1. GENERAL

1.1 The accounts have been prepared in accordance with the Code of Practice in Local Authority Accounting in the United Kingdom 2006: A Statement of Recommended Practice (SORP) published by the Chartered Institute of Public Finance and Accountancy (CIPFA). This is recognised by Statute as representing proper accounting practice (Local Government Act 2003 section 21 (2)(b)).

1.2 Local authorities derive their powers from statute and their financial and accounting framework is directed by primary and secondary legislation. To the extent that treatments are prescribed by law, the accounting concepts outlined below may not apply in all cases. It is a fundamental principle of local authority accounting that, where specific legislative requirements and accounting principles conflict, legislative requirements shall apply.

1.3 The accounting policies and estimation techniques applied have been selected and exercised having regard to the accounting principles and policies set out in FRS 18 (Accounting Policies) relating to:

- The quantitative characteristics of financial information:

  (i) relevance, (ii) reliability, (iii) comparability and (iv) understandability.

- Materiality

- Pervasive accounting concepts:

  (i) accruals, (ii) going concern, (iii) primacy of legislative requirements.

1.4 Exceptions to compliance with the Code of Practice are set out below.

2. ACCRUALS

2.1 The financial statements have been based upon information available in the Council's General Ledger and other systems for the year to 31st March 2007. Wherever necessary, estimates have been made to ensure full account is taken of items that should be accounted for in 2006/7.

2.2 Customer and client receipts
Customer and client receipts in the form of sales, fees, charges and rents are accrued and accounted for in the period to which they relate. Estimates are made using agreed costs and volumes of service where the information is available otherwise an assessment is made by service managers and finance staff using comparable data. In some instances the approach is to ensure that equal

amounts appear in each year's accounts rather than apportion income between years.

2.3 Employee costs
Employee costs are charged to the accounts of the period within which the employee worked. Accrual is made for salaries, wages and other earnings earned but not paid at year end. Travelling and subsistence costs are not fully accrued between financial years. Estimates are made for some claims based upon known work patterns or past experience. In some instances the approach is to ensure an appropriate number of claims is charged to each year.

2.4 Interest
Interest on external borrowing and lending is accrued and accounted for in the period to which it relates.

2.5 Supplies and Services
The cost of supplies and services is accrued and accounted for in the period during which they are consumed or received. Accrual is made for all significant sums unpaid at year end for goods and services received or works completed. A "de minimis" figure of £250 has been set for all amounts to be accrued. There are exceptions for the payment of some fuel, rent and other like costs where consumption is the subject of routine billing for agreed periods. The approach generally is to ensure a full twelve months is charged to each financial year.

Accruals are based upon order commitments with known or agreed prices, estimated usage or advice from service managers where actual information is not known.

2.6 Income
Income accruals are prepared on a similar basis to creditors to ensure the accounts reflect all income due in the financial year.

2.7 Interest paid on deposits and balances
Interest is credited to deposits and other balances held on behalf of others at the local authority seven day rate. A separate bank account may be established where it is thought prudent to keep monies separate. A separate account has been established for the sinking fund balance relating to the Council Offices PFI scheme. In addition, the Council pays interest at the local authority seven day rate on significant overpayments of NNDR that have been held for some time.

3 CAPITAL CHARGES

3.1 Capital financing charges for the use of fixed assets are no longer made to service revenue accounts, support services and trading accounts, to reflect the changes made to the Statement of Recommended Practice.
Depreciation charges are made to all service revenue accounts and central support service accounts with respect to asset usage except for freehold land and assets under construction. These are calculated based upon their expected

remaining useful life. Charges are made for intangible assets (computer software), buildings, infrastructure, furniture, vehicles, plant, equipment, and community assets.

4 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

4.1 Where the amounts are likely to be material the nature of the contingency is disclosed in the notes to the accounts.

5 DEFERRED CHARGES

5.1 Deferred charges reflect assets where the value is not increased following investment. In some cases this is because expenditure on schemes such as disabled access is capitalised. Such expenditure is initially added to the asset value and then re-valued to negate its effect. There are other circumstances where capital expenditure is treated as a deferred charge. This includes expenditure on assets not owned by the District Council. In some instances the Government directs the Council to treat items as capital that would normally count as revenue. These do not result in an asset or add to the value of existing assets and are therefore written off as a deferred charge. A corresponding reduction is made in the appropriations section of the revenue account to ensure there is no impact on the overall charge to the revenue account.

6 FOREIGN CURRENCY TRANSLATION

6.1 Income and expenditure arising from transactions denominated in a foreign currency is translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred.

7 GOVERNMENT GRANTS

7.1 Government grants are accounted for on an accruals basis. Income has been credited to the appropriate revenue or capital account. Estimates are based upon grant notifications adjusted for forecast actual expenditure where necessary.

7.2 Capital grants applied to finance capital expenditure that will be incurred wholly or partly in the future will be treated as receipts in advance and held as government grants unapplied. They are then credited to the Government Grants Deferred account once the asset has been completed and is in use by the service. Amounts are released from this account to offset any depreciation on assets.

8 INVESTMENTS

8.1 The Council's investments are made in accordance with the guidance issued by the Secretary of State under the Local Government Act 2003 and are valued at cost as disclosed within the notes to the Consolidated Balance Sheet.

9 LEASES

9.1 Rentals on operating leases are matched to the appropriate period to which the asset is used rather than when the rental is paid. Finance leases are used to purchase capital assets and have been included in the asset register.

10 OVERHEADS

10.1 Support service and departmental overhead costs have been fully recharged to operational groups. Charges are based upon time allocations, floor areas and actual usage. The current formula has been in operation for some years and is subject to review. Accrual estimates are based upon known salary and other costs adjusted for expected changes. Some overheads are charged to capital where costs reflect work chargeable to capital.

11 PENSION COSTS

11.1 FRS 17 (retirement benefits) requires the following information to be disclosed.

- Current service costs allocated to each of the service divisions of the Council
- Past service cost defined as Non Distributed Costs where the impact upon current services cannot be ascertained.
- Pension Interest Costs and Expected Return on Assets recorded as financing costs in the Net Operating Expenditure Section of the Consolidated Revenue Account.

12 POST BALANCE SHEET EVENTS

12.1 Where a material post balance sheet event occurs that either;

- provides additional evidence relating to conditions existing at balance sheet date, or
- indicates that application of the going concern concept to a material part of the authority is not appropriate.

Changes would be made in the amounts included in the Statement of Accounts.

13 PROVISIONS

13.1 Provisions are established for any definite liability but the timing or cost is unknown. Provisions are charged to the appropriate revenue account.

14 BAD DEBT PROVISION

14.1 The Council makes a provision for those debts it anticipates may be difficult or impossible to collect. The provision is assessed following an examination of all debts outstanding taking account of the nature and age of the debt and any arrangements for recovery.

15 BORROWING

15.1 The Council has adopted a policy of borrowing to finance capital expenditure.

16 REDEMPTION OF DEBT

16.1 Under the Local Government Act 2003 the Council is required to charge the Consolidated Revenue Account a minimum amount of 4% of capital indebtedness for repayment of external loans. In addition, the Council has decided to set aside additional sums to repay debt.

17 RESERVES

17.1 Amounts set aside for purposes falling outside the definition of provisions or contingent liabilities are considered as earmarked reserves and transfers to and from them are distinguished from service expenditure. Expenditure is not charged directly to any reserve. Capital reserves are not available for revenue purposes and certain of them can only be used for specific purposes.

17.2 The Fixed Asset Restatement Account reflects the accumulated surplus from property valuations less property disposals.

17.3 Usable Capital receipts are receipts from the sale of assets that have not been expended. The Council receives a portion of the receipts arising from the sale of former council house property to tenants under the Right to Buy legislation. The amount due to the Council for sales in 2006/7 is shown as a debtor within the balance sheet.

17.4 The Capital Financing Account includes expenditure funded from capital receipts and revenue and provision for loan repayments less depreciation.

17.5 The General Reserve provides financial cover for potential anticipated business risks. The Council has determined that any excess over this reserve may be only used to fund spend to save schemes.

18 STOCKS, STORES AND WORKS IN PROGRESS

18.1 These are included in the balance sheet at cost price.

19 PRIOR YEAR ADJUSTMENTS

19.1 Accounting standards require amendments to opening balance sheet figures and the previous years comparatives for charges to accounting policies and the correction of fundamental mis-statements.

20 TANGIBLE FIXED ASSETS

20.1 Recognition

All expenditure on the creation, or enhancement of fixed assets, subject to a de minimis level of £1K, is capitalised on an accruals basis. Expenditure on the acquisition of a fixed asset of £1K or more is classified as a fixed asset provided it yields on going benefits to the Council and its services for more than one year. The purchase of furniture and equipment is treated as capital if it is associated with capital building works. Individual items of vehicles and equipment are treated as capital if the value is over £1K. Lesser values are charged to revenue.

20.1 Measurement

Fixed assets are valued on the bases recommended by CIPFA. Property assets are valued in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Fixed assets are classified into the groupings required by the 2006 Code of Practice on Local Authority Accounting. Assets have been valued on the following bases:

- Operational land and properties – the lower of net current replacement cost or net realisable value in existing use
- Non operational assets - net current replacement cost or net realisable value
- Infrastructure and community assets – historic cost
- Short lived assets such as vehicles/plant and equipment – historic cost as a proxy for current costs.

Property asset values in the accounts reflect revaluation as at 1st April 2006
Revaluation is undertaken on a three year programmed basis but the process does not permit a view to be taken each year of the value changes across the range of property assets.

20.3 Intangibles

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council is capitalised when it will bring benefits to the Council for more than one year. Such expenditure reflects the purchase of software licenses. Software licenses are subject to an annual impairment review.

20.4 Impairment

Assets that have reduced in value because of a change in condition such as general dilapidation, or an unusual event such as a fire, will be shown to have suffered an impairment loss in the balance sheet. This is charged to the Income and Expenditure Account. It may be reversed in a subsequent year when the asset has been restored.

20.5 Disposals
Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Accounts. This is a change from the policy applicable last year following a change to the Statement of Recommended Practice.

20.6 Capital programme
New capital projects are treated as work in progress until they are formally handed over to the service as completed and ready for use. At completion the new asset is recorded in the Council's asset register unless no value has been added.

20.7 Leasing/rental of land and buildings
All property leases are of short duration and do not give rise to the creation of a capital asset under accounting standards. Lease/rental costs are charged to the revenue budget in the year to which they relate.

21 PFI CONTRACT

21.1 The Council has entered into a long-term contract for the provision and management of Monkton Park Offices. This contract is for a period of 25 years and commenced in 2001. As part of the contract the Council transferred ownership of three offices to the contractor at a value of £1.05m. This has been treated as a long-term debtor in the accounts that will be amortised over the 25 year life of the contract.

21.2 The new offices are treated as an asset of the Council. This is offset by the money owed to the contractor under the 25 year agreement. This appears as a long term creditor in the Council's balance sheet.

22 VALUE ADDED TAX

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

Approved for 2006/07 ………………………………………………….Section 151 Officer