Nottingham City Council

A safer, cleaner, ambitious Nottingham
A city we're all proud of

Statement of Accounts 2011/12

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Executive Summary

1. Executive Summary

The Statement of Accounts provides a summary of the Council's financial performance for 2011/12. The Council's performance is primarily reflected in the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet, while the Movement in Reserves and Cash Flow statements provide further analysis of specific movements on the Balance Sheet.

1.1 Income and Expenditure

When setting its Budget and Council Tax for 2011/12 the Council is required to follow legislative requirements to fund its expenditure (Funding Basis). On the Funding Basis the Council generated a surplus of income over expenditure amounting to £3.082m after contributions to earmarked reserves of £2.223m. This surplus increases the General Fund by £3.082m, and was generated by a budgeted surplus of £3.913m, an under spending by services of £2.295m, offset by additional uses of the General Fund totalling £3.126m. Further analysis can be found within section 2.2 of the Explanatory Foreword.

The CIES, however, is produced using International Financial Reporting Standards (IFRS) and shows a deficit of £353.571m. The difference from the Funding Basis is due to the inclusion of the Housing Revenue Account, the treatment of capital financing and timing differences in the recognition of income and expenditure. The additional deficit is therefore used to reduce Housing Revenue Reserves (£0.577m) Capital Financing Reserves (£4.543m) and unusable reserves (£353.803m). Further explanation of these differences can be found in section 5 of the accounts and also in note 6.3.1.

1.2 Balance Sheet

The Balance Sheet shows the value of the Council's assets and liabilities at the end of the financial year. The most significant assets relate to the value of Property Plant and Equipment (PPE). The value of these assets has fallen by £101.875m. This movement is as a result of a number of factors:

- Expenditure on new PPE assets or improving existing assets has increased their value by £207.559m.
- PPE assets have been depreciated to reflect use over their lifetime. This charge has reduced the value of these assets by £75.551m
- Each year the Council's PPE assets are reviewed to assess whether their depreciated value reflects an objective assessment of their current value. This assessment has resulted in a reduction to the value of these assets by £85.561m.
- A number of schools have switched to Academy status resulting in £94.778m of assets being removed.
- The disposal, sale or removal of other PPE assets has reduced their value by £53.544m

Further details can be found in note 6.2.1

Within long term liabilities, expenditure on assets that have been financed by borrowing has helped to produce a net increase in the long term borrowing figure of £140.575m. This increase has however, been offset due to the repayments on existing loans. The Council is required to monitor its need to borrow arising from capital expenditure (Capital Financing Requirement) which currently stands at £892.990m, an increase of £99.902m. Note 6.5.9 provides further details of capital expenditure and its financing.

The Balance Sheet also includes a liability of £536.819m relating to pension schemes. This liability represents the likely pension entitlements payable to all current staff and pensioners offset by the current value of the pension fund. This method of assessing the impact of pensions can be very volatile, resulting in significant charges or credits to the CIES. For 2011/12 the charge to the CIES was £188.110m. The Funding Basis approach, however, maintains an element of stability by only accounting for the annual employer's contributions and payments to the fund. The Pension Fund is then periodically reviewed and employer's contributions are adjusted to meet liabilities over the longer term. The difference in approaches therefore relates to timing differences in recognising the net charge to the CIES.

The figure for Net Assets represents an overall view of the net value of the Council after netting off all assets and liabilities. For Nottingham City Council this figure stands at £791.883m.

Previous years' surpluses and deficits on the CIES are reflected in the reserves figures. The reserves are split between usable and unusable. Usable reserves are available to support the Council's revenue budget, otherwise known as the General Fund (£11.686m), Earmarked Reserves (£105.249m) the Housing Revenue Account (£4.594m) and Capital Financing (£31.957m). Unusable reserves are created to account for the timing differences between the Funding Basis and IFRS basis of accounting. These reserves are therefore not available for distribution as they are required as and when the timing differences fall out. Further details of the reserves and movements can be found in the Movement in Reserves Statement and in notes 6.2.11 and 6.2.12.

1.3 Group Accounts

Group Accounts consolidate statements for the Council together with organisations where the Council has material financial interests and a significant level of control. The 2011/12 Group Accounts consolidate the accounts for Nottingham Ice Centre, Nottingham City Transport, Enviroenergy, Nottingham City Homes, Connexions, Arrow Light Rail Ltd and Bridge Estate.

On an IFRS basis the group shows a deficit of £375.994m. The value of the Group as represented by Net Assets is £775.361m and Usable Reserves amount to £158.545m.

Explanatory Foreword

2. Explanatory Foreword

2.1 Introduction

The information contained within these accounts is presented as simply and clearly as possible. However, the accounts of such a large and diverse organisation as Nottingham City Council are by their nature both technical and complex and so this foreword explains some of the statements and sections in this document and provides a summary of the council's financial performance for 2011/12 and its financial prospects.

The Statement of Accounts features four main statements reporting on Nottingham City Council's core activities:

- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Movement in Reserves Statement,
- Cash Flow Statement.

Each is preceded by a short note describing its purpose, and they are followed by notes explaining the statements.

The main statements are supplemented by three further sections:

- The Housing Revenue Account reports on the council's activities as a social landlord, which are consolidated into the main statements;
- The Collection Fund account reports on the collection of local taxes and their distribution;
- The Group Accounts show the full extent of the council's activities by including subsidiary and associate companies and joint ventures.

These are also preceded by notes explaining their purpose and have explanatory notes.

We also produce a simplified compact set of accounts. Whilst having no formal legal standing and not being audited, by stripping out many of the technicalities they give a clear, if simplified, view of our financial position. They are available at http://www.nottinghamcity.gov.uk/index.aspx?articleid=1095

Although these accounts provide a comprehensive view of the Council's financial position during the period to which they relate, having been produced within a rigorous regulatory structure, they do not fulfil the role of a private company's annual report. In order to obtain this wider view of the Council's activities, priorities and plans, the following published documents would also need to be consulted:

- The Council Plan 2009-2012 sets out the organisation's strategic priorities for the period and introduced the Council's 'Message Map'. The 'Message Map' sets out our purpose in 'Leading Nottingham' and gives direction and focus for the Council. As such, it is intended to support the Nottingham Plan to 2020 (Sustainable Community Strategy).
- The Medium Term Financial Strategy sets out both the broad financial policy to ensure financial resources are aligned with the delivery of Council policy and the principles and objectives for our financial management.
- The Medium Term Financial Plan comprises the revenue budget, capital programme and the Housing Revenue Account (HRA) and sets out details of expenditure and income for a rolling 3 year period.
- The Capital Strategy outlines the Council's approach to capital investment and how it is directed toward the corporate priorities.
- The Asset Management Plan details the Council's approach to asset management and is designed to improve the property portfolio, ensuring that it is well maintained, appropriately located, fit for purpose and accessible for its intended users.

2.2 Review of 2011/12 Outturn

2.2.1 Revenue

Revenue expenditure covers the cost of the Council's day to day operations and contributions to and from reserve accounts. Although the major area of spending is on employees' salaries, other significant areas include premises costs, the purchase of supplies and services and the costs of capital financing.

This expenditure is offset by income, generated by charging users for certain services, contributions from the National Non-Domestic Rate (NNDR) Pool, income from Council Tax payers and the receipt of grants from the Government and other organisations. The level of Revenue Support Grant and Non-Domestic Rates is determined by Central Government. The Council set a Band D tax of £1,562.08 to recoup its own precept on the Collection Fund (£100.427m) and that of the Nottinghamshire Police Authority (£12.069m) and Nottinghamshire Fire and Rescue Service (£5.253m).

The pre-audit outturn was reported to Executive Board on 19 June 2012 and showed the net outturn as being £2.295m lower than that planned for the year, prior to carry forwards.

The variances by Portfolio are summarised below:

TABLE 2.2.1: 2011/12 OUTTURN - VARIANCES BY PORTFOLIO

DESCRIPTION	£m	£m
Overspends		
Planning & Transportation	0.324	
Corporate Items	1.591	1.915
Underspends		
Adult Support and Health	(0.809)	
Area Working, Cleansing & Community Safety	(0.271)	
Children's Services	(1.334)	
Economic Development, Resources & Customer Care	(0.814)	
Energy & Sustainability	(0.152)	
Housing, Regeneration & the Community Sector	(0.021)	
Leisure, Culture & Tourism	(0.084)	
Training, Employment & Human Resources	(0.725)	(4.210)
Net underspend before carry forwards		(2.295)
Carry forwards		2.080
NET UNDERSPEND AFTER CARRY FORWARDS		**(0.215)**

The significant variances are detailed below:

Corporate Items +£1.591 m
This overspend is mostly due to the settlement of prior years Housing Subsidy claims together with a shortfall in dividend income from Nottingham City Transport as a result of the timing of the formal board decision to award a dividend.

Adult Support and Health - £0.809m
This underspend is mostly due to recruitment delays for in-house home care services together with additional income generation.

Children's Services -£1.334m
An overspending on Safeguarding children due to an increase in the number of children in care has been offset by underspendings elsewhere. The underspendings have mostly occurred as a result of the management of recruitment vacancies, maximisation of grant and delays in moving to new premises.

Economic Development, Resources & Customer Care -£0.814m
This underspending mostly results from additional income from rental properties, vacancy management and savings on catering costs.

Training, Employment& Human Resources -£0.725m
Careful vacancy management ahead of future strategic choice savings, and temporary reduced staffing costs arising from the management of the implementation of the East Midlands Shared Services (EMSS), have helped produce this underspending.

2.2.2 Capital

The Council's capital expenditure relates to the acquisition of new assets and the development of existing assets, which will be of benefit to the Council for longer than one year. The expenditure and financing in 2011/12 was as follows:

TABLE 2.2.2: 2011/12 CAPITAL PROGRAMME OUTTURN	
DESCRIPTION	**£m**
Expenditure By Portfolio:	
Adults and Health	1.136
Area Working, Cleansing & Community Safety	2.668
Children's Services	38.142
Economic Development, Resources & Customer Care	13.548
Energy and Sustainability	1.457
Housing, Regeneration & Communities	61.507
Leisure, Culture & Tourism	9.549
Planning and Transportation	277.528
TOTAL CAPITAL EXPENDITURE	**405.535**
Funding:	
Supported Borrowing	20.558
Unsupported Borrowing	283.954
Capital Receipts	5.370
Revenue /Reserves/Funds	13.937
Grants & Contributions (inc MRA)	81.716
TOTAL FUNDING	**405.535**

The capital programme is actively managed throughout the year and varied in line with agreed approvals and changes in funding. At the year end, available resources were £476.495m. Resources of £70.960m are therefore available to carry forward to cover expenditure that has slipped between years.

2.2.3 Balance Sheet

Usable Reserves - General Fund Balance

The General Fund Balance has increased from £8.604m at 31 March 2011 to £11.686m 31 March 2012. In addition to an increase for the net underspendings by services, a number of other movements have taken place during the year as follows:

TABLE 2.2.3: MOVEMENTS IN GENERAL FUND BALANCE 2011/12	
DESCRIPTION	**£m**
Balance at 31 March 2011	**8.604**
Contributions	
Net underspends by Services	2.295
Planned Contributions per MTFP	3.913
Replenish temporary use in 2010/11	0.568
Use	
Agreed Carry Forwards 2010/11	(0.694)
New/Increased Earmarked Reserves	(2.000)
Increase in Contingency	(1.000)
BALANCE AT 31 MARCH 2012	**11.686**

The General Fund Balance is analysed within the **Movement in Reserves Statement (Table 4.3)** and is monitored closely to ensure that it is kept at a prudent level to cover any unforeseen circumstances.

Further details appear on the Council's website within the Pre-audit Revenue Outturn report 2011/12, which was reported to Executive Board on 19 June 2012.

Long Term Borrowing

The Local Government Act 2003 provides the legislative framework for borrowing undertaken by the Council. The Council approved an operational boundary on the level of external debt during 2011/12 of £1,219m (including PFI and finance lease related debt of £234m). Actual external debt (see Table 6.2.16(b)) on 1 April 2011 using this definition was £734.797m and this increased to £814.547m at 31 March 2012.

During the year, new borrowing totalling £250m was raised from the Public Works Loan Board (PWLB) to finance new capital expenditure on the Nottingham Express Transit scheme, Phase 2. In addition, temporary borrowing to meet cash flow requirements increased by £24.588m.

On 28 March 2012, the Government's Communities and Local Government Department repaid £65.988m of the Council's existing PWLB debt, as part of its Council Housing Finance Reform programme.

2.3 Medium Term Financial Plan

In February 2012 the Executive Board approved a revised Medium Term Financial Plan (MTFP) covering the 3 year period from 2012/13 to 2014/15.

The Council's MTFP was developed within the context of an integrated service planning and budget preparation cycle with emphasis on objectivity, accountability, early decision making and service and Councillor engagement in order to enhance policy-led budgeting and longer term planning. The process included identifying cost reductions, budget and cost pressures for the next three years. Detailed budgets were then worked up based on current priorities and plans, underlying demographic trends and predicted inflation factors.

The outlook for local government continues to be challenging in the light of global, national and regional issues. Although there are more uncertainties, it is clear that the public sector will have lower than previously anticipated levels of funding in the years ahead and that significant further savings will need to be identified. These issues have been brought together to produce a 3 year Medium Term Financial Outlook (MTFO) as detailed below:

TABLE 2.3(a): MTFO – 3 YEAR PROJECTIONS

DESCRIPTION	2012/13 £m	2013/14 £m	2014/15 £m
Net Expenditure:			
2011/12 Net Budget Requirement	285.229	285.229	285.229
Estimated Inflation	6.366	16.947	27.641
Corporate Adjustments	5.841	(19.064)	(15.200)
Net savings from previous MTFP decisions	(4.093)	(5.418)	(3.578)
Contingencies and Reserves	(2.191)	17.840	5.012
Strategic Choices for 2011/12:			
Pressures	5.391	6.476	8.274
Strategic Choices	(10.414)	(10.278)	(10.297)
Big Ticket	(3.408)	(8.226)	(8.982)
Corporate Proposals	(5.774)	(2.968)	(3.340)
Emerging Pressures	-	7.000	13.000
NET BUDGET REQUIREMENT	**276.947**	**287.538**	**297.759**
Funded By:			
Formula Grant	173.062	168.798	164.641
Council Tax	103.885	106.482	109.144
TOTAL FUNDING	**276.947**	**275.280**	**273.785**
CUMULATIVE INDICATIVE GAP	**-**	**12.258**	**23.974**

The capital programme faces a similar challenge for the foreseeable future so, apart from the investment in NET line 2 and 3 and Public Sector Housing, there is limited significant new investment in the capital programme for future years. The capital programme and funding proposals are detailed below:

TABLE 2.3(b): CAPITAL PROGRAMME				
DESCRIPTION	**2012/13 £m**	**2013/14 £m**	**2014/15 £m**	**Total £m**
Expenditure:				
Public Sector Housing	50.673	48.278	40.226	**139.177**
Local Transport Plan	10.103	10.838	8.025	**28.966**
Education	30.806	13.918	0.060	**44.784**
All Other Services	51.431	2.880	122.500	**176.811**
TOTAL	**143.013**	**75.914**	**170.811**	**389.738**
Forecast Funding:				
Unsupported Borrowing	64.639	10.951	125.595	**201.185**
Capital Receipts	9.418	7.064	4.186	**20.668**
Revenue /Reserves/Funds	1.543	4.838	6.534	**12.915**
Grants & Contributions (inc Major Repairs Allowance)	66.198	66.034	54.766	**186.998**
TOTAL	**141.798**	**88.887**	**191.081**	**421.766**

Although the capital programme is influenced by the current difficult economic conditions, the medium term programme is still substantial. Reductions in resources have been factored into projections and continue to be proactively monitored to ensure funding is secured before any commitment to spend.

Capital receipts remain vulnerable and their inclusion within resource projections is based on a carefully considered risk assessment that seeks to avoid both over-optimism and over-prudence.

The Council is able to undertake additional “unsupported” borrowing as long as it is affordable and sustainable to fund appropriate elements of the capital programme.

Some of the spending included in the capital programme will be delivered in partnership with other organizations. The paragraphs below summarise the major partnership schemes which involve capital expenditure from 2012/13:

- **Net Phase 2 (Lines 2 and 3) –** A PFI scheme with a private sector partner (“Tramlink”) which was signed on 15 December 2011 for the operation of Line 1 and construction and operation of Lines 2 and 3. The Council will incur capital expenditure of around £135m together with annual availability payments to Tramlink. The Work Place Parking Levy (WPL) is an integral part of the funding for this scheme. The WPL is in force from 1 April 2012 and will raise income from businesses with more than 10 parking spaces and will also help fund other elements of the Council’s Transport Strategy.
- **Nottingham Station Improvements (The Hub) –** An agreement with Network Rail to fund improvements of £60m to Nottingham Station. The Council has approved a contribution of up to £18.130m
- **Building Schools for the Future (BSF) and Academies Programmes –** A Government initiative to rebuild and/or renew school buildings. The council obtained funding for rebuilding and remodeling 13 schools and academies together with provision of ICT managed services. Financial close for the remaining schemes (Nottingham Academy and two remodeled schools) is expected before the end of June 2012.

- **East Midlands Shared Services (EMSS) –** A partnership with Leicestershire County Council to establish a shared service arrangement for financial and human resources services. Capital costs of £3.314m were incurred in relation to the NCC share of the EMSS programme in 2011/12; this related to licences of £0.749 and system build costs of £2.565. In addition in 2011/12 there were programme revenue costs of £0.961m. The total approved budget for the programme is £11.044m of which NCC's share is £7.682m. The remainder of the budget will be utilised in 2012/13.

2.4 Supplementary Comments

This Statement of Accounts is prepared according to International Financial Reporting Standards which specifically require some further statements to be made. These statements are provided below.

2.4.1 Impact of Economic Climate

The change in economic circumstances in the United Kingdom, Europe and globally has had a significant effect on all local authorities. Continuing concerns about the consequent level of UK public sector debt, the security of financial institutions and the European debt crisis have created a specific and wide-ranging impact upon the local government sector. The restrictions in public spending that will now follow will reduce the level of funding available to the Council and this situation will be managed through the Medium Term Financial Planning process.

Additionally within this context, the collapse of the Icelandic banks has created specific but manageable issues for the Council and further details can be found in the separate notes to the accounts.

The economic climate has also resulted in more volatile asset values. The most commonly reported falls in property value relate to the housing market. An impairment review of all Council property and land assets in 2008/09 correspondingly identified the requirement for material adjustments in values. Subsequent impairment reviews have not deemed any further adjustments necessary as a result of significant changes in the property market. The Nottingham area has experienced increased interest from property developers for small to medium sized serviced development sites resulting in an increase in land prices. In addition a shortage of good residential sites should see land prices maintained for the foreseeable future.

The fall in property values has affected the affordability of capital programmes, with the financing of many schemes being reliant on the sales of council assets. The downturn in the housing market with fewer new houses being built will also affect the level of planning fees received. The slowdown in the property market has also reduced the level of income being generated from commercial properties.

In addition, the economic situation has created higher levels of demand within certain services as, for example, people suffer hardship through loss of employment. This has resulted in a higher demand for many council services including homelessness, benefits, social care and local authority school places.

2.4.2 Provisions and write offs

The Comprehensive Income and Expenditure Statement for 2011/12 includes the following significant charges for items that have been written off, and changes to provisions:

Impairment Losses (£4.310m)

Assets are assessed at 31 March for impairment. In 2011/12 a net amount of £4.310m for impairments was charged to the Comprehensive Income and Expenditure Statement (CIES). This includes £4.383m for damaged and demolished properties. Reversals of previous years' impairment charges to the CIES as a result of asset revaluation amounted to (£0.073m)

Impairment reversals not credited to the CIES in 2011/12 amounted to (£5.934m). These reversals, together with changes in gross cost and accumulated depreciation, comprise net book value adjustments taken to the Revaluation Reserve as a result of asset revaluations.

Increase in Provisions (£3.499m)

The provisions shown in the Balance Sheet for 2011/12 include an amount of £4.319m to support the implementation of Single Status for school based non teaching staff. The funding was agreed by the Schools Forum and it is anticipated that implementation will take place in April 2013.

2.4.3 Material Items of Income and Expense

During the year 12 properties with a total value of £94.778m have been removed from the Council's balance sheet as a result of schools gaining Academy Status and entering into long leasehold agreements at a peppercorn rent. This change has also resulted in a corresponding charge to the Comprehensive Income and Expenditure Statement.

Additionally, as a result of the Council terminating the NET line 1 contract and acquiring Arrow Light Rail Ltd, there is a charge of £26.050m to the Other Operating Expenditure line of the Comprehensive Income and Expenditure Statement.

No other material assets have been acquired or liabilities incurred in 2011/12 other than those identified elsewhere in the statement.

2.4.4 Events after the Reporting Date

Since the reporting date of 28 June 2012 when the un-audited accounts were authorised for issue, by the Chief Financial Officer, there have been no subsequent events that have required amendments to the audited accounts. In addition; there have been no subsequent material events that do not affect the accounts where reporting would give a better understanding of the financial position of the Council for 2011/12.

2.4.5 Material assets acquired and liabilities incurred.

No material assets have been acquired or liabilities incurred in 2011/12 other than those identified elsewhere in the statement.

2.4.6 Pension Fund

The Council is a member of the Nottinghamshire County Council pension fund and the assets and liabilities of that fund that may be attributed to the Council are evaluated on an annual basis by an independent actuary. The actuary has estimated that, at 31 March 2012, the Council's fund was in deficit by £536.819m (£339.821m as at 31 March 2011) which is average for a Council of this size. The strategy adopted by the actuary is for the deficit to be recovered over the next twenty five years with tri-annual revaluations of the fund.

Introductory Statements

3. Introductory Statements

3.1 Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The authority is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that responsibility rests with the Chief Finance Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- approve the Statement of Accounts.

The statement of accounts was approved at a meeting of the Audit Committee on 21 September 2012.

Signed………………………………………………. Date: 21 September 2012

Councillor Kenneth Williams
Chair of the Audit Committee

The Chief Finance Officer's Responsibilities

I am 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.

In preparing this Statement of Accounts, I have:

- selected suitable accounting policies and then applied them consistently.
- made judgments and estimates that were reasonable and prudent.
- complied with the local authority code.

I have also:

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

These financial statements give a true and fair view of the financial position of the authority at the reporting date and of its income and expenditure for the year ended 31 March 2012.

Signed………………………………………………. Date: 21 September 2012

Tony Kirkham (CPFA)
Acting Chief Finance Officer
Loxley House
Station Road
Nottingham
NG2 3NG

3.2 Accounting Policies

This section explains the accounting policies applied in producing the Statement of Accounts.

3.2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2011/12 financial year and its position at the year end of 31 March 2012. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011 in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice for Local Authorities 2011/12 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 7 of the 2011 Act.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

3.2.2 Accruals of Expenditure and Income

The revenue and capital accounts of the Council are maintained on an accrual basis. This means that expenditure is charged to the account in the period in which goods and services are received and similarly, income is credited in the period in which it falls due, rather than simply being recorded when cash payments are made or received. In particular:

- Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Cash received or paid and not yet recognised as income or expenditure is shown as a creditor (receipt in advance) or debtor (payment in advance) in the Balance Sheet and the Comprehensive Income and Expenditure Statement adjusted accordingly. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Fees, charges and rents due from customers are accounted for as income at the date that the Council provides the associated goods or services.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet. This policy is not followed for certain quarterly payments, including gas and electricity, where expenditure is recorded at the date of meter reading rather than being apportioned between financial years. This practice is consistently applied each year and therefore does not have a material effect on the year's accounts.
- Works are charged as expenditure when they are completed, before which they are carried as 'works in progress' on the Balance Sheet.
- For significant accruals such as pay awards, the approach is to make estimates on the basis of the best information available at the time or to make forecasts of the cost of pay awards that are not yet settled but likely to apply to part of the financial year to which the accounts relate.
- Interest payable on borrowings and receivable on investments is accounted for respectively as income and expenditure on the basis of the effective interest rate

for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Income and expenditure are credited and debited to the relevant service revenue account, except for capital expenditure which results in the creation of a fixed asset on the Balance Sheet.

In many cases the value to be entered in respect of accrued transactions will be certain. In others, this value has to be estimated and reference is then made to past transactions and trends in order to determine the likely value. Where possible and commonly in the case of highways and building works, the related assets or liabilities will be valued at the year-end by colleagues working in relevant services.

3.2.3 Acquisitions and Discontinued Operations

Separate disclosures will be given where there are any material operations which were either discontinued or acquired in the year. The Council has no material acquisitions or discontinued operations in 2011/12.

3.2.4 Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Council is required to participate in the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme. This scheme is currently in its introductory phase which will last until 31 March 2014. The Council is required to purchase and surrender allowances, currently retrospectively, on the basis of emissions i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used), a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Council is recognised and reported in the costs of the Council's services and is apportioned to services on the basis of energy consumption.

3.2.5 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with the Council's own bank.

Cash equivalents are deposits with financial institutions repayable without penalty on notice of not more than 24 hours, which includes Council deposits in other UK bank call accounts and Money Market Funds.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

3.2.6 Exceptional Items

Where exceptional items are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to the understanding of the Council's financial performance.

3.2.7 Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service, and other losses

where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off

- Amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted Capital Financing Requirement, excluding amounts attributable to HRA activity). Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two. The HRA currently receives a statutory charge in respect of interest only.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

REFCUS is expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. REFCUS expenditure is written out to the Comprehensive Income and Expenditure Account in the year in which it incurred. Where the Council has decided to meet the cost of the expenditure from existing capital resources or by borrowing, entries via the Capital Adjustment Account and the Movement in Reserves remove the impact on the level of council tax.

3.2.8 Employee Benefits

In accordance with IAS 19, the Council accounts for the total benefit earned by employees during the financial year.

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of the holiday entitlements or for any form of leave, e.g. time off in lieu earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, this being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that the cost of holiday benefits are charged to revenue in the financial year in which the holiday is earned rather than when it is exercised.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy. They are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an employee or group of employees or are making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement on Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any amounts payable but unpaid at the year-end in respect of these.

Post Employment Benefits

As part of the terms and conditions of employment of its employee's, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make and disclose these retirement benefits at the time the employees earn their future entitlement to them.

The Council participates in two pension schemes:

- The Local Government Pension Scheme, administered locally by Nottinghamshire County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.
- The Teachers Pension Scheme – administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE). This is accounted for as if it were a defined contributions scheme with contributions from teachers, together with employer's contributions, being paid by the Council to the scheme. This is treated as a defined contributions scheme as the arrangements for the scheme mean that the liabilities for benefits cannot be identified to the Council and no liability for future payment of benefits is recognised in the Balance Sheet. The Children's and Education Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to the Teachers' Pension scheme in the year.

Both schemes provide defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

The Local Government Pension Scheme

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

- The liabilities of the Nottinghamshire pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projections of projected earnings for current employees.
- Liabilities are discounted at the Balance Sheet date. The discount rate is the yield on the iBoxx AA rated over 15 years corporate bond index as at this date which has been chosen to meet the requirements of IAS19.
- The assets of the Nottinghamshire pension fund attributable to the Council are included in the balance sheet at their fair value:
    - quoted securities – current bid price
    - unquoted securities – professional estimate
    - unitised securities – current bid price
    - property – market value

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

- Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on an average of the expected long-term return – credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or 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 or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs.
- Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pension Reserve.
- Contributions paid to Nottinghamshire County Council Pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council from raising Council Tax to cover the amounts payable to the pension fund in the year. In the Movement on Reserves Statement, 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 actual cash paid to the pension fund and any amounts payable to the fund but unpaid at the year end.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) 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.

3.2.9 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the Balance Sheet date of 31 March and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events

- Those that are indicative of conditions which arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where the event would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

3.2.10 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

For most of the borrowings that the Council has, it has been determined that the amount presented in the Balance Sheet is the carrying amount of the loan at that date and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Council has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Soft loans occur when the Council has provided loans at less than market rates. When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the borrower, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year. The reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where loans and receivables are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the loan is written down and a charge made to the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Available-for-sale Assets

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets.

The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive

Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

3.2.11 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 when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until any conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed as specified, otherwise the grant or contribution must be returned.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, attributable revenue grants and contributions are credited to the relevant service line and non ring fenced revenue grants and all capital grants to Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

General grants and contributions e.g. Revenue Support Grant are shown together on the face of the Comprehensive Income and Expenditure Statement and details provided in the notes to the accounts.

Business Improvement Districts

A Business Improvement District (BID) scheme applies across the whole of the Council. The scheme is funded by a BID levy paid by non-domestic ratepayers. The Council acts as principal under the scheme, and accounts for income received and expenditure incurred (including contributions to the BID project) within the relevant services within the CIES.

3.2.12 Heritage Assets

The Council has eight collections of heritage assets which involves over 95,000 items or groups of items (excluding natural history), the heritage assets information is held upon an asset register. The Council holds these assets in support of its objective to contribute to the knowledge and cultural development of City's Citizens and visitors to the city and region. The heritage assets items are either held on display at one of the Council’s museums or held in storage. Regarding the pieces held in storage, access is encouraged for scholars and others for research.

These eight collections have been grouped as follows:

- Byron Collection
- Costume Collection
- Decorative Art
- Fine Art
- Human & Social History
- Industrial History
- Civic Regalia & Silver Collection
- Civic Miscellaneous Items

Civic Miscellaneous Items have been omitted from the Balance Sheet due to not having received an external valuation; the Civic Miscellaneous Collection consists of circa 100 TW Hammond paintings. The Council is unable to obtain the valuations at a cost which is commensurate with the benefits it would provide to users of the financial statements**,** due to the expected value of the paintings being immaterial within the Councils financial statements.

The remaining collections are reported in the Balance Sheet at market value and have been valued by an external valuer, the valuation dates range from 2001 to 2008. These external valuations have been carried out by a variety of qualified experts in the relevant field. These external valuations are annually adjusted by the Council providing the Council with an internal valuation which is used until the collection is periodically externally revalued.

Acquisitions are either purchased by the City Council or donated by a third party. Purchases are initially recorded at cost while donations are held at nil value; this is until the assets related collection is externally valued within the heritage asset valuation cycle.

The Councils Heritage Assets do not incur any deprecation or amortisation, due to the assets having an indefinite life.

Heritage Assets are assessed during the year and at the end of each financial year for evidence of damage or reduction in value. Once an impairment has been identified the impairment loss will be charged against the Revaluation Reserve balance for the specific asset, if there is no balance of revaluation gains the impairment loss is charged to the relevant service revenue account.

When a Heritage Asset is disposed of the gain or loss is calculated from the difference between the net disposal proceeds and the carrying amount of the items. The gain or loss on disposal is recognised in the CIES.

3.2.13 Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that it will bring future benefits to the Council for more than one financial year. The balance is amortised on a straight line basis to the revenue account over the economic life which is generally assessed to be 5 years. This reflects the consumption of economic benefits by the relevant service.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as being attributable to the asset and is restricted to that incurred during the development phase.

Expenditure on the development of websites is not capitalised if the website is solely or primarily intended to promote or advertise the Council's goods or services.

Intangible assets are either measured initially at cost (will only be revalued where there is a determinable market value for the asset) or measured at fair value which is arrived at by discounting the expected future cash flows. In practice, no intangible asset held by the Council meets the determinable market value criteria and they are all therefore carried at amortised cost. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not allowed to impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and for any sale proceeds greater than £10k the Capital Receipts Reserve.

3.2.14 Interests in Companies and Other Entities

The Council has material interests in companies and other entities that have the nature of subsidiaries, associates and jointly controlled entities and require it to prepare group accounts. In the Council's own single-entity accounts, the interests in companies and other entities are recorded as investments, i.e. at cost, less any provision for losses.

The inclusion in the Council group is dependent upon the extent of the Council's interest and control over an entity. The determining factor for assessing the extent of interest and control is either through ownership of an entity, a shareholding in an entity or representation on an entity's board of directors. An assessment of all the Council's interests has been carried out during the year, in accordance with the Code of Practice on Local Authority Accounting in the UK, to determine the relationships that exist and whether they should be included in the Council's group accounts.

3.2.15 Inventories and Work in Progress

Stocks are largely valued at latest purchase price and any difference between this and actual cost is not considered to be material. Other less significant stocks are valued at average or actual cost.

3.2.16 Investment Property

Investment properties are those used solely to earn rentals and/or for capital appreciation and does not apply to properties which are being used to deliver services for the Council.

Investment properties are measured initially at cost. They are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation and on disposal are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. However as revaluation and disposal gains and losses are not allowed by statute to impact on the General Fund balance, they are reversed out in the Movement in Reserves Statement and posted to the Capital Adjustment Account. Any sale proceeds greater than £10k are posted to the Capital Receipts Reserve.

Rental income from investment properties is credited to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

3.2.17 Leases

Leases are classified as finance leases where substantially all of the risks and rewards incidental to ownership of the property, plant or equipment transfer from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Finance Leases – where the Council is Lessee

Property, plant and equipment held under finance leases are recognised on the Balance Sheet initially at fair value or the present value of the minimum lease payments if lower. The asset is matched by a liability for the obligation to pay the lessor. Any initial direct costs of the Council are added to the carrying amount of the asset.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability and
- A finance charge which is debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Property, Plant and Equipment recognised under finance leases is depreciated over the lease term if this is shorter than the asset’s estimated useful life and where ownership of the asset does not transfer to the Council at the end of the lease period.

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, via an adjusting transaction with the Capital Adjustment Account in the MIRS for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the service benefiting from use of the leased asset in the Comprehensive Income and Expenditure Statement.

Charges are made on a straight-line basis over the life of the lease, even if it does not match the pattern of payments.

Finance Leases – the Council as Lessor

Where the Council grants a finance lease over a property or an item of plant or equipment, the carrying amount of the asset is written off and a long term debtor raised in the Balance Sheet.

The gain on disposal in accordance with statute cannot increase the General Fund Balance and must be treated as a capital receipt. Where rental payments are due in future financial years, the balance is transferred from the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement.

Lease rentals receivable are apportioned between:

- Principal repayment – applied to write down the debtor and
- Income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Operating Leases

Where the Council has granted an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight line basis over the life of the lease and any direct costs incurred in negotiating and arranging the lease are added to the carrying amount and charged as an expense over the lease term on the same basis as rental income.

3.2.18 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 Service Reporting Accounting Code of Practice 2011/12 (SeRCOP). The basis of allocation is generally the time spent by colleagues on relevant tasks, although other bases may be more appropriate in certain instances.

The following two exceptions are allowed and are accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Cost of Services:

- Corporate and Democratic Core – these costs relate to the Council's status as a multi-functional, democratic organisation and will include all aspects of Councillors' activities, corporate, programme and service policy making and more general activities relating to governance and the representation of local interests.
- Non Distributed Costs – The SeRCOP defines certain costs that cannot be attributed to the delivery of services and which, therefore, are not distributed. These will include, for example, the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two cost categories are defined in SeRCOP and accounted for as separate lines on the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

3.2.19 Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or where the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is made retrospectively by adjusting opening balances and comparative amounts for the prior period, as if the new policy had always been applied.

Material errors discovered in prior periods are corrected retrospectively by amending opening balances and comparative amounts for the prior period. In addition, full disclosure as to the nature, circumstance and value of the adjustment will be disclosed in the notes to the accounts.

3.2.20 Property, Plant and Equipment

Assets that have physical substance and are held for use in the provision of services, for rental to others or for administrative purposes on a continuing basis are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year and the cost of the item can be measured reliably. Expenditure that maintains but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising the purchase price and any costs attributable to bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs. Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure and community assets – examples of infrastructure assets will include roads and bridges whereas community assets include parks and land used for cemeteries and crematoria. The general approach is for infrastructure and community assets to be valued at depreciated historical cost.
- Council dwellings – the basis of valuation is the Existing Use Value for Social Housing (EUV-SH) as defined in the Royal Institute of Chartered Surveyors (RICS) valuation manual. The valuation exercise was carried out in accordance with guidance issued by the DCLG, in 2009/10 based on a full valuation of beacon properties by Chartered Surveyors Herbert Button & Partners and Freeman & Mitchell.
- Other land and buildings – valued at fair value being the amount that would be paid for the asset in its existing use (EUV). Where insufficient market based evidence of fair value is available because an asset is specialised in nature, Depreciated Replacement Cost (DRC) has been applied.

- All other assets – valued at fair value, determined as the amount that would be paid for the asset in its existing use.

Assets included in the Balance Sheet at fair value are revalued if there is evidence that there have been material changes in the value and as a minimum every 5 years. Increases in valuations are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a revaluation or an impairment loss previously charged on the same asset to a service revenue account. Gains in excess of previous revaluation losses charged to the service revenue account are matched by credits to the Revaluation Reserve.

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance up to the amount of the accumulated gains.
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

De Minimis Levels

All assets acquired are included in the Balance Sheet, regardless of their cost. However where the current value is less than a presented amount the Council may choose to exclude the asset from the Balance Sheet.

TABLE 3.2.20:DE MINIMIS LEVELS

Description	£m
Vehicles and Plant	0.003
Computer Equipment	0.005
Land & Buildings	0.010

Impairment

Asset values are assessed at the end of each financial year for evidence of reductions in value. Once identified as part of this review or as a result of a valuation exercise, they are accounted for as follows:

- Where there is a balance of revaluation gains on the Revaluation Reserve for the relevant asset the impairment loss is charged against that balance until it is used up. Thereafter, or if there is no balance of revaluation gains the impairment loss is charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account an amount up to the value of the loss is transferred from the Capital Adjustment Account to the General Fund Balance in the Movement in Reserves Statement.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets. The annual charge to the Comprehensive Income and Expenditure Statement is calculated by dividing the value less any residual value of the asset by the estimated asset life. There is no depreciation on the assets in the year of acquisition, although a full year of depreciation is charged in the year of disposal. In accordance with recommended accounting practice, depreciation is not provided for in respect of freehold land, certain Community Assets and assets under construction.

Depreciation is calculated on the following bases:

- Dwellings – straight line allocation over the useful life on the building major components.
- Buildings – straight-line allocation over the useful life of the property as estimated by the valuer.
- Vehicles, plant, furniture and equipment – straight line allocation over the useful life.
- Infrastructure and Community – straight-line allocation generally over 25 years.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Disposals and Capital Receipts

When a non-current asset is disposed of or decommissioned, a gain or loss is calculated from the difference between the net disposal proceeds, if any, and the carrying amount of the item. The gain or loss on disposal is recognised in the CIES.

Sale proceeds in excess of £10k are categorised as capital receipts. A proportion of receipts relating to HRA disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts Reserve.

Costs incurred, up to 4% of the disposal proceeds, may be funded from the capital receipt.

The net surplus or loss on disposals is not a charge against council tax and any balances are transferred to capital reserves.

Surplus Assets

Assets that are surplus to service needs but that do not meet the classification of Investment Property or Assets Held for Sale are classified as Property Plant and Equipment ‘Surplus’, pending a decision on the future use of the asset.

Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The reclassification of an asset as ‘held for sale’ is evidenced by:

- The existence of appropriate authority to proceed with the sale
- An intention to dispose of the asset within the next 12 months
- Active marketing of the asset

The asset is revalued immediately before reclassification and then carried at the lower of this amount or fair value less costs to sell.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Componentisation

Where an asset consists of significant components that have different useful lives and / or depreciation methods to the remainder of asset, then these components are separately identified and depreciated accordingly. Where there is more than one significant part of the same asset, which have the same useful life and depreciation method, such parts are grouped in determining the depreciation charge

This policy is applied using the following criteria:

- Componentisation is only applicable to enhancement and acquisition expenditure incurred, and revaluations carried out from 1 April 2010.
- A de-minimis level of £3m. Where an asset is enhanced its value will be reconsidered; and if this then exceeds the £3m threshold it will be subject to componentisation.
- A component's value will need to be at least 20% of the whole asset.

3.2.21 Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Council at the end of the contracts for no additional charge (with the exception of LIFT Joint Service Centres for which there is an option to purchase), the Council carries the assets used under the contracts on its Balance Sheet as part of the Property, Plant and Equipment.

The original recognition of assets under PFI or similar contracts (e.g. IFRIC4 and IFRIC12) is at fair value (based on the cost to purchase the property, plant and equipment), balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Contingent rent – increases in the amount to be paid for the property arising during the contract due to inflation, debited to the Comprehensive Income and Expenditure Statement.
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator. The profile of write-downs is calculated using the same principles as for a finance lease.
- Lifecycle replacement costs – written off to the Comprehensive Income and Expenditure Statement as incurred.

3.2.22 Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are set aside where an event has taken place that will probably oblige the Council to provide settlement by a transfer of economic benefits but where the timing of that transfer remains uncertain. For example, the Council may be involved in a court case that could eventually result in the making of a settlement or the requirement to pay compensation.

Provisions are charged to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, based upon the best estimate of the likely settlement at the balance sheet date.

When payments are eventually made they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year and, in those cases where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower than anticipated settlement is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, for e.g. from an insurance claim, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Council settles the obligation.

Provisions are also set up for bad and doubtful debts, although these amounts are offset against the debtor balance on the balance sheet rather than being included in the provisions figure.

Provision for Back Pay Arising from Unequal Pay Claims

Provision has been made for the costs of settling claims for back pay arising from discriminatory payments incurred before the Council implemented its equal pay strategy.

Landfill Allowance Schemes

The Waste and Emissions Trading Act 2003 places a duty on waste disposal authorities to reduce the amount of biodegradable municipal waste (BMW) disposed to landfill. The act also provides the legal framework for the Landfill Allowances Trading Scheme (LATS). The scheme allocates landfill allowances to each waste disposal authority, to be set against its verified BMW landfill usage.

Landfill allowances, whether allocated by DEFRA or purchased from another Waste Disposal Authority (WDA) are recognised as current assets and are initially measured at fair value. Landfill allowances allocated by DEFRA are accounted for as a government grant.

After initial recognition, allowances are measured at the lower of cost and net realisable value.

As landfill is used a liability and an expense is recognised. The liability is discharged either by surrendering allowances or by payment of a cash penalty to DEFRA (or by a combination). The liability is measured at the best estimate of the expenditure required to meet the obligation, normally the market price of the number of allowances required to meet the liability at the reporting date. However, where some of the obligation will be met by paying a cash penalty to DEFRA, that part of its liability is measured at the cost of the penalty.

Information from the market and DEFRA indicates that there are significant levels of surplus LATS, in excess of 1 million, within the country and that there has been minimal trading apart from those trades agreed in previous years. Therefore the LATS held by the Council have nil value and have been valued as such within the Comprehensive Income & Expenditure Statement.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation where existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset where existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

3.2.23 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingences. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to net off against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council.

3.2.24 Value Added Tax

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

3.3 Changes in Accounting Policies and Statutory Functions

For 2011/12 Nottingham City Council is required to change its accounting policy for heritage assets and recognise the assets at valuation. Previously these assets were not recognised within the Balance Sheet. Nottingham City Council's accounting policy for recognition and measurement of heritage assets are set out in the summary of significant accounting policies.

In applying the new accounting policy, Nottingham City Council has identified that no assets stated within property, plant and equipment now need to be recognised as heritage assets. Nottingham City Council will also recognise an additional £40.748m for the recognition of heritage assets that were not previously recognised in the Balance Sheet. This increase is to be recognised in the Revaluation Reserve. The Balance Sheets for 1 April 2010 and 31 March 2011 together with other 2010/11 comparative figures have therefore been restated in the 2011/12 Statement of Accounts to apply the new policy.

The effects of the restatement are as follows:

- At 1 April 2010 the carrying amount of the Heritage Assets is presented at its valuation at £40.748m. The revaluation reserve has increased by £40.748m.
- The fully restated 1 April 2010 Balance Sheet is provided within the core financial statements section of the Statement of Accounts. The adjustments that have been made to the Balance Sheet included in the published version of the 2010/11 Statement of Accounts are as follows:

Effect on Opening Balance Sheet 1 April 2010

TABLE 3.3(a): EFFECT ON OPENING BALANCE SHEET 1 APRIL 2010

DESCRIPTION	Opening Balances as at 1 April 2010 £m	Restatement £m	Restatement required to opening balances as at 1 April 2010 £m
Heritage Assets	-	40.748	40.748
Total Net Assets	**1,042.762**	**40.748**	**1,083.510**
Unusable Reserves	915.554	40.748	956.302
Net Worth/Total Reserves	**1,042.762**	**40.748**	**1,083.510**

Comprehensive Income and Expenditure Statement

The restatement of the relevant lines of the Income and Expenditure Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below:

TABLE 3.3(b): COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT			
DESCRIPTION	**As Previously Stated 31 March 2011 £m**	**As restated 31 March 2011 £m**	**Restatement 2011 £m**
Surplus or deficit on revaluation of Property, Plant and Equipment assets	16.555	(2.198)	14.357
Other Comprehensive Income and Expenditure	(288.320)	(2.198)	(290.518)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	**(55.537)**	**2.198**	**(53.339)**

Movement in Reserves Statement – Unusable Reserves 2010/11

The restatement of the relevant lines of the Movements in Reserves Statement, as of 31 March 2011, as a result of the application of this new accounting policy is presented in the table below:

TABLE 3.3(c): MOVEMENT IN RESERVES STATEMENT - UNUSABLE RESERVES 2010/11			
DESCRIPTION	**As Previously Stated 31 March 2011 £m**	**As restated 31 March 2011 £m**	**Restatement 2011 £m**
Balance as at 31 March 2010	**915.554**	**40.748**	**956.302**
Other Comprehensive Income and Expenditure	(288.320)	(2.198)	(290.518)
Net Increase/Decrease Before Transfers to Earmarked Reserves	33.699	2.198	35.897
Increase/(Decrease) In Year	(33.699)	(2.198)	(35.897)
Balance at the end of the current reporting period 31 March 2011	**949.253**	**42.947**	**992.200**

The resulting restated Balance Sheet for 31 March 2011 is provided in table 4.2. The adjustments that have been made to the Balance Sheet included in the published version of the 2010/11 Statement of Accounts are as follows:

Effect on Balance Sheet 31 March 2011

TABLE 3.3(d): EFFECT ON BALANCE SHEET 31 MARCH 2011			
DESCRIPTION	**As Previously Stated 31 March 2011 £m**	**As Restated 31 March 2011 £m**	**Restatement 2011 £m**
Heritage Assets	-	42.947	42.947
Total Net Assets	**1,102.507**	**42.947**	**1,145.454**
Unusable Reserves	949.253	42.947	992.200
Net Worth/Total Reserves	**1,102.507**	**42.947**	**1,145.454**

The effect of the change in accounting policy in 2010/11 has been that heritage assets are recognised at £42.947m on the Balance Sheet resulting in an increase to the Revaluation Reserve of £42.947m. These heritage assets have not previously been disclosed as community assets within plant, property and equipment.

3.4 Accounting Standards Issued, not adopted

The Code of Practice on Local Authority Accounting requires the Council to disclose the expected impact of new standards that have been issued but not yet adopted.

A new accounting standard, IFRS 7 Financial Instruments: Disclosures, has been issued but will not be adopted until 1 April 2012. This standard requires the Council to disclose information that enables users of its financial statements:

- To understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- To evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

The Council does not, however, expect that the new standard will have a material impact on the Statement of Accounts.

3.5 Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 3.2, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts is:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication that the assets might be impaired as a result of a need to close facilities and reduce levels of service provision.

3.6 Assumptions about the Future and other Major Sources of Estimation Uncertainty

The preparation of the financial statements requires the Council to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant effect on amounts recognised in the financial statements are as follows:

- Property, Plant & Equipment – Assets are depreciated over the useful lives that are dependant on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the current spending on repairs and maintenance will be maintained, bringing into doubt the useful lives assigned to assets. If the useful life of assets is reduced, depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings excluding Council dwellings would increase by £1.218m for every year that useful lives had to be reduced. Further details can be found in Note 6.2.1.
- Post Retirement Benefits – Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide expert advice about the assumptions to be applied. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods. See Note 6.2.15 for further details

- Debt Impairment (Doubtful debts) – At 31 March 2012, the Council had a balance of sundry debtors for £17.646m. A review of significant balances suggested that an impairment of doubtful debts of 6.32% (£1.115m) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient. If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debt would require an additional £1.115m to be set aside as an allowance.

- Intangible Assets / Prepayments – During 2011/12, the Authority recognised an intangible asset at £43.848m; this valuation was arrived at by discounting the expected future cash flows by a factor of 6.5%. If the Authority had used a factor of 5.75% this would have increased the asset's value by £4.922m. The model used to identify the value of this intangible excludes all infrastructure related costs on the basis that they are funded by the unitary charge. This intangible asset has since been transferred to a prepayment for Net Line 2. See note 6.2.5 for further details.

Core Financial Statements

4. Core Financial Statements

4.1 Comprehensive Income and Expenditure Statement (CIES)

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

TABLE 4.1: COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

DESCRIPTION (Note)	Restated 2010/11			2011/12		
	Gross Expenditure £m	Gross Income £m	Net Expenditure £m	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Central services to the public	2.962	(3.185)	**(0.223)**	4.765	(2.865)	1.900
Cultural and related services	46.329	(14.630)	**31.699**	66.626	(10.847)	55.779
Environmental and Regulatory services	52.962	(15.726)	**37.236**	46.753	(15.834)	30.919
Planning Services	30.146	(16.280)	**13.866**	35.240	(11.841)	23.399
Education and children's services	432.320	(279.432)	**152.888**	338.239	(227.693)	110.546
Highways and transport services	47.866	(32.791)	**15.075**	61.441	(33.937)	27.504
Local authority housing (HRA)	101.859	(92.782)	**9.077**	143.193	(93.076)	50.117
Other housing services	199.254	(166.199)	**33.055**	202.239	(175.630)	26.609
Adult social care	126.224	(44.301)	**81.923**	116.252	(37.396)	78.856
Corporate and democratic core	74.352	(44.915)	**29.437**	44.243	(21.496)	22.747
Non distributed costs	10.586	-	**10.586**	4.406	(0.246)	4.160
Exceptional Items:						
HRA social housing revaluation	279.680	-	**279.680**	-	-	-
Valuation basis for pensions	(103.104)	-	**(103.104)**	-	-	-
Cost of Services (Note 6.1.1a)	**1,301.436**	**(710.241)**	**591.195**	**1,063.397**	**(630.861)**	**432.536**
Other operating expenditure **(Note 6.1.1b)**						
Transfer of school buildings to academies	-	-	-	94.778	-	94.778
Other	9.157	(8.290)	**0.867**	40.987	(9.249)	31.738
Financing and investment income and expenditure **(Note 6.1.2)**	118.773	(60.671)	**58.102**	132.027	(70.465)	61.562
Taxation and non-specific grant income **(Note 6.1.3 & 6.1.5)**						
Exceptional Items						
Investment Impairment				30.261	-	30.261
HRA Debt Redemption	-	-	**-**	-	(65.988)	(65.988)
HRA Debt Premiums	-	-	**-**	-	(12.755)	(12.755)
Other	-	(417.381)	**(417.381)**	-	(340.342)	(340.342)
(Surplus)/Deficit on Provision of Services	**1,429.366**	**(1,196.583)**	**232.783**	**1,361.450**	**(1,129.660)**	**231.790**
Surplus or deficit on revaluation of Property, Plant and Equipment assets **(Note 6.1.6)**			**14.357**			**(66.236)**
Actuarial gains/losses on pension assets/liabilities **(Note 6.1.4)**			**(304.875)**			**188.110**
Other gains/losses recognised required						**(0.093)**
Other Comprehensive Income and Expenditure			**(290.518)**			**121.781**
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			**(57.735)**			**353.571**

4.2 Balance Sheet

The Balance Sheet shows the value, as at the Balance Sheet date, of the assets and liabilities recognised by the Council. The net assets of the Council (i.e. assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category is usable reserves, i.e. those reserves that may be used to help provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category is for those reserves that the Council is not able to use to help provide services. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to help provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

TABLE 4.2: BALANCE SHEET

Restated 31 March 2010 £m	DESCRIPTION	Notes	Restated 31 March 2011 £m	31 March 2012 £m
2,326.833	Property, Plant & Equipment	6.2.1	2,036.412	1,934.536
40.748	Heritage Assets	6.2.2	42.947	44.489
46.947	Investment Property	6.2.4	43.538	37.454
1.407	Intangible Assets	6.2.5	1.678	2.063
32.057	Long Term Investments		16.264	12.472
10.112	Long Term Debtors	6.2.16(a)	10.699	52.626
2,458.104	**Long Term Assets**		**2,151.538**	**2,083.640**
43.675	Short Term Investments	6.2.16(a)	77.574	49.963
0.160	Assets Held for Sale	6.2.6	1.645	5.607
0.912	Inventories	6.2.7	1.547	1.468
69.137	Short Term Debtors	6.2.8	68.542	76.230
70.293	Cash and Cash Equivalents	6.2.9	86.938	123.350
184.177	**Current Assets**		**236.246**	**256.618**
(42.377)	Short Term Borrowing	6.2.16(b)	(67.000)	(126.923)
(134.338)	Short Term Creditors	6.2.10	(153.907)	(146.511)
(176.715)	**Current Liabilities**		**(220.907)**	**(273.434)**
(23.141)	Provisions	6.2.11	(7.628)	(11.127)
(463.824)	Long Term Borrowing	6.2.16(b)	(497.138)	(637.713)
(167.696)	Other Long Term Liabilities	6.2.16(b)	(172.982)	(57.287)
(10.357)	Capital Grants Receipts in Advance	6.2.14	(3.854)	(31.995)
(717.038)	Defined Benefit Pension Scheme	6.2.15	(339.821)	(536.819)
(1,382.056)	**Long Term Liabilities**		**(1,021.423)**	**(1,274.941)**
1,083.510	**NET ASSETS**		**1,145.454**	**791.883**
127.208	Usable Reserves	6.2.12*	153.254	153.486
956.302	Unusable Reserves	6.2.13	992.200	638.397
1,083.510	**TOTAL RESERVES**		**1,145.454**	**791.883**

* See tables 4.3 and 6.2.3 for details

4.3 Movement in Reserves Statement

This statement shows the in-year movement of the various reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable reserves'. The surplus or (deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance and the HRA for council tax setting and dwellings rent setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance and HRA Balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

TABLE 4.3(a): MOVEMENT IN RESERVES STATEMENT 2011/12

DESCRIPTION (Note)	General Fund Balance £m	Earmarked General Fund Reserves £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
Balance at 31 March 2011	**8.604**	**102.979**	**5.171**	**1.015**	**13.397**	**22.088**	**153.254**	**992.200**	**1,145.454**
Movement in reserves during 2011/12:									
Surplus/(deficit) on the provision of services	(236.428)		4.638				(231.790)		(231.790)
Other Comprehensive Income and Expenditure		0.047					0.047	(121.828)	(121.781)
Total Comprehensive Income and Expenditure (Table 4.1)	**(236.428)**	**0.047**	**4.638**	**-**	**-**	**-**	**(231.743)**	**(121.828)**	**(353.571)**
Adjustments between accounting basis and funding basis under regulations **(Note 6.3.1)**	241.733		(5.215)	(0.575)	2.420	(6.388)	231.975	(231.975)	-
Net Increase/Decrease before Transfers to Earmarked Reserves	**5.305**	**0.047**	**(0.577)**	**(0.575)**	**2.420**	**(6.388)**	**0.232**	**(353.803)**	**(353.571)**
Transfers to/from Earmarked Reserves	(2.223)	2.223	-	-	-	-	-	-	-
Increase/Decrease in Year	**3.082**	**2.270**	**(0.577)**	**(0.575)**	**2.420**	**(6.388)**	**0.232**	**(353.803)**	**(353.571)**
BALANCE AT 31 MARCH 2012	**11.686**	**105.249**	**4.594**	**0.440**	**15.817**	**15.700**	**153.486**	**638.397**	**791.883**

TABLE 4.3(b): MOVEMENT IN RESERVES STATEMENT 2010/11									
DESCRIPTION (Note)	**General Fund Balance £m**	**Earmarked General Fund Reserves £m**	**Housing Revenue Account £m**	**Capital Receipts Reserve £m**	**Major Repairs Reserve £m**	**Capital Grants Unapplied £m**	**Total Usable Reserves £m**	**Unusable Reserves £m**	**Total Authority Reserves £m**
Restated Balance at 31 March 2010	**7.058**	**92.926**	**4.666**	**0.038**	**6.671**	**15.849**	**127.208**	**956.302**	**1,083.510**
Movement in reserves during 2010/11:									
Surplus/(deficit) on the provision of services	66.743	-	(299.526)	-	-	-	(232.783)	-	(232.783)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	290.518	290.518
Total Comprehensive Income and Expenditure (Table 4.1)	**66.743**	**-**	**(299.526)**	**-**	**-**	**-**	**(232.783)**	**290.518**	**57.735**
Adjustments between accounting basis and funding basis under regulations **(Note 6.3.1)**	(55.144)	-	300.031	0.977	6.726	6.239	258.829	(254.620)	4.209
Net Increase/Decrease before Transfers to Earmarked Reserves	**11.599**	**-**	**0.505**	**0.977**	**6.726**	**6.239**	**26.046**	**35.898**	**61.944**
Transfers to/from Earmarked Reserves	(10.053)	10.053	-	-	-	-	-	-	-
Increase/Decrease in Year	**1.546**	**10.053**	**0.505**	**0.977**	**6.726**	**6.239**	**26.046**	**35.898**	**61.944**
RESTATED BALANCE AT 31 MARCH 2011	**8.604**	**102.979**	**5.171**	**1.015**	**13.397**	**22.088**	**153.254**	**992.200**	**1,145.454**

Details regarding the Major Repairs Reserve are covered in the Housing Revenue Accounts (HRA) notes to the accounts.

4.4 Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how cash and cash equivalents are generated and used by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which operations are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been used for resources which are intended to contribute to future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing).

TABLE 4.4: CASH FLOW STATEMENT

DESCRIPTION	Notes	Restated 2010/11 £m	2011/12 £m
Net (Surplus)/Deficit on the provision of Services		**(232.783)**	**(231.790)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements		392.086	491.032
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(116.340)	(149.222)
Net Cash Flows from Operating Activities	**6.4.1**	**42.963**	**110.020**
Investing activities	**6.4.2**	(85.645)	(259.752)
Financing activities	**6.4.3**	59.327	186.144
Net Increase or Decrease in Cash and Cash Equivalents		**16.645**	**36.412**
Cash and cash equivalents at the beginning of the reporting period		70.293	86.938
CASH AND CASH EQUIVALENTS AT 31 MARCH 2012		**86.938**	**123.350**

Alternative Presentations

5. Alternative Presentations

Local Authorities are required by statute to make their funding decisions on a different basis from the Statement of Accounts as required by International Financial Reporting Standards. The accounts used for resource allocation and budget management are therefore shown on a funding basis and a number of adjustments are, therefore, required to produce the Statement of Accounts on an IFRS basis. The adjustments required to the CIES are generally offset by adjustments to unusable reserves. The impact on the CIES is shown in section 5.1 and the movements in reserves are shown in section 6.3.

5.1 Funding Basis

The table below shows the net surplus for the accounts on a funding basis together with the adjustments required to arrive at the equivalent figure for the Statement of Accounts:

TABLE 5.1: EXPLANATION OF FUNDING BASIS

DESCRIPTION	2010/11 £m	2011/12 £m
Funding Basis		
Net Portfolio Spend	272.675	278.445
(Use)/Contributions to Reserves not included above	(11.556)	1.367
Contribution to Collection fund not included above	0.250	-
Expenditure financed from Council Tax and Non-specific Grants	261.369	279.812
Council Tax	(100.369)	(100.315)
Non-Specific Grants	(172.599)	(184.802)
(SURPLUS)/DEFICIT ON FUNDING BASIS BEFORE TRANSFERS TO RESERVES	**(11.599)**	**(5.305)**
Adjustments to move to Accounting Basis		
Items removed from CIES:		
a) Net pension contributions/payments by employees	(31.778)	(29.820)
b) Provision for Debt Redemption	(14.458)	(13.937)
c) Capital expenditure charged to revenue	(8.261)	(8.637)
Replaced by:		
a) Assessment of retirement benefits due	(40.564)	38.708
b) Change in valuation of Pension assets	(304.875)	188.110
c) Depreciation, impairment etc	42.088	212.396
d) Change in valuation of other assets	92.066	40.827
e) Revenue expenditure funded from Capital under Statute	13.331	(1.784)
Additional items required by Accounting Basis:		
Housing Revenue Account	299.526	(4.638)
Grants and Contributions used to finance Capital	(92.437)	(52.651)
Financial Instruments	(7.025)	(0.346)
Other smaller items	1.989	(9.352)
(SURPLUS)/DEFICIT ON ACCOUNTING BASIS	**(61.997)**	**353.571**

5.2 Net Portfolio Spend on Funding Basis (management accounts)

The analysis of income and expenditure by service in the CIES is presented using the analysis required by the Service Reporting Code of Practice for Local Authorities (SerCOP). However, the table below provides a more detailed analysis of Net Portfolio Spend identified in table 4.1 on the basis used for budget management and resource allocations.

TABLE 5.2(a): PORTFOLIO INCOME AND EXPENDITURE 2011/12

DESCRIPTION	Adult Support & Health £m	Area Working, Cleansing & Community Safety £m	Children's Services £m	Economic Development, Resources and Customer Care £m	Energy & Sustainability £m	Housing, Regeneration and Communities £m	Leisure, Culture & Customers £m	Planning & Transportation £m	Training, Employment & Human Resources £m	Corporate Items £m	Total £m
Fees, Charges & other Service income	(26.000)	(11.969)	(9.549)	(41.711)	(0.426)	(0.558)	(27.022)	(25.296)	(2.409)	(57.429)	**(202.369)**
Government Grants	(7.471)	(1.741)	(217.878)	(5.123)	-	(0.934)	(0.866)	(7.120)	(1.623)	(200.422)	**(443.178)**
Total Income	**(33.471)**	**(13.710)**	**(227.427)**	**(46.834)**	**(0.426)**	**(1.492)**	**(27.888)**	**(32.416)**	**(4.032)**	**(257.851)**	**(645.547)**
Employee Expenses	25.644	23.143	178.819	41.447	0.735	1.991	18.435	11.655	8.030	6.420	**316.319**
Other Service Expenses	77.172	12.713	100.823	36.566	4.594	20.664	20.716	36.787	3.444	289.932	**603.411**
Support Service Recharges	0.588	0.742	4.336	(1.360)	-	0.028	(0.208)	0.295	(0.159)	-	**4.262**
Total Expenditure	**103.404**	**36.598**	**283.978**	**76.653**	**5.329**	**22.683**	**38.943**	**48.737**	**11.315**	**296.352**	**923.992**
NET EXPENDITURE	**69.933**	**22.888**	**56.551**	**29.819**	**4.903**	**21.191**	**11.055**	**16.321**	**7.283**	**38.501**	**278.445**

TABLE 5.2(b): PORTFOLIO INCOME AND EXPENDITURE 2010/11

DESCRIPTION	Adult Support & Health £m	Children's Services £m	Community Safety & Partnerships £m	Environment & Climate Change £m	Employment & Skills £m	Housing Delivery & the Voluntary Sector £m	Leisure, Culture & Customers £m	Neighbourhood Regeneration £m	Resources, Economic Development & Reputation £m	Transport & Area Working £m	Corporate Items £m	Total £m
Fees, Charges & other Service income	(31.178)	(16.192)	(2.001)	(9.956)	(3.020)	(0.797)	(24.459)	(1.762)	(42.523)	(32.033)	(55.193)	**(219.114)**
Government Grants	(3.881)	(258.973)	(2.640)	(1.120)	(1.486)	(0.964)	(2.152)	(3.061)	(8.993)	(6.242)	(230.829)	**(520.341)**
Total Income	**(35.059)**	**(275.165)**	**(4.641)**	**(11.076)**	**(4.506)**	**(1.761)**	**(26.611)**	**(4.823)**	**(51.516)**	**(38.275)**	**(286.022)**	**(739.455)**
Employee Expenses	32.121	198.717	7.403	19.170	11.351	2.103	21.726	4.343	45.740	15.251	4.670	**362.595**
Other Service Expenses	77.330	141.817	7.583	14.972	4.925	30.154	24.521	4.410	41.171	38.266	259.890	**645.039**
Support Service Recharges	0.730	4.049	0.023	0.570	(0.136)	-	(0.534)	0.023	(0.894)	0.665	-	**4.496**
Total Expenditure	**110.181**	**344.583**	**15.009**	**34.712**	**16.140**	**32.257**	**45.713**	**8.776**	**86.017**	**54.182**	**264.560**	**1,012.130**
NET EXPENDITURE	**75.122**	**69.418**	**10.368**	**23.636**	**11.634**	**30.496**	**19.102**	**3.953**	**34.501**	**15.907**	**(21.462)**	**272.675**

5.3 Reconciliation of CIES between Funding Basis and IFRS basis

Table 5.3(a) and 5.3(b) show how the figures in the analysis of portfolio income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

TABLE 5.3(a): RECONCILIATION TO SUBJECTIVE ANALYSIS 2011/12

DESCRIPTION	Directorate Analysis	Amounts not reported to management for decision making	Amounts not included in I&E	Cost of Services	Corporate Amounts	Total
	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(202.369)	(160.378)	148.892	(213.855)	(9.361)	**(223.216)**
Interest and investment income	-	(0.250)	(0.346)	(0.596)	(70.465)	**(71.061)**
Income from council tax	-	-	-	-	(100.315)	**(100.315)**
Government grants and contributions	(443.178)	(12.414)	2.462	(453.130)	(318.658)	**(771.788)**
Total Income	**(645.547)**	**(173.042)**	**151.008**	**(667.581)**	**(498.799)**	**(1,166.380)**
Employee expenses	316.319	38.464	(29.820)	324.963	-	**324.963**
Other service expenses	603.411	76.675	(138.646)	541.440	-	**541.440**
Support Service recharges	4.262	-	-	4.262	-	**4.262**
Depreciation, amortisation and impairment	-	255.633	(26.274)	229.359	38.311	**267.670**
Interest payments	-	-	-	-	132.027	**132.027**
Payments to Housing Capital Receipts Pool	-	-	-	-	2.973	**2.973**
Gain or Loss on Disposal of Fixed Assets	-	0.093	-	0.093	124.742	**124.835**
Total Expenditure	**923.992**	**370.865**	**(194.740)**	**1,100.117**	**298.053**	**1,398.170**
SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	**278.445**	**197.823**	**(43.732)**	**432.536**	**(200.746)**	**231.790**

TABLE 5.3(b): RECONCILIATION TO SUBJECTIVE ANALYSIS 2010/11						
DESCRIPTION	**Directorate Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E**	**Cost of Services**	**Corporate Amounts**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Fees, charges and other service income	(219.114)	92.439	-	(126.675)	(68.961)	**(195.636)**
Interest and investment income	-	-	4.977	4.977	-	**4.977**
Income from council tax	-	-	-	-	(100.934)	**(100.934)**
Government grants and contributions	(520.341)	-	49.911	(470.430)	(316.447)	**(786.877)**
Total Income	**(739.455)**	**92.439**	**54.888**	**(592.128)**	**(486.342)**	**(1,078.470)**
Employee expenses	362.595	(19.718)	(40.564)	302.313	-	**302.313**
Other service expenses	645.039	0.810	(132.710)	513.139	127.930	**641.069**
Support Service recharges	4.496	-	-	4.496	-	**4.496**
Depreciation, amortisation and impairment	-	-	415.599	415.599	-	**415.599**
Interest payments	-	-	(51.357)	(51.357)	-	**(51.357)**
Payments to Housing Capital Receipts Pool	-	(2.653)	-	(2.653)	-	**(2.653)**
Gain or Loss on Disposal of Fixed Assets	-	1.786	-	1.786	-	**1.786**
Total Expenditure	**1,012.130**	**(19.775)**	**190.968**	**1,183.323**	**127.930**	**1,311.253**
SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	**272.675**	**72.664**	**245.856**	**591.195**	**(358.412)**	**232.783**

Notes to the Financial Statements

6. Notes to the Financial Statements

These notes provide information that supports, and helps in interpreting, the Financial Statements.

6.1 Comprehensive Income and Expenditure Notes

6.1.1 (a) Cost of Services

As a result of changes to the Service Expenditure Analysis introduced by the 2011/12 Service Reporting Code of Practice (SeRCOP) 2011/12, the Net Expenditure on Cultural, Environmental, Regulatory and Planning Services of £116.675mm (£82.801m 2010/11)has been split as follows:

- Cultural and Related Services
- Environmental and Regulatory Services
- Planning Services

In compliance with paragraph 3.4.2.3a of the Code and in accordance with SeRCOP, the above services have been reported as separate lines in the 2011/12 Comprehensive Income and Expenditure Statement for the current and comparative year.

6.1.1 (b) Other Operating Expenditure

Transfer of School Buildings to Academies

During the year 12 properties with a total value of £94.778m have been removed from the Council's balance sheet as a result of schools gaining Academy Status and entering into long leasehold agreements at a peppercorn rent.

Other

TABLE 6.1.1(b): OTHER OPERATING EXPENDITURE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Payments to the Government Housing Capital Receipts Pool	2.653	2.973
Gains/Losses on the disposal of non-current assets	(1.786)	28.765
TOTAL	**0.867**	**31.738**

6.1.2 Financing and Investment Income and Expenditure

TABLE 6.1.2: FINANCING AND INVESTMENT INCOME AND EXPENDITURE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Interest payable and similar charges	51.357	55.348
Pensions interest cost and expected return on pensions assets	19.755	9.575
Interest receivable and similar income	(5.309)	(4.150)
Other investment income	(7.701)	0.789
TOTAL	**58.102**	**61.562**

Also see Table 6.2.16(c) for elements relating to Financial Instruments

6.1.3 Taxation and Non-Specific Grant Income

Exceptional Items

The Government's proposals for the self financing of the Housing Revenue take effect from 1 April 2012. On 28 March 2012 the Council received £65.988m from the Government in order repay existing debt and exit the current housing subsidy system. In addition to repaying the debt the Government also agreed to meet the PWLB's charges of £12.755m for early repayment.

Other

TABLE 6.1.3: TAXATION AND NON-SPECIFIC GRANT INCOME		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Council Tax income	(100.934)	(100.315)
National Non domestic rates (NNDR)	(150.711)	(141.167)
Non-ringfenced government grants	(73.297)	(46.146)
Capital grants and contributions	(92.439)	(52.714)
TOTAL	**(417.381)**	**(340.342)**

See Note 6.1.5 for further detail

6.1.4 Transactions Relating to Post Employment Benefits (inc. Pensions)

The following transactions have been made in the Comprehensive Income and Expenditure Statement during the year:

TABLE 6.1.4(a): POST EMPLOYMENT BENEFITS TRANSACTIONS				
	Local Government		**Discretionary**	
DESCRIPTION	**2010/11 £m**	**2011/12 £m**	**2010/11 £m**	**2011/12 £m**
Cost of Services				
Current service cost	42.785	28.442	-	-
Past service costs	(101.795)	0.691	(1.309)	-
Financing and Investment Income and Expenditure				
Interest cost	63.079	55.842	1.555	1.602
Expected return on scheme assets	(44.879)	(47.869)		
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**(40.810)**	**37.106**	**0.246**	**1.602**
Other Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services				
Actuarial gains and losses	(307.500)	186.855	2.625	1.255
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(348.310)**	**223.961**	**2.871**	**2.857**

These transactions are summarised in the following table:

TABLE 6.1.4(b): POST EMPLOYMENT BENEFITS TRANSACTIONS SUMMARY		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Comprehensive Income and Expenditure Statement:		
Cost of services	(60.319)	29.133
Financing and Investment income and expenditure	19.755	9.575
Actuarial gains/losses	(304.875)	188.110
TOTAL	**(345.439)**	**226.818**

6.1.5 Grant Income

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2011/12:

TABLE 6.1.5: GRANT INCOME		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Credited to Taxation and Non Specific Grant Income		
Revenue Grants		
Revenue Support Grant	(21.885)	(43.635)
Area Based Grant	(40.250)	-
Working Neighbourhood Fund	(11.162)	-
Non-domestic rates distribution	(150.711)	(141.167)
Demand on the Collection Fund	(100.371)	(100.427)
Council Tax Freeze Grant	-	(2.511)
Apportionment of Collection Fund Deficit/Surplus	(0.563)	0.112
Capital Grants		-
Government Departments	(75.562)	(37.670)
Other	(16.877)	(15.044)
TOTAL	**(417.381)**	**(340.342)**
Credited to Services		
Revenue Grants		
Department for Education: Dedicated School Grant	(157.124)	(175.112)
Department for Education: Standard Fund	(31.911)	(0.111)
Department of Transport: PFI Grants	(20.060)	(26.091)
Department for Works and Pensions: Council Tax Benefit	(32.585)	(33.147)
Mandatory Rent Allowances: Subsidy	(68.445)	(72.478)
Rent Rebates Granted to HRA Tenants	(56.166)	(61.105)
Major Repairs Allowance	(17.033)	(17.074)
Department for Work & Pensions: Housing Benefit Admin	(3.814)	(3.518)
Sure Start, Early Years and Childcare Grant	(13.786)	-
Learning & Skills Grant	(2.740)	(0.957)
Concessionary Fares	(4.366)	-
Local Area Agreement Grant	(2.721)	-
Young People Learning Agency Grant	(22.254)	(4.237)
Department of Education - PFI Grant	(3.419)	(3.419)
Department for Work & Pensions: Future Jobs Fund	(5.481)	-
Early Intervention Grant	-	(17.164)
Growth Fund	(0.613)	(2.219)
Learning Disabilities & Health Reform Grant	-	(7.029)
Pupil Premium Grant	-	(4.509)
HRA Subsidy PWLB Debt Extinguished Grant	-	(65.988)
HRA Subsidy Premium Extinguished Grant	-	(12.754)
Other Revenue Grants	(20.406)	(20.377)
Contributions	(6.010)	(25.068)
Donations	(0.599)	(0.679)
TOTAL	**(469.533)**	**(553.036)**

6.1.6 Surplus or Deficit on revaluation of Property, Plant and Equipment assets

During 2011/12 Property, Plant and Equipment revaluation gains and losses reflected in the Revaluation Reserve amounted to a net credit of (£66.236m). This comprised a charge of £6.983m relating to physical damage and demolition of assets together with a net revaluation gain of (£73.219m).

6.2 Balance Sheet Notes

6.2.1 Property Plant and Equipment

TABLE 6.2.1(a): PROPERTY, PLANT AND EQUIPMENT (PPE) 2011/12 - COST/VALUATION									
MOVEMENTS IN COST/VALUATION 2011/12	**Council Dwellings £m**	**Other Land and Buildings £m**	**Vehicles, Plant, Furniture & Equipment £m**	**Infrastructure Assets £m**	**Community Assets £m**	**Surplus Assets £m**	**Assets Under Construction £m**	**Total Property, Plant & Equipment £m**	**PFI Assets included in PPE £m**
COST OR VALUATION AT 1 APRIL 2011	**594.300**	**909.913**	**106.520**	**355.639**	**25.103**	**32.819**	**154.774**	**2,179.068**	**189.025**
additions	53.565	28.286	28.640	13.816	1.310	1.027	29.071	**155.715**	0.004
additions - PFI	-	13.328	6.875	31.641	-	-	-	**51.844**	51.844
revaluation increases/(decreases) recognised in the Revaluation Reserve	(23.941)	48.405	0.254	-	-	(2.753)	-	**21.965**	(1.930)
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(51.394)	(86.516)	(1.665)	(5.971)	-	(0.398)	-	**(145.944)**	(18.127)
derecognition - disposals	-	(97.415)	(0.890)	-	-	(7.371)	-	**(105.676)**	-
derecognition - other	(5.825)	(2.655)	(33.628)	-	-	(0.202)	(0.080)	**(42.390)**	-
assets reclassified (to)/from Held for Sale	(1.966)	(0.424)	-	-	-	(4.866)	-	**(7.256)**	-
other movements in cost or valuation	(2.088)	140.403	-	(0.264)	-	(0.156)	(142.870)	**(4.975)**	0.419
AT 31 MARCH 2012	**562.651**	**953.325**	**106.106**	**394.861**	**26.413**	**18.100**	**40.895**	**2,102.351**	**221.235**

TABLE 6.2.1(a) (Continued): PROPERTY, PLANT AND EQUIPMENT (PPE) - DEPRECIATION AND IMPAIRMENT MOVEMENTS IN 2011/12									
MOVEMENTS IN DEPRECIATION AND IMPAIRMENT 2011/12	**Council Dwellings £m**	**Other Land and Buildings £m**	**Vehicles, Plant, Furniture & Equipment £m**	**Infrastructure Assets £m**	**Community Assets £m**	**Surplus Assets £m**	**Assets Under Construction £m**	**Total Property, Plant & Equipment £m**	**PFI Assets included in PPE £m**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 1 APRIL 2011	**0.000**	**(16.465)**	**(34.071)**	**(85.419)**	**(3.818)**	**(2.884)**	**-**	**(142.657)**	**(32.011)**
Depreciation charge	(25.275)	(23.552)	(11.980)	(13.209)	(0.783)	(0.752)	-	**(75.551)**	**(6.300)**
Depreciation written out to the Revaluation Reserve	24.851	11.554	(0.060)	-	-	0.449	-	**36.794**	1.603
Impairment (losses)/reversals recognised in the Revaluation Reserve	-	3.777	-	-	-	2.157	-	**5.934**	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	-	(3.979)	-	-	-	(0.331)	-	**(4.310)**	-
Derecognition - disposals	-	2.637	0.828	-	-	0.038	-	**3.503**	-
Derecognition - other	0.252	0.050	7.578	-	-	0.020	-	**7.900**	-
Other movements in depreciation and impairment	0.172	0.368	-	-	-	0.032	-	**0.572**	-
AT 31 MARCH 2012	**0.000**	**(25.610)**	**(37.705)**	**(98.628)**	**(4.601)**	**(1.271)**	**-**	**(167.815)**	**(36.708)**

NET BOOK VALUE									
At 31 March 2011	**594.300**	**893.448**	**72.449**	**270.220**	**21.285**	**29.935**	**154.774**	**2,036.411**	**157.014**
At 31 March 2012	**562.651**	**927.715**	**68.401**	**296.233**	**21.812**	**16.829**	**40.895**	**1,934.536**	**184.527**

TABLE 6.2.1(b): PROPERTY, PLANT AND EQUIPMENT (PPE) 2010/11 - COST/VALUATION									
MOVEMENTS IN COST/VALUATION 2010/11	**Council Dwellings £m**	**Other Land and Buildings £m**	**Vehicles, Plant, Furniture & Equipment £m**	**Infrastructure Assets £m**	**Community Assets £m**	**Surplus Assets £m**	**Assets Under Construction £m**	**Total Property, Plant & Equipment £m**	**PFI Assets included in PPE**
COST OR VALUATION AT 1 APRIL 2010	**895.587**	**995.008**	**91.801**	**332.612**	**23.109**	**24.526**	**96.731**	**2,459.374**	**169.812**
additions	55.589	24.263	15.608	23.027	1.994	2.603	47.182	**170.266**	0.018
revaluation increases/(decreases) recognised in the Revaluation Reserve	(58.915)	0.159	-	-	-	(11.320)	3.472	**(66.604)**	3.837
revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(292.265)	(69.916)	-	-	-	(5.403)	(2.638)	**(370.222)**	(0.406)
derecognition - disposals	(2.547)	(3.768)	(0.889)	-	-	(5.202)	-	**(12.406)**	-
assets reclassified (to)/from Held for Sale	-	(0.257)	-	-	-	(9.385)	-	**(9.642)**	-
other movements in cost or valuation	(3.149)	(44.602)	-	-	-	37.000	10.027	**(0.724)**	6.738
other movements PFI Creditor	-	9.026	-	-	-	-	-	**9.026**	9.026
AT 31 MARCH 2011	**594.300**	**909.913**	**106.520**	**355.639**	**25.103**	**32.819**	**154.774**	**2,179.068**	**189.025**

TABLE 6.2.1(b) (Continued): PROPERTY, PLANT AND EQUIPMENT (PPE) DEPRECIATION AND IMPAIRMENT MOVEMENTS IN 2010/11									
MOVEMENTS IN DEPRECIATION AND IMPAIRMENT 2010/11	**Council Dwellings £m**	**Other Land and Buildings £m**	**Vehicles, Plant, Furniture & Equipment £m**	**Infrastructure Assets £m**	**Community Assets £m**	**Surplus Assets £m**	**Assets Under Construction £m**	**Total Property, Plant & Equipment £m**	**PFI Assets included in PPE £m**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 1 APRIL 2010	**(3.569)**	**(13.591)**	**(24.782)**	**(72.433)**	**(3.111)**	**(15.055)**	**-**	**(132.541)**	**(26.153)**
Depreciation charge	(23.779)	(18.460)	(9.664)	(12.986)	(0.707)	(0.919)	(0.543)	**(67.058)**	**(6.036)**
Depreciation written out to the Revaluation Reserve	23.777	6.024	-	-	-	0.201	0.543	**30.545**	0.178
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	3.906	-	-	-	0.136	-	**4.042**	-
Impairment (losses)/reversals recognised in the Revaluation Reserve	5.750	3.412	-	-	-	11.598	-	**20.760**	-
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(2.181)	(0.426)	-	-	-	3.493	-	**0.886**	-
Derecognition - disposals	-	0.030	0.375	-	-	0.007	-	**0.412**	-
Other movements in depreciation and impairment	0.002	2.640	-	-	-	(2.345)	-	**0.297**	-
AT 31 MARCH 2011	**0.000**	**(16.465)**	**(34.071)**	**(85.419)**	**(3.818)**	**(2.884)**	**-**	**(142.657)**	**(32.011)**

NET BOOK VALUE									
At 31 March 2010	**892.018**	**981.417**	**67.019**	**260.179**	**19.998**	**9.471**	**96.731**	**2,326.833**	**143.659**
At 31 March 2011	**594.300**	**893.449**	**72.449**	**270.220**	**21.285**	**29.935**	**154.774**	**2,036.412**	**157.014**

Depreciation

In line with the Accounting Policies for Property Plant and Equipment (para 3.2.20) the following useful lives and depreciation rates have been used in the calculation of depreciation:

TABLE 6.2.1(c): PROPERTY PLANT AND EQUIPMENT USEFUL LIVES AND DEPRECIATION RATES		
DESCRIPTION	**STANDARD LIFE**	**OVERALL RANGE**
Council Dwellings – component based calculation	-	20-80 years
Other Land and Buildings	-	10-75 years
Furniture & Equipment	5 years	5-25 years
Vehicles	7 years	4-7 years
Infrastructure and Community Assets	25 years	3-52 years

Where the departures from the standard lives applied to assets are required, these are within the overall range outlined in the table above.

Revaluations

The Council carries out a rolling programme that ensures that all Property Plant and Equipment required to be valued at fair value is revalued at least every 5 years. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historical cost as a proxy for current value.

During 2011/12, the Council's internal valuers completed asset valuations for operational and surplus properties in compliance with the 5-year requirement. In addition, internal valuers also completed a number of 'non cyclical' (those outside the Council's 5-year property revaluation programme) for properties undergoing significant changes as a result of capital investment, material impairment or reclassification.

As a result of a lack of 'market evidence' an adjustment to the basis of valuation from Existing Use Value (EUV) to Depreciated Replacement Cost (DRC) was processed in 2011/12 for specialised properties. These include schools, academies, leisure centres, joint service centres, an elderly persons home, the Nottingham Express Transit Depot and the National Ice Centre.

External valuers Herbert Button & Partners and Freeman and Mitchell completed a desktop review of the Council Housing Stock valuation as at 31st March 2012.

Valuers Assumptions

Cyclical and Non Cyclical Valuations

State of Repair - All properties have been assumed to be in good condition unless existing condition surveys have identified disrepair which has been taken into account in the valuation.

Contamination - It is assumed that the properties are not, nor are likely to be affected by land contamination and that there are no ground conditions that would affect the present or future use of the properties. Where there is evidence of contamination this as been reflected in the valuation but otherwise it is assumed that the cost of decontamination work would be immaterial.

Title - It is assumed that there are no encumbrances on title.

Council Housing Stock Valuation – Desktop Review

Condition - The desktop review assumes that no significant changes have taken place to the council housing properties from the date of the 2010 full revaluation and that all properties are in a similar condition to that at the date of the original inspections

Material Revaluation Losses and Impairments

12 properties with a total value of £94.778m have been removed from the Council's balance sheet as a result of schools gaining Academy Status and entering into long leasehold agreements at a peppercorn rent.

The following properties have experienced a material reduction in carrying amount as a result of revaluation in 2011/12:

- The National Ice Centre valuation has been adjusted from £65.804m to £41.849m. The centre has been assessed using the Depreciated Replacement Cost (DRC) valuation method. This is based on the current cost of replacing the asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence.
- St Ann's Valley Joint Service Centre valuation has been adjusted from the PFI model based valuation of £13.851m to £3.371m to reflect the Council's ongoing interest in the property.

In line with the Accounting Policies for Property Plant and Equipment, the Council's componentisation policy has been applied to recognition, revaluation and depreciation of fixed assets during 2011/12.

Capital Commitments

At 31 March 2012, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2012/13 and future years budgeted to cost £82.581m. Similar commitments at 31 March 2011 were £57.318m

The major commitments are:

TABLE 6.2.1(d): CAPITAL COMMITMENTS

DESCRIPTION	Contract Period	31 March 2011 £m	31 March 2012 £m
Station Hub	2010-2015	11.410	10.110
Sycamore Primary	2011-2013	1.377	0.214
St Anns Primary	2011-2013	1.163	0.628
Ellis Guildford School – BSF	2011-2013	10.478	4.362
Victoria Leisure Centre	2009-2013	4.826	0.018
St Anns Joint Service Centre	2009-2013	7.651	1.514
NET2/3 Land Acquisitions	2012-2013	-	45.150
Bluecoat / Wollaton BSF	2012-2014	-	8.806
Woodlands Special School	2012-2013	-	1.084
ICT Managed Services - Installation in BSF schools	2009-2015	4.596	2.322
Nottingham Academy - Construction of new academy	2010-2013	11.125	0.207
Eastcroft Incinerator Waste Recycling Contract	Rolling	3.494	3.416
Contracts with Commitments less than £1m as at 31 March	-	1.198	4.750
TOTAL		**57.318**	**82.581**

Valuation at 31 March 2012

TABLE 6.2.1(e): EFFECT OF REVALUATIONS ON NET BOOK VALUE								
DESCRIPTION	Council Dwellings £m	Other Land and Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total £m
Carried at depreciated historical cost	-	-	68.401	296.233	21.812	-	-	386.446
Valued at depreciated fair value as at:								
2007/08	-	176.279	-	-	-	0.145	18.381	194.805
2008/09	-	101.507	-	-	-	4.508	9.850	115.865
2009/10	-	17.687	-	-	-	-	4.988	22.675
2010/11	-	229.301	-	-	-	8.025	2.196	239.522
2011/12	562.651	402.941	-	-	-	4.151	5.480	975.223
TOTAL NET BOOK VALUE	**562.651**	**927.715**	**68.401**	**296.233**	**21.812**	**16.829**	**40.895**	**1,934.536**

6.2.2 Heritage Assets

Nottingham City Council's collections are reported at cost or an adjusted external valuation. The external valuations have been primarily completed for insurance valuation; this insurance valuation is based on market value. These valuations are updated annually to remain at the market rate, while items declared at cost will remain as such until the relevant collection is periodically revalued.

TABLE 6.2.2(a): HERITAGE ASSETS								
MOVEMENTS IN 2011/12	Byron Collection £m	Costume Collection £m	Decorative Art £m	Fine Art £m	Human & Social History £m	Industrial History £m	Civic Regalia & Silver £m	Total £m
Cost or Valuation at 1 April 2010	12.187	0.452	2.076	24.350	0.517	0.015	1.151	**40.748**
Additions	-	-	0.015	0.010	-	-	-	**0.025**
Revaluations	0.652	0.024	0.111	1.297	0.028	-	0.062	**2.174**
31 March 2011	**12.839**	**0.476**	**2.202**	**25.657**	**0.545**	**0.015**	**1.213**	**42.947**
Cost or Valuation at 1 April 2011	12.839	0.476	2.202	25.657	0.545	0.015	1.213	**42.947**
Revaluations	0.462	0.017	0.079	0.921	0.019	-	0.044	**1.542**
31 March 2012	**13.301**	**0.493**	**2.281**	**26.578**	**0.564**	**0.015**	**1.257**	**44.489**

There have been no disposals or impairments recognised in the "Revaluation Reserve" or "Surplus or Deficit on the Provision of Services" in either 2010 or 2011.

TABLE 6.2.2(b): HERITAGE ASSETS:FIVE YEAR SUMMARY					
DESCRIPTION	**2011/12 £m**	**2010/11 £m**	**2009/10 £m**	**2008/09 £m**	**2007/08 £m**
Purchases:					
Decorative Art	-	0.015	-	-	-
Fine Art	-	0.010	-	0.050	-
TOTAL ADDITIONS	**-**	**0.025**	**-**	**0.050**	**-**

There have been no donations, disposals or impairments over the 5 year period

Preservation and Management

Each of the collections is managed by a curator who is responsible for the care and management of these collections in accordance with Nottingham City Council's policies which have been produced in accordance with the national guidelines.

The policy sets out that the assets in the collections are only disposed of when it is considered that they no longer contribute to the interest of the general public in the area of the collection. Acquisitions are rare and primarily made by donation. However, on rare occasions when a particularly important asset is available for purchase, Nottingham City Council will apply for funding and undertake the purchase, provided that it meets the objectives of the relevant Museum and Nottingham City Council in terms of its collections.

Assets are collated, preserved and managed in accordance with the aforementioned guidelines. The computerised register/database is for Nottingham City Council's internal purposes and records the nature, provenance, acquisition data and valuation records.

6.2.3 Transfers to/from Earmarked Reserves

The following table sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2011/12:

TABLE 6.2.3(a): TRANSFERS TO/FROM EARMARKED RESERVES

DESCRIPTION	Balance at 1 April 2010 £m	Transfers Out £m	Transfers In £m	Balance at 31 March 2011 £m	Transfers Out £m	Transfers In £m	Balance at 31 March 2012 £m
REVENUE							
Job Evaluation - Equal Pay	3.983	(0.517)	9.639	13.105	(2.484)	1.026	11.647
Future Nottingham	-	-	5.608	5.608	(2.642)	7.380	10.346
Treasury Management	4.515	(3.065)	-	1.450	(0.549)	5.965	6.866
E-Government/IT Fund	7.053	(4.987)	3.308	5.374	(3.368)	4.635	6.641
Insurance Reserve	4.744	-	-	4.744	(0.350)	-	4.394
Street Lighting PFI	1.013	-	0.817	1.830	-	2.058	3.888
NHS Local Imp Finance (LIFT)	2.501	-	0.287	2.788	-	0.175	2.963
BSF Bigwood & Oakfield PFI	0.608	-	1.572	2.180	-	0.765	2.945
Nottingham First Project	2.239	(0.822)	0.912	2.329	(1.022)	1.630	2.937
NET City Reserve Fund	1.832	(0.258)	1.123	2.697	(5.019)	4.740	2.418
Supporting People	8.742	(3.145)	-	5.597	(3.244)	-	2.353
Revenue Grants Unapplied	2.693	(2.693)	1.535	1.535	(0.862)	1.117	1.790
VAT Cultural Exemption	-	-	-	-	-	1.525	1.525
Property Maintenance	-	-	-	-	-	1.416	1.416
Area Committees	0.749	(0.475)	0.597	0.871	(0.210)	0.525	1.186
Investment Reserve	1.210	(0.662)	0.632	1.180	(0.053)		1.127
Housing Benefits	1.599	(0.300)	-	1.299	(0.537)	0.203	0.965
Management of Change (WFR)	-	-	1.943	1.943	(1.811)	0.364	0.496
Business Growth Incentive	1.167	(0.812)	-	0.355	-	-	0.355
Medium Term Financial Plan	-	(1.508)	11.352	9.844	(9.844)		-
NET PFI Grant Joint Fund	4.068	(2.654)	0.494	1.908	(3.606)	1.698	-
Workplace Parking Inquiry	1.006	-	-	1.006	(1.006)	-	-
Area Based / Working Neighbourhood	7.337	(7.337)	-	-	-	-	-
Performance Reward	1.527	(1.527)	-	-	-	-	-
Other Earmarked Reserves	6.703		0.165	6.868	(3.216)	11.727	15.379
	65.289	**(30.762)**	**39.984**	**74.511**	**(39.823)**	**46.949**	**81.637**

TABLE 6.2.3(a) (Continued): TRANSFERS TO/FROM EARMARKED RESERVES							
DESCRIPTION	**Balance at 1 April 2010**	**Transfers Out**	**Transfers In**	**Balance at 31 March 2011**	**Transfers Out**	**Transfers In**	**Balance at 31 March 2012**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
BALANCES HELD BY SCHOOLS UNDER A SCHEME OF DELEGATION							
School Statutory Reserve - Central	13.046	(5.042)	5.072	13.076	(9.837)	5.448	8.687
School Statutory Reserve - Schools	9.485	-	1.050	10.535	(0.576)	-	9.959
	22.531	**(5.042)**	**6.122**	**23.611**	**(10.413)**	**5.448**	**18.646**
CAPITAL							
Revenue Reserves for Capital	5.106	(0.586)	0.337	4.857	(0.135)	0.244	4.966
	5.106	**(0.586)**	**0.337**	**4.857**	**(0.135)**	**0.244**	**4.966**
TOTAL	**92.926**	**(36.390)**	**46.443**	**102.979**	**(50.371)**	**52.641**	**105.249**

The purpose of each earmarked reserve (greater than £2m) is listed below:

Revenue

Job Evaluation – Equal Pay £11.647m

Annual revenue contributions have been made to earmarked reserves to support the costs relating to Job Evaluation. The first phase was implemented in November 2010 covering manual and local government scheme employees. Negotiations regarding the remaining employees are continuing.

Future Nottingham £10.346m

This reserve represents the carry forward of unspent ringfenced grant to deliver approved future schemes aligning to the organisations corporate priorities and associated service aligning costs.

Treasury Management £6.866m

The creation of a Treasury Management Reserve was formally approved by the Executive Board on 21 June 2005. The reserve was created, with the aim of providing a fund in anticipation of future volatility in revenue charges arising in the Financing Transactions budget.

IT Development/E Government Fund £6.641m

A major programme of computer hardware and software upgrades was implemented during the late 1990s and early 2000s. These included the introduction of One World, Acorn, etc. Part of the overall funding programme for all the proposals identified revenue savings. To ensure these revenue savings were achieved, the relevant budgets were reduced and equivalent sums appropriated directly to the IT Development Fund.

These sums continue and provide an important reserve for continuing development of IT infrastructure for the Council.

Insurance Reserve £4.394m

This reserve reflects the potential future liabilities in relation to insurance claims.

Street Lighting PFI £3.888m

The Street Lighting PFI contract reached financial close in May 2010, becoming operational in September 2010. The reserve is used to manage the Council's commitments under Private Finance Initiative (PFI) contract for Street Lighting, to ensure that these commitments can be met over the 25 year contract period.

NHS Local Improvement Finance Trust (LIFT) £2.963m

LIFT is a public-private partnership initiative that is sponsored by the Department of Health. Its principal aim is to replace old and inadequate buildings with new health-related facilities.

The Council has procured three Joint Service Centres at Clifton, Hyson Green and Bulwell which became operational in 2005/06, 2007/08 and 2011/12 respectively using the LIFT vehicle. Under this arrangement, which is supported by PFI Credits issued by the Department for Communities and Local Government (CLG), the Council entered into an agreement with the LIFT Company for a 25-year period.

As part of the accounting arrangements for the schemes, a 'fund' is established into which PFI grant and required contributions from service departments will be paid in order to provide certainty as to the annual Council

BSF Bigwood & Oakfield PFI £2.945m

The reserve was approved by Executive Board in 2008 as part of wider approval for the Building Schools for the Future Programme. The reserve is used to manage the Council's commitments under Private Finance Initiative (PFI) contract for Big Wood and Oak Field schools, to ensure that these commitments can be met over the 25 year contract period.

Nottingham First Project £2.937m

This reserve was approved as part of the 2008/09 closedown process and received further contributions during 2010/11 and 2011/12 to support Work Place Strategy implementation costs and prudential borrowing repayments. This investment supports future savings and efficiencies identified agreed in the 2010/11 and 2011/12 Medium Term Financial Plan.

Nottingham Express Transit (NET) Reserve £2.418m

The Council makes an ongoing revenue contribution of approximately £1m per year as part of the Medium Term Financial Plan. This has been used to fund a combination of development costs for the tram and the Workplace Parking Levy and payments for Link bus improvements. The remaining reserve (and future contributions to it) will be required to make NET Phase Two and the associated transport improvements affordable.

Supporting people £2.353m

A sum of £3.244m has been transferred from the Supporting People Programme Grant Reserve during 2011/12 to cover payments in excess of funding for the Supporting People Programme. The reserve has been built up over previous years where grant received was in excess of the payments made.

Balances held by schools under a scheme of delegation

Schools' Statutory Reserve – Other £8.687m

This represents unspent school balances; these funds have not been delegated to schools but remain under the control of the Council. Part of the reserve is used to finance a school loan scheme, whereby schools are advanced funding and then repay this over a maximum period of three years.

Schools' Statutory Reserve – Schools £9.959m

This represents unspent school balances; these are funds that have been delegated to schools but have not yet been spent. As part of the Council's Fair Funding Scheme schools are allowed to carry forward unspent balances from one financial year to the next. Equally, any deficit balances are deducted from the following year's school budget share letter. The £9.959m total schools balance is made up of £10.123m surpluses and £0.164m deficits.

TABLE 6.2.3(b): SCHOOLS STATUTORY RESERVE

DESCRIPTION	Balance at 31 March 2011 £m	Movement £m	Balance at 31 March 2012 £m
Primary Schools	(7.350)	(0.015)	(7.365)
Secondary Schools	(2.584)	0.622	(1.962)
Special Schools	(0.501)	(0.009)	(0.510)
Nursery Schools	(0.100)	(0.022)	(0.122)
TOTAL	**(10.535)**	**0.576**	**(9.959)**

Capital

Revenue Reserves for Capital Purposes £4.966m

Over the years sums have been appropriated into this reserve to provide funding for capital investment over and above that provided by central government and that which can be met from capital receipts. The balance represents the sum still available and earmarked for future capital investment.

6.2.4 Investment Property

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

TABLE 6.2.4(a): INVESTMENT PROPERTY		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Rental income from investment property	2.812	3.200
Direct operating expenses arising from investment property	(0.364)	(0.520)
NET GAIN / (LOSS)	**2.448**	**2.680**

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on its right to the remittance of income and the proceeds of disposal. There are no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

TABLE 6.2.4(b): MOVEMENT IN FAIR VALUE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Balance at start of the year	46.947	43.538
Additions		
Subsequent expenditure	0.013	0.001
Disposals	(3.418)	(0.233)
Net gains/(losses) from fair value adjustments	(0.004)	(10.449)
Transfers to / from Property Plant and Equipment	-	4.597
BALANCE AT END OF THE YEAR	**43.538**	**37.454**

6.2.5 Intangible Assets

The Council accounts for software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The balances shown below relate to purchased software licences. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Council. The useful lives assigned to the major software suites are generally 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charged to revenue in 2011/12 was £0.537m.

The movement on intangible asset balances during the year is as follows:

TABLE 6.2.5: INTANGIBLE ASSETS		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Balance at start of year:		
Gross carrying amounts	2.709	3.440
Accumulated amortisation	(1.302)	(1.762)
Net carrying amount at start of year	**1.407**	**1.678**
Additions:		
Purchases	0.731	0.922
Acquired via PFI settlement	-	43.848
Amortisation for the period	(0.460)	(0.537)
Transfer of NET1 rights to Long Term Debtors	-	(43.848)
Net carrying amount at end of year	**1.678**	**2.063**
Comprising:		
Gross carrying amounts	3.440	4.362
Accumulated amortisation	(1.762)	(2.299)
TOTAL	**1.678**	**2.063**

6.2.6 Assets Held for Sale

TABLE 6.2.6: ASSETS HELD FOR SALE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Balance outstanding at start of year	**0.160**	**1.645**
Assets newly classified as held for sale:		
Property, Plant and Equipment	9.642	7.818
Revaluation losses	(8.157)	(0.629)
Revaluation gains	-	2.057
Assets declassified as held for sale:		
Property, Plant and Equipment	-	(1.020)
Assets sold	-	(4.375)
Other movements	-	0.111
BALANCE AT END OF THE YEAR	**1.645**	**5.607**

6.2.7 Inventories

TABLE 6.2.7: INVENTORIES								
	2010/11				2011/12			
DESCRIPTION	Consumable Stores £m	Maintenance Materials £m	Client services work in progress £m	Total £m	Consumable Stores £m	Maintenance Materials £m	Client services work in progress £m	Total £m
Opening Balance at 1 April	**0.724**	**0.042**	**0.146**	**0.912**	**0.765**	**0.086**	**0.696**	**1.547**
Purchases	3.069	1.727	0.550	5.346	3.132	1.330	2.722	7.184
Recognised as an expense in the year	(2.923)	(1.683)	-	(4.606)	(3.200)	(1.361)	(2.702)	(7.263)
Written off balances	(0.105)	-	-	(0.105)	-	-	-	-
CLOSING BALANCE AT 31 MARCH	**0.765**	**0.086**	**0.696**	**1.547**	**0.697**	**0.055**	**0.716**	**1.468**

6.2.8 Short Term Debtors

TABLE 6.2.8: SHORT TERM DEBTORS		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Central government bodies	18.879	18.814
Other local authorities	6.989	4.881
NHS Bodies	-	0.113
Other entities and individuals	42.674	52.422
TOTAL	**68.542**	**76.230**

6.2.9 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises the following elements:

TABLE 6.2.9: CASH AND CASH EQUIVALENT		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Cash held by the Authority	1.092	0.320
Bank current accounts	25.846	(1.970)
Short-term deposits with banks and building societies	60.000	125.000
TOTAL	**86.938**	**123.350**

6.2.10 Short Term Creditors

TABLE 6.2.10: SHORT TERM CREDITORS		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Central government bodies	(34.316)	(34.494)
Other local authorities	(13.740)	(8.884)
NHS Bodies	-	(0.236)
Other entities and individuals	(105.851)	(102.897)
TOTAL	**(153.907)**	**(146.511)**

6.2.11 Provisions

These accounts represent amounts set aside for a specific purpose to meet expenditure in future years.

TABLE 6.2.11: PROVISIONS			
DESCRIPTION	**Injury and Damage Compensation Claims £m**	**Other Provisions £m**	**Total £m**
Balance at 1 April 2011	**(5.748)**	**(1.880)**	**(7.628)**
Additional provisions made	(0.751)	(4.528)	(5.279)
Amounts utilised	-	1.780	1.780
BALANCE AT 31 MARCH 2012	**(6.499)**	**(4.628)**	**(11.127)**

Insurance Compensation Claims

The Council maintains an insurance provision to meet the cost of claims arising from self-insured risks and risks which fall below the external policy retention levels.

The majority of the cost met from the provision arises from property damage, liability claims made against the Council and motor accidents involving Council motor vehicles. In order to limit the Council's exposure to these risks the external fire, motor and liability policies have been arranged with excesses of £0.100m, and £0.050m respectively. To further protect the Council's exposure to significant payments, aggregate stop losses are in place, which limit the total value of claims that the Council will have to fund in one policy year; the stop losses for the 2011/12 policy year were £5m across all classes. Other costs falling on the provision include self-insured risks.

Contributions to the insurance provision arise from annual charges to Service Areas. These contributions maintain the insurance provision at a sufficient level to meet future claim liabilities, which includes an element of incurred but not reported claims. In addition to the known and estimated future liabilities there are also potential liabilities on the fund that have not been included in the fund balance.

Insurance - Nottinghamshire County Council Fund

At the time of unitary status the County Council's insurance fund was 'closed'. All claims relating to services previously delivered by the County which occurred before 1 April 1998 are administered by the County and paid from the closed fund. In the event the fund becomes exhausted the City Council's share of the deficit will be 23.55%. At 31 March 2011, Nottinghamshire County Council was predicting a deficit of £1.7m.

Workforce Reduction Termination Costs

At 31 March 2012, there was 1 employee whose contract was expected to be terminated in early 2012/13 at a cost of £40k for which a provision has been made.

Job Evaluation

A provision of £4.319m has been made to support the implementation of Single Status for school based non teaching staff. The funding was agreed by the Schools Forum and it is anticipated that implementation will take place in April 2013.

Mapperley Sports Village

Following approval in February 2012, to terminate an income sharing agreement in respect of Mapperley Sports Village with a third party, an offer was made to and accepted giving rise to a binding obligation on Nottingham City Council. This is expected to lead to transfer of title of the gym equipment from the third party, along with compensation for building works and release from the existing income sharing arrangement in return for an agreed settlement of £0.209m. This will allow the Council to transfer the building and adjoining playing field on a 125 year lease, along with the service and staff to Nottingham Academy. This was due to take place before 31 March 2012, but prior to finalising the transfer, it emerged that Nottingham Academy required approval of the Government Minister before accepting the transfer.

6.2.12 Usable Reserves

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

6.2.13 Unusable Reserves

Unusable reserves have been created as a result of the difference between accounting under IFRS and statutory provisions for meeting expenditure from the General Fund. These reserves represent differences due to timing of funding certain items of expenditure and are, therefore, not available as a source of general funding.

TABLE 6.2.13(a):UNUSABLE RESERVES

DESCRIPTION	Restated 2010/11 £m	2011/12 £m
Revaluation Reserve	209.039	262.648
Capital Adjustment Account	1,132.568	921.935
Financial Instruments Adjustment Account	(8.284)	(7.902)
Pensions Reserve	(339.821)	(536.819)
Deferred Capital Receipts Reserve	4.132	4.058
Collection Fund Adjustment Account	0.445	0.112
Accumulated Absences Account	(5.879)	(5.635)
TOTAL UNUSABLE RESERVES	**992.200**	**638.397**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

TABLE 6.2.13(b): REVALUATION RESERVE		
DESCRIPTION	**Restated 2010/11 £m**	**2011/12 £m**
Balance at 1 April	**228.383**	**209.039**
Upward revaluation of assets	27.084	81.182
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(41.465)	(14.946)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(14.381)	66.236
Difference between fair value depreciation and historical cost depreciation	(3.514)	(3.532)
Accumulated gains on assets sold or scrapped	(1.449)	(6.524)
Asset Reclassifications		(2.571)
Amount written off to the Capital Adjustment Account	(4.963)	(12.627)
BALANCE AT 31 MARCH	**209.039**	**262.648**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement. Depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Council. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

TABLE 6.2.13(c): CAPITAL ADJUSTMENTS ACCOUNT		
DESCRIPTION	**Restated 2010/11 £m**	**2011/12 £m**
Balance at 1 April	**1,462.830**	**1,132.568**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
Amortisation of intangible assets	(0.460)	(0.537)
Charges for depreciation of non-current assets	(67.058)	(75.553)
Charges for impairment of non-current assets	(2.607)	(4.310)
Revaluation losses on Property, Plant and Equipment	(369.589)	(144.516)
Movements in the market value of Investment Properties	(0.004)	(10.449)
Revenue expenditure funded from capital under statute (REFCUS)	(6.673)	(9.405)
REFCUS expenditure funded by grants	-	8.030
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(15.412)	(141.274)
Charges for impairment of investment in subsidairy	-	(30.261)
Adjusting amounts written out of the Revaluation Reserve	4.963	12.628
	(456.840)	(395.647)
Capital financing applied in the year		
Use of Capital Receipts Reserve to finance new capital expenditure	10.925	5.370
Use of the Major Repairs Reserve to finance new capital expenditure	10.307	14.653
Application of grants to capital financing from the Capital Grants Unapplied Account	90.075	59.033
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	15.082	84.182
Voluntary set aside of capital receipts for debt redemption	3.236	5.753
Capital expenditure charged against the General Fund and HRA balances	8.265	13.937
Equal Pay Capitalisation Direction	(10.513)	-
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Bulwell LIFT		3.159
Equity Loan Scheme - Art Homes	(0.172)	-
Principal Repayment of Capital Loans	(0.627)	(1.073)
	126.578	185.014
BALANCE AT 31 MARCH	**1,132.568**	**921.935**

Financial Instruments Adjustment Account (FIAA)

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Council uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums and discounts are debited or credited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Council's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2012 will be charged to the General Fund over the next 13 years.

Similar treatment is applied to loans raised by the Council with variable interest rates applied (Lenders Option Borrowers option loans, or LOBOs), and for monies advanced by the Council at less than the market interest rate (soft loans).

The estimated impairment of the Council's deposit with Icelandic Banks, previously carried in the FIAA, was charged to the Comprehensive Income and Expenditure Account in 2010/11.

TABLE 6.2.13(d): FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Balance at 1 April	**(15.743)**	**(8.284)**
Premiums incurred in the year	0.832	0.432
Discounts incurred in the year	(0.072)	(0.072)
LOBOs	0.003	0.006
Iceland Bank Deposits - Impairment and Interest	6.679	-
Soft Loans	0.017	0.016
BALANCE AT 31 MARCH	**(8.284)**	**(7.902)**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. Post employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer's contributions are made to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

TABLE 6.2.13(e): PENSIONS RESERVE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Balance at 1 April	**(717.038)**	**(339.821)**
Actuarial gains or (losses) on pensions assets and liabilities	304.875	(188.110)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	40.564	(38.708)
Employer's pensions contributions and direct payments to the pensioners payable in the year	31.778	29.820
BALANCE AT 31 MARCH	**(339.821)**	**(536.819)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

TABLE 6.2.13(f): DEFERRED CAPITAL RECEIPTS RESERVE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Balance at 1 April	**4.081**	**4.132**
Deferred Capital Receipt created in Year - Equity Loans Schemes	0.171	-
Transfer to the Capital Receipts Reserve upon receipt of cash	(0.120)	(0.074)
BALANCE AT 31 MARCH	**4.132**	**4.058**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

TABLE 6.2.13(g): COLLECTION FUND ADJUSTMENT ACCOUNT		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Balance at 1 April	**(0.370)**	**0.445**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements.	0.815	(0.333)
BALANCE AT 31 MARCH	**0.445**	**0.112**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require it to be treated as an unusable reserve so that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

TABLE 6.2.13(h): ACCUMULATED ABSENCES ACCOUNT		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Balance at 1 April	**(5.841)**	**(5.879)**
Settlement or cancellation of accrual made at the end of the preceding year	5.841	**5.879**
Amounts accrued at the end of the current year	(5.879)	**(5.635)**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**(0.038)**	**0.244**
BALANCE AT 31 MARCH	**(5.879)**	**(5.635)**

6.2.14 Capital Grants Received in Advance

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned if the conditions are not met.

The balances at the year-end are as follows:

TABLE 6.2.14: CAPITAL GRANTS RECEIVED IN ADVANCE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Department for Education	(0.255)	(0.379)
Department for Communities and Local Government	-	(24.349)
Home Office	(0.032)	(0.032)
Department for Transport	-	(2.537)
S106 Contributions - Affordable Housing	(1.045)	(0.941)
S106 Contributions - Open Space	(1.224)	(0.730)
S106 Contributions - Transport / Public Realm / Training	(0.949)	(0.840)
Other Grants and Contributions	(0.349)	(2.187)
TOTAL	**(3.854)**	**(31.995)**

6.2.15 Defined Benefit Pension Schemes

Pension schemes accounted for as defined contribution Schemes

Teachers employed by the Council are members of the Teachers' Pension Scheme, administered by the DfE. The Scheme provides teachers with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries. The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded and the DfE uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Council is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2011/12, the Council paid £7.204m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2010/11 were £9.147m and 14.1%. There were no contributions remaining payable at the year-end. The Council is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme.

Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in two post employment schemes:

- The Local Government Pension Scheme, administered locally by Nottinghamshire County Council – this is a funded defined-benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.
- Arrangements for the award of discretionary post retirement benefits upon early retirement – this is an unfunded defined-benefit arrangement, under which liabilities are recognised when awards are made. However, there are no investment assets built up to meet these pensions liabilities, and cash has to be generated to meet actual pensions payments as they eventually fall due.

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

TABLE 6.2.15(a): ASSETS AND LIABILITIES				
DESCRIPTION	**Funded liabilities: Local Government Pension Scheme**		**Unfunded liabilities: Discretionary Benefits**	
	2010/11 £m	**2011/12 £m**	**2010/11 £m**	**2011/12 £m**
Opening balance at 1 April	**(1,351.909)**	**(1,017.132)**	**(29.261)**	**(30.129)**
Current service cost	(42.785)	(28.442)	-	-
Interest cost	(63.079)	(55.842)	(1.555)	(1.602)
Contributions by scheme participants	(9.389)	(8.836)	-	-
Actuarial gains and losses	311.614	(155.935)	(2.625)	(1.255)
Benefits paid	34.878	38.247	2.003	2.027
Past service costs	102.565	-	1.309	-
Entity combinations				
Curtailments	(0.292)	1.306	-	-
Settlements	1.265	1.276	-	-
CLOSING BALANCE AT 31 MARCH	**(1,017.132)**	**(1,225.358)**	**(30.129)**	**(30.959)**

Reconciliation of fair value of the scheme (plan) assets:

TABLE 6.2.15(b): FAIR VALUE		
DESCRIPTION	**Funded liabilities: Local Government Pension Scheme**	
	2010/11 £m	**2011/12 £m**
Opening balance at 1 April	**664.133**	**707.440**
Expected rate of return	44.879	47.869
Actuarial gains and losses	(4.114)	(30.920)
Employer contributions	29.774	27.793
Contributions by scheme participants	9.389	8.836
Benefits paid	(36.143)	(39.523)
Settlements/Curtailments	(0.478)	(1.997)
CLOSING BALANCE AT 31 MARCH	**707.440**	**719.498**

Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £16.949m (2010/11 £40.765m).

TABLE 6.2.15(c):SCHEME HISTORY					
DESCRIPTION	**2007/08 £m**	**2008/09 £m**	**2009/10 £m**	**2010/11 £m**	**2011/12 £m**
Present Value of Liabilities:					
Local Government Pension Scheme	(1,025.306)	(880.249)	(1,351.910)	(1,017.132)	(1,225.358)
Discretionary Benefits	(25.460)	(24.489)	(29.261)	(30.129)	(30.959)
Fair value of assets in the Local Government Pension Scheme	595.550	493.247	664.133	707.440	719.498
Surplus/(Deficit) in the Scheme:					
Local Government Pension Scheme	(429.756)	(387.003)	(687.777)	(309.692)	(505.860)
Discretionary Benefits	(25.460)	(24.489)	(29.261)	(30.129)	(30.959)
TOTAL	**(455.216)**	**(411.492)**	**(717.038)**	**(339.821)**	**(536.819)**

The liabilities show the underlying commitments that the Council has in the long run to pay in respect of post-employment (retirement) benefits. The total liability has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, as a result of the negative overall balance of £536.819m. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy:

- The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary
- Finance is only required to be raised to cover discretionary benefits when the pensions are actually paid.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2013 is £24.127m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2013 are £2.077m.

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. Both the Local Government Pension Scheme and Discretionary Benefits liabilities have been assessed by Barnett Waddingham Public Sector Consulting, an independent firm of actuaries, with estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2010.

The principal assumptions used by the actuary have been:

TABLE 6.2.15(d): ASSUMPTIONS				
DESCRIPTION	**Local Government Pension Scheme**		**Discretionary Benefits**	
	2010/11 £m	**2011/12 £m**	**2010/11 £m**	**2011/12 £m**
Long-Term Expected Rate of Return on Assets in the Scheme:				
Equity investments	7.3%	6.2%	N/A	
Bonds	5.5%	4.6%	N/A	
Property	6.8%	5.7%	N/A	
Cash	3.0%	3.0%	N/A	
Gilts	4.4%	3.3%	N/A	
Mortality Assumptions:				
Longevity at 65 for current pensioners:				
Men	18.50	18.60	18.50	18.60
Women	22.60	22.70	22.60	22.70
Longevity at 65 for future pensioners:				
Men	20.60	20.50	20.60	20.50
Women	24.50	24.50	24.50	24.50
Rate of inflation	3.5%	3.3%	3.5%	
Rate of increase in salaries	5.0%	4.7%	5.0%	
Rate of increase in pensions	2.7%	2.5%	2.7%	
Rate for discounting scheme liabilities	5.5%	4.6%	5.5%	
Take-up of option to convert annual pension into retirement lump sum	50.0%	50.0%		

The Discretionary Benefits arrangements have no assets to cover its liabilities. The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

TABLE 6.2.15(e): DISCRETIONARY BENEFITS		
DESCRIPTION	**31 March 2011 %**	**31 March 2012 %**
Equity investments	73	70
Gilts	7	7
Other bonds	4	5
Property	12	14
Cash	4	4
TOTAL	**100**	**100**

History of Experience – Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2011/12 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2012:

TABLE 6.2.15(f): HISTORY					
DESCRIPTION	**2007/08 %**	**2008/09 %**	**2009/10 %**	**2010/11 %**	**2011/12 %**
Differences between the expected and actual return on assets	(7.5)	(30.5)	20.0	(0.6)	(4.3)
Experience gains and losses on liabilities	(3.6)	-	-	9.2	-

6.2.16 Financial Instruments

The operation of the Council's Treasury Management function is regulated through the Local Government Act 2003 and through this Act by DCLG Investment Guidance, the CIPFA Code of Practice for Treasury Management in the Public Services and the CIPFA Prudential Code for Capital Finance in Local Authorities. In advance of each year the Council approves a treasury strategy reviewing risk and expected activities during the year.

The 2011 ACOP requires disclosure of information pertaining to the scope, significance and risk associated with the Council's financial instruments.

Categories of Financial Instruments

A financial instrument arises from a contract which creates a financial asset in one organisation and a financial liability in another. The Balance Sheet contains a range of such financial instruments, both assets and liabilities.

The tables below show the appropriate value of all financial instruments on the Balance Sheet as at 31 March 2012 (and 31 March 2011). The investments figures reflect the impairment of deposits placed with Icelandic banks.

TABLE 6.2.16(a):FINANCIAL ASSETS					
Description	Notes	Long-term		Current	
		31 March 2011 £m	31 March 2012 £m	31 March 2011 £m	31 March 2012 £m
Investments					
Loans and receivables					
- investments (principal)	1	-	-	60.000	41.344
- cash equivalents (principal)		-	-	60.000	125.000
- interest	1	-	-	0.375	0.309
- Icelandic deposits	1	11.022	7.243	17.221	6.927
		11.022	**7.243**	**137.596**	**173.580**
Unquoted equity investment at cost		0.711	0.696	-	-
TOTAL INVESTMENTS		**11.733**	**7.939**	**137.596**	**173.580**
Debtors					
Loans and receivables	2	10.699	52.626	53.849	64.011
TOTAL DEBTORS		**10.699**	**52.626**	**53.849**	**64.011**

Notes:

1. Current Financial Assets plus Investment in Arrow Light Rail (£1.382m at 31/3/12) equates to Short Term Investments in Table 4.2: Balance Sheet.
2. Debtors exclude non-contractual items i.e. NNDR and Council Tax.

TABLE 6.2.16(b):FINANCIAL LIABILITES					
DESCRIPTION	Notes	Long-term		Current	
		31 March 2011 £m	31 March 2012 £m	31 March 2011 £m	31 March 2012 £m
Borrowings					
Financial liabilities at amortised cost					
- principal	1	496.179	636.760	62.966	118.196
- interest		-	-	4.034	8.727
- accounting adjustments		0.959	0.953	-	-
TOTAL BORROWINGS		**497.138**	**637.713**	**67.000**	**126.923**
Other Long Term Liabilities					
PFI and finance lease liabilities	1	172.982	57.287	2.670	2.304
TOTAL OTHER LONG TERM LIABILITIES		**172.982**	**57.287**	**2.670**	**2.304**
Creditors					
Financial liabilities at amortised cost	2	-	-	114.755	96.160
TOTAL CREDITORS		**-**	**-**	**114.755**	**96.160**

Notes:

1. Principal element of borrowings plus PFI and finance lease liabilities equates to external debt for comparison against the operational boundary (see Explanatory Foreword 2.2.3).
2. Creditors exclude non-contractual items i.e. NNDR and Council Tax.

Financial Instruments – Items of interest, expense, gains and losses

The following table discloses the income and expenditure recognised in the Income and Expenditure account during 2011/12 in respect of all financial assets and liabilities not held at fair value, calculated using the effective interest method:

TABLE 6.2.16(c):INTEREST, EXPENSE, GAINS AND LOSSES		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Interest expense Impairment losses	(44.233) (7.150)	(52.297) 0.957
Total Expense in Surplus or Deficit on the Provision of Services	**(51.383)**	**(51.340)**
Interest income Interest income - impaired financial assets	5.335 1.777	2.310 1.590
Total Income in Surplus or Deficit on the Provision of Services	**7.112**	**3.900**
NET GAIN/(LOSS) FOR THE YEAR	**(44.271)**	**(47.440)**

During 2011/12 the only significant gain or loss in the Comprehensive Income & Expenditure Account was in respect of deposits held with Icelandic banks.

Fair Values of Assets and Liabilities

Financial liabilities and assets represented by loans and receivables are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining life of the instruments, using the following assumptions:

- For PWLB loans, the fair value has been based on the interest rates and the premature repayment rates in force on the relevant day (31 March).
- For other loans, relevant premature repayment rates have been applied to provide a fair value.
- Where an instrument has a maturity of less than 12 months, the fair value is taken to be the principal outstanding, plus accrued interest.
- Other long term liabilities, comprising finance leases and notional debt in respect of PFI schemes, have been excluded.
- The fair value of trade and other creditors and debtors is taken to be the billed amount.
- The fair value of investments excludes all sums deposited with Icelandic banks which have been accounted for separately.

The fair values calculated are as follows:

TABLE 6.2.16(d):FINANCIAL INSTRUMENTS - FAIR VALUES				
DESCRIPTION	**31 March 2011**		**31 March 2012**	
	Carrying amount £m	**Fair value £m**	**Carrying amount £m**	**Fair value £m**
PWLB debt	459.462	516.653	636.086	764.904
Market loans	50.453	53.021	50.442	62.556
3% stock	2.335	1.436	2.335	1.703
Bonds etc	1.693	1.693	0.990	0.990
Other debt	50.195	50.195	74.783	74.783
Trade creditors	114.755	114.755	96.160	96.160
Financial Liabilities	**678.893**	**737.753**	**860.796**	**1,001.096**
Investments (< 1 year)	120.375	120.375	166.653	166.653
Debtors	53.855	53.855	64.011	64.011
Long-term debtors	10.699	10.699	52.626	52.626
Financial Assets	**184.929**	**184.929**	**283.290**	**283.290**

The fair value of the debt is greater than the carrying amount because the Council's portfolio of loans includes fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

All loans and receivables held on the Balance Sheet at 31 March were issued at par. They have been accounted for on the Balance Sheet on an amortised cost basis, and reflect the principal outstanding, plus any accrued interest at 31 March 2012, giving a 'carrying amount' at year-end.

6.3 Movement in Reserves Statement Notes

6.3.1 Adjustments between Accounting Basis and Funding Basis under regulations

TABLE 6.3.1(a): Adjustments between Accounting Basis and Funding Basis under regulations 2011/12

DESCRIPTION	Usable Reserves					
	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Unusable Reserves £m
Non Current Assets						
• Amortisation of Intangible Fixed Assets	0.516	0.021	-	-	-	(0.537)
• Depreciation	48.867	-	-	26.686	-	(75.553)
• Impairment	4.383	(0.073)	-	-	-	(4.310)
• Revaluation Losses	103.164	51.801	-	-	-	(154.965)
• Decrecogniton of Fixed Assets	59.123	5.763	-	-	-	(64.886)
• (Loss)/Gain on Sale of Fixed Assets	94.566	(0.354)	12.437	-	-	(106.649)
	310.619	57.158	12.437	26.686	-	(406.900)
Capital Financing						
• Revenue Expenditure Funded From Capital Under Statute	1.375	-	-	-	-	(1.375)
• Statutory Minimum Revenue Provision for Capital Financing	(8.338)	(65.988)	-	-	-	74.326
• Voluntary Revenue Provision for Capital Financing	(7.811)	(0.660)	(5.753)	-	-	14.224
• PFI Minimum Revenue Provision	(1.385)	-	-	-	-	1.385
• Capital Expenditure charged in year to General Fund Balance	(8.636)	(5.300)	-	-	-	13.936
• Transfer to/from Major Repairs Reserve	-	9.612	-	(24.265)	-	14.653
• Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.973	-	(2.973)	-	-	-
• Exceptional Item: HRA Debt Redemption	-	(12.755)	12.755	-	-	-
• Exceptional Item: HRA Debt Premiums	-	12.755	(12.755)	-	-	-
• Other Items: Regional Housing Grant, Bulwell LIFT, WD LT debtor	(3.090)	-	1.084	-	(0.559)	2.565
• Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(5.370)	-	-	5.370
• Capital Grants Applied					(58.544)	58.544
	(24.912)	(62.336)	(13.012)	(24.265)	(59.103)	183.628
Employee Benefits	(0.244)	-	-	-	-	0.244

TABLE 6.3.1(a) (Continued): Adjustments between Accounting Basis and Funding Basis under regulations 2011/12						
	Usable Reserves					
DESCRIPTION	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Unusable Reserves £m
Pension Fund						
● Net charges made for Retirement Benefits in accordance with FRS17	38.708	-	-	-	-	(38.708)
● Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(29.820)	-	-	-	-	29.820
	8.888	-	-	-	-	(8.888)
Other Movements						
● Revenue Grants & Contributions	(52.714)	-	-	-	52.714	-
● Financial Instrument Adjustment Account	(0.016)	(0.037)	-	-	-	0.053
● Transfer to/(from) Collection Fund Adjustment Account	0.112	-	-	-	-	(0.112)
	(52.618)	(0.037)	-	-	52.714	(0.059)
TOTAL ADJUSTMENTS	241.733	(5.215)	(0.575)	2.421	(6.389)	(231.975)

TABLE 6.3.1(b): Adjustments between Accounting Basis and Funding Basis under regulations 2010/11						
	Usable Reserves					
DESCRIPTION	General Fund £m	Housing Revenue Account £m	Capital Receipts Reserve £m	Major Repairs Reserve £m	Capital Grants Unapplied £m	Unusable Reserves £m
Non Current Assets						
● Amortisation of Intangible Fixed Assets	0.425	0.035	-	-	-	(0.460)
● Depreciation	41.865	-	-	25.193	-	(67.058)
● Impairment	0.346	2.261	-	-	-	(2.607)
● Revaluation Losses	72.800	291.830	-	-	-	(360.422)
● (Loss)/Gain on Sale of Fixed Assets	(0.547)	(1.197)	17.157	-	-	(15.413)
	114.889	292.929	17.157	25.193	-	(445.960)
Capital Financing						
● Revenue Expenditure Funded From Capital Under Statute	2.818	-	-	-	-	(2.818)
● Statutory Minimum Revenue Provision for Capital Financing	(6.457)	-	-	-	-	6.457
● Voluntary Revenue Provision for Capital Financing	(4.765)	(0.624)	(3.236)	-	-	8.625
● PFI Minimum Revenue Provision	(1.316)	-	-	-	-	1.316
● Equal Pay Capitalisation Direction	10.513	-	-	-	-	(10.513)
● Capital Expenditure charged in year to General Fund Balance	(0.744)	-	-	-	-	0.744
● Transfer to/from Major Repairs Reserve	-	8.160	-	(18.467)	-	10.307
● Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.654	-	(2.654)	-	-	-
● Transfer from Deferred Capital Receipts upon receipt of cash	-	-	0.634	-	-	(0.634)
● Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	(10.924)	-	-	10.924
● Grants & Contributions Unapplied	(92.439)	-	-	-	6.239	86.200
	(89.736)	7.536	(16.180)	(18.467)	6.239	110.608
Employee Benefits	0.037	-	-	-	-	(0.037)

TABLE 6.3.1(b) **(Continued): Adjustments between Accounting Basis and Funding Basis under regulations 2010/11**

DESCRIPTION	Usable Reserves: General Fund £m	Usable Reserves: Housing Revenue Account £m	Usable Reserves: Capital Receipts Reserve £m	Usable Reserves: Major Repairs Reserve £m	Usable Reserves: Capital Grants Unapplied £m	Unusable Reserves £m
Pension Fund						
• Net charges made for Retirement Benefits in accordance with FRS17	(40.564)	-	-	-	-	40.564
• Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(31.777)	-	-	-	-	31.777
	(72.341)	-	-	-	-	72.341
Other Movements						
• Financial Instrument Adjustment Account	(7.178)	(0.434)	-	-	-	7.612
• Transfer to/(from) Collection Fund Adjustment Account	(0.815)	-	-	-	-	0.815
	(7.993)	(0.434)	-	-	-	8.427
TOTAL ADJUSTMENTS	(55.144)	300.031	0.977	6.726	6.239	(254.621)

6.3.2 Post Employment Benefits Transactions

The Council recognise the cost of retirement benefits in the reported cost of services when they are earned by employees; rather than when the benefits are eventually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of post employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the General Fund Balance via the Movement in Reserves Statement during the year:

TABLE 6.3.2(a): POST EMPLOYMENT BENEFITS TRANSACTIONS				
DESCRIPTION	Local Government		Discretionary	
	2010/11 £m	2011/12 £m	2010/11 £m	2011/12 £m
Movement in Reserves Statement				
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	40.810	(37.106)	(0.246)	(1.602)
Actual amount charged against the General Fund Balance for pensions in the year:				
Employers' contributions payable to scheme	29.774	27.793		
Retirement benefits payable to pensioners			2.003	2.027

TABLE 6.3.2(b): POST EMPLOYMENT BENEFITS TRANSACTIONS SUMMARY		
DESCRIPTION	2010/11 £m	2011/12 £m
Movement in Reserves Statement:		
Reversal of Charges made in accordance with the Code	40.564	(38.708)
Charges to General Fund made on a funding basis	31.777	29.820
TOTAL	**72.341**	**(8.888)**

6.4 Cash Flow Statement Notes

6.4.1 Operating Activities

The cash flows for operating activities includes the following items:

TABLE 6.4.1: OPERATING ACTIVITIES		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Interest received	3.254	15.753
Interest paid	(50.867)	(58.876)
Dividends received	-	0.500

6.4.2 Investing Activities

TABLE 6.4.2: INVESTING ACTIVITIES		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Purchase of property, plant and equipment, investment property and intangible assets	(174.931)	(199.402)
Purchase of short-term and long-term investments	(19.400)	(236.558)
Other payments for investing activities	(1.924)	(1.428)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	17.479	12.640
Proceeds from short-term and long-term investments	2.360	75.030
Other receipts from investing activities	90.771	89.966
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(85.645)**	**(259.752)**

6.4.3 Financing Activities

TABLE 6.4.3: FINANCING ACTIVITIES		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Cash receipts of short and long-term borrowing	64.687	319.200
Other receipts from financing activities	-	7.374
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(1.316)	(8.295)
Repayments of short and long-term borrowing	(6.640)	(132.135)
Other payments for financing activities	2.596	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	**59.327**	**186.144**

6.5 Other Notes

6.5.1 Trading Operations

These trading operations operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations.

TABLE 6.5.1: TRADING OPERATIONS						
	2010/11			2011/12		
DESCRIPTION	Turnover £m	Expenditure £m	(Surplus)/Deficit £m	Turnover £m	Expenditure £m	(Surplus)/Deficit £m
Bereavement Services	1.073	0.851	(0.222)	0.908	0.769	(0.139)
Car Parks, Bus Stations and Park & Ride	8.981	6.376	(2.605)	7.528	5.965	(1.563)
Property	9.624	5.800	(3.824)	10.603	11.501	0.898
City Advertising	0.337	0.454	0.117	0.288	0.747	0.459
Markets	0.344	0.135	(0.209)	1.443	1.605	0.162
Royal Centre	11.467	11.477	0.010	14.262	12.472	(1.790)
Translation and Interpretation	0.594	0.498	(0.096)	0.337	0.340	0.003
Highways and Sewer Work	10.425	10.338	(0.087)	6.755	6.125	(0.630)
Garage Revenue	2.536	2.685	0.149	2.599	3.388	0.789
Education Catering	8.325	8.299	(0.026)	8.027	7.725	(0.302)
NET (SURPLUS)/DEFICIT ON TRADING OPERATIONS	**53.706**	**46.913**	**(6.793)**	**52.750**	**50.637**	**(2.113)**

Trading operations (surpluses)/deficits are incorporated into the Comprehensive Income and Expenditure Statement, under Financing and Investment Income – other investment income.

6.5.2 Agency Services

The Council does not provide any major agency services.

6.5.3 Pooled Budgets

Section 31 of the 1999 Act and the 2002 Act enable the establishment of joint working arrangements between NHS bodies and local authorities. Pooled funds enable bodies to work collaboratively to address specific local health issues. A key feature of the pool is that the use of resources contributed to the pool should be dictated by the need of clients who meet the criteria established for the pool, rather than the respective contributions by the partners. Pooled funds are not legal entities. The partners in the pool will nominate one partner to be the host to the pool. That host has responsibility for the administration of the pool and is required to produce a memorandum account of the financial activity of the pool.

Integrated Community Equipment Services (ICES)

A partnership exists to provide health and social care equipment for children and adults, who require assistance to perform essential activities in their daily living.

Host organisation – Nottingham City Council

The new combined ICES contract commenced on 1 April 2011 and the County Council is the Host Authority from that date. The table below sets out the remaining activities on the ICES account where Nottingham City Council was the Host Authority:

TABLE 6.5.3(a): INTEGRATED COMMUNITY EQUIPMENT SERVICES (ICES)		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Surplus Brought Forward	**0.533**	**0.429**
Funding provided to the pooled budget:		
Nottingham City Council	1.194	0.003
Other Partners	3.245	0.003
Other	0.038	0.394
Total Funding	**4.477**	**0.400**
Expenditure met from the pooled budget	(4.581)	(0.014)
NET SURPLUS	**0.429**	**0.815**

The Council's share of the net surplus for the year is £0.075m.

Host Organisation – Nottinghamshire County Council

The new combined ICES contract is for a period of 3 years with options to extend for up to a further 2 years. The County Council is the Host Authority for the pooled budget and has responsibility for its financial management. The details are set out below:

The Partners:
- Nottinghamshire County Council (Host)
- Nottingham City Council
- Nottinghamshire County PCT
- Nottingham City PCT
- Bassetlaw PCT

TABLE 6.5.3(b): INTEGRATED COMMUNITY EQUIPMENT SERVICES (ICES) HOST ORGANISATION Nottinghamshire County Council		
DESCRIPTION		**Combined 2011/12 £m**
Surplus Brought Forward		**-**
Funding provided to the pooled budget:		
Nottingham City Council		0.926
Other Partners		4.478
Other		0.017
Total Funding		**5.421**
Expenditure met from the pooled budget		5.799
NET EXPENDITURE		**(0.378)**

The new arrangement includes a target of 4% savings over the previous two separate contracts. As a result of the combined contract, efficiencies were achieved and Nottinghamshire County Council (Adults and Children's) expenditure for the separate North and South contracts in 2010/11 was £1.9m, compared to combined contract in 2011/12 of £1.600m (saving £0.300m).

Although in 2011/12 the Pooled budget as a whole was overspent against the agreed contract price by £400k there has still been a saving of £1.000m against the agreed expenditure in 2010/11. A review of the activity levels and funding arrangements is currently being undertaken to address this. Arrangements for sharing the net expenditure is still to be agreed with Nottinghamshire County Council, however it is currently estimated that the City Council's share of the deficit will be £0.044m.

Nottingham City Adult Safeguarding Partnership Board

Host organisation – Nottingham City Council

A partnership exists to provide a safeguarding service for adults:

- Nottingham City Council
- Nottinghamshire Probation Service
- NHS Nottingham City
- Nottingham Healthcare Trust

TABLE 6.5.3(c): ADULT SAFEGUARDING PARTNERSHIP BOARD		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Funding provided to the pooled budget:		
Nottingham City Council	0.068	0.316
Other Partners	0.078	0.276
Total Funding	**0.146**	**0.592**
Expenditure met from the pooled budget	(0.073)	(0.438)
NET SURPLUS	**0.073**	**0.154**

The Council's share of the net surplus for the year is £0.086m.

St Ann's Valley Centre (Previously known as St. Ann's Joint Service Centre)

Host organisation – Nottingham City Council

The partnership was established by an agreement dated 17th February 2011 under section 75 of the National Health Service Act 2006 between the following partners:

- Nottingham City Council
- Nottingham City PCT

The partnership is established to provide a new Joint Service Centre in St Ann's which will provide PCT services, including GP Practices and other Clinics, and City Council services including a Library Service and Family Community Teams. The facility will also provide shared flexible office accommodation to be occupied by the PCT, City Council, and Nottingham City Homes.

After construction was completed in March 2012, occupation of the facility took place in April 2012. It is expected that the pooled budget partnership arrangement will continue to operate the centre and facilitate joint working between the Partners.

Funding by the respective partners and overall expenditure is as set out in the following table:

TABLE 6.5.3(d): ST ANN'S VALLEY CENTRE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Surplus Brought Forward	**1.152**	**4.370**
Funding provided to the pooled budget:		
Nottingham City Council	2.700	-
Other Partners	6.000	4.633
Other	0.073	0.012
Total Funding	**8.773**	**4.645**
Expenditure met from the pooled budget	(5.555)	(8.442)
NET SURPLUS	**4.370**	**0.573**

The Council's share of the net surplus for the year is £0.181m.

6.5.4 Councillors Allowances

The Council paid the following amounts to Councillors during the year:

TABLE 6.5.4: COUNCILLORS ALLOWANCES		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Allowances	1.068	1.032
Expenses	0.005	0.002
TOTAL	**1.073**	**1.034**

6.5.5 Officers Remuneration

The remuneration paid to the Council's senior employees is as follows:

TABLE 6.5.5(a): SENIOR EMPLOYEES		
POST HOLDER	**2010/11 £**	**2011/12 £**
Chief Executive - Jane Todd		
- Salary, Fees & Allowances	165,000	165,000
- Expense Allowances	219	0
- Pension Contributions	28,710	29,700
	193,929	**194,700**
Deputy Chief Executive and Corporate Director Resources		
- Salary, Fees & Allowances	141,879	142,428
- Expense Allowances	25	170
- Pension Contributions	25,170	26,038
	167,074	**168,636**
Corporate Director - Childrens Services		
- Salary, Fees & Allowances	144,653	144,653
- Expense Allowances	146	509
- Pension Contributions	25,170	26,038
	169,969	**171,200**
Corporate Director - Communities *		
- Salary, Fees & Allowances	84,380	111,478
- Pension Contributions	14,682	0
	99,062	**111,478**
Corporate Director - Development **		
- Salary, Fees & Allowances	0	106,935
- Expense Allowances	0	3,843
- Pension Contributions	0	19,248
	0	**130,026**
Director - One Nottingham		
- Salary, Fees & Allowances	67,622	61,253
- Expense Allowances	0	245
- Pension Contributions	10,826	10,810
	78,448	**72,308**
Director - Corporate Partnerships ***		
- Salary, Fees & Allowances	88,236	85,152
- Expense Allowances	136	167
- Pension Contributions	15,353	15,328
	103,725	**100,647**
Director - Communications & Marketing ****		
- Salary, Fees & Allowances	75,079	24,588
- Expense Allowances	379	85
- Compensation for loss of employment	0	23,641
- Pension Contributions	14,131	4,427
	89,589	**52,741**

* Corporate Director - Communities - Date of Commencement May 2011

** Corporate Director - Development - Date of Commencement May 2011.

*** Director - Corporate Partnership - Left the Council March 2012.

**** Director - Communications and Marketing - Post holder was made redundant and post closed 31/01/2012.

A total of 220 employees (including senior employees) received remuneration of more than £0.050m, of these 117 are employed directly by schools. However, the figures do not include staff employed by academy schools, who are not Council employees:

TABLE 6.5.5(b): EMPLOYEE REMUNERATION

Remuneration Banding	Number of Employees					
	2010/11			2011/12		
£	School Based Staff	Senior Employees	Other Staff	School Based Staff	Senior Employees	Other Staff
50,000 - 54,999	70	-	62	42	-	34
55,000 - 59,999	36	-	28	30	-	19
60,000 - 64,999	21	-	16	20	1	17
65,000 -69,999	17	1	8	13	-	2
70,000 - 74,999	4	-	1	3	-	5
75,000 - 79,999	2	1	2	3	-	4
80,000 - 84,999	3	1	6	2	-	4
85,000 - 89,999	4	1	6	1	1	9
90,000 - 94,999	2	-	2	-	-	-
95,000 - 99,999	-	-	-	3	-	-
100,000 - 104,999	1	-	1	-	-	1
105,000 - 109,999	-	-	-	-	-	-
110,000 - 114,999	-	-	-	-	2	-
115,000 - 119,999	-	-	-	-	-	1
120,000 - 124,999	-	-	-	-	-	-
125,000 - 129,999	-	-	-	-	-	-
130,000 - 134,999	-	-	-	-	-	-
135,000 - 139,999	-	-	-	-	-	-
140,000 - 144,999	-	2	-	-	1	-
145,000 - 149,999	-	-	1	-	1	-
150,000 - 154,999	-	-	-	-	-	-
155,000 - 159,999	-	-	-	-	-	-
160,000 - 164,999	-	-	-	-	-	-
165,000 - 169,999	-	1	-	-	1	-

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

TABLE 6.5.5(c): EXIT PACKAGES						
Type of Exit Package	2010/11			2011/12		
	Banding					
	Up to £20,000	£20,001 to £40,000	£40,001 to £150,0000	Up to £20,000	£20,001 to £40,000	£40,001 to £150,0000
Number of compulsory redundancies	50	12	6	88	26	2
Number of other departures agreed	101	39	16	178	82	34
Total number of departures	**151**	**51**	**22**	**266**	**108**	**36**
Total cost of exit packages in each band	£1,090,468	£1,367,239	£1,319,705	£2,205,129	£2,810,569	£2,005,988

6.5.6 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

TABLE 6.5.6: EXTERNAL AUDIT COSTS		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Fees payable to the Audit Commission for the certification of grant claims and returns	0.071	0.064
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	0.391	0.412
TOTAL	**0.462**	**0.476**

6.5.7 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily by grant monies provided by the Department of Education-Dedicated Schools Grant (DSG). DSG is ring fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2012. The Schools Budget includes elements for a range of educational services provided on a council-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2011/12 are as follows:

TABLE 6.5.7: DEDICATED SCHOOLS GRANT (DSG)				
Notes	**DESCRIPTION**	**Central Expenditure £m**	**ISB £m**	**Total £m**
A	Final DSG for 2011/12			**175.113**
B	Plus Brought forward from 2010/11			**13.472**
C	Less Carry forward to 2012/13 agreed in advance			**5.108**
D	Agreed initial budgeted distribution in 2011/12	37.165	152.607	**189.772**
E	In year Adjustments	(3.448)	(0.195)	**(3.643)**
F	Final Distribution for 2011/12	33.717	152.412	**186.128**
G	Less Actual central expenditure	28.304		
H	Less ISB deployed to schools		152.412	
I	Plus Local Authority contribution 2011/12	-	-	-
J	**CARRY FORWARD TO 2012/13**	**5.413**	**-**	**7.869**

Notes to Dedicated Schools Grant (DSG)

A DSG figure as issued by the Department in March 2012.

B Figure brought forward from 2010/11 as agreed with the Department.

C The amount which the Council planned after consultation with the schools forum to carry forward to 2012/13, rather than distribute in 2011/12. Actual deployment of the DSG carry forward varied in-year compared to the initial budget.

D Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum. (Note: A+B less C does not equal D, due to the impact of in-year academy recoupment which is reflected in A).

E Changes to the initial distribution.

F Budgeted distribution of DSG as at the end of the financial year.

G Actual amount of central expenditure items in 2011/12 – amounts not actually spent, e.g. money that is moved into earmarked reserves, should be included in ‘Central Expenditure – Carry Forward to 2012/13’.

H Amount of ISB actually distributed to schools (ISB is regarded for DSG purposes as spent by the Council once it is deployed to schools’ budget shares).

I Any contribution from the Council in 2011/12 which will have the effect of substituting for DSG in funding the Schools Budget.

J Carry forward to 2012/13. This is the final DSG for 2011/12 plus the amount brought forward from 2010/11 less actual 2011/12 central expenditure and ISB deployed (A+B-G-H).

6.5.8 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

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 (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Table 6.5.1. Grant receipts outstanding at 31 March 2012 are shown in Table 6.2.8.

Councillors

Councillors of the Council have direct control over the financial and operating policies. The total of Councillors' allowances paid in 2011/12 is shown in the Councillors' allowances note.

During 2011/12 payments, receipts and balances outstanding for works and services to companies (including subsidiaries and associated companies) in which Councillors had an interest were as follows:

TABLE 6.5.8(a): RELATED PARTIES

	2010/11 £m	2011/12 £m
Payments	106.621	76.946
Receivables	(8.447)	(11.560)
Debtors	1.761	4.811
Creditors	(0.006)	(0.058)

Details of all these transactions are recorded in the Register of Members' Interest, open to public inspection during office hours.

Other Public Bodies

The Council has pooled budget arrangements with Integrated Community Equipment Services (ICES), the Adult Safeguarding Partnership Board and the St Ann's Valley Centre. Transactions and balances outstanding are detailed in the pooled budget note.

The Council paid £0.077m in 2011/12 (£0.078m 2010/11) to the Environment Agency for flood defence.

Entities Controlled or Significantly Influenced by the Council

The following are significant related-party transactions with the Council's subsidiary and associated companies. These companies are included in the Group Accounts. Further information on all companies, associated with the Council, can be found within the Group Accounts section.

TABLE 6.5.8(b): RELATED PARTIES WITH SUBSIDIARIES AND ASSOCIATED COMPANIES

DESCRIPTION	2010/11 Payments £m	2010/11 Receipts £m	2011/12 Payments £m	2011/12 Receipts £m
Nottingham City Transport				
Concessionary Fares	6.145	-	6.330	-
Season ticket passes provided to the City Council	0.062	-	0.118	-
Revenue from various routes on tender let by NCC	0.782	-	0.979	-
Skylink Service and Link 1 & 2 Park and Ride Services.	0.589	-	0.616	-
Scholars	0.141	-	0.007	-
Non-Domestic Business Rates	-	(0.188)	-	(0.188)
Interest on Loan/Rent	-	(0.011)	-	(0.011)
Nottingham City Homes (NCH) Ltd				
Management and repair of homes	63.565	-	58.551	-
General services provided to NCH Ltd	-	(5.341)	-	(5.358)
Nottingham Ice Centre Ltd				
Rent	-	(0.100)	-	(0.100)
Other Expenses	-	(0.209)	-	(0.272)
Asset purchases for the company	-	(0.317)	-	(0.233)
Sales	0.052	-	0.046	-
Revenue Grant	0.161	-	0.101	-
Enviroenergy Ltd				
Purchase of steam from NCC	-	(1.806)	-	(1.889)
Supply of Energy	0.537	-	0.456	-
Other operating costs including rent, rates and motor repair costs	-	(0.294)		(0.349)
Interest on Prudential borrowing/Rent	-	(0.132)	-	(0.123)
Guideline Careers Services Ltd				
Sales	0.013	-	0.012	-
Purchases	-	(0.001)	-	-
Nottingham and Nottinghamshire Futures Ltd				
Sales	4.624	-	2.696	-
Purchases	-	(0.163)	-	(0.018)
Highfields Trust				
Revenue Grant	0.109	-	0.116	-
Grounds maintenance charges	-	(0.193)	-	(0.198)
Harvey Hadden Trust				
Revenue Grant	0.128	-	0.124	-
Grounds maintenance charges	-	(0.138)	-	(0.110)
Bridge Estate				
Balance transferred to General Fund	-	(1.238)	-	(1.275)
Property Leases	0.409	-	0.341	-
Interest	0.025	-	0.024	-
Management and Administration	-	(0.093)	-	(0.068)
Refuse collection and contract cleaning	-	(0.006)	-	(0.011)
Arrow Light Rail Ltd				
Availability Payments	17.693	-	15.944	-
Other expenses	0.562	-	1.210	-
Performance Penalties	-	(0.022)	-	(0.041)

TABLE 6.5.8(b) (Continued): RELATED PARTIES WITH SUBSIDIARIES AND ASSOCIATED COMPANIES				
DESCRIPTION	**2010/11**		**2011/12**	
	Debtors £m	**Creditors £m**	**Debtors £m**	**Creditors £m**
Nottingham City Transport	0.028	(0.553)	0.118	(0.060)
Nottingham City Homes (NCH) Ltd	6.268	(9.319)	4.857	(5.051)
Nottingham Ice Centre Ltd	0.241	(0.384)	0.231	(0.387)
Enviroenergy Ltd	4.389	(0.110)	5.055	(0.052)
Guideline Careers Services Ltd	-	(0.005)	-	-
Nottingham and Nottinghamshire Futures Ltd	-	(0.078)	-	(0.005)
Highfields Trust	-	-	-	-
Harvey Hadden Trust	-	-	-	-
Bridge Estate	-	(2.164)	-	(2.158)
Arrow Light Rail Ltd	-	-	0.156	-

6.5.9 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR). CFR is, therefore, a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

TABLE 6.5.9(a): CAPITAL FINANCING AND EXPENDITURE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Opening Capital Financing Requirement	**734.506**	**793.088**
Capital Investment		
Property, Plant and Equipment	170.266	155.826
Investment Properties	0.012	0.001
Intangible Assets	0.732	44.770
Revenue Expenditure Funded from Capital under Statute	6.631	9.405
Equal Pay - Capitalisation Direction	10.513	-
Long Term Debtors	0.658	31.433
Short Term Investments	-	164.099
Assets acquired under PFI Contracts and Finance Leases		
Assets acquired under finance leases	(0.111)	(0.027)
Assets acquired under PFI/PPP contracts	8.068	(116.270)
Sources of Finance		
Capital receipts	(10.924)	(5.370)
Government grants and other contributions	(100.530)	(81.716)
Sums set aside from revenue	(7.517)	(8.293)
Direct revenue contributions	(0.744)	(5.643)
Statutory Minimum Revenue Provision	(8.378)	(8.338)
Voluntary Revenue Provision	(5.387)	(8.471)
Voluntarily Set Aside Capital Receipts	(3.236)	(5.753)
Debt Redemption - HRA Subsidy Changes	-	(65.988)
Local Government Reorganisation 1998 Capitalised Costs repaid	(0.112)	-
Other Items	(1.359)	0.237
CLOSING CAPITAL FINANCING REQUIREMENT	**793.088**	**892.990**
MOVEMENT IN THE YEAR	**58.582**	**99.902**

TABLE 6.5.9(b): CAPITAL FINANCING AND EXPENDITURE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Explanation of Movements in Year		
Increase in underlying need to borrowing (supported by government financial assistance)	44.862	20.558
Increase in underlying need to borrowing (unsupported by government financial assistance)	24.235	283.954
Statutory Minimum Revenue Provision	(8.378)	(8.338)
Voluntary Revenue Provision	(5.387)	(8.471)
Voluntarily Set Aside Capital Receipts	(3.236)	(5.753)
Local Govt Reorganisation 1998 Capitlaised Costs repaid	(0.112)	-
PWLB Debt Extinguished - HRA Subsidy system change	-	(65.988)
Assets acquired under finance leases	(0.126)	(0.027)
Transferred to Short Term Lease Liability	0.015	-
Assets acquired under PFI/PPP contracts	5.413	(116.695)
Transferred to short Term PFI Liability	2.013	0.425
Other Items	(0.717)	0.237
INCREASE/(DECREASE) IN CAPITAL FINANCING REQUIREMENT	**58.582**	**99.902**

6.5.10 Leases

Council as Lessee

Finance Leases

The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

TABLE 6.5.10(a): FINANCE LEASES		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Other Land and Buildings	35.345	32.830
Vehicles, Plant, Furniture and Equipment	0.038	0.022
TOTAL	**35.383**	**32.852**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Council and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

TABLE 6.5.10(b): MINIMUM LEASE PAYMENTS		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Finance lease liabilities (net present value of minimum lease payments)		
current	0.027	0.021
non-current	2.235	2.214
Finance costs payable in future years	12.140	11.927
MINIMUM LEASE PAYMENTS	**14.402**	**14.162**

The minimum lease payments will be payable over the following periods:

TABLE 6.5.10(c): LEASES				
DESCRIPTION	**Minimum Lease Payments**		**Finance Lease Liabilities**	
	31 March 2011 £m	**31 March 2012 £m**	**31 March 2011 £m**	**31 March 2012 £m**
Not later than one year	0.240	0.231	0.027	0.021
Later than one year and not later than five years	0.862	0.839	0.030	0.010
Later than five years	13.300	13.092	2.205	2.204
TOTAL	**14.402**	**14.162**	**2.262**	**2.235**

Contingent rents are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no such contingent rents payable by the Council in 2011/12 (or 2010/11), in addition to the minimum lease payments shown above.

The Council has not sub-let any of the properties held under these finance leases.

The Council has committed to a number of long term property leases, this is evidenced with the high value of Minimum Lease Payments which have been committed to be paid later than five years.

The finance costs which the Council has committed to is significant when compared to the lease liabilities, because the property leases are for a period of 99 years or more and the majority of payments made are for the interest element.

Operating Leases

The future minimum lease payments due under non-cancellable leases in future years are:

TABLE 6.5.10(d): OPERATING LEASES		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Not later than one year	1.144	0.606
Later than one year and not later than five years	2.215	2.439
Later than five years	1.721	2.556
TOTAL	**5.080**	**5.601**

The expenditure charged to the Cultural, Environmental, Regulatory and Planning Services line in the Comprehensive Income and Expenditure Statement during the year in relation to these leases was:

TABLE 6.5.10(e): OPERATING LEASES		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Minimum lease payments	5.080	5.601
Contingent rents	0.348	0.045
TOTAL	**5.428**	**5.646**

Council as Lessor

Finance Leases

The Council has a gross investment in the lease. This is made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise the settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the Council in future years. The gross investment is made up of the following amounts for all finance leases:

TABLE 6.5.10(f): FINANCE LEASES		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Finance lease debtor (net present value of minimum lease payments):		
current	-	-
non-current	1.022	1.022
Unearned finance income	59.604	59.537
Unguaranteed residual value of property	8.918	8.734
GROSS INVESTMENT IN THE LEASE	**69.544**	**69.293**

The gross investment in the lease and the minimum lease payments which will be received over the following periods are:

TABLE 6.5.10(g): FINANCE LEASES				
DESCRIPTION	**Gross Investment in the Lease**		**Minimum Lease Payments**	
	31 March 2011 £m	**31 March 2012 £m**	**31 March 2011 £m**	**31 March 2012 £m**
Not later than one year	0.067	0.067	0.067	0.067
Later than one year and not later than five years	0.266	0.266	0.266	0.266
Later than five years	69.211	68.960	60.293	60.226
TOTAL	**69.544**	**69.293**	**60.626**	**60.559**

The Council has not set aside an allowance for uncollectible amounts on the above finance leases.

Contingent rents are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. There were no such contingent rents payable to the Council in 2011/12 (or 2010/11) in addition to the minimum lease payments shown above.

The Council has committed to leasing out a number of assets on long term leases. This is evidenced with the high value of Minimum Lease Payments which will be received in the period later than five years.

The unearned finance income which the Council will receive is significant when compared to the lease debtors. This is because a number of assets are being leased for a period of 999 years which means the majority of current payments are for the interest element of the debtor.

Operating Leases

The Council leases out property and equipment under operating leases for the following purposes:

- for the provision of community services, such as sports facilities, tourism services and community centres
- for economic development purposes to provide suitable affordable accommodation for local businesses.

The future minimum lease payments receivable under non-cancellable leases in future years are:

TABLE 6.5.10(h): OPERATING LEASE		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Not later than one year	4.944	4.253
Later than one year and not later than five years	15.529	13.442
Later than five years	115.490	109.961
TOTAL	**135.963**	**127.656**

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2011/12 £1.019m contingent rents were receivable by the Authority (2010/11 £0.847m).

6.5.11 Private Finance Initiatives and Similar Contracts

NET

The Council reached financial close on NET Phase Two in December 2011, when the Council terminated the NET Line One contract. This termination required the Council to make a payment to the existing concessionaire to primarily repay the bank debt which is a standard requirement of all PFI contracts.

The assets held under NET Line One remain on the Council's balance sheet.

NET Phase Two is currently under construction to incorporate two new tram lines. It is anticipated that the two additional lines will become operational during winter 2014. Due to the scheme not becoming operational until financial year 2014/15 all payments made to the concessionaire consist of a service payment element only, as the finance lease liability is not created until the scheme is operational. The remaining payments as at 31 March 2012 total £807.682m.

The Concession Agreement runs from 15 December 2011 to 20 March 2034 (a contract period of 22 years, 3 months, 5 days). Upon expiry of the contract term, the infrastructure will be passed back to the City Council (or continuing concessionaire) in accordance with the 'Handback Standard' as set out in the Project Agreement, i.e. of no lower standard than that envisaged by the Concessionaire's proposals.

Applying the tests of control under IFRIC 12, the asset has been recognised on the Council's Balance Sheet as a finance lease.

Building Schools for the Future

The Council received handover of two PFI schools, Big Wood Phase 1 and Oak Field in 2009/10, and Big Wood Phase 2 in 2010/11. The remaining payments due at 31 March 2012 total £106.226m (£129m at 31 March 2011), excluding contingent rentals arising from inflation estimates, payable over the next 23 years. This amount will be reduced if the schools are not maintained to agreed standards. The contract will end in 2034.

Applying the tests of control under IFRIC 12, the PFI assets have been recognised on the Council's Balance Sheet.

A further PFI school is intended to be added to this programme in the future.

Local Improvement Finance Trust (LIFT) Joint Service Centres

Prior to 2011/12 the Council had completed the procurement of two new Joint Service Centres at Clifton and Hyson Green using the LIFT vehicle in partnership with NHS Nottingham City. During financial year 2011/12 a third LIFT Joint Service Centre located in Bulwell became operational**.**

Under these arrangements, which are supported by a PFI Credit issued by the Department of Communities and Local Government (DCLG), the Council enters into a Lease Plus agreement with the LIFT Company for a 25-year period.

Applying the tests of control under IFRIC 12 each centres results are as follows:

- *Mary Potter Centre, the Council's share of the occupation of the Mary Potter Centre in Hyson Green has been recognised as an asset on the Council's Balance Sheet.*
- *Clifton Cornerstone, however, has not been classified as an asset since the tests of control under IFRIC 12 and IFRIC 4 in respect of the lease have not been fulfilled and it has therefore been classified as an operating lease.*

- *Bulwell Joint Service Centre, the Council's share of the occupation of the Bulwell Centre has been recognised as an asset on the Council's Balance Sheet.*

The total remaining payments for the LIFT Schemes including Bulwell Joint Service Centre due at the 31 March 2012 total £48.174m (£18.681m at 31 March 2011).

Street Lighting Contract

The Street Lighting PFI contract reached financial close in May 2010. The 25-year contract became operational in September 2010 and is supported by a PFI Credit from central government in respect of the capital elements of the contract.

The first five years of the contract provide for the replacement of outdated lighting columns, together with modifications to other columns that have an acceptable residual life. The contract also allows for adjustments in respect of additional columns resulting from new developments or reductions, if areas are decommissioned. This is followed by operation and maintenance of the street lighting network. The PFI Service Provider will be paid a monthly Unitary Charge which is subject to deduction for failures to meet the project's performance standards. The remaining payments due at 31 March 2012 total £148.559m, excluding contingent rentals arising from inflation estimates above a working assumption of 2.5% per annum, payable over the next 23 years.

Applying the tests of control under IFRIC 12, the assets under the contract have been recognised on the Council's Balance Sheet.

Payments

The Council makes an agreed payment each year which is increased by inflation and can be reduced if the contractor fails to meet availability and performance standards in any year but which is otherwise fixed. Payments remaining to be made under the PFI contracts at 31 March 2012 (excluding any estimation of inflation and availability / performance deductions) are as follows:

TABLE 6.5.11(a): REMAINING PFI CONTRACT PAYMENTS AT 31 MARCH 2012				
DESCRIPTION	Payment for Services & Lifecycle Costs £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
Payable in 2012/13				
NET	13.224	-	-	13.224
BSF	1.307	0.641	2.790	4.738
LIFT	0.436	0.352	1.278	2.066
Street Lighting	1.849	1.236	1.325	4.410
Payable within 2-5 Years				
NET	62.941	106.384	39.129	208.454
BSF	5.323	3.032	10.600	18.955
LIFT	1.855	1.585	4.820	8.260
Street Lighting	7.087	2.626	14.263	23.976
Payable within 6-10 Years				
NET	89.387	19.538	69.416	178.341
BSF	6.997	5.041	11.654	23.692
LIFT	2.618	2.427	5.280	10.325
Street Lighting	7.646	5.067	19.911	32.624
Payable within 11-15 Years				
NET	102.886	20.180	47.979	171.045
BSF	6.743	7.981	8.969	23.693
LIFT	2.979	3.156	4.190	10.325
Street Lighting	7.638	9.033	15.953	32.624
Payable Within 16-20 Years				
NET	120.492	22.548	25.566	168.606
BSF	7.977	10.482	5.233	23.692
LIFT	3.512	4.021	2.791	10.324
Street Lighting	11.922	11.214	9.489	32.625
Payable within 21-25 Years				
NET	55.974	9.699	2.339	68.012
BSF	3.566	7.137	0.753	11.456
LIFT	2.060	3.789	1.025	6.874
Street Lighting	8.192	11.368	2.740	22.300
TOTAL				
NET	444.904	178.349	184.429	807.682
BSF	31.913	34.314	39.999	106.226
LIFT	13.460	15.330	19.384	48.174
Street Lighting	44.334	40.544	63.681	148.559
TOTAL	**534.611**	**268.537**	**307.493**	**1,110.641**

NB The above excludes Clifton Cornerstone LIFT JSC which is classified as an operating lease.

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and the interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to pay the amount due to the contractor for capital expenditure incurred is as follows:

TABLE 6.5.11(b):OUTSTANDING PFI LIABILITIES FOR CAPITAL EXPENDITURE

DESCRIPTION	2010/11 £m	2011/12 £m
Balance Outstanding at start of Year		
NET	(130.586)	(130.446)
BSF	(29.151)	(34.944)
LIFT	(6.368)	(6.078)
Street Lighting	-	(1.922)
Payments during the Year		
NET	0.140	130.446
BSF	0.456	0.627
LIFT	0.067	2.889
Street Lighting	0.855	1.438
Capital Expenditure incurred in the Year		
NET	-	-
BSF	(6.249)	-
LIFT	-	(12.142)
Street Lighting	(2.777)	(6.988)
Other Movements		
NET	-	-
BSF	-	-
LIFT	0.223	-
Street Lighting	-	-
Balance Outstanding at Year End		
NET	(130.446)	-
BSF	(34.944)	(34.317)
LIFT	(6.078)	(15.331)
Street Lighting	(1.922)	(7.472)
OVERALL BALANCE OUTSTANDING AT YEAR END	**(173.390)**	**(57.120)**

6.5.12 Trust Funds

The Council acts as a sole trustee for the following trust funds. The funds do not represent assets of the Council and therefore have not been include in the Balance Sheet.

TABLE 6.5.12(a): TRUST FUNDS

DESCRIPTION	2011/12 Income £m	Expenditure £m	Net Expenditure £m	Assets £m	Liabilities £m
Bridge Estate	(1.663)	1.663	-	28.461	(0.305)
Harvey Hadden Stadium	(0.152)	0.152	-	0.006	(0.006)
Highfields Leisure Park Trust	(0.241)	0.241	-	0.889	-
Hanley and Gellestrope	(0.025)	0.021	(0.004)	0.758	(0.018)
The Nottingham Aged Persons Trust	-	-	-	0.011	-
George Pendry's Fund for the Elderly in Nottingham	-	-	-	0.016	-
Nottingham Derby Road British School Exhibition Fund	(0.056)	0.006	(0.050)	0.050	-
Year Ended 31 December 2011					
The Abbott-Brown Fund	-	-	-	0.005	-
The Church and Poor's Charity (known as the Assarts Charity)	(0.004)	0.004	-	-	-
TOTAL	**(2.141)**	**2.087**	**(0.054)**	**30.196**	**(0.329)**

TABLE 6.5.12(b): TRUST FUNDS

DESCRIPTION	2010/11 Income £m	Expenditure £m	Net Expenditure £m	Assets £m	Liabilities £m
Bridge Estate	(1.714)	1.714	-	30.172	(0.319)
Harvey Hadden Stadium	(0.151)	0.151	-	0.004	(0.004)
Highfields Leisure Park Trust	(0.222)	0.222	-	0.889	-
Hanley and Gellestrope	(0.020)	0.020	-	0.763	(0.033)
The Nottingham Aged Persons Trust	-	-	-	0.011	-
George Pendry's Fund for the Elderly in Nottingham	-	-	-	0.016	-
Nottingham Derby Road British School Exhibition Fund	(0.010)	0.011	0.001	0.050	-
Education 21 Minor Trusts	-	-	-	0.049	-
Year Ended 31 December 2010					
The Abbott-Brown Fund	-	-	-	0.005	-
The Church and Poor's Charity (known as the Assarts Charity)	(0.004)	0.004	-	-	-
TOTAL	**(2.121)**	**2.122**	**0.001**	**31.959**	**(0.356)**

Nature of Trust Funds

Bridge Estate
To provide for the efficient maintenance and repair of Trent Bridge and the approaches to it; to provide a contingency fund for the possible construction of a new bridge or bridges over the River Trent as may be found necessary or desirable; to apply the residue of any income as the Trustees think best for the improvement of the City of Nottingham and the public benefit of its inhabitants.

Harvey Hadden Stadium Trust
To ensure the provision of public recreation, for the people of the City of Nottingham.

Highfields Leisure Park Trust
The provision of public recreation and pleasure grounds for the people of the City of Nottingham.

Hanley and Gellestrope
To provide almshouse accommodation to poor persons of good character by letting of its nine properties.

The Nottingham Aged Persons Trust
Maintenance and repair of almshouses for the relief of poor persons in the City of Nottingham.

George Pendry's Fund for the elderly in Nottingham
Relieving either generally or individually widows and spinsters of at least 60 years of age who are resident in the city of Nottingham and who are in conditions of need, hardship and distress.

The Abbott-Brown Fund
To enable a doctor practicing at a Ljubljana Hospital to visit the United Kingdom for the purpose of studying medicine and medical treatment and to provide such doctor with funds for the cost of his maintenance, travelling expenses and any other fees or expenses incidental to such a visit.

The Church and Poor's Charity (known as Assarts Charity)
Maintenance and repair of fabric of the parish church of Sneinton. Benefit the poor of Sneinton.

Nottingham Derby Road British School Exhibition Fund
The charity gives financial assistance to children and young people resident in the City of Nottingham, under the age of 21 years, for the promotion of their education, including their social and physical training and development. The increase in income in 2011/12 represents the transfer of monies (£0.049m) from the Education 21 Minor Trusts.

Education 21 Minor Trusts
The charities give financial assistance to children and young people resident in the City of Nottingham. From 1 April 2011 these balances have been moved to the Nottingham Derby Road British School Exhibition Fund.

6.5.13 Contingent Assets and Liabilities

Contingent Liabilities

At 31 March 2012, the Council has the following material contingent liabilities:

Employment Tribunal Cases

There are a number of Employment Tribunal and Equal Pay claims/cases outstanding together with the potential costs arising from the cases. Due to the stage that the Employment Tribunal cases are at, it is very difficult to make an accurate cost analysis. However, in respect of equal pay claims, some analysis has been carried out and a broad estimate of the claims lodged is estimated at between £5m and £6m.

Municipal Mutual Insurance (MMI)

A number of outstanding liabilities and IBNR (incurred but not reported) claims currently sit with MMI. The company is in run off and the runoff projection as at the 30 June 2011 did not show a break-even point. If the company becomes formally insolvent, the Council, as a member of MMI, will be called upon to contribute to claims if the financial results warrants. The recovery of past claims paid is achieved by a payment by the council of a percentage levy of claims paid, in excess of the first £50k. Future claim payments would be reduced by an equivalent percentage. As at June 2011 the Directors are of the view that the percentage levy, in current circumstances, would be modest. As at September 2011 the claims paid totalled £2.100m.

Insurance Claims

This relates to claims that pre date the coverage provided by the provision. There are some claims that will be submitted dating back to the 1950/1960's and will be high value complex claims where insurers cannot be traced. These claims are rare but should no insurer be traced or an insurer refuses an indemnity the costs would have to be met from the provision. The council has one reported case where the potential uninsured liability is estimated at £0.8m. A contingent liability therefore exists to the extent that existing provisions could be insufficient to meet the potential liabilities.

Eastcroft Incinerator

The City Council is contractually obliged to purchase all steam produced as a by-product of waste treatment at Eastcroft Incinerator from Waste Notts (Reclamation) Ltd (WNR). This is then sold on to EnviroEnergy a company wholly owned by NCC. WNR have presented the City council with a bill for £1.4 million resulting from underestimating steam charges for the period 2002/03 to 2010/11. Nottingham City Council have written to WNR disputing the basis of their calculation and argue that some of these costs should be apportioned to waste treatment rather than steam production which will potentially result in a refund to the City Council. Discussions are currently ongoing between the 2 parties to determine a resolution to this issue.

NET – Chilwell Road Financial Assistance

In recognition of the potential for economic hardship on small and medium size businesses whilst NET Phase Two is under construction. The estimated financial effect of £1.250m is based on the assessment of the number and nature of businesses involved. Actual assistance provided will depend on magnitude of claims received during the 3-4 year construction period.

Workforce Reductions

As outlined in the 2012/13 Medium Term Financial Plan, the Council anticipates incurring one-off costs in respect of workforce reduction. The 2012/13 MTFP allows for £3.859m but the actual cost will depend on a number of factors such as the actual staff numbers and employment profile of the affected employees.

Contingent Assets

Nottingham City Transport Dividend

Nottingham City Transport are proposing to declare a dividend with regard to their 2011/12 accounts of £0.525m which is not recognised in the City Council's accounts for 2011/12. The City Council's share of the dividend is expected to be £0.500m. In previous years the dividend has been declared before the year end and was included in the City Council's accounts for that year.

6.5.14 Nature and Extent of Risks arising from Financial Instruments

The Council's activities potentially bring exposure to a variety of financial risks. The key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet commitments to make payments;
- Re-financing risk – the possibility that the Council might be required to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates or equity prices.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the *Local Government Act 2003* and the associated regulations. These require compliance with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

Overall, the procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years, limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures in the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These procedures are required to be reported and approved at the meeting of the Council which also sets the annual Budget and Council Tax. The procedures are included within an annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Councillors.

The Council maintains written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk, and the investment of surplus cash, through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are regularly reviewed.

Credit Risk

Credit risk arises from the Council's investments with banks and other financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the Annual Investment Strategy, which requires that investments are not made with financial institutions unless they meet identified minimum credit criteria. The Annual Investment Strategy also imposes a maximum sum to be invested with a financial institution located within each category.

The adopted credit criteria in respect of financial assets held by the Council in 2011/12 are:

1) Minimum credit ratings – a minimum credit rating from all three rating agencies of F1 (Fitch), A-1 (S&P) and P-1 (Moodys) for short-term ratings and A- (Fitch and S&P) and A3 (Moodys) for long-term ratings.
2) Individual cash limits – a limit of £20m per counterparty for eligible UK banks and £5m for eligible non-UK banks.
3) Group limits – where more than one bank on the counterparty list is included within a banking group (e.g. Bank of Scotland and Lloyds TSB Bank), individual limits will also apply to the group as a whole.
4) Country limits – other than UK institutions, a total investment limit for all counterparties in a particular country. No more than 10% of the investment portfolio, at the time of the deposit, will be placed with any one country.
5) Overall country limit – no more than 25% of the investment portfolio, at the time of the deposit, will be placed with non-UK banks in total.
6) Money Market Funds (MMFs) – individual cash limit of £10m with any one Fund and an overall limit of £80m for all MMFs.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £166.344m at 31 March 2012 (excluding deposits in Icelandic banks) cannot be assessed generally, as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of non-recoverability applies to all of the Council's deposits, but there was no evidence at the 31 March 2012 that this was likely to crystallise.

The following table summarises the value of the Council's investment portfolio at 31 March 2012 (excluding Icelandic bank deposits) and confirms that all investments were made in line with the approved credit rating criteria:

TABLE 6.5.14(a):CREDIT RATING CRITERIA			
	Criteria met?		Total
COUNTERPARTY	at time of investment (Yes /No)	at 31 March 2012 (Yes /No)	£m
UK banks	Yes	Yes	10.000
UK building societies	Yes	Yes	5.000
Call accounts	Yes	Yes	50.000
Money Market Funds	Yes	Yes	75.000
Government Debt Management Office	Yes	Yes	26.344
TOTAL			**166.344**

Provision for trade debtor default is provided for through impairment of the principal sum (a bad debt provision), based on local experience.

Liquidity Risk

The Council has ready access to borrowings from the Money Markets to cover day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures, as required by the Code of Practice.

Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. There is a risk relating to managing exposure to replacing financial instruments as they mature. This risk relates to the maturity of both longer term financial liabilities and longer term financial assets.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks, and the central treasury team addresses the operational risks within these approved parameters. Measures include:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- Monitoring the maturity profile of investments to ensure that sufficient liquidity is available for the Council’s day-to-day cash flow needs, and that the spread of longer term investments provides stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of the principal element of financial liabilities at 31 March 2012 is:

TABLE 6.5.14(b): FINANCIAL LIABILITIES		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Less than 1 year	62.966	118.196
1 to 2 years	39.544	32.380
2 to 5 years	32.432	32.499
5 to 10 years	83.993	122.063
10 – 25 years	102.194	229.532
25 – 40 years	36.025	83.837
40 – 70 years	199.450	133.908
Irredeemable	2.541	2.541
TOTAL	**559.145**	**754.956**

All trade and other creditors are payable in less than one year and are not shown in the above table.

The maturity analysis of the principal element of loans and receivables at 31 March 2012 is shown below. The Icelandic bank deposits have been expressed based on the current forecast of recovery percentages and dates.

TABLE 6.5.14(c): LOANS AND RECEIVABLES		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Less than 1 year	137.222	173.271
1 to 2 years	2.999	1.631
2 to 3 years	0.898	0.755
More than 3 years	7.124	4.857
TOTAL	**148.243**	**180.514**

Interest Rate Risk

The Council is exposed to risk in terms of exposure to interest rate movements on borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of Services will rise
- borrowings at fixed rates – the fair value of the borrowings will fall
- investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of Services will rise
- Investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus of Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the prudential indicators and expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. Market and forecast interest rates are monitored within the year, to adjust exposures appropriately.

The 2011/12 strategy allowed for a maximum of 50% of borrowings in variable rate loans. The risk of loss is ameliorated by the fact that a proportion of Government grant payable on financing costs will normally move with prevailing interest rates or the cost of borrowing and provide compensation for a proportion of any higher costs.

According to this assessment strategy, at 31 March 2012, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

TABLE 6.5.14(d): IMPACT OF 1% INCREASE IN INTEREST RATES	
DESCRIPTION	**£m**
Increase in interest payable on variable rate borrowings	(0.754)
Increase in interest receivable on variable rate investments	1.250
Impact on Surplus or Deficit on the Provision of Services	0.496
Share of overall impact debited to the HRA	0.336
IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE	0.832

The impact of a 1% fall in interest rates would be as above but with the movements being reversed.

Price Risk

The Council does not generally invest in equity shares but does have shareholdings to the value of £0.696m in a number of joint ventures and in local industry, at 31 March 2012. These holdings are generally illiquid and are shown in the balance sheet at cost. The equity holding in Nottingham City Transport Limited is excluded from the financial instruments disclosure notes because this interest is shown at cost within the Council's group accounts. The Council is exposed to losses arising from movements in the value of these holdings. As the holdings have arisen in the acquisition of specific interests, the Council is not in a position to limit its exposure to price movements by diversifying its portfolio. Instead, "open book" arrangements are maintained with the companies concerned to enable monitoring of the factors that might cause a fall in the value of specific holdings.

Foreign Exchange Risk

The Council currently has approximately ISK447m (Icelandic Krona) held in escrow in Iceland which had a sterling value of £2.2m, based on the official exchange rate at 31 March 2012 (see note 6.5.15). The Council is working with the Local Government Association, in conjunction with other affected authorities, to research ways of converting the ISK element of its Icelandic bank deposits into sterling.

6.5.15 Icelandic Bank Deposits

Early in October 2008 the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The Council had £41.600m deposited across 3 of these institutions, with varying maturity dates and interest rates as follows:

TABLE 6.5.15: ICELANDIC BANK DEPOSITS				
BANK	**Principal £m**	**From**	**To**	**Rate**
Glitnir	5.000	20/04/2007	20/04/2009	5.92%
Landsbanki	4.000	15/06/2007	15/06/2009	6.43%
Glitnir	6.000	30/11/2007	28/11/2008	5.98%
Heritable	3.300	18/03/2008	21/11/2008	5.93%
Landsbanki	3.500	14/05/2008	13/05/2009	6.05%
Heritable	5.500	14/05/2008	13/05/2009	6.05%
Heritable	4.000	18/07/2008	22/04/2009	6.24%
Heritable	2.800	22/07/2008	21/07/2009	6.37%
Landsbanki	6.000	19/09/2008	27/04/2009	6.21%
Landsbanki	1.500	19/09/2008	21/08/2009	6.35%
	41.600			

All monies within these institutions remain subject to the respective administration and receivership processes. The amounts and timing of payments to depositors such as the Council will be determined by the administrators / receivers.

The current situation with regards to recovery of the sums deposited varies between each institution. Based on the latest information available the Council considers that it is appropriate to consider an impairment adjustment for the deposits, and has taken the action outlined below.

As the available information is not definitive as to the amounts and timings of payments to be made by the administrators/receivers, it is likely that further adjustments will be made to the accounts in future years.

Heritable Bank

Heritable Bank is a UK registered bank under Scottish law. The company was placed in administration on 7 October 2008. The latest creditor progress report issued by the administrators Ernst & Young in February 2012 outlined that the return to creditors was projected to be between 86% and 90% by April 2012. To 31 March 2012, the Council has received dividend payments of £10.823m, constituting principal and interest, representing repayments of 68p in the £. Based on the latest advice, the Council has decided to recognise an impairment based on it recovering a total of 88p in the £. In calculating the impairment the Council has made assumptions re the timing of recoveries in line with the timetable suggested in the latest advice from CIPFA. The final payment is expected in April 2013.

Recoveries are expressed as a percentage of the Council's claim in the administration, which includes interest accrued up to 6 October 2008.

Landsbanki Islands hf

Landsbanki Islands hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Landsbanki) with the management of the affairs of Old Landsbanki being placed in the hands of a Winding Up Board. Old Landsbanki's affairs are being administered under Icelandic law.

The Winding Up Board accepted the Council's claims in respect of its deposits and deemed that they have priority creditor status under Icelandic law. This status was the subject of a legal challenge by other Landsbanki creditors in the Icelandic courts. In

April 2011, the Icelandic District Court found in favour of UK and other local authorities and affirmed the priority status of their deposits with Landsbanki. Following an appeal heard by the Icelandic Supreme Court in October 2011, this decision was upheld.

Subsequently the Winding Up Board made its first distribution to priority creditors, representing around 29% of the value of the total claims. A small percentage of this payment was made in Icelandic Krona, which are still the subject of control by the Central Bank of Iceland (CBI). As a consequence, this element has been lodged in an Icelandic interest-bearing escrow account, pending approved release by the CBI.

It is expected that further distributions will be received as the Landsbanki administration proceeds, and the Winding Up Board's latest estimate is that sufficient proceeds will eventually be realised to pay priority claims in full, although the final instalment is not expected until 2019.

Glitnir Bank hf

Glitnir Bank hf is an Icelandic entity. Following steps taken by the Icelandic Government in early October 2008, its domestic assets and liabilities were transferred to a new bank (new Glitnir) with the management of the affairs of Old Glitnir being placed in the hands of a resolution committee. Old Glitnir's affairs are being administered under Icelandic law.

The Winding Up Board accepted the Council's claims in respect of its deposits but did not recognise its priority creditor status under Icelandic law. This decision was the subject of a legal challenge by UK and other local authorities in the Icelandic courts. On 1 April 2011, the Icelandic District Court found in favour of UK and other local authorities, affording priority status to all local authority deposits with Glitnir. Following an appeal heard by the Icelandic Supreme Court in October 2011, this decision was upheld.

The Glitnir Winding Up Board has previously indicated that sufficient proceeds from the Glitnir Bank administration existed to repay all priority creditors in full, once the legal process had been completed. In March 2012, therefore, a distribution was made to the Council which represented the full value of the claim. Around 19% of this payment was made in Icelandic Krona, which are still the subject of control by the Central Bank of Iceland (CBI). As a consequence, this element has been lodged in an Icelandic interest-bearing escrow account, pending approved release by the CBI.

Impairment

Based on the assumed percentage recoveries above, the Council would have to write off £1.872m of the £41.600m originally invested with Icelandic banks. This sum would be a charge against the income and expenditure account.

In accordance with proper accounting practice, an impairment loss has been calculated by discounting the assumed cash flows at the effective interest rate of the original deposits, in order to recognise the anticipated loss of interest to the Council until monies are recovered. (This assumes that the investments would continue to earn interest at the rate agreed from maturity date to the actual repayment date).

A gross impairment provision of £7.150m was made in the 2010/11 Income and Expenditure Account. At 31 March 2012, as a consequence of the improved repayment forecasts, this impairment loss had reduced to £6.193m, enabling a credit to the Income and Expenditure Account of £0.957m in 2011/12. The revised provision has been offset by accrued interest to date of £3.367m, with a further £2.224m to be credited to the Income and Expenditure Account in future years. This provides a net cash loss, when all monies have been repaid, of £0.602m.

Foreign Exchange Risk

The Council currently has approximately ISK447m (Icelandic Krona) held in escrow in Iceland arising from distributions received in respect of deposits with Landsbanki and Glitnir banks, which had a sterling value of £2.2m, based on the official exchange rate at 31 March 2012. The Council is working with the Local Government Association, in conjunction with other affected authorities, to identify ways of converting the ISK element of its Icelandic bank deposits into sterling

Supplementary Financial Statements and Notes

7. SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES

7.1 Housing Revenue Account (HRA)

7.1.1 Housing Revenue Income and Expenditure Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an authority's housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ringfenced from the rest of the General Fund, so that rents cannot be subsidised from council tax.

TABLE 7.1.1: HRA INCOME AND EXPENDITURE ACCOUNT		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Expenditure		
Management and maintenance	59.613	56.382
Rents, rates, taxes and other charges	2.002	2.224
Depreciation and impairment of non-current assets	39.638	84.197
Exceptional costs for HRA social housing revaluation adjustment	279.680	-
Debt management costs	0.142	0.134
Movement in the allowance for bad debts	0.464	0.256
Total Expenditure	**381.539**	**143.193**
Income		
Dwelling Rents	(88.810)	(95.184)
Non Dwelling Rents	(1.555)	(1.429)
Charges for Services and Facilities	(0.581)	(0.344)
HRA Subsidy Receivable	(1.341)	4.168
Major Repairs Allowance receivable	(0.495)	(0.287)
Total Income	**(92.782)**	**(93.076)**
Net Cost of HRA Services as included in the Comprehensive Income and Expenditure Statement	**288.757**	**50.117**
HRA services' share of Corporate and Democratic Core	0.042	0.042
NET COST FOR HRA SERVICES	**288.799**	**50.159**
HRA Share of the Operating Income and Expenditure included in the Comprehensive Income and Expenditure Statement		
Gain or (loss) on sale of HRA non-current assets	(1.197)	(0.353)
Interest payable and similar charges	11.950	11.794
HRA Self Financing Premium Payable	-	12.755
Exceptional Item - HRA Debt Redemption	-	(65.988)
Exceptional Item - HRA Debt Premiums	-	(12.755)
Interest and Investment Income	(0.026)	(0.250)
DEFICIT FOR THE YEAR ON HRA SERVICES	**299.526**	**(4.638)**

7.1.2 Movement on the HRA Statement

TABLE 7.1.2: MOVEMENT ON HRA STATEMENT		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Balance on HRA at the start of the Year	**4.666**	**5.171**
Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	(299.526)	4.638
Adjustments between accounting basis and funding basis under statute	300.031	(5.215)
Increase or (Decrease) in Year on the HRA	**0.505**	**(0.577)**
BALANCE ON THE HRA AT THE END OF THE YEAR	**5.171**	**4.594**

7.1.3 Notes to the HRA Financial Statements

7.1.3.1 Housing Stock

The Council was responsible for managing the following housing stock:

TABLE 7.1.3.1: HOUSING STOCK		
DESCRIPTION	**31 March 2011 Number**	**31 March 2012 Number**
Houses and Bungalows		
1 Bedroom	1,002	999
2 Bedroom	5,817	5,756
3 Bedroom	10,862	10,775
4 or more Bedrooms	591	587
Flats		
1 Bedroom	6,743	6,719
2 Bedrooms	3,017	3,011
3 or more Bedrooms	228	226
TOTAL	**28,260**	**28,073**

7.1.3.2 Valuation of Housing Assets

The value of land, houses and other property within the HRA in 2011/12 was as follows:

TABLE 7.1.3.2: HOUSING ASSETS		
DESCRIPTION	**Value at 31 March 2011 £m**	**Value at 31 March 2012 £m**
Operational Assets		
Council Dwellings	594.300	562.651
Other Land and Buildings		
Land	2.728	3.695
Buildings	5.647	5.316
Vehicles, IT and Other Equipment	0.358	3.111
Infrastructure	20.461	19.345
Total Operational Assets	**623.494**	**594.118**
Non-Operational Assets		
Land	2.121	0.963
Buildings	0.382	-
Total Non-Operational Assets	**2.503**	**0.963**
TOTAL VALUE OF ASSETS	**625.997**	**595.081**

7.1.3.3 Asset value of Dwellings

The vacant possession valuation of Council dwellings at 31 March 2012 was £1,654.855m (1 April 2011 £1,748.000m). The Balance Sheet value of dwellings was £562.651m. The difference of £1,092.204m reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. Operational assets in a commercial environment are required to earn a rate of return. The value placed on such assets will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for this purpose will be reduced.

External valuers Herbert Button & Partners and Freeman & Mitchell completed a desktop review of the housing stock valuation as at 31st March 2012.

7.1.3.4 The Major Repairs Reserve

The purpose of this reserve is to earmark funding to provide for the long-term maintenance of the housing stock. Movements on the reserve in 2011/12 were as follows:

TABLE 7.1.3.4: MAJOR REPAIRS RESERVE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Balance Brought Forward	(6.671)	(13.397)
Credits to the Reserve		
Depreciation on HRA Assets	(25.193)	(26.686)
Debits to the Reserve		
Capital Expenditure	10.307	14.654
Appropriation to HRA	8.160	9.612
BALANCE AT END OF YEAR	**(13.397)**	**(15.817)**

7.1.3.5 Capital Expenditure

Capital expenditure of £58.008m (£56.898m in 2010/11) in respect of HRA assets was financed from a range of sources in 2011/12. This is set out below:

TABLE 7.1.3.5: HRA CAPITAL EXPENDITURE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
CAPITAL EXPENDITURE	**56.898**	**58.008**
Financed By:		
Borrowing	39.095	27.682
Capital Receipts Reserve	5.665	5.435
Major Repairs Reserve (MRR)	10.307	14.653
Direct Revenue Financing*	-	5.300
Other Capital Grants and Contributions	1.831	4.938
TOTAL FINANCING	**56.898**	**58.008**

* The debit under item 2 of part II of Schedule 4 to the Local Government and Housing Act 1989

7.1.3.6 Capital Receipts

Capital receipts of £9.042m (£9.325m in 2010/11) arose from the sale of land, houses and other property within the HRA in 2011/12. Of this total, £4.107m (£3.491m in 2010/11) related to the disposal of houses and flats under the right to buy scheme and £4.935m (£5.235m in 2010/11) from the sale of vacant non purpose built council houses.

TABLE 7.1.3.6: CAPITAL RECEIPTS		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Land	0.133	-
Houses	8.894	9.042
Other Property	0.298	-
TOTAL	**9.325**	**9.042**

7.1.3.7 Depreciation

Depreciation was charged in respect of HRA operational assets in 2011/12 as follows:

TABLE 7.1.3.7: HRA DEPRECIATION		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Dwellings	23.779	25.275
Other Operational HRA Assets	1.414	1.411
TOTAL	**25.193**	**26.686**

7.1.3.8 Revaluations and Impairments during the Financial Year

£51.728m (£294.091m in 2010/11) in respect of revaluation losses have been charged to the HRA during the year.

Reversal of impairment losses of **£0.073m** (a loss of £2.261m in 2010/11) relating to damaged properties in 2010/11 was credited in the year.

A derecognition write out of **£5.763m** was made to reflect the residual value of assets replaced

7.1.3.9 Housing Subsidy

The Housing Revenue Account records the payment of £4.202m (£1.362m received in 2010/11) in Housing Subsidy in 2011/12. The reason for the Council having to make a payment to CLG is due to the allowance for rent income exceeding the combined total of the allowances. Where this occurs the Council is required to make a payment of the negative amount to CLG. This is an estimate and the amount is subject to audit. The subsidy elements are generally based on notional items, which differ from the credit and debit items that are posted to the actual Housing Revenue Account. These are broken down as follows:

TABLE 7.1.3.9: HOUSING SUBSIDY		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Subsidy Elements		
Charges for capital	14.065	13.694
Interest on Receipts (minus)	(0.022)	(0.014)
Maintenance Allowance	33.160	33.141
Major Repairs Allowance	17.033	17.074
Management Allowance	21.136	21.223
Rent (minus)	(84.010)	(89.320)
TOTAL	**1.362**	**(4.202)**

Housing Subsidy is based on a series of allowances paid to the Council by the Government. Allowances for management and maintenance are based on the audited number of dwellings held by the Council. A Major Repairs Allowance (MRA) is also based on the Council's stock profile and is intended to reflect the cost of maintaining the housing stock in its existing condition. The MRA is transferred to the Major Repairs Reserve (see note 7.1.3.4).

A further allowance is paid to subsidise the cost of capital charges. It is based on the amount of debt deemed to be eligible for subsidy multiplied by a Consolidated Rate of Interest (CRI).

These allowances are offset by a deduction to reflect rent income received. This is based on the number of dwellings held multiplied by a specified guideline rent.

7.1.3.10 Rent Arrears and the Balance Sheet provision in respect of Collectable Debts

Gross rent arrears (including service charges and overpaid housing benefit) in respect of current and former tenants amounted to £5.024m at 31 March 2012 (£5.239m at 31 March 2011). A total bad debt provision of £4.248m has been established at 31 March 2012 (£4.388m at 31 March 2011).

7.1.3.11 Average Rent for HRA Dwellings

TABLE 7.1.3.11: AVERAGE RENT	
Year	**Average Rent £**
2004/05	45.83
2005/06	48.07
2006/07	50.68
2007/08	52.94
2008/09	56.04
2009/10	57.98
2010/11	59.39
2011/12	63.73

The average rent figures have been calculated on a 50-week basis and exclude service charges.

7.1.3.12 Item 8 Debit and Credit (General) Determination

The Item 8 Debit and Credit Determinations set out the entries to be accounted for within the Housing Revenue Account and are required by legislation under the Local Government and Housing Act 1989. The Item 8 Debit Determination sets out the method for charging the capital asset charges and the deduction required for capital asset accounting Adjustment. Debt management charges are also included in this section. The Item 8 Credit Determination covers bank interest charges, mortgage interest and premiums and discounts on premature loan repayments and rescheduling. There is also an entry known as the "T" adjustment, which is an adjustment between the depreciation charge and the Major Repairs Allowance. The overall effect on the HRA of the Item 8 Debit and Credit entries is to neutralise the effect on the bottom line of the HRA, so that only the actual capital financing charges and impact on the Account.

The reconciliation between the Item 8 Determination and the actual charges to the HRA is shown in the following two tables:

TABLE 7.1.3.12(a) DEBIT AND CREDIT (GENERAL DETERMINATION)		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
DEBIT		
Capital Asset Charges	317.103	78.414
Debt Repayment and Management Charges	0.143	0.134
Capital Asset Charges and Accounting Adjustment	(279.963)	(39.934)
Transfer to Major Repairs Reserve	-	-
PFI Scheme Repayments	-	-
	37.283	**38.614**
CREDIT		
Mid Year Credit Ceiling Calculation	-	-
Bank Interest	(0.016)	(0.238)
Mortgage Interest	(0.016)	(0.012)
"T" Adjustment	(8.160)	(9.612)
Premiums and Discounts	0.434	0.034
	(7.758)	**(9.828)**
TOTAL	**29.525**	**28.786**

TABLE 7.1.3.12(b) DEBIT AND CREDIT (ACTUAL HRA CHARGES)		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
DEBIT		
Bank Interest	(0.016)	(0.238)
Mortgage Interest	(0.016)	(0.012)
Capital Financing	11.947	11.794
Debt Repayment and Management Charges	0.143	0.134
Premiums and Discounts	0.434	0.034
Transfer to Major Repairs Reserve	17.032	17.074
TOTAL	**29.524**	**28.786**

7.1.3.13 HRA Self Financing and Debt Settlement

The Government's proposals for the Self Financing of the Housing Revenue take effect from 1 April 2012, with the HRA Subsidy system being discontinued. Instead, each stock owning council will be left with a level of housing debt that can be financed from the rent income. In order to calculate the level of debt appropriate to each council a discounted cash flow calculation, using the estimated income and expenditure for the HRA was carried out. In the City's case the level of debt was lower than the existing debt, resulting in an agreement to repay debt of £65.988m held with the PWLB. For practical purposes the date for the repayment of the debt was agreed as being 28 March 2012. In addition to repaying the debt, the Government also agreed to meet the PWLB's charges of £12.755m for early repayment. As a result of repayment of housing debt, a small adjustment was made through a Special HRA Subsidy Determination to the support that the Council receives through the HRA Subsidy system for interest charges.

TABLE 7.1.3.13 HRA SELF FINANCING AND DEBT SETTLEMENT	
DESCRIPTION	**2011/12 £m**
Payment Received from CLG	**78.743**
Applied to:	
Redeem Council Debt with PWLB	65.988
Meeting PWLB's charges for the premature debt redemption	12.755
TOTAL	**78.743**

These transactions have been recognised within the HRA Income and Expenditure Account.

7.2 Collection Fund

7.2.1 Collection Fund Statement

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

TABLE 7.2.1:COLLECTION FUND

DESCRIPTION	2010/11 £m	2011/12 £m
INCOME		
Income from Council Tax	(88.296)	(87.474)
Transfers from General Fund:		
Council Tax Benefit	(32.159)	(32.890)
Income collectable from business ratepayers	(117.784)	(124.257)
Contribution towards previous years' deficit	(0.292)	-
TOTAL INCOME	**(238.531)**	**(244.621)**
EXPENDITURE		
Precepts		
Police Authority	12.062	12.069
Fire Authority	5.251	5.253
City Council General Fund	100.371	100.427
NNDR		
Payment to national pool	115.412	122.534
Cost of collection	0.481	0.493
Amounts written off and provision for losses	1.714	1.143
Interest paid on refunds	0.177	0.087
Council Tax		
Amounts written off and provision for losses	2.109	3.004
TOTAL EXPENDITURE	**237.577**	**245.010**
Movement on the Collection Fund Balance	(0.954)	0.389
(Surplus)/Deficit Brought Forward from previous year	0.433	(0.521)
(SURPLUS)/DEFICIT CARRIED FORWARD	**(0.521)**	**(0.132)**

7.2.2 Notes to Collection Fund Statement

7.2.2.1 National Non-Domestic Rates (NNDR)

Non-domestic rates are organised on a national basis. Local businesses are required to pay, subject to transitional arrangement, an amount calculated by applying a sum specified by central Government (expressed as a rate in the pound) to the rateable value of their property.

The Council is responsible for collecting and paying over this amount to the NNDR pool administered by central government. The government redistributes sums paid into the pool on the basis of a fixed amount per head of population.

TABLE 7.2.2.1: NNDR

DESCRIPTION	2010/11 £	2011/12 £
Rate in the pound	41.4p	43.3p
Total non-domestic rateable value per NNDR system	321,361,679	326,154,425
Gross Debit	133,044,000	138,878,000
Net debit after adjustments and reliefs	117,784,000	124,257,000

7.2.2.2 Council Tax

Council tax is broadly based on the capital value of domestic property as estimated at 1 April 1991 and classified into 8 bands. Charges are calculated dividing the preceptors' income requirements by the council tax base (the total number of properties in each band, adjusted for discounts and expressed as an equivalent number of Band D dwellings). This gives the basic amount of council tax for a band D property, which when multiplied by the specified proportion (as follows) will give the individual amount due.

TABLE 7.2.2.2: COUNCIL TAX

	2010/11	2011/12
Council Tax Base	77,112	77,053
Council Tax (Band D) Property	£1,562.08	£1,562.08

Band	Average Number of Properties	Taxable Properties after discounts, exemptions etc.	Conversion Factor to Band D	Band D Equivalents
A	85,355	67,899	6/9	45,266
B	21,314	16,113	7/9	12,533
C	15,367	11,488	8/9	10,212
D	6,472	5,050	9/9	5,050
E	2,288	1,945	11/9	2,377
F	994	886	13/9	1,279
G	695	612	15/9	1,020
H	108	63	18/9	126

7.2.2.3 Redistribution of Collection Fund Surplus/Deficit

The (surplus)/deficit on the closing balance of the Collection Fund as at 31 March is allocated as follows:

TABLE 7.2.2.3: ANALYSIS OF SURPLUS DEFICIT ON COLLECTION FUND		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Nottingham City Council	(0.445)	(0.112)
Nottinghamshire Police Authority	(0.053)	(0.014)
Nottinghamshire Fire and Rescue Authority	(0.023)	(0.006)
TOTAL	**(0.521)**	**(0.132)**

Group Financial Statements

8. GROUP FINANCIAL STATEMENTS AND NOTES

8.1 Introduction

The Accounting Code of Practice requires that where a local authority has material financial interests and a significant level of control over one or more organisations, it should prepare Group Financial Statements. The standard main financial statements consider the Council only as a single entity, therefore the group financial statements provide an overall picture of the Council's financial activities and the resources employed in carrying out those activities as a group. The group accounts contain core financial statements similar to those included in the Council's single entity statements, consolidated with figures for the Council's subsidiaries and jointly controlled entities.

The following pages include:

- Group Comprehensive Income and Expenditure Statement
- Group Balance Sheet
- Group Movement in Reserves Statement
- Group Cash Flow Statement
- Notes to the Group Accounts

8.2 Inclusion within the Group Accounts

The Council maintains relationships with a number of organisations over which it has varying degrees of control or influence. An assessment of all of these joint arrangements has been carried out to determine which of the following categories they fall under:

- Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
- Associates – where the Council exercises a significant influence and has a participating interest. Where these are material they have been included in the group.
- Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they have been included in the group.
- No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

For each of the group entities, the group accounts include a share of the operating results, assets and liabilities. Subsidiaries are accounted for on an acquisition basis with intra-group transactions written out. Associates / jointly controlled entities are accounted for by including the Council's share of their net operating results and net assets (equity method of accounting).

For 2011/12 the financial details of these organisations have been consolidated within the group accounts where it is considered that those details have a material effect upon those accounts.

Details of the Council's relationship with each of these organisations are given in group accounts note 8.5.

The group accounts for 2011/12 have been completed using unaudited accounts from Arrow Light Rail Ltd, Bridge Estate Trust, EnviroEnergy Ltd, Nottingham City Homes Ltd, Nottingham City Transport Ltd, Nottingham Ice Centre Ltd, Nottingham and Nottinghamshire Futures Ltd.

8.3 Accounting policies used in preparing the Group Financial Statements

The financial statements produced by individual group entities have been realigned in order to ensure consistent accounting policies in the preparation of the group financial statements. The accounting policies followed in the preparation of the group financial statements differ from those applicable to the Council's primary financial statements only in the following respects:

- Fixed assets held by group entities which are sufficiently specialist in nature not to fall within the scope of the Council's accounting policies are valued in accordance with the accounting policies of the individual entities.
- Any trust funds which the Council controls and which generate economic benefits, or deliver goods or services in accordance with the Council's objectives, have been evaluated in terms of their impact on the group financial statements. Where this impact has been judged to be material the trust has been included.
- Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is recognised as an asset and is tested for impairment annually, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

  Any impairments of goodwill are recognised as loses in the Comprehensive Income and Expenditure Statement, with an equal amount being reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account.

8.4 Core Group Financial Statements

8.4.1 Group Comprehensive Income and Expenditure Statement

The purpose of this statement is explained in section 4.1 of the Council's single entity Statement of Accounts.

TABLE 8.4.1: GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT						
DESCRIPTION	**Restated 2010/11**			**2011/12**		
	Gross Expenditure £m	**Gross Income £m**	**Net Expenditure £m**	**Gross Expenditure £m**	**Gross Income £m**	**Net Expenditure £m**
Central services to the public	2.962	(3.185)	(0.223)	4.765	(2.865)	1.900
Cultural and related services	51.671	(19.505)	32.166	72.852	(17.025)	55.827
Environmental and regulatory services	51.172	(17.956)	33.216	46.753	(15.834)	30.919
Planning services	32.486	(16.426)	16.060	35.173	(13.056)	22.117
Education and children's services	432.320	(279.432)	152.888	338.239	(227.693)	110.546
Highways and transport services	90.469	(81.580)	8.889	105.430	(81.925)	23.505
Local authority housing (HRA)	102.138	(92.782)	9.356	143.193	(93.076)	50.117
Other housing services	198.857	(165.185)	33.672	201.975	(174.703)	27.272
Adult social care	126.224	(44.301)	81.923	116.252	(37.396)	78.856
Corporate and democratic core	74.351	(44.915)	29.436	44.243	(21.496)	22.747
Non distributed costs	10.586	-	10.586	4.406	(0.246)	4.160
Exceptional Items:						
HRA social housing revaluation	279.401	-	279.401	-	-	-
Valuation basis for pensions	(103.104)	-	(103.104)	-	-	-
Cost of Services	**1,349.533**	**(765.267)**	**584.266**	**1,113.281**	**(685.315)**	**427.966**
Other operating expenditure						
Transfer of school buildings to academies	-	-	-	94.778	-	94.778
Other	9.157	(8.290)	0.867	168.354	(9.249)	159.105
Financing and investment income and expenditure **(Note 8.7.1.1)**	122.257	(71.759)	50.498	193.876	(80.661)	113.215
Surplus or deficit on discontinued operations				2.953	(7.930)	(4.977)
Taxation and non-specific grant						
Exceptional Items						
Invesment Impairment	-	-	-	30.261	-	30.261
HRA Debt Redemption	-	-	-	-	(65.988)	(65.988)
HRA Debt Premiums	-	-	-	-	(12.755)	(12.755)
Other	-	(417.381)	(417.381)		(340.342)	(340.342)
(Surplus) or Deficit on Provision of Services	**1,480.947**	**(1,262.697)**	**218.250**	**1,603.503**	**(1,202.240)**	**401.263**
Share of the surplus or deficit on the provision of services by associates			0.554			-
Tax expenses of subsidiaries			0.589			(0.259)
Tax expenses of associate			(0.018)			-
Group (Surplus)/Deficit			**219.375**			**401.004**
Surplus or deficit on revaluation of Property, Plant and Equipment assets			14.357			(66.236)
Actuarial gains/losses on pension assets/liabilities			(304.875)			215.115
Other gains/losses recognised required			-			(173.889)
Other Comprehensive Income and Expenditure			**(290.518)**			**(25.010)**
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE			**(71.143)**			**375.994**

Analysis of Minority Interest Shares in the Group Comprehensive Income and Expenditure Statement

In consolidating subsidiaries, 100% of their transactions are included in the Comprehensive Income and Expenditure Statement even if ownership is less than 100%. The note below discloses the attributable amounts of the group surplus or deficit and other comprehensive income and expenditure to the minority interest in subsidiaries.

TABLE 8.4.1(a): ANALYSIS OF MINORITY INTEREST SHARES IN THE GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

DESCRIPTION	2010/11			2011/12		
	Authority £m	Minority Interest £m	Total £m	Authority £m	Minority Interest £m	Total £m
Group (surplus) / Deficit	219.549	(0.174)	219.375	401.245	(0.241)	401.004
Othe Comprehensive Income and Expenditure	(290.572)	-	(290.572)	(25.017)	0.007	(25.010)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	**(71.023)**	**(0.174)**	**(71.197)**	**376.228**	**(0.234)**	**375.994**

8.4.2 Group Balance Sheet

The purpose of this statement is explained in section 4.2 of the Council's single entity Statement of Accounts.

TABLE 8.4.2: GROUP BALANCE SHEET				
Restated 31 March 2010 £m	Description	Notes	Restated 31 March 2011 £m	31 March 2012 £m
2,356.415	Property, Plant & Equipment	8.7.2.1	2,067.309	1,972.202
40.748	Heritage Assets		42.947	44.489
71.725	Investment Property	8.7.2.2	68.414	60.591
1.407	Intangible Assets		1.678	2.063
-	Assets held for Sale		-	0.250
37.900	Long Term Investments		16.781	8.475
9.203	Long Term Debtors		9.989	52.113
2,517.398	**Long Term Assets**		**2,207.118**	**2,140.183**
48.857	Short Term Investments		82.388	48.581
0.160	Assets Held for Sale		1.645	5.607
3.326	Inventories		3.583	3.813
67.124	Short Term Debtors	8.7.2.3	67.391	71.392
74.931	Cash and Cash Equivalents	8.7.2.4	97.889	138.815
-	Current Tax Asset		-	0.247
194.398	**Current Assets**		**252.896**	**268.455**
(42.377)	Short Term Borrowing		(71.085)	(127.181)
(162.255)	Short Term Creditors	8.7.2.5	(173.970)	(165.527)
(204.632)	**Current Liabilities**		**(245.055)**	**(292.708)**
(8.946)	Long Term Creditors		-	(15.386)
(25.138)	Provisions		(11.066)	(13.273)
(463.824)	Long Term Borrowing		(495.380)	(637.713)
(169.717)	Other Long Term Liabilities		(188.106)	(57.287)
(10.357)	Capital Grants Receipts in Advance		(3.725)	(31.995)
-	Deferred Tax Liability		-	(0.577)
(768.418)	Defined Benefit Pension Scheme		(358.012)	(584.338)
(1,446.400)	**Long Term Liabilities**		**(1,056.289)**	**(1,340.569)**
1,060.764	**NET ASSETS**		**1,158.670**	**775.361**
132.214	Usable Reserves	8.7.2.6	158.231	**158.545**
928.550	Unusable Reserves	8.7.2.7	1,000.439	**616.816**
1,060.764	**TOTAL RESERVES**		**1,158.670**	**775.361**

8.4.3 Group Movement in Reserves Statement

The purpose of this statement is explained in section 4.3 of the Council's single entity Statement of Accounts.

TABLE 8.4.3(a): GROUP MOVEMENT IN RESERVES STATEMENT 2011/12												
DESCRIPTION (Note)	**General Fund Balance £m**	**Earmarked General Fund Reserves £m**	**Housing Revenue Account £m**	**Capital Receipts Reserve £m**	**Major Repairs Reserve £m**	**Capital Grants Unapplied £m**	**Total Usable Reserves £m**	**Unusable Reserves £m**	**Total Authority Reserves £m**	**Authority's Share of Group Reserves £m**	**Minority Interest £m**	**Total Reserves £m**
Balance at 31 March 2011	**8.604**	**102.979**	**5.171**	**1.015**	**13.397**	**22.088**	**153.254**	**992.200**	**1,145.454**	**12.517**	**0.699**	**1,158.670**
Opening balance restatement (note 8.7.3.1)										**(5.989)**	**(0.384)**	**(6.373)**
Movement in reserves during 2011/12:												
Surplus/(deficit) on the provision of services	(177.960)	-	4.638	-	-	-	(173.322)	-	(173.322)	(227.923)	0.241	(401.004)
Other Comprehensive Income and Expenditure		0.047	-	-	-	-	0.047	(121.828)	(121.781)	146.798	(0.007)	25.010
Total Comprehensive Income and Expenditure (Table 8.4.1)	**(177.960)**	**0.047**	**4.638**	**-**	**-**	**-**	**(173.275)**	**(121.828)**	**(295.103)**	**(81.125)**	**0.234**	**(375.994)**
Adjustments between group accounts and authority accounts **(Note 8.7.3.2(a))**	(58.468)	-	-	-	-	-	(58.468)	-	(58.468)	**57.174**	-	**(1.294)**
Net Increase/Decrease before Transfers	**(236.428)**	**0.047**	**4.638**	**-**	**-**	**-**	**(231.743)**	**(121.828)**	**(353.571)**	**(23.951)**	**0.234**	**(377.288)**
Adjustments between accounting basis and funding basis under regulations	241.733	-	(5.215)	(0.575)	2.420	(6.388)	231.975	(231.975)	-	0.352		0.352
Net Increase/Decrease before Transfers to Earmarked Reserves	**5.305**	**0.047**	**(0.577)**	**(0.575)**	**2.420**	**(6.388)**	**0.232**	**(353.803)**	**(353.571)**	**(23.599)**	**0.234**	**(376.936)**
Transfers to/from Earmarked Reserves	(2.223)	2.223	-	-	-	-	-	-	-	-	-	-
Increase/Decrease in Year	**3.082**	**2.270**	**(0.577)**	**(0.575)**	**2.420**	**(6.388)**	**0.232**	**(353.803)**	**(353.571)**	**(23.599)**	**0.234**	**(376.936)**
BALANCE AT 31 MARCH 2012	**11.686**	**105.249**	**4.594**	**0.440**	**15.817**	**15.700**	**153.486**	**638.397**	**791.883**	**(17.071)**	**0.549**	**775.361**

TABLE 8.4.3(b): RESTATED GROUP MOVEMENT IN RESERVES STATEMENT 2010/11													
DESCRIPTION (Note)	**General Fund Balance £m**	**Earmarked General Fund Reserves £m**	**Housing Revenue Account £m**	**Capital Receipts Reserve £m**	**Major Repairs Reserve £m**	**Capital Grants Unapplied £m**	**Total Usable Reserves £m**	**Unusable Reserves £m**	**Total Authority Reserves £m**	**Authority's Share of Group Reserves £m**	**Minority Interest £m**	**Total Reserves £m**
Balance at 31 March 2010	**7.058**	**92.926**	**4.666**	**0.038**	**6.671**	**15.849**	**127.208**	**956.302**	**1,083.510**	**(23.298)**	**0.552**	**1,060.764**
Movement in reserves during 2010/11:												
Surplus/(deficit) on the provision of services	129.732	-	(299.526)	-	-	-	(169.794)	-	(169.794)	(49.755)	0.174	(219.375)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	290.518	290.518	-	-	290.518
Total Comprehensive Income and Expenditure (Table 8.4.1)	**129.732**	**-**	**(299.526)**	**-**	**-**	**-**	**(169.794)**	**290.518**	**120.724**	**(49.755)**	**0.174**	**71.143**
Adjustments between group accounts and authority accounts **(Note 8.7.3.2(b))**	(62.989)	-	-	-	-	-	(62.989)	-	**(62.989)**	62.989	-	**-**
Net Increase/Decrease before Transfers	**66.743**	**-**	**(299.526)**	**-**	**-**	**-**	**(232.783)**	**290.518**	**57.735**	**13.234**	**0.174**	**71.143**
Adjustments between accounting basis and funding basis under regulations	(55.144)	-	300.031	0.977	6.726	6.239	258.829	(254.620)	4.209	22.581	(0.027)	26.763
Net Increase/Decrease before Transfers to Earmarked Reserves	**11.599**	**-**	**0.505**	**0.977**	**6.726**	**6.239**	**26.046**	**35.898**	**61.944**	**35.815**	**0.147**	**97.906**
Transfers to/from Earmarked Reserves	(10.053)	10.053	-	-	-	-	-	-	-	-	-	-
Increase/Decrease in Year	**1.546**	**10.053**	**0.505**	**0.977**	**6.726**	**6.239**	**26.046**	**35.898**	**61.944**	**35.815**	**0.147**	**97.906**
									-			-
BALANCE AT 31 MARCH 2011	**8.604**	**102.979**	**5.171**	**1.015**	**13.397**	**22.088**	**153.254**	**992.200**	**1,145.454**	**12.517**	**0.699**	**1,158.670**

8.4.4 Group Cash Flow Statement

The purpose of this statement is explained in section 4.4 of the Council's single entity Statement of Accounts.

TABLE 8.4.4: GROUP CASH FLOW			
DESCRIPTION	**Notes**	**Restated 2010/11 £m**	**2011/12 £m**
Net (Surplus)/Deficit on the provision of Services		**(225.346)**	**(410.193)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements		392.102	491.032
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(115.353)	(194.166)
Net Cash Flows from Operating Activities	**8.7.4.1**	**51.403**	**(113.327)**
Investing Activities:			
Share subscription - obtaining control of subsidiary		-	211.572
Other investing activities		(81.742)	(256.338)
Total investing activities	**8.7.4.2**	(81.742)	(44.766)
Financing activities	**8.7.4.3**	53.297	199.019
Net Increase or Decrease in Cash and Cash Equivalents		**22.958**	**40.926**
Cash and cash equivalents at the beginning of the reporting period		74.931	97.889
CASH AND CASH EQUIVALENTS AT 31 MARCH		**97.889**	**138.815**

Notes to the Group Financial Statements

8.5 Details of subsidiaries, jointly controlled entities and trust funds included in the group accounts

8.5.1 Subsidiaries:

Arrow Light Rail Ltd (Registered Company Number: 03942516)

Nature of Business / Relationship with the Council

On 15 December 2011 the Council purchased ownership of 100% of the shares of Arrow Light Rail Ltd, the Special Purpose Vehicle for NET Line One. As soon as Arrow Light Rail was purchased, notice was served to terminate the NET Line One concession and the new concession agreement was granted to Tramlink to design, build, finance and operate NET Phase Two, while operating and maintaining Line One. This acquisition was determined to provide the best value to the Council in exiting the existing arrangements and allowing a timely transition of assets to the new concessionaire.

This transaction is unique as it involved the purchase of a company and subscription for additional shares to enable the termination of one Private Finance Initiative (PFI) contract, thus allowing the Council to immediately enter into a new PFI contract with a different organisation. As is standard with accounting for this type of PFI contract under IFRIC 4/IAS 17, the assets and liabilities of the concession were already recognised in the balance sheet of the Council. The outstanding liabilities were discharged as a result of the termination, giving the Council full ownership of the NET1 assets and the right to operate NET1. The new concessionaire will operate NET1 using these assets.

Arrow Light Rail ceased trading immediately after acquisition and will be wound up as soon as is practically possible.

The following table represents the fair values of the identifiable assets and liabilities acquired with Arrow Light Rail Ltd at 15 December 2011.

TABLE: 8.5.1(a) BALANCE SHEET FAIR VALUES AT ACQUISITION / FINANCIAL CLOSE AND AT 31 MARCH 2012		
CATEGORY	**Balance at 15 December 2011 £m**	**Balance at 31 March 2012 £m**
Plant, Property & Equipment	145.367	-
Short Term Debtors	0.871	0.526
Cash and Cash Equivalents	11.521	1.152
Short Term Borrowing	(190.771)	-
Short Term Creditors	(5.561)	(0.296)
NET ASSETS	**(38.573)**	**1.382**
Intangible Asset	43.848	
Goodwill *	22.215	
FAIR VALUE PAID	**27.490**	

*The Goodwill was both acquired and impaired in year, as such the Goodwill balance at 31 March 2012 is £nil.

As mentioned above, following termination of the PFI contract with Arrow Light Rail Ltd via the acquisition of its share capital and the further subscription for shares, the majority of the company's non-current assets and the right to operate NET1 transferred to the Council. The company's borrowings were repaid with the share subscription proceeds.

Some acquisition related costs have been charged as revenue expenditure within the Council's Comprehensive Income and Expenditure Statement. The total amount of revenue acquisition costs charged in 2011/12 was £2.393m.

Arrow Light Rail's loss after acquisition to the 31 March 2012 is (£172.414m), while the 15 month period to the 31 March 2012 is a loss of (£174.903m). The loss shown on Arrows accounts is a result of the transfer of assets to the Council following the Council making the termination payment to Arrow via a share subscription rather than by means of a cash payment.

The following table shows a breakdown of the total cost to the Council of the acquisition/termination (£259.455m).

Table 8.5.1(b) TOTAL ACQUISITION / TERMINATION COST

ELEMENT	**£m**
Elements with the Share Subscription:	
Shares	136.609
Intangible Asset	43.848
Payment of Sub-Debt	31.115
Shares Subscribed	**211.572**
Purchase of Moveable's	18.000
Fair Value Paid for Arrow Light Rail	27.490
Revenue acquisition costs	2.393
TOTAL ACQUISITION / TERMINATION COST	**259.455**

Arrow Light Rail primarily used the receipts from the share subscription and purchase of moveable's to repay the bank debt outstanding from the construction of NET Line One.

This element of the cost has always formed part of the total cost of NET Phase One to the Council. However, prior to termination, the repayment was primarily being funded from prudential borrowing and was, being repaid over the [27 year] life of the NET Phase One concession period.

Accounts

Copies of the accounts of Arrow Light Rail Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion

Arrow Light Rail Ltd's financial year end date is 31 December; therefore the Accounts for the year ended 31 December 2011 have been externally audited. For consolidation purposes these audited accounts have been adjusted for the limited number of minor transactions passing through the company between 1 January 2012 and 31 March 2012 (i.e. reducing Arrow Light Rail's Net Worth by £0.006m). A set of accounts for Arrow Light Rail Ltd for the period 1 January 2011 to 31 March 2012 have therefore been produced for consolidation within the Council's 2011/12 Group Accounts.

Enviroenergy Limited (Registered Company Number: 4131345*)*

Nature of the business

Its main activities are the production of heat and steam for supply to domestic and commercial customers, along with the generation and sale of electricity.

Relationship with the Council

The Council is the ultimate controlling party of Enviroenergy Ltd, owning 100% of the issued share capital. The Council acquired the business and associated assets of the company on 28 June 2001.

Accounts

Copies of the accounts of Enviroenergy Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion

The accounts used to produce the 2011/12 group accounts are unaudited.

Nottingham City Homes Limited (Registered Company Number: 05292636)

Nature of the business

The principal activities of the company are to act as the managing agent of Council's housing stock, and to provide a repairs and maintenance service to the landlord in respect of these properties.

Relationship with the Council

The company is incorporated as a private company limited by guarantee under the Companies Act 1985. As such it has no share capital. The company's sole member is the Council.

Accounts

Copies of the accounts of Nottingham City Homes Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion

The accounts used to produce the 2011/12 group accounts are audited.

Nottingham City Transport Limited (Registered Company Number: 2004967)

Nature of Business

The company continued to be the principal public transport provider in the Greater Nottingham area, running both buses and trams within its business during 2011/12.

On 15th December 2011, the operation of the Nottingham Express Transit ("NET") tram system, NET Line One was formally "handed over" to a new operator, following a competitive tender. At that date, the Nottingham City Transport Group thus ceased to be involved in the NET project and the operations were discontinued. Post its involvement in Phase 1 of NET, the Nottingham City Transport Group reverted to being solely a bus operator.

Relationship with the Council

This company is controlled by the Council and commenced trading on 26 October 1986. The total shareholding owned by the Council is 95%. Transdev Plc has a minority interest in Nottingham City Transport of 5% which comprises of 238,526 B Ordinary shares at £1 each.

The company has the following shares in issue:

- 4,532,000 "A" Ordinary shares at £1 each, which are owned by the Council.
- 238,526 "B" Ordinary shares at £1 each, which are owned by Transdev Plc.
- 2,882,750 £1 cumulative, convertible, redeemable preference shares owned by Transdev Plc. These shares carry a 10% coupon rate and are convertible at the rate of 3.64 preference shares to 1 "B" Ordinary share at any time. The shares are redeemable by the shareholder at any time after 1 January 2005, and by the company at any time after 1 January 2010.

The "A" and "B" shares rank pari passu in all material respects.

The group takes into account 100% of the results of the company with the 5% minority interest being disclosed where appropriate.

Accounts

Copies of the accounts of Nottingham City Transport Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion

The accounts used to produce the 2011/12 group accounts are audited.

Nottingham Ice Centre (Registered Company Number: 3563341)

Nature of the business

The principal activity of the company is to manage the trading aspects of the National Ice Centre.

Relationship with the Council

The Council is the ultimate controlling party of Nottingham Ice Centre Ltd, owning 100% of the issued share capital.

Accounts

Copies of the accounts of Nottingham Ice Centre Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Audit Opinion

The accounts used to produce the 2011/12 group accounts are audited.

8.5.2 Jointly Controlled Entity:

Nottingham and Nottinghamshire Futures Ltd (Registered Company Number: 04172770)

Nature of the business

Nottingham and Nottinghamshire Futures Ltd (Futures) is a company which encompasses Connexions Nottinghamshire, Education Business Futures (formerly Nottinghamshire Education Business alliance (NEBA)) and commissioning learning for 16-18 year olds, previously carried out by the Learning and Skills Council.

Futures is committed to ensuring local young people aspire to make the most out of their lives and progress successfully through education and training into meaningful employment and careers by:

- providing young people in Nottingham and Nottinghamshire with access to good quality Information, Advice and Guidance (IAG) through Connexions Nottinghamshire;
- brokering effective relationships between education and the business community through the Education Business Futures team – formerly NEBA and the Connexions Opportunities team;
- commissioning learning for 16-18 year olds.

Relationship with the Council

The company is jointly owned by the Council and Nottinghamshire County Council.

Accounts

Copies of the accounts of Nottingham and Nottinghamshire Futures Ltd can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

The Council's share of Future's 2011/12 loss and accumulated liability as at 31 March 2012 have not been recognised in the group accounts in accordance with IAS 28 'Investments in Associates and Joint Ventures'.

Audit Opinion

The accounts used to produce the 2011/12 group accounts are audited.

8.5.3 Trust Fund:

Bridge Estate (Registered Charity Number: 220716)

Nature of the Trust Fund

The earliest mention of Bridge Estate is in 1302. Since that date, various bequests of land and property have been made, the income from which being set aside for the maintenance of bridges over the River Trent. By 1882 the income generated by the Estate was in excess of that required for the maintenance of Trent Bridge and consequently the objectives of the Estate were extended by virtue of section 78 of the Nottingham Corporation Act 1882.

The objectives of the charity are as follows:

- Provide for the efficient maintenance and repair of Trent Bridge and the approaches to it.
- In effect, to set up a contingency fund for the possible construction of such new bridge or bridges over the River Trent as may be found necessary or desirable.

- The residue of such income is to be applied as the Trustee thinks best for the improvement of the City of Nottingham and the public benefit of its inhabitants.

It was established in 1945 that Bridge Estate was, and had from the beginning been, a charity. Consequently, the property of the Estate and the Council as Trustee are subject to the law affecting charitable trusts, the jurisdiction of the Charity Commissioners and the provisions of the Charities Act 1960.

Relationship with the Council

Bridge Estate is a charity of which the Council is sole trustee. The trustees are members of the Council. Since May 2011 Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee. Until May 2011 the Executive Board of the Council met to make recommendations on the management of the charity in their capacity as trustees. Since May 2011 the responsibility for making recommendations on the management of the charity has been delegated to the Trusts and Charities Committee.

All transactions relating to Bridge Estate are subject to the same financial regulations and procedures as those relating to the Council.

Accounts

Copies of the accounts of Bridge Estate can be obtained from Financial Reporting, Resources, Loxley House, Station Street, Nottingham, NG2 3NG.

Audit Opinion

The accounts used to produce the 2011/12 group accounts are unaudited.

8.6 Details of associates, jointly controlled entities and trust funds not included in the group accounts

The Council has considered its relationship with the following associates, jointly controlled entities and trust funds. These organisations have been excluded from the group accounts on the basis of risk and materiality.

8.6.1 Associates:

Nottingham Regeneration Ltd (Registered Company Number: 3665996)

Nature of the company

The main focus of Nottingham Regeneration Ltd is firmly on the delivery of sustainable physical regeneration and the key objectives are as follows:

- to improve the local economy to underpin Nottingham's position as a core city;
- assist in providing opportunities for employment and training;
- help create balanced communities with greater and better housing choice;
- set new standards of design quality and sustainability to inspire a more creative approach to the built environment.

Relationship with the Council

Joint partnership with the East Midlands Development Agency, English Partnerships, Greater Nottingham Partnership, Nottingham City, Nottinghamshire County, Rushcliffe Borough, Gedling Borough, Broxtowe Borough and Ashfield District Councils.

Ticketing Network East Midlands Ltd (Registered Company Number: 06623526)

Nature of the company

The founding members of Ticketing Network East Midlands Ltd (TNEM) are Lakeside Arts Centre, Nottingham Theatre Royal and Royal Concert Hall (part of the Council), Nottingham Playhouse and Dance4. TNEM is run on behalf of this consortium of arts organisations to manage its ticketing and customer relationship management system.

TNEM is the first consortium in the United Kingdom to be formed specifically for the purpose of enabling multiple organisations within this region to share Tessitura software and services from the Tessitura network.

TNEM offers an improved and more reliable customer service to ticket buyers in the East Midlands and beyond. By working together it will jointly promote the world-class entertainment on offer in Nottingham, give more understanding about what customers want and allow the organisations to work more cost effectively.

Relationship with the Council

The Council holds 25% of the shares of TNEM, as do each of the other three member organisations Lakeside Arts Centre, Nottingham Playhouse and Dance4.

8.6.2 Jointly Controlled Entities:

EMBC Procurement Ltd (Registered Company Number: 5882746)

Nature of the Company

The principal activity of the company from 2009/10 onwards is to be that of contract manager, regulator and broker of an internet service provider network for education and schools in the East Midlands. The main purpose of this is to provide a safe and secure network for schools and other educational establishments.

Relationship with the Council

The company is wholly owned by the Local Authorities of Derbyshire, Leicester City, Leicestershire, Lincolnshire, Northamptonshire, Nottingham City, Nottinghamshire, and Rutland.

Inspired Spaces Nottingham Ltd - Local Education Partnership (Registered Company Number: 6506329)

Nature of the Company

This company was set up in June 2008 and the principal activities of the company are the provision of the construction project development and partnering services within the education sector in accordance with the terms and agreement set up with the Council.

Relationship with the Council

The Council has a 10% shareholding in the company. 10% is also held by the Building for Schools Future Investment and 80% is held by Carillion.

8.6.3 Trust Funds:

Harvey Hadden Stadium Trust (Registered Charity Number: 522271)

Nature of the Trust Fund

On 18 July 1955 the court made a scheme and order for an athletics stadium to be erected out of the bequest of Harvey Hadden. Under the terms of the scheme the Council was stated to be the owner of Bilborough Park and used its statutory powers to set aside part of the land for use as a stadium. Construction of the stadium began in 1955 with completion in 1960/61. The entire legacy of Harvey Hadden funded part of the cost of construction. Therefore, it follows that the land on which the stadium is built is subject to the Council's obligation to make it available for the use of the stadium charity.

Under the court order there is a requirement for "the Corporation" – now Nottingham City Council – to maintain the stadium built with those funds, "under the name of Harvey Hadden Stadium in good order and condition in perpetuity for the purposes of public recreation".

The objective of the Trust is to provide public recreation for the people of the City of Nottingham forever.

Relationship with the Council

Harvey Hadden Stadium Trust is a charity of which the Council is sole trustee. The trustees are members of the Council. Since May 2011 Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee. Until May 2011 the Executive Board of the Council met to make recommendations on the management of the charity in their capacity as trustees. Since May 2011 the responsibility for making recommendations on the management of the charity has been delegated to the Trusts and Charities Committee.

All transactions relating to Harvey Hadden Stadium Trust are subject to the same financial regulations and procedures as those relating to the Council.

Highfields Leisure Park Trust (Registered Charity Number: 1006603)

Nature of the Trust Fund

The Highfields Leisure Park Trust was created by indenture in 1920 as a gift from Sir Jesse Boot, founder of Boots the Chemist. The land conveyed to the Council was, for the most part, laid out as a park. The land lies to the south of the University and to the north of the railway. It is divided along the east-west axis by University Boulevard.

To the north of University Boulevard is a large boating lake with lakeside walks, formal gardens and fine turf sports facilities including putting, bowls and croquet greens. Plantations of rhododendrons and mature trees provide a unique natural backdrop to enhance the park setting. To the south of University Boulevard are playing fields, for winter and summer outdoor sports, running track and tennis courts together with an indoor tennis centre.

The objective of the Trust is to provide public recreation and pleasure grounds for the people of the City of Nottingham forever.

Relationship with the Council

Highfields Leisure Park Trust is a charity of which the Council is sole trustee. The trustees are members of the Council. Since May 2011 Councillors are appointed to the Trusts and Charities Committee by full Council to fulfil the Council's responsibilities as Trustee. Until May 2011 the Executive Board of the Council met to make recommendations on the management of the charity in their capacity as trustees. Since May 2011 the responsibility for making recommendations on the management of the charity has been delegated to the Trusts and Charities Committee.

All transactions relating to Highfields Leisure Park Trust are subject to the same financial regulations and procedures as those relating to the Council.

8.7 Notes to the Core Group Financial Statements

These notes provide information that supports, and helps in interpreting the financial statements. Where the group account figures are not materially different from those of the council only accounts, no additional disclosure notes have been made.

8.7.1 Group Comprehensive Income and Expenditure Statement Notes

8.7.1.1 Financing and Investment Income and Expenditure

TABLE 8.7.1.1: FINANCING AND INVESTMENT INCOME AND EXPENDITURE

DESCRIPTION	2010/11 £m	2011/12 £m
Interest payable and similar charges	52.969	103.349
Pensions interest cost and expected return on pensions assets	8.069	9.702
Interest receivable and similar income	(3.394)	(3.295)
Income and expenditure in relation to investment properties and changes in their fair value	-	1.729
Other investment income	(7.146)	1.730
TOTAL	**50.498**	**113.215**

8.7.2 Group Balance Sheet Notes

8.7.2.1 Property, Plant and Equipment

TABLE 8.7.2.1(a): PROPERTY, PLANT AND EQUIPMENT 2011/12

DESCRIPTION	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PFI Assets included in Property, Plant & Equipment £m
Cost or Valuation									
Opening Balance at 1 April	**594.299**	**910.401**	**164.539**	**355.639**	**25.103**	**32.819**	**154.785**	**2,237.585**	**189.025**
Additions	53.565	28.304	40.672	13.816	1.310	1.027	29.167	**167.861**	0.004
Additions - PFI	-	13.328	6.875	31.641	-	-	-	**51.844**	51.844
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(23.941)	48.405	0.254	-	-	(2.753)	-	**21.965**	(1.930)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(51.394)	(86.516)	(1.665)	(5.971)	-	(0.398)	-	**(145.944)**	(18.127)
Derecognition - disposals	-	(97.415)	(7.618)	-	-	(7.371)	-	**(112.404)**	-
Derecognition - other	(5.825)	(2.655)	(33.527)	-	-	(0.202)	(0.181)	**(42.390)**	-
Assets reclassified (to)/from Held for Sale	(1.966)	(0.424)	-	-	-	(4.866)	-	**(7.256)**	-
Other movements in cost or valuation	(2.087)	140.402	0.001	(0.264)	-	(0.156)	(142.870)	**(4.974)**	0.419
Other movements PFI Creditor	-	-	-	-	-	-	-	**-**	
CLOSING BALANCE AT 31 MARCH	**562.651**	**953.830**	**169.531**	**394.861**	**26.413**	**18.100**	**40.901**	**2,166.287**	**221.235**

TABLE 8.7.2.1(b): PROPERTY, PLANT AND EQUIPMENT - DEPRECIATION AND IMPAIRMENT MOVEMENTS 2011/12									
DESCRIPTION	**Council Dwellings £m**	**Other Land & Buildings £m**	**Vehicles, Plant, Furniture & Equipment £m**	**Infrastructure Assets £m**	**Community Assets £m**	**Surplus Assets £m**	**Assets Under Construction £m**	**Total Property, Plant & Equipment £m**	**PFI Assets included in Property, Plant & Equipment £m**
Accumulated Depreciation and Impairment									
Opening Balance at 1 April	**-**	**(16.940)**	**(61.216)**	**(85.419)**	**(3.818)**	**(2.884)**	**-**	**(170.277)**	**(32.011)**
Depreciation charge	(25.275)	(23.600)	(16.317)	(13.209)	(0.783)	(0.752)	-	**(79.936)**	(6.300)
Depreciation written out to the Revaluation Reserve	24.851	11.554	(0.060)	-	-	0.449	-	**36.794**	1.603
Impairment losses/(reversals) recognised in the Revaluation Reserve	-	3.797	-	-	-	2.157	-	**5.954**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-	(3.979)	-	-	-	(0.331)	-	**(4.310)**	-
Derecognition - disposals	-	2.637	6.543	-	-	0.038	-	**9.218**	-
Derecognition - other	0.252	0.050	7.578	-	-	0.020	-	**7.900**	-
Other movements in depreciation and impairment	0.172	0.368	-	-	-	0.032	-	**0.572**	-
CLOSING BALANCE AT 31 MARCH	**0.000**	**(26.113)**	**(63.472)**	**(98.628)**	**(4.601)**	**(1.271)**	**-**	**(194.085)**	**(36.708)**
Net Book Value									
At 31 March 2011	**594.299**	**893.461**	**103.323**	**270.220**	**21.285**	**29.935**	**154.774**	**2,067.297**	**157.014**
At 31 March 2012	**562.651**	**927.717**	**106.059**	**296.233**	**21.812**	**16.829**	**40.901**	**1,972.202**	**184.527**

TABLE 8.7.2.1(c): PROPERTY, PLANT AND EQUIPMENT 2010/11									
DESCRIPTION	Council Dwellings £m	Other Land & Buildings £m	Vehicles, Plant, Furniture & Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PFI Assets included in Property, Plant & Equipment £m
Cost or Valuation									
Opening Balance at 1 April	**895.586**	**995.423**	**146.753**	**332.612**	**23.109**	**24.526**	**96.731**	**2,514.740**	**169.812**
Additions	55.589	24.290	20.741	23.027	1.994	2.603	47.182	**175.426**	0.018
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(58.915)	0.159	-	-	-	(11.320)	3.472	**(66.604)**	3.837
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(292.265)	(69.916)	-	-	-	(5.403)	(2.638)	**(370.222)**	(0.406)
Derecognition - disposals	(2.547)	(3.768)	(2.895)	-	-	(5.202)	-	**(14.412)**	-
Assets reclassified (to)/from Held for Sale	-	(0.257)	-	-	-	(9.385)	-	**(9.642)**	-
Other movements in cost or valuation	(3.149)	(44.556)	(0.049)	-	-	37.000	10.027	**(0.727)**	6.738
Other movements PFI Creditor	-	9.026	-	-	-	-	-	**9.026**	9.026
CLOSING BALANCE AT 31 MARCH	**594.299**	**910.401**	**164.550**	**355.639**	**25.103**	**32.819**	**154.774**	**2,237.585**	**189.025**

TABLE 8.7.2.1(d): PROPERTY, PLANT AND EQUIPMENT - DEPRECIATION AND IMPAIRMENT MOVEMENTS 2010/11									
Description	**Council Dwellings £m**	**Other Land & Buildings £m**	**Vehicles, Plant, Furniture & Equipment £m**	**Infrastructure Assets £m**	**Community Assets £m**	**Surplus Assets £m**	**Assets Under Construction £m**	**Total Property, Plant & Equipment £m**	**PFI Assets included in Property, Plant & Equipment £m**
Accumulated Depreciation and Impairment									
Opening Balance at 1 April	**(3.567)**	**(14.362)**	**(49.797)**	**(72.433)**	**(3.111)**	**(15.055)**	**-**	**(158.325)**	**(26.153)**
Depreciation charge	(23.781)	(18.163)	(13.454)	(12.986)	(0.707)	(0.919)	(0.543)	**(70.553)**	(6.036)
Depreciation written out to the Revaluation Reserve	23.777	6.024	-	-	-	0.201	0.543	**30.545**	0.178
Depreciation written out to the Surplus/Deficit on the Provision of Services	-	3.906	-	-	-	0.136	-	**4.042**	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	5.750	3.412	-	-	-	11.598	-	**20.760**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(2.181)	(0.426)	-	-	-	3.493	-	**0.886**	-
Derecognition - disposals	-	0.030	2.035	-	-	0.007	-	**2.072**	-
Other movements in depreciation and impairment	0.002	2.640	-	-	-	(2.345)	-	**0.297**	-
CLOSING BALANCE AT 31 MARCH	**-**	**(16.939)**	**(61.216)**	**(85.419)**	**(3.818)**	**(2.884)**	**-**	**(170.276)**	**(32.011)**
Net Book Value									
At 31 March 2010	**892.019**	**981.061**	**96.956**	**260.179**	**19.998**	**9.471**	**96.731**	**2,356.415**	**143.659**
At 31 March 2011	**594.299**	**893.462**	**103.334**	**270.220**	**21.285**	**29.935**	**154.774**	**2,067.309**	**157.014**

8.7.2.2 Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

TABLE 8.7.2.2(a): FAIR VALUE OF INVESTMENT PROPERTIES		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Rental income from investment property	4.462	4.808
Direct operating expenses arising from investment property	(0.668)	(0.722)
NET GAIN/(LOSS)	**3.794**	**4.086**

The following table summarises the movement in the fair value of investment properties over the year:

TABLE 8.7.2.2(b):FAIR VALUE OF INVESTMENT PROPERTIES		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Opening Balance At 1 April	71.725	68.414
Additions:		
Subsequent expenditure	0.227	0.001
Disposals	(3.534)	(0.233)
Net gains/losses from fair value adjustments	(0.004)	(12.188)
Transfers to / from Property Plant and Equipment	-	4.597
CLOSING BALANCE AT 31 MARCH	**68.414**	**60.591**

Where the Bridge Estate's fixed assets have been consolidated with the Council's it has been assumed that the properties class will remain as investment property upon consolidation.

8.7.2.3 Short Term Debtors

TABLE 8.7.2.3: SHORT TERM DEBTORS		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Central government bodies	19.119	18.814
Other local authorities	6.989	(0.453)
NHS bodies	-	0.113
Other entities and individuals	41.283	52.918
TOTAL	**67.391**	**71.392**

8.7.2.4 Cash and Cash Equivalents

The balance of Cash and Cash Equivalents comprises of the following elements:

TABLE 8.7.2.4: CASH AND CASH EQUIVALENTS		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Cash held by the Authority / Group Organisation	1.092	0.331
Bank current accounts	31.792	6.320
Short-term deposits with banks and building societies	65.005	132.164
TOTAL CASH AND CASH EQUIVALENTS	**97.889**	**138.815**

8.7.2.5 Short Term Creditors

TABLE 8.7.2.5: SHORT TERM CREDITORS		
DESCRIPTION	**31 March 2011 £m**	**31 March 2012 £m**
Central government bodies	(21.075)	(36.094)
Other local authorities	(13.457)	(0.608)
NHS bodies	-	(0.236)
Other entities and individuals	(138.112)	(128.589)
Creditors due from Associates	(1.326)	-
TOTAL	**(173.970)**	**(165.527)**

8.7.2.6 Usable Reserves

Movements in the usable reserves are detailed in the Movement in Reserves Statement.

8.7.2.7 Unusable Reserves

Unusable reserves have been created as a result of the difference between accounting under IFRS and statutory provisions. These reserves represent differences due to timing of funding certain items of expenditure and are, therefore, not available as a source of general funding. The unusable reserves also include the Council's share of profit and loss and other reserves of jointly controlled entities included in the group accounts.

TABLE 8.7.2.7(a): UNUSABLE RESERVES		
DESCRIPTION	**Restated 31 March 2011 £m**	**31 March 2012 £m**
Revaluation Reserve	222.064	273.978
Capital Adjustment Account	1,144.421	933.790
Financial Instruments Adjustment Account	(8.284)	(7.902)
Pensions Reserve	(365.076)	(588.941)
Deferred Capital Receipts Reserve	4.133	4.058
Collection Fund Adjustment Account	0.445	0.112
Accumulated Absences Account	(6.233)	(6.029)
Profit and Loss and Other Reserves of Group Entities	9.555	7.202
Authority's share of Profit and Loss and Other Reserves of an associate / jointly controlled entity	(1.326)	-
Minority Interest - Equity	0.740	0.548
TOTAL	**1,000.439**	**616.816**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Group arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The reserve contains only revaluation gains accumulated since 1 April 2007, the date that the reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

TABLE 8.7.2.7(b): REVALUATION RESERVE

DESCRIPTION	Restated 2010/11 £m	2011/12 £m
Opening Balance at 1 April	**240.872**	**222.064**
Upward revaluation of assets	27.346	85.015
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(41.123)	(20.498)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(13.777)**	**64.517**
Difference between fair value depreciation and historical cost depreciation	(3.514)	(3.508)
Accumulated gains on assets sold or scrapped	(1.517)	(6.524)
Asset reclassifications	-	(2.571)
Amount written off to the Capital Adjustment Account	**(5.031)**	**(12.603)**
CLOSING BALANCE AT 31 MARCH	**222.064**	**273.978**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation. Impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Group. The account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

TABLE 8.7.2.7(c): CAPITAL ADJUSTMENT ACCOUNT		
DESCRIPTION	**Restated 2010/11 £m**	**2011/12 £m**
Opening Balance at 1 April	**1,474.494**	**1,144.421**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Amortisation of intangible assets	(0.460)	(0.537)
Charges for depreciation of non-current assets	(67.058)	(75.525)
Charges for impairment of non-current assets	(2.604)	(4.310)
Revaluation losses on Property, Plant and Equipment	(369.589)	(144.516)
Movements in the market value of Investment Properties	(0.004)	(10.449)
Revenue expenditure funded from capital under statute (REFCUS)	(6.673)	(9.405)
REFCUS expenditure funded by grants	-	8.030
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(15.507)	(141.274)
Charges for Impairment of investment in subsidairy	-	(30.261)
Adjusting amounts written out of the Revaluation Reserve	5.032	12.603
	(456.863)	(395.644)
Capital financing applied in the year:		
Use of Capital Receipts Reserve to finance new capital expenditure	11.137	5.369
Use of the Major Repairs Reserve to finance new capital expenditure	10.307	14.653
Application of grants to capital financing from the Capital Grants Unapplied Account	90.075	59.033
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	15.082	84.182
Voluntary set aside of capital receipts for debt redemption	3.236	5.753
Capital expenditure charged against the General Fund and HRA balances	8.265	13.937
Equal Pay Capitalisation Direction	(10.513)	-
Reduction in Liabilities & Repayment of Long Term Debtors etc:		
Bulwell LIFT	-	3.159
Equity Loan Scheme - Art Homes	(0.172)	-
Principal Repayment of Capital Loans	(0.627)	(1.073)
	126.790	185.013
CLOSING BALANCE AT 31 MARCH	**1,144.421**	**933.790**

8.7.2.7 Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions. Post employment benefits are accounted for in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as employer’s contributions are made to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

TABLE 8.7.2.7(d): PENSIONS RESERVE		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Opening Balance at 1 April	**(762.645)**	**(365.076)**
Actuarial gains or (losses) on pensions assets and liabilities	325.227	(214.977)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	40.564	(38.708)
Employer's pensions contributions and direct payments to the pensioners payable in the year	31.778	29.820
CLOSING BALANCE AT 31 MARCH	**(365.076)**	**(588.941)**

8.7.3 Group Movement in Reserves Statement Notes

8.7.3.1 Opening Balance Restatement

Futures and Guideline Careers Services Ltd were included in the Council's Group Accounts for 2010/11. During 2011/12 Guideline Careers Services Ltd became a wholly owned subsidiary of Futures. As a result of the new arrangements the accumulated liability as at 31 March 2011 has not been recognised in the group accounts in accordance with IAS 28 'Investments in Associates and Joint Ventures'. The balance of reserves at 31 March 2011 has therefore been restated accordingly.

8.7.3.2 Adjustments between Group Accounts and Authority Accounts in the Group Movement in Reserves Statement

TABLE 8.7.3.2(a): ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND AUTHORITY ACCOUNTS IN THE GROUP MIRS 2011/12

DESCRIPTION	General Fund Balance £m	Other Usable Reserves £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Authority's Share of Group Reserves £m	Total Reserves £m
Payments in relation to goods and services from subsidiaries	(67.677)	-	(67.677)	-	(67.677)	67.677	-
Grants and provisions for subsidiaries	(0.101)	-	(0.101)	-		0.101	0.101
Receipts in relation to goods and services provided to subsidiaries	8.032	-	8.032	-	8.032	(8.032)	-
Interest and investment income from / to subsidiaries	0.003	-	0.003	-	0.003	(0.003)	-
Contributions from subsidiaries	1.275	-	1.275	-	1.275	(1.275)	-
Other movements	-	-	-	-	-	(1.294)	(1.294)
TOTAL ADJUSTMENTS	(58.468)	-	(58.468)	-	(58.468)	57.174	(1.294)

TABLE 8.7.3.2(b): ADJUSTMENTS BETWEEN GROUP ACCOUNTS AND AUTHORITY ACCOUNTS IN THE GROUP MIRS 2010/11							
DESCRIPTION	**General Fund Balance £m**	**Other Usable Reserves £m**	**Total Usable Reserves £m**	**Unusable Reserves £m**	**Total Authority Reserves £m**	**Authority's Share of Group Reserves £m**	**Total Reserves £m**
Payments in relation to goods and services from subsidiaries	(72.165)	-	(72.165)	-	(72.165)	72.165	-
Grants and provisions for subsidiaries	(0.161)	-	(0.161)	-	(0.161)	0.161	-
Receipts in relation to goods and services provided to subsidiaries	8.093	-	8.093	-	8.093	(8.093)	-
Interest and investment income from / to subsidiaries	0.006	-	0.006	-	0.006	(0.006)	-
Contributions from subsidiaries	1.238	-	1.238	-	1.238	(1.238)	-
TOTAL ADJUSTMENTS	(62.989)	-	(62.989)	-	(62.989)	62.989	-

8.7.4 Group Cash Flow Notes

8.7.4.1 Operating Activities

The cash flows for operating activities include the following items:

TABLE 8.7.4.1: OPERATING ACTIVITIES		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Interest received	3.276	16.687
Interest paid	(50.871)	(107.891)
Surplus received from discontinued operations		3.927
Dividends received	0.580	0.500
Dividends paid	(0.288)	(0.814)
Taxation	0.241	0.024

8.7.4.2 Investing Activities

Share Subscription – Obtaining Control of Subsidiary

In order to enter into a contract for the second phase of the tram project, the City Council had to terminate its existing PFI contract. It decided to do this by purchasing the existing company and issuing additional shares within the company to give it sufficient funds to meet its existing obligations (primarily paying the banks back for the costs of funding the construction of NET Line One). The total cost of this was £259.455m, which included the issue of £211.572m new shares. This negated the need to make PFI contract payments totalling £339.737m over the remaining life of the NET Line One contract.

Other Investing Activities

TABLE 8.7.4.2: OTHER INVESTING ACTIVITIES		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Purchase of property, plant and equipment, investment property and intangible assets	(176.672)	(202.610)
Purchase of short-term and long-term investments	(19.400)	(236.558)
Other payments for investing activities	(1.924)	(1.428)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	18.280	13.357
Proceeds from short-term and long-term investments	2.360	79.594
Other receipts from investing activities	95.614	91.307
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(81.742)**	**(256.338)**

8.7.4.3 Financing Activities

TABLE 8.7.4.3: FINANCING ACTIVITIES		
DESCRIPTION	**2010/11 £m**	**2011/12 £m**
Cash receipts of short and long-term borrowing	65.209	319.233
Other receipts from financing activities	0.179	30.310
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(6.182)	(12.267)
Repayments of short and long-term borrowing	(6.908)	(132.231)
Other payments for financing activities	0.999	(6.026)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**53.297**	**199.019**

Auditors' Report to Nottingham City Council

9. AUDITOR'S REPORT FOR NOTTINGHAM CITY COUNCIL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAM CITY COUNCIL

Opinion on the financial statements

I have audited the financial statements of Nottingham City Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group Cash Flow Statement, the Housing Revenue Account Income and Expenditure Account, the Movement on the Housing Revenue Account Statement and Collection Fund Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Nottingham City Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of Nottingham City Council as at 31 March 2012 and of its expenditure and income for the year then ended;
- give a true and fair view of the financial position of the Group as at 31 March 2012 and of its expenditure and income for the year then ended; and

- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

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

Respective responsibilities of the Authority and the auditor

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Nottingham City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Delay in certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to issue my assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. I am satisfied that this work does not have a material effect on the financial statements or on my value for money conclusion.

Sue Sunderland
Officer of the Audit Commission

Westthorpe Business Innovation Centre
Westthorpe Fields Road
Killamarsh
Sheffield
S21 1TZ

25 September 2012

Glossary of Financial Terms

10. GLOSSARY OF FINANCIAL TERMS

Items in **bold** are described further within the glossary.

Accounting Period
The period of time covered by the Council's accounts. Normally twelve months, beginning on 1 April. Also known as the Financial Year.

Accounting Policies
The principles, bases, conventions, rules and practices applied by an organisation that specify how the effects of transactions and other events are to be reflected in its financial statements through recognising, measuring and presenting **assets**, **liabilities**, gains, losses and changes to **reserves**.

Accrual
Income and expenditure are recognised as they are earned or incurred, not as money is received or paid. Accruals are made for **revenue** and **capital expenditure** and income (see **debtors** and **creditors**).

Actuarial gains and losses
The changes in the net pension's **liability** that arise because events have not coincided with assumptions made at the last actuarial valuation, or because the actuaries have updated their assumptions.

Agency Services
Services that are performed by or for another Council or public body, where the Council responsible for the service reimburses the Council carrying out the work for the cost of that work.

Amortisation
The writing down of an **intangible asset** reflecting its diminution in value as its useful life expires over time.

Assets
Items having measurable value in monetary terms. Assets can be defined as fixed or current. A fixed asset has use and value for more than one year e.g. land, buildings, plant, vehicles and equipment. Current assets can be readily converted into cash.

Audit Commission
Independent body with the responsibility of appointing **external auditors** to local authorities. The Audit Commission has a duty to ensure that local authorities make sufficient arrangements to secure economy, efficiency, and effectiveness in their use of resources and is able to subject a local authority to Value for Money studies.

Bad (and doubtful) Debts
Debts which may be uneconomical to collect or unrecoverable.

Balance Sheet
A statement of recorded **assets** and **liabilities,** and other balances at the end of an **accounting period**.

Business Rates – see **Non-Domestic Rates**

Capital Adjustment Account
This account contains the balances previously held on the Capital Financing Account, the Fixed Asset Restatement Account and the Government Grants Deferred Account. The movements in year relate to the amount of capital expenditure financed from revenue, grants and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans (MRP)

Capital Expenditure
Expenditure on an acquisition or enhancement of fixed **assets**. Enhancement would include increases in value, lengthening the life of the **asset** or increasing the usage of the **asset**.

Capital Financing Requirement
An amount calculated from the value of Fixed Assets less the balances on Capital Adjustment Account and Fixed Asset Restatement Account. The sum represents the "underlying" need to borrow of the Council. The Council is required to make an annual provision of 4% of this amount from revenue resources to meet its debt repayment obligations. This is known as the Minimum Revenue Provision

Capital Receipt
Money received from the disposal of land and other **assets**, and from the repayment of capital grants and loans made by the Council.

Cash and Cash Equivalents
Cash in hand, cash overdrawn and short term investments that are readily convertible into known amounts of cash

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the leading professional accountancy body for public services. It draws up the Accounting Code of Practices and issues professional guidance that is used to compile these accounts. CIPFA advises central government and other bodies on local government and public sector finance matters.

Code of Practice on Local Authority Accounting (UK)
Publication produced by **CIPFA** that provides detailed guidance on the proper accounting treatment to be used in the preparation of local authority statement of accounts.

Collection Fund
A separate fund recording the expenditure and income relating to **Council Tax**, **National Non-Domestic Rates** (collected on behalf of the Central Government) and residual community charge.

Community Assets
Assets that a local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions in their disposal. Examples are parks and historical buildings.

Consolidated
Added together with adjustments to avoid double counting of income, expenditure or to avoid exaggeration e.g. debtors

Contingency
A sum included in the revenue budget to cover unexpected expenditure during the **accounting period**. An example of such an event would be an exceptional price increase not anticipated at the time the budget was constructed.

Contingent Liabilities
A contingent liability is defined as either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control or a present obligation that arises from past events but is not recognised because either it is not probable that a transfer of economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Contingent Rents
The portion of the lease payments that is not fixed in amount, but is based on the future amount of a factor that changes other than with the passage of time. (E.g. percentage of future sales, amount of future use, future price indices and future market rates of interest.)

Corporate and Democratic Core
Defined elements of support service costs which are not chargeable to services, sub-divided into Democratic Representation and Corporate Management.

Council Tax
A local tax set by local authorities in order to meet their budget requirements. There are eight Council Tax bands (Band A to Band H); the amount of Council Tax each household pays depends on the value of the home.

Council Tax Benefit
Assistance provided by billing authorities to adults on low income, with the objective of helping them to pay their **Council Tax** bills.

Council Tax Discounts and Exemptions
Discounts are available to people who live alone and for homes that are not anyone's main home. **Council Tax** is not charged for certain properties, known as exempt properties, like those only lived in by students.

Creditors
Amounts owed by an authority for works done, goods received or services rendered before the end of an **accounting period**, but for which actual payments had not been made by the end of that accounting period.

Current Service Cost
The increase in present value of a defined benefit pension scheme's **liabilities** expected to arise from employee service in the current financial year.

Debtors
Amounts due to an authority for works done, goods supplied or service rendered before the end of an **accounting period**, but for which actual payments had not been received by the end of that accounting period.

Dedicated Schools Grant
A **specific grant** paid to Local Authorities to fund the cost of running its schools.

Defined Benefit Pension Scheme
A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Depreciation
The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Exceptional Items
Material items which derive from events or transactions that fall within the ordinary activities of the Council and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

External Audit
The auditor is appointed by the **Audit Commission** and is required to verify that all statutory and regulatory requirements have been met during the production of the Council's accounts. There is also a requirement to review the arrangements in place to ensure the economic and effective use of resources.

Extraordinary Items
Material items, possessing a high degree of abnormality, which derive from events or transactions that fall outside the ordinary activities of the Council and which are not expected to recur. They do not include **exceptional items**, nor do they include prior period items, merely because they relate to a prior period.

Fair Value
The fair value of an **asset** is the price at which it could be exchanged in an arms length transaction.

Finance Lease
A lease, which transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. The payments usually cover the full cost of the asset together with a return for the cost of finance. Asset held under Finance Leases are recognised on the Balance Sheet as Assets.

Financial Instrument
Any contract giving rise to a financial **asset** in one entity and a financial **liability** or equity instrument in another. Examples include the treasury management activity of the Council, including the borrowing and lending of money and the making of investments.

Fixed Assets
Tangible assets which have value to the Council for more than one year.

General Fund
The common name for the account which accumulates balances for all services except the **Housing Revenue Account** and the **Collection Fund**.

Group Financial Statements
Where a Council has an interest in another organisation (e.g. a **subsidiary** organisation) group accounts have to be produced. These accounts report the financial position of the Council and all organisations in which it has an interest.

Historical Cost
This represents the original cost of acquisition, construction or purchase of a fixed **asset.**

Housing Benefit
Assistance provided by billing authorities to adults on low income, with the objective of helping them to pay their rent. Parts of the cost, including those associated with the running expenses of the scheme, are refunded directly by the Government.

Housing Revenue Account (HRA)
Sets out the expenditure and income arising from the provision of social housing by the local authority as landlord.

Housing Revenue Account Subsidy
Government grant paid to housing authorities towards the cost of providing, managing and maintaining dwellings and paying housing benefits to tenants.

Impairment
A reduction in the value of a fixed **asset** resulting from financial loss, damage or obsolescence. In order to comply with accounting standards, the Council undertakes annual reviews of its assets to identify any that are impaired.

Infrastructure Assets
Assets held by local authorities which do not normally have a resale value and for which a useful life span cannot easily be assessed. Examples include highways, bridges and drainage facilities.

Intangible Assets
Assets that do not have physical substance but are identifiable and controlled by the Council through custom or legal rights.

International Financial Reporting Standards
International Financial Reporting Standards are standards and interpretations adopted by the International Accounting Standards Board (IASB). Many of the standards forming part of the IFRS were previously known as International Accounting Standards.

Investment Properties
An interest in land and/or buildings which is held for its investment potential.

Joint Ventures
An organisation in which the Council is involved where decisions require the consent of all participants.

Liability
Amounts due to individuals or organisations that will have to be paid at some time in the future. Current liabilities are usually payable within one year of the balance sheet date.

Medium Term Financial Plan (MTFP)

A plan detailing projected expenditure and available resources over a period of more than one year. The Council's MTFP currently covers three years.

Minimum Revenue Provision (MRP)
The statutory minimum amount that authorities must set aside each year as provision for debt repayment based on 4% of the Capital Financing Requirement

National Non-Domestic Rates
The means by which local businesses contribute to the cost of providing local authority services. All Non-Domestic Rates are paid into a central pool and then divided between all authorities depending on the number of residents each authority has.

Net Revenue Expenditure
This represents the Council's budget requirement and use of **reserves**.

Non-Cancellable Lease
A lease that is cancellable only:
- Upon the occurrence of some remote contingency.
- With the permission on the lessor.
- If the lessee enters into a new lease for the same or an equivalent asset with the same lessor
- Upon payment by the lessee of such an additional amount that, at the inception of the lease, continuation of the lease is reasonably certain.

Non-operational Assets
Assets held by the Council but not actually used in the direct delivery of services, including surplus assets, industrial units and assets used by other organisations in order to provide services on the Council's behalf. See **Operational Assets**.

Operating Leases
A lease where substantially all of the risks and rewards of ownership of a fixed **asset** are retained by the lessor. Operating leases do not result in a charge against the local authority's capital resources.

Operational Assets
Assets held by the Council for the purpose of the direct delivery of services for which the Council has either a statutory or discretionary responsibility. See **Non-operational Assets**.

Outturn
Actual income and expenditure in an **accounting period**.

Past Service Cost
The increase in **liabilities** arising from current year decisions whose effect relates to years of service earned in earlier years.

PFI Credits
The financial support provided to Local Authorities to part fund **Private Finance Initiative** capital projects.

Post Balance Sheet Events
Those events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

Precept
The amount of **Council Tax** income County Councils, Police authorities, Parish Councils and Fire authorities (precepting authorities) need to provide their services.

Prior Year Adjustments
These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors. They do not include normal recurring corrections or adjustments of accounting estimates in prior years.

Private Finance Initiative (PFI)
A long-term contractual public private partnership under which the private sector takes on the risks associated with the delivery of public services in exchange for payments tied to standards of performance.

Provision
An amount set aside to cover a **liability** that will almost certainly occur, but where the amounts or dates on which the cost will arise are uncertain.

Prudential Code
The Prudential Code ensures, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable.

Public Works Loans Board (PWLB)
A Government agency which provides loans, for terms of one year and above, to local authorities. The interest rates applied are only slightly higher than those at which the Government can borrow.

Reserves
A reserve is an amount set aside for a specific purpose in one financial year and carried forward to meet expenditure in future years. A distinction is drawn between reserves and **provisions** which are set up to meet known liabilities.

Residual Value
The net realisable value of an **asset** at the end of its useful life

Revaluation Reserve
This represents the non-distributable increase/decrease in the valuation of fixed **assets**.

Revenue Expenditure
Expenditure on day-to-day running costs such as salaries, heating, printing and stationery and debt charges. Revenue items will either be expended immediately, like salaries, or within one year of purchase.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)
This is expenditure that can be deemed capital expenditure under Statute but does not result in an **asset** for the Council (e.g. Housing improvement grants). Such expenditure is written off to the Income and Expenditure Account in the year it is incurred. .

Revenue Support Grant (RSG)

Government financial support to aid local authority services generally. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

Section 106 contributions
These are receipts received by the Council from developers for a specific purpose; they arise as a result of a planning agreement between the Council and developer.

Service Reporting Code of Practice (SerCOP)
Published by **CIPFA** the SerCOP establishes "proper practice" with regard to consistent financial reporting to enhance the comparability of local authority financial information and is given statutory force in England by regulations under the Local Government Act 2011.

Specific Grant
Government financial support for a specific purpose or service that can not be spent on anything else.

Stocks
Comprise the following categories; goods or other **assets** purchased for resale; consumable stores; raw materials and components purchased for incorporation into products for sale; products and services in intermediate stages of completion; long term contract balances and finished goods.

Subsidiary and Associated Companies
An organisation in which the Council has a participating interest and over which it can exercise significant influence e.g. where the Council controls the majority of voting rights.

Trading Accounts
Services run in a commercial style and environment, providing services that are mainly funded from fees and charges levied on customers.

Trust Funds
Funds administered by a local authority for purposes such as charities, and specific projects and on behalf of minors.

Work in Progress
Work in progress is the value of work undertaken on an unfinished project at the end of the financial year, which has not yet been charged to the revenue account.