special Expenses working balance	51,459	50,252
Housing Revenue Account working balance	266,745	381,074
	£2,435,509	£2,822,262

Outstanding Debt

During the year no loans were repaid. New loans totalling £0.340m were raised leaving the outstanding loan debt at 31 March 2007 at £6.478m. The maturity profile of the outstanding loan debt at 31 March 2007 is shown below:

	£
Maturing 1 -2 years	940,000
Maturing over 10 years	5,538,000

During the year investments decreased by £0.450m and stood at £5.1m at 31 March 2007.

Pensions Liability

Since 2003-04 Local Authorities have had to account for retirement benefits when they are committed to give them, even if the actual payment will be many years into the future. As a result a total liability of £4.154m has been included in the balance sheet thereby reducing the net worth of the Council. This deficit on the local government pension scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

STATEMENT OF ACCOUNTING POLICIES

1 General

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 United Kingdom 2006 (the Code) and BVACOP (Best Value Accounting Code of Practice). The Code is produced by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is the professional body for accountants in the public sector.

The Code is a statement of 'proper accounting practice' with which local authorities must comply in preparing their Statement of Accounts in accordance with the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendments) Regulations 2004.

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

2 Income and Expenditure

The revenue accounts of the Council are maintained on an income and expenditure basis in accordance with the Code and Financial Reporting Standard 18 (FRS18). That is, sums due to and from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts.

3 Provisions

The Council sets aside provisions in accordance with FRS12 for the purpose of providing for any liability or loss which is likely or certain to be incurred but is uncertain as to the amount or date on which it will arise. In creating a provision a charge is made to the revenue account and the expenditure is charged against the provision (rather than the revenue account) when the settlement takes place. The main provisions are:-

- (i) Provisions for Doubtful Debts (Sundry Debtors) – General Fund and Housing Revenue Account.
- (ii) Provision for Doubtful Debts (Collection Fund).
- (iii) Provision for Doubtful Debts (Housing Rents).

4 Reserves

The Council maintains reserves for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. 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 and therefore do not represent usable resources for the Council.

The following reserves are maintained:-

- (i) **Council Property** – Repairs & Renewals - amounts are set aside from revenue to meet repairs and maintenance expenditure on Council property.
- (ii) **Vehicles and Equipment** – amounts are set aside from revenue to meet major repairs or replacement.
- (iii) **Town Amenities** – commuted sums – amounts from developers are set aside to be released into the Revenue Account over a 5-year period to meet maintenance costs of play areas.
- (iv) **Car Parking Contributions** – amounts are received from developers of commercial properties in lieu of the provision of car parking places. These may be used for the provision of car parking places or other traffic improvement schemes.
- (v) **Melton Local Development Framework (MLDF)** – amounts are set aside from the Local Plans Revenue Budget to fund uneven patterns of spending on the MLDF.

- (vi) **Capital Reserve** - amounts are set aside from the General Fund to finance capital expenditure in the future.
- (vii) **Corporate Priorities Reserve** - amounts are set aside from the General Fund General Expenses Revenue Account to fund capital expenditure or new initiatives which meet the Councils priorities.
- (viii) **General Reserve - Special** - amounts are set aside from the General Fund Special Expenses Revenue Account to fund capital expenditure or new initiatives in the Special Expenses area of Melton Mowbray.
- (ix) **Capital Contributions Unapplied** – this represents amounts received from third parties for the financing of capital expenditure but not yet applied.
- (x) **Major Repairs Reserve** – this represents amounts set aside as depreciation from the Housing Revenue Account to finance capital expenditure to alleviate housing repairs problems.
- (xi) **Pensions Reserve** – reflects the net assets/liabilities of the Pension Fund.

5 **Government Grants and Contributions**

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 (e.g. Revenue Support Grant) are credited in the Income and Expenditure Account after Net Operating Expenditure.

Where capital grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Capital Contributions 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.

6 **Retirement Benefits**

The cost of providing pensions for employees is charged to the accounts in accordance with the statutory requirements governing the Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme, administered by Leicestershire County Council in accordance with the Local Government Pension Scheme Regulations 1997, as amended. It is contracted out of the State Pension Scheme.

LGPS regulations require that an actuarial valuation of the fund be completed, and a report produced every three years. The figures are prepared in accordance with Financial Reporting Standard 17 (FRS17).

The liabilities of the pension fund 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 the projections of earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate equal to the gross redemption yield on the iBoxx Sterling Corporates Index, AA over 15 years, at the FRS17 valuation date.

The assets of the pension fund attributable to the Council are included in the balance sheet at their fair value based upon the following:

- (i) Quoted securities – mid-market value
- (ii) Unquoted securities – professional estimate
- (iii) Unitised securities – average of the bid and offer rates
- (iv) Property – market value.

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

- (i) **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.
- (ii) **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.
- (iii) **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.
- (iv) **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.

- (v) **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.
- (vi) **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.
- (vii) **Contributions paid to the 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.

These requirements are shown in the statements that follow, and include comparative figures for 2005-06.

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.

7 **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.

8 **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:

- (i) Corporate and Democratic Core – costs relating to the Council’s status as a multi-functional, democratic organisation.
- (ii) Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

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

The basis of allocation used for the main costs of overheads and support services are outlined below:-

<u>Cost</u>	<u>Basis of Allocation</u>
Support/Service Accounts	Estimated time spent by staff
Administrative Buildings	Area occupied/Number of Personnel
Computer Materials	Actual use
Telephones	Number of personnel
Postages	Actual use
Photocopying	Actual use
Stationery	Actual use

9 **Tangible Fixed Assets**

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that the fixed asset yields benefit to the Authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

A de-minimus level of £10k has been set i.e. no expenditure below this level will generally be capitalised. This is also applied to the Councils asset register.

There are some notable exceptions to this rule i.e.

- (i) Where the cost attracts a specific capital grant or government supported borrowing approval.
- (ii) Where individual items of furniture, IT equipment and other equipment costing less than £10k are being bulk purchased; the cost for which can be capitalised.
- (iii) Feasibility costs in preparation for a larger scheme.

Under the system of capital accounting fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institute of Chartered Surveyors. Fixed assets are classified into the groupings required by the Code as follows: -

- (i) Operational properties are included at market value using existing use value or depreciated replacement cost.
- (ii) Other operational assets are included at depreciated historical cost.
- (iii) Non-operational assets, including investment properties and assets that are surplus to requirements, are included at market value.
- (iv) Infrastructure assets and community assets are included at depreciated historical cost.

Assets acquired under finance leases are capitalised in the Authority's accounts, together with the liability to pay future rentals.

10 **Intangible Fixed Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised on an accruals basis provided it brings benefits to the Council for more than one financial year subject to the de-minimus level of £10k. The balance is amortised to the relevant service account over the economic life of the investment to reflect the pattern of consumption of benefits.

11 **Depreciation of Fixed Assets**

Depreciation is provided for on all fixed assets with a finite useful life which is determined at the time of acquisition or revaluation. In determining depreciation for specific asset groups the following bases have been applied based on information provided by the appointed Valuer:-

Asset	Depreciated	Basis
<u>Housing Dwellings</u>	Yes	Depreciation provided for on the basis of valuation of dwellings and useful life of 50 years. Garages are included within the valuation for Council Dwellings and are depreciated over a useful life of 15 years.
<u>Other Land and Buildings</u>		
Waterfield Leisure Pool	Yes	Depreciation charge based on estimated useful life of 15 years.
Car Parks	Yes	Depreciation charge based on estimated useful life of 25 years.
Public Conveniences	Yes	Depreciation charge based on estimated useful lives of between 4-25 years.
Council Offices	Yes	Depreciation charge based on estimated useful life of 50 years.
Improvement Schemes	No	
<u>Vehicles, Plant and Equipment</u>	Yes	Depreciation provided on basis of estimated useful life of between 5-10 years.
<u>Community Assets</u>	No	Assets in this category consist mainly of non-depreciable land.
<u>Infrastructure Assets</u>		
Land	No	Assets in this category consist mainly of non-depreciable land.
<u>Investment Assets</u>		
Cattle Market	Yes	Depreciation charge based on useful life of 30 years.
Industrial Estates	Yes	Depreciation charge based on useful life of 35 years

12 **Impairment of Fixed Assets**

In 2006-07 a comprehensive review took place of the Council's Asset Portfolio. The scope of this review included condition surveys, hardwire electrical surveys and asbestos surveys on all Council owned buildings. This information was used both in the asset valuation process and also to conclude that no impairment of Council assets had occurred in the year.

13 **Charges to Revenue for Fixed Assets**

Service revenue accounts are charged with a provision for depreciation and a charge for impairment losses and amortisation of intangible fixed assets attributable to the service where appropriate. These charges are then reversed out in the Statement of Movement on the General Fund Balance. Such charges therefore have a neutral impact on the amounts required to be raised from local taxation.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure, or as transfers to other earmarked reserves are disclosed separately in the notes to the Movement on General Fund Balance Statement. Under the Local Government Act 2003 the Minimum Revenue Provision (MRP) for repayment of external debt is 4% for General Fund services. This is calculated by applying the rate to the Capital Financing Requirement (CFR) at the start of the year which is a measure of the Council's underlying need to borrow for capital purposes. Since 2004-05 the requirement to charge an MRP to the Housing Revenue Account is no longer required. The Council's MRP liability is reduced by a commutation loss adjustment.

14 **Capital Receipts**

Capital receipts from the disposal of assets are held until such time as they are used to finance other capital expenditure or to repay debt. The Local Government Act 2003 prescribes that certain amounts must be set aside for repayment of loan debt. Interest on the unapplied balance is credited to the General Fund. Deferred capital receipts include the outstanding balances on advances for the purchase of council houses, house purchase loans and community project loans.

15 **Deferred Charges**

Deferred charges represent expenditure which may properly be capitalised in accordance with statutory provisions, but which does not represent tangible fixed assets. Deferred charges have been written off in the year to service revenue accounts since they represent assets for which the Council will receive no further benefit.

16 **Leases**

Rentals under operating leases are charged to revenue on the basis of the charges received from the lessors. Finance leases are capitalised and rental payments are apportioned between interest (the finance charge) and the reduction in the leasing obligation.

17 **Redemption of Debt**

The Council makes provision for all scheduled debt repayments. In addition, the Council will also redeem or restructure debt early as part of its overall debt management policy, therefore utilising its ability to repay and/or replace debt based on prevailing market conditions.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio with substantially the same overall effect when viewed as a whole, gains 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.

18 **Investments**

Investments are shown in the Balance Sheet at the lower of cost or net realisable value. No provision has been made for any loss in value of undated Government Securities which in total amount to £3,532 and is therefore not material. Surplus monies when not used internally are invested in approved investments.

19 **Interest**

All external interest received is credited to the General Fund. The amount credited to the Housing Revenue Account is determined in accordance with the Local Government & Housing Act 1989 and is offset against the amount credited to the General Fund.

20 **Stocks and Long Term Contracts**

Stocks have been included in the Balance Sheet at latest price in respect of the Central Purchasing Stores. This does not fully comply with Statement of Standard Accounting Practice 9 (SSAP 9), but the amounts involved are not material. Interim valuations have been made for long-term contracts and included in the accounts in accordance with SSAP 9.

21 **Special Expenses**

This statement of accounts refers at times to Special Expenses. Section 35(1) of the Local Government Finance Act 1992 defines special expenses as any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by a parish or community council or the chairman of a parish meeting unless a resolution of the authority to the contrary effect is in force.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required:

- To make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Head of Financial Services.
- To manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets.
- To approve the statement of accounts

The Responsibilities of the Head of Financial Services

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

In preparing this Statement of Accounts, the Head of Financial Services has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code of Practice.

The Head of Financial Services has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATE

I certify that this Statement of Accounts presents fairly the financial position of Melton Borough Council at 31st March 2007, and its income and expenditure for the period 1st April 2006 to 31st March 2007.

.....
D Garton CPFA
Section 151 Officer

Date: 27 June 2007

APPROVAL BY THE COUNCIL

At its meeting on the 27th June 2007 the Policy, Finance and Administration Committee resolved that the Statement of Accounts for 2006-07 be approved.

.....
Councillor M C R Graham
Chairman

Date: 27 June 2007

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

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.

2005-06 Net Expenditure		2006-07 Gross Expenditure	2006-07 Income	2006-07 Net Expenditure
(As Restated)		£	£	£
411,480	Central Services to the Public	3,091,941	2,783,154	308,787
4,372,526	Cultural Environmental and Planning Services	6,751,211	3,187,576	3,563,635
-153,899	Highways, Roads and Transport Services	607,737	531,671	76,066
-321,065	Local Authority Housing (HRA)	5,100,501	5,442,160	-341,659
487,996	Other Housing Services	6,295,992	5,598,920	697,072
977,204	Corporate & Democratic Core	1,206,084	165,074	1,041,010
38,356	Non distributed Costs	199,419	0	199,419
5,812,598	NET COST OF SERVICES	23,252,885	17,708,555	5,544,330
319,038	Parish Council Precepts			354,775
-125,272	Surpluses/Deficits on Trading undertakings not included in Net Cost of Services above			-83,298
348,802	Interest Payable and Similar Charges			329,161
554,636	Contribution of Housing Capital Receipts to Government Pool			546,871
-307,494	Interest and Investment Income			-397,168
100,000	Pensions Interest Cost and Expected Return on Pensions Assets			-94,000
6,702,308	NET OPERATING EXPENDITURE			6,200,671
-2,922,815	Demand on the Collection Fund			-3,115,424
-1,860,314	General Government Grants			-657,239
-1,391,800	Non-Domestic Rates Redistribution			-2,974,254
£527,379	SURPLUS (-)/DEFICIT FOR YEAR			-£546,246

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority 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 usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance shows whether the Council has over or under spent against the council tax that it raised for the year, taking into account the use or reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation Statement summarises the differences between the year end position on the Income and Expenditure Account and the General Fund Balance.

2005-06		2006-07
(As Restated)		
£		£
527,379	Surplus (-)/Deficit for the year on the Income and Expenditure Account	-546,246
-527,313	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	547,453
<hr/> 66	Increase in General Fund Balance for the year	<hr/> 1,207
-631,525	General Fund Balance brought forward	-631,459
<hr/> -£631,459	General Fund Balance Carried Forward	<hr/> -£630,252

**NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND
BALANCE**

2005-06		2006-07
(As Restated)		
£		£
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the Year	
0	Amortisation of Intangible Fixed Assets	-246,584
-374,361	Depreciation and Impairment of Fixed Assets	-802,146
154,900	Excess of Depreciation charged to HRA over the Major Repairs Allowance	402,804
0	Government Grants Deferred Amortisation	1,771,473
-486,243	Write down of Deferred Charges to be Financed from Capital Resources	-512,073
-700,000	Net Charges made for Retirement Benefits in accordance with FRS 17	-737,000
<hr/>		<hr/>
-1,405,704		-123,526
	Amounts not included in the Income and Expenditure Account but required by statute to be included when determining the Movement on the General Fund Balance for the Year	
35,271	Minimum Revenue Provision for Capital Financing	63,398
5,142	Contributions to/from funds	1,159
115,370	Capital Expenditure Charged in Year to the General Fund Balance	99,727
-554,636	Transfer from Usable Capital Receipts to meet Payments to the Housing Capital Receipts Pool	-546,871
700,000	Employers Contributions Payable to the LCC Pension Fund and Retirement Benefits Payable Direct to Pensioners	784,000
<hr/>		<hr/>
301,147		401,413
	Transfers 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	
101,126	Housing Revenue Account Balance	114,329
10,000	Voluntary Revenue Provision for Capital Financing	10,000
466,118	Net Transfer to or from Earmarked Reserves	145,237
<hr/>		<hr/>
577,244		269,566
<hr/>		<hr/>
-£527,313	Net additional amount required to be credited to the General Fund Balance for the year	£547,453
<hr/>		<hr/>

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/decrease in its net worth. In addition to the surplus/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.

2005-06 (As Restated) £		2006-07 £
527,379	Surplus(-)/Deficit for the Year on the Income and Expenditure Account	-546,246
24,433,121	Surplus(-)/Deficit arising on Revaluation of Fixed Assets	-11,453,808
-21,000	Actuarial Gains(-)/Losses on Pension Fund Assets and Liabilities	-1,999,000
-149,300	Other Gains(-)/Losses	323,752
£24,790,200	Total Recognised Gains(-)/Losses for the Year	-

BALANCE SHEET

The Balance Sheet summarises in its top half all of the assets that the Council owns and the liabilities that it owes to others. The bottom half sets out how the net assets of the Council are allocated between usable resources, resources that have been set aside to finance Capital Expenditure, unrealised gains from increases in asset values and reserves needed to manage the complexities of Local Authority accounting.

At 31 March 2006
(As Restated)

At 31 March 2007

£		£	£
0	FIXED ASSETS		
	Intangible Assets	449,569	
	Tangible Fixed Assets		
	Operational Assets:		
95,004,130	Housing Dwellings, Land & Other Buildings	99,848,841	
9,682,607	Other Land & Buildings	10,212,775	
382,432	Vehicles Plant, Furniture & Equipment	215,129	
737,589	Community Assets	804,139	
	Non Operational Assets		
282,250	Investment Properties	4,567,187	
<u>106,089,008</u>	TOTAL FIXED ASSETS		116,097,640
3,532	Long Term Investments		3,532
110,630	Long Term Debtors		25,915
<u>241,019</u>	Deferred Premiums on the Early Repayment of		<u>211,488</u>
106,444,189	TOTAL LONG-TERM ASSETS		116,338,575
	CURRENT ASSETS		
5,595	Stocks & Work in Progress		3,788
9,972	Payments in Advance		9,972
1,839,486	Debtors		2,373,878
5,550,000	Short Term Investments		5,100,000
<u>193,487</u>	Cash and Bank		<u>95,123</u>
114,042,729	TOTAL ASSETS		123,921,336
	CURRENT LIABILITIES		
-3,988,350	Creditors		-3,130,636
<u>-301,309</u>	Bank Overdraft		<u>-315,265</u>
109,753,070	TOTAL ASSETS LESS CURRENT LIABILITIES		120,475,435
	LONG TERM LIABILITIES		
-6,138,000	Long Term Borrowing		-6,478,000
0	Deferred Liabilities		-210,250
-2,829,791	Capital Contributions Deferred		-1,457,750
-12,749	Capital Contributions Unapplied		-10,062
-90,871	Deferred Capital Receipts		-16,975
-48,585	Deferred Discounts on Early Repayment of Debt		-40,022
<u>-6,200,000</u>	Liability Related to Defined Benefit Pension Scheme		<u>-4,154,000</u>
<u>£94,433,074</u>	TOTAL ASSETS LESS LIABILITIES		<u>£108,108,376</u>
13,030,008	Capital Financing Account		14,544,130
83,984,603	Fixed Asset Restatement Account		93,364,284
-6,200,000	Pensions Reserve		-4,154,000
-7,021	Usable Capital Receipts Reserve		1,133,341
1,177,046	Major Repairs Reserve		397,845
631,459	General Fund Working Balance		630,252
266,745	Housing Revenue Account Balance		381,074
1,549,720	Fund Balances & Other Reserves		1,810,936
<u>514</u>	Other Balances		<u>514</u>
<u>£94,433,074</u>	TOTAL NET WORTH		<u>£108,108,376</u>

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2005-06			2006-07	
£	£		£	£
		Revenue Activities		
		<u>Cash Outflows:</u>		
5,273,380		Cash paid to and on behalf of employees	5,590,338	
8,777,258		Other operating cash payments	10,014,295	
1,998,611		Housing Benefit Paid Out	2,285,448	
9,589,513		National Non Domestic Rates payments to Pool	12,841,320	
		Precepts Paid:		
15,851,689		Leicestershire County Council	16,940,620	
2,233,613		Leicestershire Police Authority	2,375,045	
764,053		Leicestershire Combined Fire & Rescue	811,679	
319,038		Parish Precepts	354,275	
1,053,676		Other Government Grants	1,123,972	
<u>598,336</u>		Payments to the Capital Receipts Pool	<u>472,505</u>	
	46,459,167			52,809,497
		<u>Cash Inflows:</u>		
-3,080,632		Rents (net of rebates)	-3,082,050	
-		Council tax receipts	-21,455,828	
20,495,986				
-		National Non-domestic Rate receipts	-11,469,293	
11,109,971				
-1,391,801		National Non-domestic Rate receipts from pool	-2,974,254	
-1,789,203		Revenue Support Grant	-573,523	
-6,709,929		DWP Grant for Benefits	-6,998,151	
-1,179,796		Cash received for goods and services	-1,384,868	
<u>-4,745,161</u>		Other operating cash receipts	<u>-5,072,151</u>	
	-50,502,479			53,010,118
	-4,043,312	Net Cash Flow from Revenue Activities		-200,621
		Returns on Investments & Servicing of Finance		
		<u>Cash Outflows:</u>		
284,835		Interest paid	300,190	
		<u>Cash Inflows:</u>		
-298,590		Interest received	-395,227	
	-13,755			-95,037
		Capital Activities		
		<u>Cash Outflows:</u>		
2,316,323		Purchase of fixed assets	2,552,432	
<u>494,399</u>		Other capital cash payments	<u>511,741</u>	
	2,810,722			3,064,173
		<u>Cash Inflows:</u>		
-821,000		Sale of fixed assets	-1,785,194	
<u>-70,000</u>		Capital grants received	<u>-81,000</u>	
	-891,000			-1,866,194
	-2,137,345			902,321
		Management of Liquid Resources		
	2,450,000	Net increase(-)/decrease in short term deposits		-450,000
		Financing		
		<u>Cash Inflows</u>		
-500,000		New Loans raised	-340,000	
	-500,000	Financing and Management of Liquid Resources		-340,000
<u>-£187,345</u>		NET INCREASE(-)/DECREASE IN CASH		<u>£112,321</u>

NOTES TO THE CORE FINANCIAL STATEMENTS

1 Notes to the Balance Sheet

	Housing Dwellings	Other Land & Buildings	Vehicles Plant and Equipment	Infra-structure Assets	Community Assets	Investment /Surplus Assets	Intangible Assets	Total
	£	£	£	£	£	£	£	£
Operational								
Net Book Value of assets as at 31 March 2006 as restated	95,004,130	9,682,607	382,432	0	737,589	282,250	0	106,089,008
Movement in 2006-2007								
Revaluation Adjustments – Revaluation increase to 1/4/06	5,423,230	3,605,392	0	0	285,326	752,750	0	10,066,698
Additions	2,280,503	11,382	109,020	10,083	103,214	0	83,439	2,597,641
Expenditure re: Credit Arrangement	0	210,250	0	0	0	0	0	210,250
Disposals	-1,727,557	0	-25,570	0	-321,000	0	0	-2,074,127
Depreciation	-1,533,014	-245,375	-71,815	0	-8,340	-73,813	-246,584	-2,178,941
Revaluations	2,682,052	664,400	0	0	7,350	51,750	0	3,405,552
Write offs to the Fixed Asset Restatement Account	-2,280,503	-161,631	-167,138	-10,083	0	0	600,914	-2,018,441
Reclassification of Assets	0	-3,554,250	-11,800	0	0	3,554,250	11,800	0
Net book value of assets at 31 March 2007	£99,848,841	£10,212,775	£215,129	£0	£804,139	£4,567,187	£449,569	£116,097,640

a) Movement of Fixed Assets

(b) Long Term Investments

The long term investments consist of:

Balance 31 March 2006 £	Long Term	Balance 31 March 2007 £
963	3½% War Stock	963
2,055	3½% War Stock	2,055
514	2½% Consols	514
£3,532	Total Long Term Investments	£3,532

(c) Long Term Debtors

Balance 31 March 2006 £		Repaid £	Balance 31 March 2007 £
20,709	Housing Advances – Right to Buy	3,734	16,975
70,162	Community Project Loans	70,162	0
19,759	Car Loans to Employees	10,819	8,940
£110,630		£84,715	£25,915

(d) Short Term Investments

The short term investments consist of:

Balance			Balance
31 March 2006			31 March 2007
£			£
	<u>Short Term</u>	<u>%</u>	
100,000	Coventry Building Society	4.45	0
150,000	Chelsea Building Society	4.50	0
100,000	West Bromwich Building Society	4.51	0
100,000	Skipton Building Society	4.46	0
150,000	West Bromwich Building Society	4.51	0
150,000	Chelsea Building Society	4.47	0
100,000	West Bromwich Building Society	4.50	0
300,000	Britannia Building Society	4.42	0
500,000	Yorkshire Building Society	4.48	0
400,000	Principality Building Society	4.48	0
150,000	Coventry Building Society	4.48	0
100,000	Chelsea Building Society	4.50	0
100,000	West Bromwich Building Society	4.51	0
100,000	Yorkshire Building Society	4.45	0
250,000	Yorkshire Building Society	4.45	0
500,000	Coventry Building Society	4.49	0
100,000	West Bromwich Building Society	4.50	0
150,000	Skipton Building Society	4.47	0
200,000	Norwich & Peterborough Building Society	4.47	0
150,000	Yorkshire Building Society	4.46	0
200,000	Chelsea Building Society	4.49	0
150,000	West Bromwich Building Society	4.51	0
150,000	Chelsea Building Society	4.49	0
100,000	Skipton Building Society	4.46	0
100,000	Coventry Building Society	4.49	0
200,000	Britannia Building Society	4.42	0
250,000	Norwich & Peterborough Building Society	4.48	0
550,000	Skipton Building Society	4.48	0
0	Portman Building Society	5.35	500,000
0	Chelsea Building Society	5.35	100,000
0	Coventry Building Society	5.35	200,000
0	West Bromwich Building Society	5.35	150,000
0	West Bromwich Building Society	5.36	100,000
0	Chelsea Building Society	5.36	100,000
0	Chelsea Building Society	5.36	150,000
0	Principality Building Society	5.36	350,000
0	Coventry Building Society	5.35	100,000
0	West Bromwich Building Society	5.37	150,000
0	Coventry Building Society	5.36	100,000
0	West Bromwich Building Society	5.38	250,000
0	Yorkshire Building Society	5.31	150,000
0	Coventry Building Society	5.35	100,000
0	Chelsea Building Society	5.37	350,000
0	Coventry Building Society	5.38	100,000
0	Skipton Building Society	5.38	550,000
0	Chelsea Building Society	5.38	100,000
0	Principality Building Society	5.38	650,000
0	West Bromwich Building Society	5.39	150,000
0	West Bromwich Building Society	5.41	100,000
0	Coventry Building Society	5.40	150,000
0	West Bromwich Building Society	5.41	100,000
0	Coventry Building Society	5.40	100,000
0	Yorkshire Building Society	5.38	150,000

0
£5,550,000

Coventry Building Society
Total Short Term Investments

5.39

100,000
£5,100,000

(e) Debtors

Balance 31 March 2006 (As Restated) £		Balance 31 March 2007 £
	Amounts falling due in one year:	
136,868	Government Departments	545,743
147,383	Housing Rent	144,086
157,392	Collection Fund balance	372,880
1,579,785	Sundry Debtors	1,503,800
-181,942	Provision for Doubtful Debts	-192,631
£1,839,486		£2,373,878

(f) Creditors

Balance 31 March 2006 £		Balance 31 March 2007 £
1,421,056	Government Departments	277,977
2,028,284	Sundry Creditors	2,411,225
	<u>Receipts in Advance:</u>	
426,812	Council Tax	385,443
112,198	NNDR	55,991
£3,988,350	Total	£3,130,636

(g) Long Term Borrowing

Balance 31 March 2006 £	Analysis of Loans by type	Raised £	Repaid £	Balance 31 March 2007 £
£6,138,000	Public Works Loan Board	£340,000	0	£6,478,000

(h) Deferred Liabilities – Finance Leases

Balance 31 March 2006 £		Balance 31 March 2007 £
1,924	Principal outstanding at 1 April	0
-1,924	Less: Principal repayment in year	0
£0	Principal outstanding at 31 March	£0

(i) Deferred Liabilities – Credit Arrangement (The Registrars)

Balance 31 March 2006 £		Balance 31 March 2007 £
0	Principal outstanding at 1 April	0
0	New advance in year	210,250
0	Less: Principal repayment in year	0
£0	Principal outstanding at 31 March	£210,250

(j) Usable Capital Contributions Unapplied

Balance 31 March 2006 (As Restated)		Balance 31 March 2007
£		£
391,770	Balance b/fwd 1 April	12,749
-12,415	Transfer to Earmarked reserve	0
468,542	Grants, contributions and interest received	331,634
-91,759	Transfers to/from other funds	0
-743,389	Transfer to capital contributions deferred	-334,321
£12,749	Balance c/fwd 31 March	£10,062

(k) Capital Contributions Deferred

Balance 31 March 2006		Balance 31 March 2007
£		£
2,086,402	Balance b/fwd 1 April	2,829,791
743,389	Capital contributions Applied	399,432
0	Amortised to Revenue	-1,771,473
£2,829,791	Balance c/fwd 31 March	£1,457,750

(l) Deferred Capital Receipts

	Housing Advances - Right to Buy £	Community Project Loans £	Total £
Balance at 31 March 2005	26,129	75,383	101,512
Repayment of Loans & Advances	5,420	5,221	10,641
Balance at 31 March 2006	£20,709	£70,162	£90,871
Repayment of Loans & Advances	3,734	70,162	73,896
Balance at 31 March 2007	£16,975	£0	£16,975

(m) Capital Financing Account

Balance 31 March 2006		Balance 31 March 2007
£		£
13,574,751	Balance b/fwd 1 April	13,030,008
9,192	Capital receipts set aside	-6,984
244,600	Capital financing - capital receipts	222,717
115,370	- revenue	99,727
70,000	- specified capital grant	135,393
921,395	- major repairs reserve	1,909,411
0	Government Grants Deferred	1,771,473
-1,419,057	MRP (less depreciation provision)	-2,105,542
-486,243	Less – deferred charges written off	-512,073
£13,030,008	Balance c/fwd 31 March	£14,544,130

(n) Fixed Asset Restatement Account

Balance		Balance
31 March 2006		31 March 2007
£		£
109,073,549	Balance b/fwd 1 April	83,984,603
-1,934,348	Surplus on revaluation and restatement of fixed assets	-2,018,441
-655,825	Disposal of fixed assets	-2,074,127
-23,021,816	HRA revaluation	8,105,282
523,043	Revaluations (general and special)	5,366,967
£83,984,603	Balance c/fwd 31 March	£93,364,284

(o) Usable Capital Receipts Reserve

Balance		Balance
31 March 2006		31 March 2007
£		£
177	Balance b/fwd 1 April	-7,021
6,576	Repayments of grants & loans	71,497
181,792	Sale of assets etc	1,291,582
49,034	Other receipts	0
<u>237,579</u>		<u>1,356,058</u>
244,600	Less applied - capital expenditure	222,717
-£7,021	Balance c/fwd 31 March	£1,133,341

(p) Other Balances

Balance		Balance
31 March 2006		31 March 2007
£		£
£514	Parochial Property	£514

(q) Fund Balances and Reserves

	FUND BALANCES								GENERAL RESERVES				Total Fund Balances & Reserves
	Council Property Repairs & Renewals	Vehicles & Equipment Repairs & Renewals	Town Amenities – Commuted Sums	Traffic Calming	Car Parking Contribution	Melton Local Development Framework	Misc	Total	Capital Reserves	General Reserve		Total	
	£	£	£	£	£	£	£	£	£	£	£	£	
Balance: 31 March 2005	65,609	0	12,509	2,500	17,427	0	237	98,282	133,420	549,651	198,189	881,260	979,542
INCOME													
Revenue Contributions:													
Service Accounts	28,000	19,890	0	0	0	0	0	47,890	0	566,453	10,936	577,389	625,279
General	0	0	0	10,000	4,000	0	0	14,000	0	94,260	0	94,260	108,260
Interest	0	0	0	0	988	0	0	988	4,098	0	0	4,098	5,086
	28,000	19,890	0	10,000	4,988	0	0	62,878	4,098	660,713	10,936	675,747	738,625
EXPENDITURE													
Transfers: Capital Expenditure	25,000	0	0	0	0	0	0	25,000	61,826	0	28,543	90,369	115,369
Working Balances	36,871	0	3,707	2,500	10,000	0	0	53,078	0	0	0	0	53,078
Balance: 31 March 2006	31,738	19,890	8,802	10,000	12,415	0	237	83,082	75,692	1,210,364	180,582	1,466,638	1,549,720
INCOME													
Revenue Contributions:													
Service Accounts	28,000	29,998	0	0	0	59,390	0	117,388	0	252,143	0	252,143	369,531
General	0	0	0	0	31,144	0	0	31,144	0	0	0	0	31,144
Interest	0	0	0	0	1,159	0	0	1,159	0	0	0	0	1,159
	28,000	29,998	0	0	32,303	59,390	0	149,691	0	252,143	0	252,143	401,834
EXPENDITURE													
Transfers: Capital Expenditure	11,382	0	0	0	0	0	0	11,382	75,692	0	12,653	88,345	99,727
Working Balances	11,270	0	2,442	10,000	10,000	0	0	33,712	0	0	7,179	7,179	40,891
Balance: 31 March 2007	37,086	49,888	6,360	0	34,718	59,390	237	187,679	0	1,462,507	160,750	1,623,257	1,810,936

2 Notes to the Cash Flow Statement

(a) Reconciliation of Surplus to Net Cash Flow

£	2005-06 £		£	2006-07 £
		Surplus for the Year		
-66		Deficit/Surplus(-) per Income and Expenditure	-1,207	
-101,126		Deficit/Surplus(-) per Housing Revenue Account	-114,329	
<u>15,135</u>		Deficit/Surplus(-) per Collection Fund	<u>215,488</u>	
	-86,057			99,952
	-1,864,082	Non Cash Transactions-		-1,581,110
		Items on an accruals basis		
-16,900		Decrease In Stocks and Work in progress	-1,807	
-460,361		Increase/Decrease(-) in Debtors	329,593	
<u>-1,629,667</u>		Increase(-)/Decrease in Creditors	<u>857,714</u>	
	-2,106,928			1,185,500
		Items Classified elsewhere		
298,590		Investment Income	395,227	
<u>-284,835</u>		Interest Paid	<u>-300,190</u>	
	13,755			95,037
	<u>-£4,043,312</u>	Net Cash Flow from Revenue Activities		<u>-£200,621</u>

(b) Increase/Decrease in Cash and Cash Equivalents

Balance 31 March 2006 £		Movement in the Year £	Balance 31 March 2007 £
<u>-£107,822</u>	Cash Overdrawn	<u>-£112,321</u>	<u>-£220,143</u>

(c) Analysis of Government Grants

£	£		£	£
		<u>Department of the Environment</u>		
	-1,053,676	Housing Revenue Account Subsidy		-1,123,972
		<u>Department for Work and Pensions</u>		
1,789,096		Council Tax Benefit	1,835,990	
1,990,327		Rent Allowances	2,275,698	
159,782		Admin Grant	241,719	
2,688,267		Rent Rebates	2,630,788	
50,485		Fraud Initiative	16,285	
33,692		Verification Framework	0	
<u>-1,720</u>		Uncashed Cheques	<u>-2,329</u>	
	<u>6,709,929</u>			<u>6,998,151</u>
	<u>£5,656,253</u>	Total Government Grants		<u>£5,874,179</u>

(d) Statement of Liquid Resources

The Council's liquid resources at 31 March 2007 are those outlined below and comply with the definition contained in Financial Reporting Standard 1–Cash Flow Statements issued by the Accounting Standards Board.

Balance 31 March 2006		Movement in the Year	Balance 31 March 2007
<u>£5,550,000</u>	Liquid Resources – Short Term Investments	<u>-£450,000</u>	<u>£5,100,000</u>

(e) Reconciliation of Movement in Cash to Movement in Net Debt

	Balance as at 31 March 2006	Balance as at 31 March 2007	Movement in the Year
	£	£	£
Cash in hand	193,487	95,123	-98,364
Cash Overdrawn	-301,309	-315,266	-13,957
Short Term Borrowing	0	0	0
Long Term Borrowing	-6,138,000	-6,478,000	-340,000
	<u>-6,245,822</u>	<u>-6,698,143</u>	<u>-452,321</u>
New Loans Raised			340,000
Loans Repaid			0
Increase/Decrease (-) in Cash			<u>-£112,321</u>

3 **Undischarged obligations arising from Long-Term Contracts**

In 2007-08 the Council is committed to making payments estimated at £1,057,000 under a schedule of rates type contract with Jeakins Weir for the repair and maintenance of Council housing. The actual level of payments will depend upon the volume of orders issued to the contractor in respect of responsive and programmed maintenance. The contract expires at the end of March 2009 with an extension clause for a further two years.

In the same year the Council is committed to making payments estimated at £1,868,000 under an integrated waste management contract with Verdant Group Plc. The actual level of payments will depend upon the number of properties collected from, marginal variations to the contract and the number of variation orders issued. The contract expires at the end of March 2010.

The Council is also committed to making payments estimated at £160,000 to SLM Community Leisure Charitable Trust for the management of the Waterfield Leisure Pools. The contract expires at the end of March 2008.

4 **Trading Operations**

(a) Cattle Market

The Melton Mowbray Cattle Market was established under the Melton Mowbray Cattle Market Act 1869. The animal markets are operated under licence by a local consortium of auctioneers. Other activities include a farmer's market, antique and collector's fairs, car boot and agricultural vehicle sales.

The financial results were as follows:-

2005-06		2006-07
(As Restated)		
£		£
-246,086	Turnover	-224,346
0	Amortised Government Grant	-29,534
<u>196,117</u>	<u>Expenditure</u>	<u>231,238</u>
<u>-£49,969</u>	Deficit/Surplus (-)	<u>-£22,642</u>

(b) Industrial Estates

The Council lets 20 units at Snow Hill Industrial Estate, Melton Mowbray. These were provided to help small businesses. Over the years this account has produced a trading surplus.

2005-06		2006-07
(As Restated)		
£		£
-122,984	Turnover	-139,672
<u>47,681</u>	<u>Expenditure</u>	<u>79,016</u>
<u>-£75,303</u>	Surplus	<u>-£60,656</u>

(c) Net Deficit on Trading Operations

2005-06		2006-07
(As Restated)		
£		£
<u>-£125,272</u>	Net Deficit/Surplus (-)	<u>-£83,298</u>

5 Discretionary Expenditure

The Local Government Act 2000 granted new powers to authorities in England and Wales to promote well being in their area. As a consequence, the majority of the provisions of S137 were repealed with effect from October 2000. However, principal authorities in England and Wales are required to disclose any expenditure incurred under S137(3), e.g. donations to charities.

2005-06		2006-07
£		£
<u>£52,044</u>	Net Expenditure	<u>£77,166</u>

6 Expenditure on Publicity

Section 5 of the Local Government Act 1986 requires the Council to keep a separate account of their expenditure on publicity. During the year the Council's expenditure on publicity was as follows:

2005-06		2006-07
£		£
38,930	Recruitment Advertising	23,100
34,390	Other Advertising	29,260
6,200	Other Publicity	14,250
<u>£79,520</u>		<u>£66,610</u>

7 The Building Control Trading Account

The Building (local authority charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the Building Control Unit divided between the chargeable and non-chargeable activities.

Building Regulations Charging Account	Chargeable	Non Chargeable	Total Building Control
	2006-07	2006-07	2006-07
	£	£	£
Expenditure			
Employees Related Costs	74,989	31,681	106,670
Premises Related Costs	5,365	2,267	7,632
Transport Related Costs	12,783	673	13,456
Supplies & Services Costs	13,314	2,880	16,194
Support Services Costs	<u>74,941</u>	<u>18,731</u>	<u>93,672</u>
Total Expenditure	<u>181,392</u>	<u>56,232</u>	<u>237,624</u>
Income			
Building Regulation Income	98	0	98
Miscellaneous Income	189,588	0	189,588
Rechargeable to Other Services	<u>0</u>	<u>20,913</u>	<u>20,913</u>
Total Income	<u>189,686</u>	<u>20,913</u>	<u>210,599</u>
Surplus(-)/Deficit for Year	<u>-£8,294</u>	<u>£35,319</u>	<u>£27,025</u>
Comparatives for 2005-06			
Expenditure	192,405	42,676	235,081

Income	201,015	16,366	217,381
Surplus(-)/Deficit for Year	-£8,610	£26,310	£17,700

8 **Members' Allowances**

Members' allowances paid in 2006-07 amounted to £139,003 (2005-06 £134,432). These figures have been drawn from payroll records held in the Financial Services Section.

9 **Officers' Emoluments**

In accordance with Regulation 7 (2) of the Accounts and Audit Regulations 2003 the Council is required to disclose the number of employees whose remuneration is in excess of £50,000 per annum, starting at that level and increasing in multiples of £10,000.

2005-06			2006-07
No of Employees		Remuneration band	No of Employees
0		£50,000 - £59,999	0
2		£60,000 - £69,999	2
1		£70,000 - £79,999	1

Remuneration for these purposes includes all taxable sums paid to or receivable by an employee, sums due by way of expenses allowances, and the money value of any other benefits received other than in cash. It excludes pension contributions payable by either the employee or the Council.

10 **Transactions with Related Parties**

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

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

Members and Senior Officers of the Council have direct control over the Council's financial and operating policies. The following Members have declared 'related party transactions' with the Council during the year:

- Councillor P Cumbers and Councillor N Slater:
 - a) Committee members of the Melton Mowbray Country Fair which received funding of £3,500 during the year
 - b) Committee members of the Melton Mowbray Victorian Christmas Fayre which received funding of £1,000 during the year
 - c) Trustees for Melton Mowbray Shopmobility which received funding of £8,454.58 during the year.
- Councillor M Graham:
 - a) Trustee of Melton & Rutland Victim Support which received funding of £1,600 during the year

The Welland Partnership is a committed consortium of five local authorities from East Northamptonshire, Harborough, Melton, Rutland and South Kesteven; a partnership by choice. It has established joint officer working groups, created shared appointments and secured joint funding in its collective aim of delivering improved services.

11 **Audit Costs**

In 2006-07 Melton Borough Council incurred the following fees relating to external audit and inspection:

2005-06		2006-07
£		£
82,000	Fees payable to the appointed Auditor in respect of audit services	87,500
18,876	Fees payable to the appointed auditor for the certification of grant claims and returns	25,987
9,415	Fees payable to the Audit Commission in respect of statutory inspection	11,801
£110,291		£125,288

12 **Summary of Capital Expenditure and Fixed Asset Disposals**

Capital Expenditure and Financing

2005-06		2006-07
£		£
	Capital Investment	
2,163,418	Fixed Assets	2,597,641
486,243	Deferred Charges	512,073
£2,649,661		£3,109,714
	Sources of Finance	
554,907	Borrowing	343,033
244,600	Capital Receipts	222,717
676,123	Capital Grants	200,504
921,395	Major Repairs Reserve	1,909,411
252,636	Capital and Other Funds	434,049
£2,649,661		£3,109,714

Fixed Asset Disposals

The table below shows the value of fixed asset disposed of during the financial year, analysed by category.

2005-06		2006-07
£		£
655,825	Housing Dwellings, Land & Other Buildings	1,727,557
0	Vehicles, Plant & Equipment	25,570
0	Community Assets	321,000
£655,825	Total	£2,074,127

Change in Capital Financing Requirement

2005-06		2006-07
£		£
5,667,120	Opening Capital Financing Requirement	6,176,756
	Capital Investment:	
2,163,418	Operational Assets	2,597,641
0	Deferred Liabilities	210,250
486,243	Deferred Charges	512,073
	Sources of Finance:	
-244,600	Capital Receipts	-222,717
-813,389	Government Grants and other contributions	-534,825
-1,082,036	Sums set aside from revenue (including MRP)	-2,082,537
6,176,756	Closing Capital Financing Requirement	6,656,641
£509,636	Movement in Year	£479,885
	Explanation of Movements in the Year:	
300,000	Increase in underlying need to borrow (supported by Government financial assistance)	300,000
209,636	Increase in underlying need to borrow (un-supported by Government financial assistance)	179,885
£509,636	Increase/(Decrease) in Capital Financing Requirement	£479,885

13 Significant Commitments Under Capital Contracts

<u>Contractor</u>	<u>Nature of Contract</u>	<u>Amount</u>
		£
John Ball Roofing	Re-Roofing Contract 2006-07	179,654

14 Analysis of Fixed Assets

31 March 2006		31 March 2007
No		No
1,930	Council Dwellings	1916
417	Council Garages	417
1	Shop	1
1	Council Offices	1
1	Depot	1
13	Off-Street Car Parks	13
1	Leisure Pools Complex	1
1	Playing Fields	1
1	Park	1
1	Country Park (incorporating Playing Fields)	1
11	Play Areas	11
1	Cattle Market	1
1	Cemetery	1
20	Industrial Units	20
6	Allotment Sites	6
3	Public Conveniences	3

15 Assets Held Under Leases

This authority uses vans, grounds equipment and various other equipment financed under the terms of an operating lease. The amount paid under these arrangements in 2006-07 was £14,752 (2005-06 - £14,752).

The authority is committed to making payments of £21,178 under these leases for the period 1st April 2007 to 31st March 2011 comprising the following elements:

	£
Leases expiring after 2008-09	21,178

The authority holds various fixed assets, principally vehicles, which were previously financed using finance leases. There were no finance lease payments for the year as the final payment due of £2,265 was paid in 2005-06.

16 Fixed Asset Valuation Information

The freehold and leasehold properties which comprise the Council's property portfolio were valued as at

1 April 2006 by David Blanchard, the Council's Corporate Property Officer and member of the Royal Institution of Chartered Surveyors (RICS) in consultation with Mr Richard Edwards from the Leicestershire Valuation Office. The valuations have been made in accordance with the RICS Appraisal and Valuation Manual (The New Red Book) for all assets in the portfolio above the de-minimus threshold of £10,000. In relation to the Council's Housing Portfolio the Beacon principle has been used in arriving at the asset valuation. The Beacon properties used in the valuation were those identified in the valuation office comprehensive review of the Housing Revenue Account Valuation carried out in 2000. Approximately 25% of the residential properties were inspected in 2007.

Properties regarded by the Council as operational were valued on the basis of Market Value Existing Use. There are two notable exceptions to this valuation method. The first relates to the Council's housing portfolio which has been valued on the basis of existing use for social housing. This is an accepted valuation method for stock held for this purpose and represents 50% of the open market value of the stock (50% being the adjustment factor applicable to the East Midlands Region). The second exception relates to specialised property which is rarely if ever sold on the open market. As such an open market value cannot be determined. For this type of property, which includes the Council's Waterfield Leisure Pool and Public Conveniences, the Depreciated Replacement Cost method of valuation has been used.

Assets classified as Community Assets have been valued on the basis of historic cost except where an open market value is determinable.

For the purposes of determining the valuation as at 31st March 2007 an uplift of 5% in respect of Non-HRA dwellings and 3% in respect of HRA dwellings has been applied.

Plant and machinery is included in the valuation of the buildings.

17 Fixed Asset Depreciation – FRS 15

In order to comply with FRS 15 the Council has obtained useful lives for all of the assets included in the balance sheet as part of the valuation process. The bases used to calculate depreciation for individual assets are disclosed in the Statement of Accounting Policies.

18 Intangible Fixed Assets

The intangible assets of the Council consist of items of software which are valued at depreciated historic costs. The assets are all depreciated over their estimated useful life of 5 years

	Totals
	£
Original Cost	0
Amortisation to 1 st April 2006	0
Balance as at 1 st April 2006	0
Restatement Reserve adjustment in the year	600,914
Reclassification of assets	11,800
Expenditure in year	83,439
Written off to revenue in year	-246,584
Balance as at 31st March 2007	£449,569

19 **Analysis of Net Assets Employed**

2005-06			2006-07	
£			£	
4,342,026	General Fund		10,837,002	
94,077,798	Housing Revenue Account		97,944,937	
2,213,250	Trading Operations		3,480,437	
-6,200,000	Pension Fund		-4,154,000	
£94,443,074	Total		£108,108,376	

20 **Long Term Borrowing – Public Works Loans Board (PWLB)**

Balance	Analysis of Loans by maturity	Balance
31 March 2006		31 March 2007
£		£
0	Maturing in 1-2 years	940,000
940,000	Maturing in 2-5 years	0
0	Maturing in 5-10 years	0
5,198,000	Over 10 years	5,538,000
£6,138,000		£6,478,000

21 **Reserves**

Reserve	Balance at	General	Balance at
	1 April 2006	Movement in	31 March 2007
	£	Year	£
		£	
Fixed Asset Restatement Reserve	83,984,603	9,379,681	93,364,284
Capital Financing Account	13,030,008	1,514,122	14,544,130
Usable Capital Receipts	-7,021	1,140,362	1,133,341
Pensions Reserve	-6,200,000	2,046,000	-4,154,000
HRA	266,745	114,329	381,074
Major Repairs Reserve	1,177,046	-779,201	397,845
General Fund	631,459	-1,207	630,252
Other Reserves:			
Earmarked Reserves	1,549,720	261,216	1,810,936
Other Balances	514	0	514
Total Balance	94,433,074	13,675,302	108,108,376

22 **Contingent Liabilities & Contingent Assets**

There are two existing claims for compensation being made against the Council to be disclosed as contingent liabilities; the details for which are as follows:

- Compensation claim being pursued by property owner alleging subsidence damage to property caused by tree(s) owned by the Council. Claimant's insurers appointed OCA Ltd. (arboriculturalists) who are in correspondence with the Council and who have requested that appropriate works be carried out to the tree(s) in question in order to prevent further damage. If the claim for compensation is successful the cost could be in excess of £25,000.
- Statutory compensation claim being pursued by property owner in respect of a Building Preservation Notice being served on the owner pending decision as to whether the property was to be listed by English Heritage. A decision was eventually taken not to list and owner is now entitled to be compensated. Negotiations are on-going with the owner to determine the final settlement which is envisaged should not exceed £4,000.

23 **Authorisation of Accounts for Issue**

The accounts were authorised for issue by D K Garton CPFA the Section 151 Officer on 27 June 2007.

24 Events After the Balance Sheet Date

There have been no post balance sheet events that have occurred between the 31 March 2007 and 27 June 2007 when the accounts were authorised for issue that could materially affect the accounts for the period 1st April 2006 to 31st March 2007.

25 Retirement Benefits

Participation in Pensions Scheme

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

The authority participates in the following:

- The local Government Pension Scheme administered by Leicestershire County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Transactions Relating to Retirement Benefits

For 2006-07 the Council paid into the Leicestershire County Council Pension Fund an employer's contribution of 16.8% of pensionable pay for the majority of employees who have elected to join the Fund. A smaller employer's contribution of 14% of pensionable pay was made in respect of those employees who were previously classed as manual workers and who joined the scheme prior to 1st April 1998.

The Council recognises the cost of retirement benefits in the net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make 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 in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year.

Income and Expenditure Account	2005-06	2006-07
	£'000	£'000
Net Cost of Services:		
Current Service Cost	600	758
Past Service Costs	0	14
Settlements & Curtailments	0	59
Net Operating Expenditure:		
Interest Cost	1,300	1,371
Expected Return on Assets in the Scheme	-1,200	-1,465
Net Charge to the Income and Expenditure Account	700	737
Statement of Movement in the General Fund Balance		
Reversal of Net Charges made for Retirement Benefits in accordance with FRS17	-700	-737
Actual amount charged against the General Fund Balance for the pensions in the year:		
Employers' Contributions Payable to Scheme	700	784

Assets and Liabilities in Relation to Retirement Benefits

The underlying assets and liabilities for retirement benefits attributable to the authority at 31 March are as follows:

	2005-06	2006-07
	£'000	£'000
Estimated liabilities in scheme	27,900	27,889
Estimated assets in scheme	21,700	23,735
Net asset / (liability)	<u>(6,200)</u>	<u>(4,154)</u>

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The total liability of £4.15m reduces the net worth of the Council to £108.11m recorded in the balance sheet, prior to which the net worth is £112.26m. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy as it will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Hymans Robertson, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2004 with the next formal valuation due as at 31 March 2007.

The main assumptions used in their calculations have been:

	2005-06	2006-07
	%	%
Rate of inflation	3.1	3.2
Rate of increase in salaries	4.6	4.7
Rate of increase in pensions	3.1	3.2
Rate for discounting scheme liabilities	4.9	5.4

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, totalling £2,171m for the Fund as a whole at 31 March 2007 (£1.963m at 31 March 2006). The Fund's assets consist of the following categories, by proportion of the total assets held by the Fund:

	Long Term Return	@ 31 March 2006	@ 31 March 2007
	%	%	%
Equity Investments	7.8	73	71
Bonds	4.9	15	17
Property	5.8	9	9
Cash	4.9	3	3
		<u>100</u>	<u>100</u>

History of Experience Gains and Losses

	Year to 31	Year to 31	Year to 31	Year to 31	Year to 31
	March 2003	March 2004	March 2005	March 2006	March 2007
	£'000	£'000	£'000	£'000	£'000
Differences between the expected and actual return of assets	(4,130)	2,370	590	3,000	433
Value of assets	12,550	15,890	17,400	21,700	23,735
Percentage of assets	(32.9%)	14.9%	3.4%	13.8%	1.8%
Experience Gains/(Losses) on Liabilities	(20)	0	59	121	(48)

Total Present Value of Liabilities	17,590	18,950	23,620	27,900	27,889
Percentage of the Total Present Value of Liabilities	(0.1%)	0	0.2%	0.4%	(0.2%)
Actuarial Gains / Losses Recognised in STRGL	(4,150)	2,370	(3,171)	21	1,999
Total Present Value of Liabilities	17,590	18,950	23,620	27,900	27,889
Percentage of the Total Present Value of Liabilities	(23.6%)	12.5%	(13.4%)	0.1%	7.2%

HOUSING REVENUE ACCOUNT (HRA) INCOME AND EXPENDITURE ACCOUNT

2005-06		Note	2006-07
(Restated)			
£			£
	Income		
4,842,299	Dwelling rents		5,036,323
81,405	Non-dwelling rents		84,203
400,263	Charges for services and facilities		321,634
5,323,967	Total Income		5,442,160
	Expenditure		
1,507,254	Repairs and maintenance		1,543,815
1,197,372	Supervision and management		1,243,944
9,783	Rents, rates, taxes and other charges		13,525
76,644	Subsidy limitation transfer to General Fund	12	46,195
12,259	Transitional measures, transfer to General Fund	12	0
1,053,676	Negative housing revenue account subsidy payable	9	1,126,085
1,244,867	Depreciation and impairment of fixed assets	3	1,533,014
10,775	Debt Management Costs		11,559
75,661	Increase in bad debt provision	11	13,674
5,188,291	Total Expenditure		5,531,811
-135,676	Net Cost of HRA Services per Authority Income and Expenditure Account		89,651
88,561	HRA services share of Corporate and Democratic Core		116,000
-47,115	Net Cost of HRA Services		205,651
111,515	Interest payable and similar charges		124,624
50,232	Amortisation of premiums and discounts		12,764
-60,858	Interest and investment income		-54,564
53,774	Surplus(-) or deficit for the year on HRA services		288,475

STATEMENT OF MOVEMENT ON THE HRA BALANCE

2005-06		Note	2006-07
£			£
53,774	Surplus(-) or deficit for the year on the HRA Income and Expenditure Account		288,475
-154,900	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year (as below)		-402,804
<hr/>			<hr/>
-101,126	(Increase) or decrease in the Housing Revenue Account Balance		-114,329
-165,619	Housing Revenue Account surplus brought forward		-266,745
<hr/>			<hr/>
-£266,745	Housing Revenue Account surplus carried forward		-£381,074

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

2005-06		Note	2006-07
£			£
	Items not included in the HRA Income and Expenditure Account but included in the movement on HRA balance for the year		
-154,900	Transfer to/(from) Major Repairs Reserve	5	-402,804
<hr/>			<hr/>
-£154,900	Net additional amounts required by statute to be debited or (credited) to the HRA balance for the year		-£402,804

NOTES TO HOUSING REVENUE ACCOUNT

1. Number of Dwellings

2005-06		2006-07
Dwellings		Dwellings
1943	At 1 April	1,930
-13	Sold during year	-10
0	Lost through conversion	-4
<u>1,930</u>	At 31 March	<u>1,916</u>

2. Type of Dwelling

2005-06		2006-07
Dwellings		Dwellings
918	At 31 March Houses	909
284	Bungalows	284
728	Flats and maisonettes	723
<u>1,930</u>		<u>1,916</u>

3. Movement in Fixed Assets

	Operational assets		Non - operational assets		Total
	Dwellings	Other land & buildings	Intangible assets	Other land & buildings	
	£	£	£	£	£
Net book value at 31 March 2006	92,295,930	2,708,200	0	0	95,004,130
Revaluation adjustment	3,216,430	1,286,800	0	920,000	5,423,230
Net book value at 1 April 2006	95,512,360	3,995,000	0	920,000	100,427,360
Movement in 2006-07					
Revaluation	2,367,073	302,091	0	12,888	2,682,052
Additions	2,280,503	0	0	0	2,280,503
Transfer	0	0	11,800	0	11,800
Disposals	-980,500	0	0	-747,057	-1,727,557
Depreciation / Amortisation	-1,337,173	-182,241	-5,900	-7,700	-1,533,014
Assets written off to the Fixed Asset Restatement Account	-2,280,503	0	0	0	-2,280,503
Net book value at 31 March 2007	£95,561,760	£4,114,850	£5,900	£178,131	£99,860,641

Housing properties were valued on the basis of 'Existing use value – Social Housing'

Depreciation for operational and non operational assets has been calculated using estimated useful lives pending assessment by the valuer.

Impairment relates to physical damage or deterioration in the quality of the service provided by the fixed asset. There was no impairment charge in 2006-07.

No gains or losses have arisen on the sale of HRA assets during the year, as all assets have been sold at their Market value. In the Right to Buy situation where the authority is constrained by law from selling the dwellings at their Market value, the fair comparison is between the sales proceeds and the value subject to the statutory constraint, which results in no gains or losses.

4.(i) Vacant Possession Value of Dwellings

The vacant possession value of dwellings within the HRA at 1 April 2006 was £191,024,720.

(ii) Economic Cost of Providing Council Housing

The valuation at 1 April 2006 of £95,512,360 is lower than the vacant possession value on the open market of £191,024,720. The difference between the vacant possession value of dwellings and the opening balance sheet value within the HRA, represents the economic cost to Government of providing council housing at less than open market rents.

5. **Major Repairs Reserve**

2005-06		2006-07
£		£
1,008,473	Balance brought forward 1 April	1,177,046
1,244,867	Transfer from the HRA	1,533,014
(921,394)	Capital Expenditure – Dwellings	(1,909,411)
(154,900)	Transfer to the HRA	(402,804)
£1,177,046	Balance carried forward 31 March	£397,845

6. **Financing of Capital Expenditure**

2005-06		2006-07
£		£
1,280,276	Dwellings	2,280,503
300,000	Borrowing	300,000
58,881	Useable capital receipts	71,092
921,395	Major Repairs Reserve	1,909,411
£1,280,276		£2,280,503

7. **Summary of Capital Expenditure**

2005-06		2006-07
£		£
142,234	Aids and Adaptations	161,541
96,493	Major Void Repairs	111,932
28,312	Alarms and Security	29,242
470,070	Replacement Heating Systems	528,689
12,105	Re-roofing	75,909
225,069	Windows and Doors replacement	600,488
9,565	New Kitchen & Bathrooms	64,021
118,216	Rewiring	373,335
137,039	Major Catch Up Repairs	260,489
25,790	Asbestos Remedial Work	65,219
15,383	Miscellaneous	9,638
£1,280,276		£2,280,503

8. **Total Capital Receipts from Disposal of HRA Assets**

The total capital receipts before pooling of capital receipts to the Department for Communities and Local Government (DCLG) is as follows:

2005-06		2006-07
(Restated)		
£		£
821,000	Dwellings	740,500
0	Land	747,057
5,420	Housing Advances	3,734
22,764	Discount Repaid	16,000
£849,184		£1,507,291

9. **Analysis of HRA Subsidy Payable**

2005-06		2006-07
£		£
2,224,485	Management and Maintenance Allowance	2,470,796
1,089,962	Major Repairs Allowance	1,130,204
305,947	Charges for Capital	277,534
0	Rental Constraint Allowance	30,695
7,160	Admissible Allowance	3,580
-1,682	Interest on Receipts	-1,570
-4,678,751	Guideline Rent Income	-5,034,756
-£1,052,879	HRA Subsidy Payable to Government (-)	-£1,123,517

Subsidy of £2,568 (2005-06 £797) was paid relating to adjustments made to prior year final subsidy claim.

10. Rent Arrears

At 31 March 2007 rent arrears (including ancillary services) as a proportion of gross rent debit were 2.47% (31 March 2006 – 2.67%). The arrears figures excluding amounts collectable on behalf of other agencies, are as follows:-

2005-06		2006-07
(Restated)		
£		£
	<u>Arrears at 31 March:</u>	
88,345	Current Tenants	84,159
46,673	Former Tenants	48,041
<u>£135,018</u>		<u>£132,200</u>

At 31 March 2007, the total arrears (including amounts collectable on behalf of other agencies) are £144,087 (2005-06 £147,383) which was the basis of the disclosure in the 2005-06 financial statements.

11. Doubtful Debts Provision of Uncollectable Debts

2005-06		2006-07
£		£
98,000	Housing Rents, Fees and Charges	89,000
10,000	Sundry Debtors	14,000
<u>£108,000</u>		<u>£103,000</u>

During the year £18,674 (2005-06 £53,161) was written off against the provision for doubtful debts.

12. Sums directed by the Secretary of State

Following the transfer of rent rebates from the HRA to the General Fund from April 2004, unsubsidised "incentive area costs" are no longer a charge to the HRA but instead the General Fund. Authorities have an opportunity to adjust to the impact of the new arrangements over not more than two years, taking the Council to the end of 2005-06. An amount of £12,259 was credited to the General Fund in 2005-06.

The Secretary of State issued a direction for £46,195 (2005-06 £76,644) to be debited to the HRA in respect of Rent Rebate Subsidy Limitation. This amount was credited to the General Fund.

13. Comparison with 2005-06 Published Statement of Accounts

Following the changes to the format of the Housing Revenue Account to bring it in line with the SORP, the comparatives have been restated. The format has not significantly changed and the majority of the comparatives can be reconciled to the 2005-06 published Statement of Accounts. General Management and Special Services expenditure as disclosed in the 2005-06 accounts, has been combined into a new expenditure heading named Supervision and Management. The HRA services share of corporate and democratic core has been disclosed separately within Net Cost of HRA services and is no longer included within Supervision and Management expenditure.

Up until 2006-07, the HRA was required to be charged with a cost of capital, calculated at 3.5% of the value of HRA operational assets. The SORP 2006 also recommended that authorities also adjust the comparative figures for 2005-06 in the HRA statements to delete the effects of the cost of capital charge.

COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

2005-06			2006-07	
£	£		£	£
INCOME				
	20,057,716	Council Tax (Note 1)		21,134,946
	10,938,629	Business Rates (Note 2)		11,138,069
		Transfers from General Fund:-		
	1,645,887	Council Tax Benefits		1,740,223
	1,629	Discretionary Relief		1,618
	13,986	Charitable Relief		12,793
	673	Hardship Relief		0
		Leicestershire County Council Contribution to:-		
	99,440	Collection Fund Deficit(-)/Surplus		126,144
	<u>32,757,960</u>	TOTAL INCOME		<u>34,153,793</u>
EXPENDITURE				
		Precepts and Demands (Note 3)		
15,872,511		Leicestershire County Council	16,804,886	
		Leicestershire Police Authority	2,390,050	
2,233,613		Leicestershire Fire & Rescue Service	816,812	
768,551		Melton Borough Council - General	2,703,535	
2,521,118		- Special	411,889	
401,697				
	21,797,490			23,127,172
		Business Rate:-		
10,880,282		Payment to National Pool	11,064,658	
		Costs of Collection	65,898	
64,426				
	10,944,708			11,130,556
		Bad Debts Provision:-		
20,110		Council Tax – Net Increase/Decrease (-)	19,618	
10,787		NNDR – Reduction in Provision	91,935	
	30,897			111,553
	<u>32,773,095</u>	TOTAL EXPENDITURE		<u>34,369,281</u>
	15,135	Surplus(-)/Deficit for Year		215,488
	142,257	Balance B/fwd 1 April		157,392
	<u>157,392</u>	Balance C/fwd 31 March		<u>372,880</u>
APPROPRIATION OF DEFICIT				
-114,609		Leicestershire County Council	-270,945	
-16,128		Leicestershire Police Authority	-38,535	
-5,549		Leicestershire Fire & Rescue Service	-13,169	
-21,106		Melton Borough Council	-50,231	
	-157,392			-372,880
	<u>£0</u>	Balance		<u>£0</u>

Bad Debt Provision – Summary (Memorandum)

	Balance 31-3-06	Write-offs	Increased Provision	Reduced Provision	Balance 31-3-07
	£	£	£	£	£
Business Rates	8,586	24,681	19,618	0	3,523
Council Tax	38,355	96,183	91,935	0	34,107

£46,941

£120,864

£111,553

0

£37,630

NOTES TO COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT

1 Council Tax Base

<u>Band</u>	<u>Range of Values</u>	<u>Number of Properties (Valuation List March 2007)</u>	<u>Council Tax Base Band D Equivalents*</u>
A	Up to £40,000	3,359	1,885
B	Over £40,000 and up to £52,000	6,362	4,400
C	Over £52,000 and up to £68,000	3,679	2,950
D	Over £68,000 and up to £88,000	3,271	3,014
E	Over £88,000 and up to £120,000	2,225	2,561
F	Over £120,000 and up to £160,000	1,276	1,762
G	Over £160,000 and up to £320,000	881	1,342
H	Over £320,000	89	147
Total		21,142	18,061

* Used for the purpose of setting the Council Tax for 2006-07

2 Non Domestic Rates

Non Domestic Rateable Value at 31 March 2007	24,774,399
Rate Multiplier for 2006-07 – up to and including £15,000	42.6
– £15,001 and over	43.3

3 Precepts and Demands

	£
Leicestershire County Council	16,804,886
Leicestershire Police Authority	2,390,050
Melton Borough Council	2,760,649
Parish Councils	354,775
Leicestershire Fire & Rescue Service	816,812

4 Collection Fund Arrears

<u>2005-06</u>			<u>2006-07</u>	
£	£		£	£
92,221		Business Ratepayers	115,776	
-8,586		Provision for Bad Debts	-3,523	
	83,635			112,253
593,803		Council Taxpayers	540,977	
-38,355		Provision for Bad Debts	-34,107	
	555,448			506,870
	£639,083			£619,123

5 Collection Rate

The collection rate for accounts raised in 2006-07 was 99.4% (2005-06 99.4%).

STATEMENT ON INTERNAL CONTROL AND THE SYSTEM OF INTERNAL FINANCIAL CONTROL

Scope of Responsibility

Melton Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded 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, Melton Borough Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The 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.

A 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 statement of accounts.

The Internal Control Environment

The key elements of the internal control environment operating at Melton Borough Council include:

- The establishment and monitoring of the achievement of the Council's objectives. The Council's objectives are reviewed annually with a full review undertaken by each new Council. The outcome is approved by Full Council and the detail relating to each of those key objectives is set out in the associated action plans which are subject to continual review and development.
- The policy and design-making process is set out in detail in the Council's constitution and internal management documents. A scheme of delegation sets out specific officer responsibilities.
- Internal audit, procedures and systems ensure compliance with established policies, procedures, laws and regulations. Risk Management is embedded within the Council's processes and the Head of Financial Services is leading the Risk Management Team.
- Through the financial procedure rules that are in place and the support of the Welland Procurement Unit and the permanent in-house change team the Council seeks to ensure the economic, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised. The strategy for achieving these is set out in the Council's efficiency statements.
- The financial management of the Council and the reporting of financial issues are as set out in detail in the Financial Procedure Rules, Budget Protocol and budget manual and is monitored by the S151 Officer.
- Performance management processes are embedded through the Performance Management Group (PMG). This group follows the guidance given by the IdeA.

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 of the effectiveness of the system of internal control is informed by the work of the internal auditors and the strategic managers within the Council who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

In order to maintain and review the effectiveness of the system of internal control:

- The Council considers and reviews the role of its Policy Committees and the Constitution annually.
- The Overview and Scrutiny Committee act as the Council's Audit Committee.
- Prior to the introduction of the Welland Internal Audit consortium the Overview and Scrutiny Committee reviewed all audit reports with limited assurance or where it had a special interest. Under the new Welland assurance levels the Proposal is for all audit reports with unsound or unsatisfactory assurance to be referred.
- The Policy Finance and Administration Committee review risk management.
- A Corporate Governance Group consisting of the Council's statutory officers meets bi-monthly and its terms of reference support the system of internal control.
- Internal audit have a four year strategic and annual plan.
- Prior to the Welland Internal Audit Consortium Internal Audit was the operational responsibility of the Head of Policy and Performance. Arrangements were in place to ensure there was good liaison with the Head of Financial Services as the Section 151 Officer. The Head of the Welland Internal Audit Consortium reports regularly to the Head of Financial Services as the Council's representative on the Welland internal audit board. The Overview and Scrutiny Committee is responsible for reviewing and approving the strategic and annual audit plans as well as the annual audit report. A comprehensive system to track all internal and external audit reports is in place and this is reviewed regularly by the PMG.
- Where external audits by other parties have identified areas of concern plans of action are drawn up to address issues raised.
- The Council regularly reviews and monitors performance in accordance with its performance management framework. This framework has established a Performance Management Group, which meets monthly to support the framework.

The annual report of internal audit has concluded that the councils internal control arrangements provide a "sound" level of assurance. This represents the second highest level of assurance under the model adopted by the Welland Internal Audit Consortium. The Consortium has also conducted a self assessment of the effectiveness of internal audit and the review indicates that the consortium is operating effectively

Significant Internal Control Issues

In gathering the necessary assurance in support of this statement, CIPFA guidance has been followed as set out in their "Rough Guide for Practitioners". This review has highlighted the following areas for development.

- Maintenance of a robust and comprehensive asset register and reconciliation of asset information held throughout the Council on a regular basis to ensure consistent reporting. Significant steps were made in 2006-07 in establishing the register in line with previously agreed deadlines with the external auditors. The associated policies and procedures need time to be embedded into the Council.
- Introduction of an annual programme of staff briefings on probity and ethics issues.

.....
Leader of the Council

.....
Chief Executive

27 June 2007

Independent Auditors' Report to the members of Melton Borough Council

We have audited the financial statements of Melton Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998. The financial statements comprise the Statement of Accounting Policies, the Statement of Responsibilities for the Statement of Accounts, the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account (HRA) Income and Expenditure Account, the Statement of Movement on the HRA Balance, the Collection Fund Income and Expenditure Account, the Statement on Internal Control and all associated notes. The financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Chief Financial 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 for the Financial Statements.

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

This report, including the opinion, has been prepared for and only for Melton Borough Council's members as a body in accordance with 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. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether 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 and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the 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. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (United Kingdom 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 judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us 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 our opinion, we evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our 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 Melton Borough Council as at 31 March 2007 and its income and expenditure and cash flows for the year then ended.

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
East Midlands DE74 2UZ

Date

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

Council's Responsibilities

The Council 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 Council is required to prepare and publish a best value performance plan summarising the Council'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

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

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

- Certifying that we have done so;
- Stating whether we 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

- We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, in all significant respects, Melton Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007.

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 on 19 December 2006. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

PricewaterhouseCoopers LLP
Donington Court
Pegasus Business Park
Castle Donington
East Midlands DE74 2UZ

Date

Notes:

- (a) The maintenance and integrity of the Melton Borough Council website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.