Nottingham City Council

Nottingham City Council

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

STATEMENT OF ACCOUNTS 2010/11

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EXPLANATORY FOREWORD

INTRODUCTION

The information contained within this Statement of Accounts provides a detailed review of Nottingham City Council's (the Council's) activity during the financial year 2010/11 and of the Council's assets and liabilities at 31 March 2011. Inevitably, some of this information is of a highly complex, technical nature.

This foreword is intended to provide:

- a summary of the financial statements that follow and help in interpreting those statements.
- a review of the Council's financial performance in the financial year 2010/11 and the spending plans for the financial year 2011/12.

Although this statement provides a comprehensive view of the Council's financial position during the period to which it relates, having been produced within a rigorous regulatory structure, it does 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, other published documents would also need to be consulted:

- The Nottingham Plan sets out the organisation's strategic priorities for the period 2008 to 2011, detailing what the Council seeks to achieve for Nottingham and reflecting the views of its citizens. 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.

CHANGES IN ACCOUNTING POLICIES AND STATUTORY FUNCTIONS

2010/11 is the first year that local authorities are required to prepare their accounts under IFRS. Standard IFRS 1 – First-time Adoption of IFRS sets out the specific transitional arrangements applicable for the first year. Accounting policy changes have arisen out of the adoption of the IFRS code, and as with all changes in accounting policy, these must be accounted for retrospectively as if the policies had always been applied in that way. Comparative figures for previous years have therefore been restated accordingly. Whilst there are many similarities between UK GAAP and IFRS, there are also some notable differences. There have been a number of significant changes, both in the way some of the core financial statements are described, e.g. the Income and Expenditure Account is replaced by the Comprehensive Income and Expenditure Statement (CIES) and in the format of those statements. Presentational differences include new terminology and changes to form and content of disclosures.

FINANCIAL STATEMENTS

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.

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.

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’.

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).

REVIEW OF 2010/11 OUTTURN - 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 (£100.371m) and that of the Nottinghamshire Police Authority (£12.062m) and Nottinghamshire Fire and Rescue Service (£5.251m).

The pre-audit outturn was reported to Executive Board on 21 June 2011 and showed the net outturn as being £0.041m lower than that planned for the year, prior to carry forwards.

The variances by Portfolio are summarised below:

TABLE 1.1: 2010/11 OUTTURN - VARIANCES BY PORTFOLIO		
DESCRIPTION	**£m**	**£m**
OVERSPENDS		
Adult Support and Health	0.830	
Children's Services	0.034	
Neighbourhood Regeneration	0.032	
Transport and Area Working	0.416	
Corporate Items	0.673	1.985
UNDERSPENDS		
Community Safety, Partnerships & the Voluntary Sector	(0.088)	
Employment and Skills	(0.313)	
Environment and Climate Change	(1.132)	
Housing Delivery and Voluntary Sector	(0.278)	
Leisure, Culture and Customers	(0.049)	
Resources, Economic Development and Reputation	(0.166)	(2.026)
Net underspend before carry forwards		(0.041)
Carry forwards		0.694
NET OVERSPEND AFTER CARRY FORWARDS		**0.653**

The significant variances are detailed below:

Adult Support and Health +£0.830 m
This overspend is mostly a result of an increase in externally purchased care due to an increase in the number of citizens receiving care. This overspending is offset by savings arising from a delay in recruitment to vacant posts within the home care service.

Children's Services +£0.034 m
A significant overspend of £3.016m has arisen due to the continuing increase in the required number of children coming into care and the subsequent use of external placements. This has been almost entirely offset, primarily as a result of the active management of vacant posts and additional use of Dedicated School's Grant (DSG) for certain relevant costs.

Transport and Area Working +£0.416m
This overspend relates to additional concessionary fare payments to operators as a result of increased demand and set up costs for the Work Place Parking Levy.

Corporate Items +£0.673m
This overspend is mostly due to the settlement of a prior year Housing Subsidy claim (£0.408m) and planned corporate management savings that have not yet been achieved.

Employment and Skills -£0.313m
This underspend is mostly the result of planned management of vacant posts within the Human Resources Service to provide greater flexibility in 2011/12.

Environment & Climate Change -£1.132m
The most significant underspend is within the Waste Management Service attributable to savings on disposal costs through the diversion of waste landfill to other cheaper disposal routes.

Housing Delivery and Voluntary Sector -£0.278m
This underspend is mainly the result of underspends on premises and running costs together with additional income from lettings and sales within the Voluntary Sector Service.

Resources, Economic Development and Reputation -£0.166m
An overspending due to delays in vacating buildings as part of the workplace strategy (£0.595m) has been more than offset by savings as a result of vacancy management and additional income generated by Registrars.

Provisions and write offs
The Comprehensive Income and Expenditure Statement for 2010/11 includes the following significant charges for items that have been written off, and changes to provisions:

Icelandic Banks (£7.150m)
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. By 31 March 2011, the Council had received £7.817m principal and £0.168m interest from the banks involved. The subsequent impairments of these deposits has been assessed at £7.150m at 31 March 2011 and this sum has been charged to the Income and Expenditure Statement in 2010/11. The charge, net of interest credited in year in respect of the Icelandic bank deposits, has been met by a transfer from the existing Treasury Management Reserve. The balance on this Reserve has been held with a view to meeting the impairment charge. There is therefore a neutral impact on the 2010/11 revenue account. In addition, the £7.150m includes accrued interest which will be credited back to the revenue account in future years. Overall, the Council currently anticipates a net loss of £3.100m in respect of the original sums deposited by the time that all the interest accruals have been reversed (also see note 4.49).

Impairment Losses (£0.886m)
Assets are assessed at 31 March for impairment. In 2010/11 a net amount of (£0.886m) for impairments was credited to the Comprehensive Income and Expenditure Statement (CIES). This includes £2.607m for damaged, decommissioned and demolished properties. Reversals of previous years' impairment charges to the CIES as a result of asset revaluation amounted to (£3.493m)

Impairment reversals not credited to the CIES in 2010/11 amounted to £20.760m. 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.

Reduction in Provisions (£18.567m)
The provisions shown in the Balance Sheet for 2009/10 included an amount of £18.567m, charged to the CIES in previous years, to meet historic equal pay liabilities. These liabilities were met in 2010/11, so the provision was reversed (credited) to the CIES.

REVIEW OF 2010/11 OUTTURN – 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 2010/11 was as follows:

TABLE 1.2: 2010/11 CAPITAL PROGRAMME OUTTURN	
DESCRIPTION	**£m**
EXPENDITURE	
Housing Delivery	61.686
Transport & Area Working	21.317
Education	66.213
Resources, Economic Development and Reputation	26.314
All Other Services	13.282
	188.812
FUNDING	
Supported Borrowing	44.862
Unsupported Borrowing	24.235
Capital Receipts	10.924
Revenue /Reserves/Funds	8.261
Grants & Contributions (inc MRA)	100.530
	188.812

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 £242.771m. Resources of £53.959m are therefore available to carry forward to cover expenditure that has slipped between years.

Borrowing Facilities

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 2010/11 of £812m (including PFI-related debt of £266m). Actual borrowing on 1 April 2010 was £667m and this increased to £732m at 31 March 2011.

During the year, new borrowing totalling £20m was raised from the Public Works Loan Board (PWLB) to finance new capital expenditure and replace matured debt. In addition, temporary borrowing from other local authorities to meet cash flow requirements increased by £45m.

REVIEW OF 2010/11 OUTTURN – BALANCE SHEET

General Fund Balance

The General Fund Balance has increased from £7.058m at 31 March 2010 to £8.604m by 31 March 2011. 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 1.3: MOVEMENTS IN GENERAL FUND BALANCE 2010/11	
DESCRIPTION	**£m**
BALANCE AT 31 MARCH 2010	**7.058**
CONTRIBUTIONS	
Net underspends by Services	0.041
Planned Contributions per MTFP	2.245
Review of Earmarked Reserves	1.508
USE	
Agreed Carry Forwards 2009/10	(0.834)
New Earmarked Reserves	(0.850)
Other agreed uses	(0.564)
BALANCE AT 31 MARCH 2011	**8.604**

The General Fund Balance is analysed within the **Movement in Reserves Statement** 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 2010/11, which was reported to Executive Board on 21 June 2011.

Material assets acquired and liabilities incurred.

No material assets have been acquired or liabilities incurred in 2010/11 other than those identified elsewhere in the statement.

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 2011, the Council's fund was in deficit by £339.821m (£717.038m as at 31 March 2010) 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.

PLANNED FUTURE DEVELOPMENTS

In February 2011 the Executive Board approved a revised Medium Term Financial Plan (MTFP) covering the 3 year period from 2011/12 to 2013/14.

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, and the working up of detailed budgets based on current priorities and plans, underlying demographic trends and predicted inflation factors.

The outlook for local government is now much more 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. As a result, there are no proposed investments for the MTFP, reflecting the very challenging financial position and outlook. These issues have been brought together to produce a 3 year Medium Term Financial Outlook (MTFO) as detailed below:

TABLE 1.4: MTFO – DRAFT 3 YEAR PROJECTIONS

DESCRIPTION	2011/12 £m	2012/13 £m	2013/14 £m
EXPENDITURE			
2010/11 Net Budget Requirement	272.717	272.717	272.717
Rebasing due to Grant Settlement changes	28.654	23.249	23.249
Estimated Inflation	14.640	19.031	27.497
Corporate Adjustments	4.195	3.101	1.011
Net savings from previous MTFP decisions	(5.242)	(7.013)	(7.013)
Contingencies and Reserves	(10.421)	(2.559)	(2.844)
SUB TOTAL	**304.544**	**308.526**	**314.617**
STRATEGIC CHOICES FOR 2011/12			
Pressures	9.245	12.291	12.412
Fees & Charges	(1.720)	(2.306)	(2.306)
Cost Reductions	(25.502)	(29.814)	(30.298)
Invest to Save	(1.337)	(3.315)	(4.315)
SUB TOTAL	**285.229**	**285.383**	**290.110**
Emerging Pressures	**-**	**8.000**	**16.000**
NET BUDGET REQUIREMENT	**285.229**	**293.383**	**306.110**
FUNDED BY:			
Formula Grant	**(184.802)**	**(170.552)**	**(162.024)**
Council Tax	**(100.427)**	**(102.938)**	**(105.512)**
TOTAL FUNDING	**(285.229)**	**(273.490)**	**(267.536)**
CUMULATIVE INDICATIVE GAP	**-**	**19.893**	**38.574**

Similarly the Council's Capital Programme focuses on maintaining or improving existing assets and service provision rather than expanding existing services or developing new services. The Capital Programme and funding proposals are detailed below:

TABLE 1.5: CAPITAL PROGRAMME

DESCRIPTION	2011/12 £m	2012/13 £m	2013/14 £m	Total £m
EXPENDITURE				
Public Sector Housing	25.332	18.721	5.700	49.753
Local Transport Plan	8.549	10.295	10.050	28.894
Education	55.358	28.233	9.307	92.898
All Other Services	46.095	9.484	0.200	55.779
	135.334	**66.733**	**25.257**	**227.324**
FORECAST FUNDING				
Unsupported Borrowing	24.967	15.774	4.250	44.991
Capital Receipts	9.767	10.879	13.140	33.786
Revenue /Reserves/Funds	1.222	5.917	0.480	7.619
Grants & Contributions (inc Major Repairs Allowance)	99.378	34.163	7.387	140.928
TOTAL	**135.334**	**66.733**	**25.257**	**227.324**

Although the capital programme is influenced by the current economic conditions, significant external resources continue to be available in the medium term. The known reductions from the grant settlement have been factored into projections and resources continue to be planned and reviewed closely to ensure funding is secured prior to the 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 over-prudence. This is a key source of funding as the Council has a large asset base and work is underway to ensure that opportunities are optimized in supporting the delivery of capital investment.

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.

PARTNERSHIP ARRANGEMENTS

The Council will be delivering a further range of high value and high profile schemes in partnership with other organisations, including private sector partners, some of which are described below.

NET Lines 2/3
The Council, in conjunction with Nottinghamshire County Council (the Promoters) entered into a Public Finance Initiative (PFI) agreement in 1999/2000 to provide a new light rapid transit service from Hucknall to Nottingham. A further proposal for two additional lines, to Clifton and Chilwell is nearing completion, with financial close anticipated in the autumn of 2011.

Following a change in political administration, the County Council has changed its policy and is no longer contributing to the development of NET Phase Two. NET Phase Two is fundamentally linked to NET Line One, so the County Council have given notice to pull out of the joint arrangements, which will be applied retrospectively if NET phase Two reaches financial close.

Development costs are reflected in the capital programme but the service itself is being procured through a PFI contract whereby monthly availability payments will be made to the private sector partner when the service has commenced. The partner will design, build, finance and operate Lines 2 and 3 and operate Line 1.

Nottingham Station Improvements (The Hub)
A funding agreement for the main station improvement works has been signed with Network Rail and work has now commenced, committing the Council to providing £11.910m funding on completion of various milestones towards the scheme, costing around £80.000m. The Council's contribution to the overall scheme is currently within the approved allocation of £18.130m; allowing for some contingency. The scheme is funded from a variety of sources including LTP, Congestion Grant and EMDA funding (in previous years), with the balance of up to £14.000m funded by prudential borrowing, to be repaid via Workplace Parking Levy income.

Workplace Parking Levy (WPL)
The transport strategy for Greater Nottingham, (the Local Transport Plan (LTP)) contains policies and measures to relieve road traffic congestion, including NET Phase Two, development of the bus network and a major redevelopment of Nottingham railway station. To fund the Council's share of these schemes, the introduction of a WPL is proposed, whereby businesses providing more than 10 car parking places for employees will be required to obtain a licence and pay an annual charge to the Council (with certain exemptions, e.g. for disabled parking spaces).

The early development of this scheme was largely funded through Central Government contributions. In 2007/2008, following a public consultation exercise, the Council agreed in principle to proceed with WPL to come into force in April 2010. Due to the economic downturn, the Council agreed to defer introduction of charging for the WPL until 1 April 2012, in return for an addition level of grant from the Department for Transport (DfT) for NET Phase Two.

Bulwell LIFT Joint Service Centre
NHS Local Improvement Trust (LIFT) is a public-private initiative that is sponsored by the Department of Health. The principal aim of LIFT's is to replace old inadequate buildings with new health-related facilities. The Council has completed the procurement of two new Joint Service Centres at Clifton and Hyson Green using the LIFT vehicle. A new centre in Bulwell is expected to be operational by March 2012. Under this arrangement, which is supported by PFI Credit issued by the Department of Communities and Local Government (DCLG), the Council enters into a lease agreement with the LIFT Company for a 25-year period.

St Ann's Joint Service Centre
This is a design and build capital project which is being procured in partnership with NHS Nottingham City.

The total cost of the scheme is £15.600m to be funded by a £10.700m contribution from NHS Nottingham City (NHSNC) and £4.900m from the Council. The Council's contribution is funded by £4.000m Co-location grant and £0.900m prudential borrowing, to be repaid from the LIFT Reserve.

Building Schools for the Future (BSF)
BSF was a Government initiative which aims to promote change in the quality of the educational provision in England by rebuilding and/or renewing school buildings.

The Council was successful in securing funding of under the national 'Wave 2' BSF programme, for the new build or major remodelling of five secondary schools and four special schools costing around £200.000m. This programme is being delivered by a Local Education Partnership (LEP) which was procured in June 2008. Work has been completed on three sites. A recent savings exercise with Partnerships for Schools (PfS) secured funding in respect of the remaining schemes in Wave 2; currently estimated to be completed by 2012/13.

Street Lighting

The Council received approval for a street lighting Private Finance Initiative (PFI) scheme from the Department for Transport (DfT) 2007/2008. The approval provided a PFI credit of £44.600m towards the capital cost of a 5 year improvement programme, the contract start date was September 2010. The scheme entails a private sector service provider assuming responsibility for the Council's street lighting for a period of 25 years.

There is a need for additional annual resources to be provided by the Council to meet the cost of later years' replacement columns and maintenance costs. To meet this 'affordability gap', the Council has made an appropriate revenue provision within the MTFP.

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.

1 The economic climate has also resulted in more volatile asset values and the most commonly reported, falls in property value relate to the housing market. An impairment review of all Council property and land assets was undertaken in 2008/09 and identified the requirement for material adjustments in values. Further impairment reviews completed in 2009/10 and 2010/11 identified that no overall adjustments, arising as a result of a significant change in the property market, were deemed necessary.

2 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.

MATERIAL EVENTS AFTER THE REPORTING DATE

Since the reporting date of 27th June, 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 2010/11.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the Statement of Accounts.

The statement of accounts was approved at a meeting of the Audit Committee on 23 September 2011.

Signed……………………………………………………

Councillor Williams
Chair of the Audit Committee
Date: 27 September 2011

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 2011.

Signed……………………………………………………

Carole Mills-Evans (CPFA)
Chief Finance Officer, Deputy Chief Executive & Corporate Director for Resources
Loxley House
Station Road
Nottingham
NG2 3NG
Date: 27 September 2011

FINANCIAL STATEMENTS

TABLE 3.1: MOVEMENT IN RESERVES STATEMENT 2009/10									
DESCRIPTION	**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 2009	**11.374**	**82.488**	**3.204**	**0.028**	**-**	**38.926**	**136.020**	**1,241.024**	**1,377.044**
Movement in reserves during 2009/10:									
Surplus/(deficit) on the provision of services	(0.198)	-	(33.632)	-	-	-	(33.830)	-	(33.830)
Other Comprehensive Income and Expenditure	0.118	-	-	-	-	-	0.118	(300.493)	(300.375)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	**(0.080)**	**-**	**(33.632)**	**-**	**-**	**-**	**(33.712)**	**(300.493)**	**(334.205)**
Adjustments between accounting basis and funding basis under regulations	11.960	0.684	28.652	0.010	6.671	(23.077)	24.900	(24.977)	(0.077)
NET INCREASE/DECREASE BEFORE TRANSFERS TO EARMARKED RESERVES	**11.880**	**0.684**	**(4.980)**	**0.010**	**6.671**	**(23.077)**	**(8.812)**	**(325.470)**	**(334.282)**
Transfers to/from earmarked reserves	(16.196)	9.754	6.442	-	-	-	-	-	-
INCREASE/DECREASE IN YEAR	**(4.316)**	**10.438**	**1.462**	**0.010**	**6.671**	**(23.077)**	**(8.812)**	**(325.470)**	**(334.282)**
BALANCE AT 31 MARCH 2010	**7.058**	**92.926**	**4.666**	**0.038**	**6.671**	**15.849**	**127.208**	**915.554**	**1,042.762**

TABLE 3.2: MOVEMENT IN RESERVES STATEMENT 2010/11									
DESCRIPTION	**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 2010	**7.058**	**92.926**	**4.666**	**0.038**	**6.671**	**15.849**	**127.208**	**915.554**	**1,042.762**
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	-	-	-	-	-	-	-	288.320	288.320
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	**66.743**	**-**	**(299.526)**	**-**	**-**	**-**	**(232.783)**	**288.320**	**55.537**
Adjustments between accounting basis and funding basis under regulations	(55.144)		300.031	0.977	6.726	6.239	258.829	(254.621)	4.208
NET INCREASE/DECREASE BEFORE TRANSFERS TO EARMARKED RESERVES	**11.599**	**-**	**0.505**	**0.977**	**6.726**	**6.239**	**26.046**	**33.699**	**59.745**
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**	**33.699**	**59.745**
BALANCE AT 31 MARCH 2011	**8.604**	**102.979**	**5.171**	**1.015**	**13.397**	**22.088**	**153.254**	**949.253**	**1,102.507**

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

TABLE 3.3: COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT							
		Restated 2009/10			2010/11		
DESCRIPTION	Notes	Gross Expenditure £m	Gross Income £m	Net Expenditure £m	Gross Expenditure £m	Gross Income £m	Net Expenditure £m
Central services to the public		5.278	(1.891)	3.387	2.962	(3.185)	(0.223)
Cultural, environmental, regulatory and planning services		120.806	(40.300)	80.506	129.437	(46.636)	82.801
Education and children's services		348.627	(255.029)	93.598	432.320	(279.432)	152.888
Highways and transport services		41.850	(24.225)	17.625	47.866	(32.791)	15.075
Local authority housing (HRA)		116.149	(93.519)	22.630	101.859	(92.782)	9.077
Other housing services		191.476	(185.249)	6.227	199.254	(166.199)	33.055
Adult social care		119.234	(39.933)	79.301	126.224	(44.301)	81.923
Exceptional costs for HRA social housing revaluation adjustment		-	-	-	279.680	-	279.680
Exceptional pension costs as a result of changes to valuation basis		-	-	-	(103.104)	-	(103.104)
Corporate and democratic core		62.796	(44.380)	18.416	74.352	(44.915)	29.437
Non distributed costs		22.383	-	22.383	10.586	-	10.586
COST OF SERVICES		**1,028.599**	**(684.526)**	**344.073**	**1,301.436**	**(710.241)**	**591.195**
Other operating expenditure	4.8	13.911	(11.592)	2.319	9.157	(8.290)	0.867
Financing and investment income and expenditure	4.9	159.725	(101.119)	58.606	118.773	(60.671)	58.102
Taxation and non-specific grant income	4.10	-	(371.168)	(371.168)	135.106	(552.487)	(417.381)
(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES		**1,202.235**	**(1,168.405)**	**33.830**	**1,564.472**	**(1,331.689)**	**232.783**

TABLE 3.3: COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT							
DESCRIPTION	**Notes**	**Restated 2009/10**			**2010/11**		
		Gross Expenditure £m	**Gross Income £m**	**Net Expenditure £m**	**Gross Expenditure £m**	**Gross Income £m**	**Net Expenditure £m**
Surplus or deficit on revaluation of Property, Plant and Equipment assets				**4.850**			**16.555**
Actuarial gains/losses on pension assets/liabilities				**295.642**			**(304.875)**
Other gains/losses recognised required under restatement				**(0.117)**			**-**
OTHER COMPREHENSIVE INCOME AND EXPENDITURE		**-**	**-**	**300.375**	**-**	**-**	**(288.320)**
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE		**-**	**-**	**334.205**	**-**	**-**	**(55.537)**

TABLE 3.5: BALANCE SHEET				
Restated 1 APRIL 2009 £m	**DESCRIPTION**	**Notes**	**Restated 31 March 2010 £m**	**31 March 2011 £m**
2,243.143	Property, Plant & Equipment	4.11	2,326.833	2,036.412
59.816	Investment Property	4.12	46.947	43.538
0.973	Intangible Assets	4.13	1.407	1.678
5.068	Long Term Investments		32.057	16.264
11.588	Long Term Debtors		10.112	10.699
2,320.588	**Long Term Assets**		**2,417.356**	**2,108.591**
176.253	Short Term Investments		43.675	77.574
0.090	Assets Held for Sale	4.17	0.160	1.645
0.828	Inventories	4.14	0.912	1.547
67.754	Short Term Debtors	4.15	69.137	68.542
14.624	Cash and Cash Equivalents	4.16	70.293	86.938
259.549	**Current Assets**		**184.177**	**236.246**
(45.279)	Short Term Borrowing		(42.377)	(67.000)
(123.698)	Short Term Creditors	4.18	(134.338)	(153.907)
(168.977)	**Current Liabilities**		**(176.715)**	**(220.907)**
(21.476)	Provisions	4.19	(23.141)	(7.628)
(450.183)	Long Term Borrowing		(463.824)	(497.138)
(139.505)	Other Long Term Liabilities		(167.696)	(172.982)
(11.460)	Capital Grants Receipts in Advance	4.33	(10.357)	(3.854)
(411.492)	Defined Benefit Pension Scheme	4.40	(717.038)	(339.821)
(1,034.116)	**Long Term Liabilities**		**(1,382.056)**	**(1,021.423)**
1,377.04 4	**NET ASSETS**		**1,042.762**	**1,102.507**
136.020	Usable Reserves	4.20	127.208	153.254
1,241.02 4	Unusable Reserves	4.21	915.554	949.253
1,377.04 4	**TOTAL RESERVES**		**1,042.762**	**1,102.507**

TABLE 3.6: CASH FLOW STATEMENT			
DESCRIPTION	**Notes**	**RESTATED 2009/10 £m**	**2010/11 £m**
NET SURPLUS OR (DEFICIT) ON THE PROVISION OF SERVICES (adjusted for movements in HRA and Collection Fund)		**(32.718)**	**(231.324)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements		148.984	390.627
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities		(79.950)	(116.340)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**36.316**	**42.963**
Investing activities	4.23	(94.623)	(85.645)
Financing activities	4.24	113.976	59.327
NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS		**55.669**	**16.645**
Cash and cash equivalents at the beginning of the reporting period		14.624	70.293
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD		**70.293**	**86.938**

NOTES TO THE FINANCIAL STATEMENTS

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

ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounts have required complete restatement to reflect the transition from UK GAAP to IFRS. The Balance Sheet for 2008/09 and the core financial statements for 2009/10 have been restated in preparation of full adoption in 2010/11.

The following table provides a summary of the key changes to the Council's assets and equity as a result of reporting under IFRS:

TABLE 4.1: KEY CHANGES TO ASSETS AND EQUITY UNDER IFRS		
DESCRIPTION	**1 April 2009 £m**	**31 March 2010 £m**
Net Assets and Equity under UK GAAP	**1,169.120**	**776.843**
Adjustments		
IAS 19 – Employee Benefits	(7.511)	(5.841)
IAS 20 – Grants	248.030	309.808
IAS 17,16 – Leases, Fixed Assets	(32.595)	(38.048)
NET ASSETS AND EQUITY UNDER IFRS	**1,377.044**	**1,042.762**

The following table shows a summary of the key changes to the Council's 2009/10 net expenditure as a result of reporting under IFRS. The financial impact of these changes are mitigated by compensating adjustments to the Balance Sheet to ensure that there is no overall impact on the General Fund and the taxpayer.

TABLE 4.2: KEY CHANGES TO INCOME AND EXPENDITURE UNDER IFRS	
DESCRIPTION	**2009/10 £m**
NET EXPENDITURE UNDER UK GAAP	**113.955**
Adjustments	
IAS 19 – Employee Benefits	(1.670)
IAS 20 – Grants	(61.778)
IAS 17,16 – Leases, Fixed Assets	(16.677)
NET EXPENDITURE UNDER IFRS	**33.830**

Significant IFRS changes and accounting standards

IAS 19 – Employee Benefits

IFRS requires the authority to make provision within the financial accounts for any outstanding contractual leave not taken by employees at the end of the financial year. This covers annual leave, flexi time and time off in lieu.

The accounting adjustment in the financial statements as a result of this requirement is an accrual in 2008/09 of **£7.511m** and in 2009/10 of **£5.841m**. The main difference between the two financial years is due to the timing of the school Easter holidays. The financial impact of this change in accounting under IAS 19 is mitigated by an adjustment account called the "Accumulated Absences Account" within the Balance Sheet; this ensures there is no impact on the taxpayer.

IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance

Under UK GAAP, Capital grants were deferred and recognised in the Income and Expenditure Account over the useful life of the relevant asset or for revenue grants as the relevant expenditure was incurred. The new guidance essentially provides that grants are recognised in their entirety once received and any conditions are met.

- <u>Capital Grants</u>
  Capital grants were previously shown in the Government Grants Deferred Account which formed part of liabilities in the balance sheet. Under IFRS this account no longer exists and the **£291.266m** balance at 31 March 2010 is transferred to the Capital Adjustment Account which is included in Unusable Reserves in the bottom section of the Balance Sheet.

- <u>Revenue Grants</u>
  In accordance with IAS 20, all revenue grants for which conditions have been satisfied have been reviewed and accounted for through the Comprehensive Income and Expenditure Statement. As at 31 March 2010 a balance of **£2.693m** which is to be matched to expenditure in 2010/11, was held in Creditors. This has been transferred to Earmarked Reserves which forms part of Usable Reserves.

IAS 17 – Leases

The objective of IAS 17 is to ensure that both lessees and lessors account for leases within their financial statements in accordance with their commercial substance. IAS 17 requires all leases to be classified as either a 'finance lease' or an 'operating lease' depending on its substance. A finance lease is now a lease that transfers 'substantially' all the risk and rewards incidental to ownership of an asset. In addition authorities are now required to ensure that leases for land and building are identified separately (as (all) land leases are usually operating leases)

In total, **5,900** lease agreements were reviewed in order to determine the correct accounting treatment under IFRS, which has resulted in 103 assets being reclassified and a net increase in assets of £**0.955m**. These include:

- 42 vehicles previously accounted for as operating leases now deemed to be finance leases and have been included on the Balance Sheet
- Offices at Eastcroft (lease in) have been reclassified as a finance lease with a book value of £2.126m at March 2010

The overall change in net expenditure **£0.357m** relates to depreciation charges in respect of these assets.

IFRIC 4 – Embedded Leases

Under this standard, all significant contracts or transactions required review to identify whether any 'embedded leases' existed (i.e. if the contract conveyed the right to use an asset in return for a payment or series of payments). If embedded leases are found to exist they need to be treated in the same way as a formal lease.

There were 12 significant agreements identified. These included the Eastcroft Incinerator and arrangements with Nottingham City Homes. The NET1 PFI scheme is the only embedded lease which is disclosed within the Council's accounts under IFRIC 4.

IAS 16 – Property, plant and equipment, IAS 40 – Investment property and FRS 5 – non current assets held for sale

The transition to IFRS requires the Council to review all of its assets in order to determine the correct classification, measurement and accounting treatment. In total 448 property revaluations were required to be undertaken in relation to the following accounting standards:

- IAS 16 – Property, plant and equipment (PPE)
  PPE includes the former 'land and building' 'vehicles, plant and equipment' and 'assets held for disposal'; 395 assets have been transferred to PPE during the process, which relate to the reclassification of investment properties, surplus assets and the recognition of finance leases. These additions bring the total number of assets in this category to 1,017 with a net movement in value of **£78m**.

- IAS 40 – Investment property
  IAS 40 sets out the accounting treatment for investment property and related disclosure requirements. Investment property is subject to new recognition criteria:

  - Investment property is land or a building held to earn rentals or for capital appreciation or both. (i.e. is not used in the delivery of Council services)
  - Is valued at fair value (the amount that would be paid for investment property in its existing use).

  The application has resulted in 379 properties being transferred to PPE, the most significant transfers relating to the reclassification of Industrial Units and Housing Estate shops.

- IFRS 5 – Non-current assets held for sale and discontinued operations
  IFRS 5 incorporates the prescribed accounting treatment for all non-current assets held for sale, including properties.

  A property is regarded as 'held for sale' if its carrying amount will be recovered principally through a sale transaction. Properties held for sale are subject to new recognition criteria:

  - The property is available for immediate sale
  - Authority is in place to proceed with disposal
  - The sale is expected within 12 months
  - The property is being actively marketed

  The assets are valued at fair value (the amount that would be paid for investment property in its existing use) less costs to sell.

  Under UK GAAP 20 assets were "held for sale". However, 17 did not meet the test of IFRS 5 and have subsequently been transferred to PPE and investment properties.

Summary

As a result of the application of these standards, there has been an overall movement in net assets of £207.924m in 2008/09 and £265.919m in 2009/10 and a reduction in the CIES of £80.125m.

ACCOUNTING POLICIES

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

General Principles

The Statement of Accounts summarises the Council's transactions for the 2010/11 financial year and its position at the year end of 31 March 2011. 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 2010/11 and the Best Value Accounting Code of Practice 2010/11, 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.

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.

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 2010/11.

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.

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

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.

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.

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 – debited to the Comprehensive Income and Expenditure Statement.

- 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.

Events After the Balance Sheet Date

Material events that occur after the Balance Sheet date of 31 March and the date when the Statement of Accounts is authorised for issue and which provide additional evidence relating to conditions existing at the Balance Sheet date are detailed within the notes to the Accounts.

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

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 voluntary organisations, 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).

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.

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 measured initially at cost and will only be revalued where there is a determinable market value for the asset. In practice, no intangible asset held by the Council meets this 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.

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.

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.

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.

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 authority at the end of the lease period.

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.

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.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). 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 BVACOP 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 BVACOP and accounted for as separate lines on the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

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.

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 has 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 upto 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 4.3: DE MINIMUS 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

Sale proceeds from the disposals of assets are netted off the carrying value of the asset as part of the gain or loss on disposal recognised in the Comprehensive Income and Expenditure Statement.

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-minimus level of £3m. Where an asset is enhanced, it's 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.

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 these assets at fair value (based on the cost to purchase the property, plant and equipment) was 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.

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. During 2010/11, the Council has received approval to capitalise the back pay costs in respect of the unequal pay claim, and as a result the amounts in the provision have been reversed.

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 authority. 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 authority.

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.

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.

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.

ACCOUNTING STANDARDS ISSUED, NOT ADOPTED

The Code of Practice on Local Authority Accounting 2011/12 has introduced a change in accounting policy in relation to the treatment of heritage assets which will need to be adopted fully in the 2011/12 financial statements.

The Council is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that has been issued but is not yet required to be adopted. For 2010/11 the only accounting policy change that needs to be reported relates to FRS 30 – Heritage Assets. The new standard will require that a new class of asset, heritage assets, is disclosed on the face of the Balance Sheet in the 2011/12 financial statements.

The definition of a heritage asset is an asset which is preserved in trust for future generations because of their cultural, environmental or historical associations.

The heritage assets held by the Council comprises the collections of assets and artefacts either exhibited or stored in local authority museums. The eight principal collections of heritage assets held in the museum include:

- Costume and Fabrics,
- Decorative Art,
- Fine Art,
- Human History,
- Industrial History,
- Social History,
- Byron Collection,
- Wollaton Hall.

The collections are not currently recognised in the financial statements as no information is available on the cost of these assets. Detailed records are kept on each asset by the curators of the museum including insurance valuation information.

The individual valuations currently held on the system for assets owned by the Council has a fair value of circa £34.600m, using valuations from 1993 – 2008, so some valuations will require adjusting. A number of assets not identified within the existing valuations will also require initial recognition.

It is anticipated that once recognised any depreciation will be immaterial due to the assets having a useful life of such length that any depreciation charge on the asset will be negligible.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 4.2, 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 are:

- 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.

- Group boundaries have been determined by assessing the nature of the Council's relationship with another entity. Following the conversion to IFRS the determining factor is whether the Council has the ability to control the other party or exercise significant influence. Under UK GAAP the determining factor was whether the Council has control, regardless of whether this was exercised or not in practice.

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, 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 £1.192m for every year that useful lives had to be reduced.

- 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.

- Debt Impairment (Doubtful debts) – At 31 March 2011, there was a balance of sundry debtors of £16.510m. A review of significant balances suggested that an impairment of doubtful debts of 5.6% (£0.930m) 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 debts would require an additional £0.930m to set aside as an allowance.

TABLE 4.4: USABLE RESERVES 2010/11						
DESCRIPTION	**General Fund**	**Housing Revenue Account**	**Capital Receipts Reserve**	**Major Repairs Reserve**	**Capital Grants Unapplied**	**Unusable Reserves**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
ANALYSIS OF ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS						
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
-Minimum Reserve Provision - PFI	(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

TABLE 4.4: USABLE RESERVES 2010/11						
DESCRIPTION	**General Fund £m**	**Housing Revenue Account £m**	**Capital Receipts Reserve £m**	**Major Repairs Reserve £m**	**Capital Grants Unapplied £m**	**Unusable Reserves £m**
EMPLOYEE BENEFITS	0.037	-	-	-	-	(0.037)
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)**

TABLE 4.6: USABLE RESERVES 2009/10							
DESCRIPTION	**General Fund £m**	**Housing Revenue Fund £m**	**Earmarked General Fund Reserves £m**	**Capital Receipts Reserve £m**	**Major Repairs Reserve £m**	**Capital Grants Unapplied £m**	**Unusable Reserves £m**
ANALYSIS OF ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS							
NON CURRENT ASSETS							
-Amortisation of Intangible Fixed Assets	0.329	0.051	-	-	-	-	(0.380)
-Depreciation and Impairment	49.559	23.488	-	-	-	-	(73.047)
-Revaluation Losses	29.984	7.685	-	-	-	-	(37.669)
-NET Asset Recognition	4.536		-	-	-	-	(4.536)
-(Loss) / Gain on Sale of Fixed Assets	0.091	(0.579)	-	15.163	-	-	(14.675)
	84.499	30.645	-	15.163	-	-	(130.307)
CAPITAL FINANCING							
-Revenue Expenditure Funded From Capital Under Statute	0.545	-	-	-	-	-	(0.545)
-Statutory Minimum Revenue Provision for Capital Financing	(8.432)	-	-	-	-	-	8.432
-Voluntary Revenue Provision for Capital Financing	(3.382)	(0.622)	-	-	-	-	4.004
-Adjustment Equal to the Reduction in Leasing Liability	(0.361)	-	-	-	-	-	0.361
-Capital Expenditure charged in year to General Fund Balance	(0.151)	-	-	-	-	-	0.151
-Transfer from usable Capital Receipts equal to the amount payable into the Housing Capital Receipts Pool.	2.700	-	-	(2.700)	-	-	-
-Use of Capital Receipts Reserve to finance new Capital expenditure	-	-	-	(12.980)	-	-	12.980
-Transfer from Deferred Capital Receipts upon receipt of cash	-	-	-	0.527	-	-	(0.527)
-Reversal of Major Repairs Allowance credited to HRA	-	-	-	-	16.939	-	(16.939)
-Use of the Major Repairs Reserve to finance capital expenditure	-	-	-	-	(10.268)	-	10.268
-Grants & Contributions Unapplied	(70.713)	(0.350)	1.040	-	-	(23.077)	93.021
	(79.794)	(0.972)	-	(15.153)	-	(23.077)	111.206
EMPLOYEE BENEFITS	(1.669)	(0.001)	-	-	-	-	1.670

TABLE 4.6: USABLE RESERVES 2009/10							
DESCRIPTION	**General Fund £m**	**Housing Revenue Fund £m**	**Earmarked General Fund Reserves £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	43.160	-	-	-	-	-	(43.160)
-Employers contributions payable to the NCC Pension Fund and Retirement Benefits payable direct to pensioners.	(33.256)	-	-	-	-	-	33.256
	9.904	0.000	-	-	-	-	(9.904)
OTHER MOVEMENTS							
-Revenue Grants & Contributions	0.356	-	(0.356)	-	-	-	-
-Financial Instrument Adjustment Account	(1.635)	(1.021)	-	-	-	-	2.656
-Transfer to/(from) Collection Fund Adjustment Account	0.298		-	-	-	-	(0.298)
	(0.981)	(1.021)	(0.356)	-	-	-	2.358
TOTAL ADJUSTMENTS	**11.960**	**28.652**	**0.684**	**0.010**	**6.671**	**(23.077)**	**(24.977)**

4.6 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 2010/11.

TABLE 4.7: TRANSFERS TO/FROM EARMARKED RESERVES

DESCRIPTION	Balance at 1 April 2009	Transfers Out 2009/10	Transfers In 2009/10	Balance at 31 March 2010	Transfers Out 2010/11	Transfers In 2010/11	Balance at 31 March 2011
	£m	£m	£m	£m	£m	£m	£m
Revenue							
Job Evaluation – Equal Pay	1.878	-	2.105	3.983	-	9.122	13.105
Medium Term Financial Plan	4.568	(4.568)	-	-	-	9.844	9.844
Future Nottingham	-	-	-	-	-	5.608	5.608
Supporting People	11.274	(2.532)	-	8.742	(3.145)	-	5.597
E-Government/IT Fund	5.668	-	1.385	7.053	(1.679)	-	5.374
Insurance Reserve	4.744	-	-	4.744	-	-	4.744
NHS Local Imp Finance (LIFT)	2.381	-	0.120	2.501	-	0.287	2.788
NET City Reserve Fund	0.380	-	1.452	1.832	-	0.865	2.697
Nottingham First Project	0.125	-	2.114	2.239	-	0.090	2.329
BSF Bigwood & Oakfield PFI	-	-	0.608	0.608	-	1.572	2.180
Management of Change (WFR)	-	-	-	-	-	1.943	1.943
NET PFI Grant Joint Fund	3.712	-	0.356	4.068	(2.160)	-	1.908
Street Lighting PFI	-	-	1.013	1.013	-	0.817	1.830
Revenue Grants Unapplied	3.049	(0.356)	-	2.693	(2.693)	1.535	1.535
Treasury Management	5.235	(0.720)	-	4.515	(3.065)	-	1.451
Housing Benefits	0.978	-	0.621	1.599	(0.300)	-	1.299
Investment reserve	0.878	-	0.332	1.210	(0.030)	-	1.180
Workplace Parking Inquiry	1.346	(0.340)	-	1.006	-	-	1.006
Business Growth Incentive	1.616	(0.449)	-	1.167	(0.812)	-	0.355
Area Based / Working Neighbourhood	2.742	-	4.595	7.337	(7.337)	-	-
Performance Reward	-	-	1.527	1.527	(1.527)	-	-
Other Earmarked Reserves	7.370	-	0.082	7.452		0.288	7.740
	57.944	**(8.965)**	**16.310**	**65.289**	**(22.748)**	**31.970**	**74.512**

TABLE 4.7: TRANSFERS TO/FROM EARMARKED RESERVES							
DESCRIPTION	**Balance at 1 April 2009**	**Transfers Out 2009/10**	**Transfers In 2009/10**	**Balance at 31 March 2010**	**Transfers Out 2010/11**	**Transfers In 2010/11**	**Balance at 31 March 2011**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
BALANCES HELD BY SCHOOLS UNDER A SCHEME OF DELEGATION							
School Statutory Reserve - Central	8.722	-	4.324	13.046	-	0.031	13.076
School Statutory Reserve - Schools	7.423	-	2.062	9.485	-	1.050	10.535
	16.145	**-**	**6.386**	**22.531**	**-**	**1.081**	**23.611**
CAPITAL							
Revenue Reserves for Capital	8.399	(3.293)	-	5.106	(0.249)	-	4.857
	8.399	**(3.293)**	**-**	**5.106**	**(0.249)**	**-**	**4.857**
TOTAL	**82.488**	**(12.258)**	**22.695**	**92.926**	**(22.997)**	**33.050**	**102.979**

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

Revenue

Job Evaluation – Equal Pay £13.105m

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.

Medium Term Financial Plan £9.844m

Due to the capitalisation direction received from the Government in relation to the costs associated with Single Status, it has been possible to release £9.844m into reserves. This earmarked reserve will support the MTFP in 2011/12 to cover one-off expenditure.

Future Nottingham £5.608m

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, currently totalling £4.422m.

Supporting people £5.597m

A sum of £3.145m has been transferred from the Supporting People Programme Grant Reserve during 2010/11 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.

IT Development/E Government Fund £5.374m

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 £4.744m

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

NHS Local Improvement Finance Trust (LIFT) £2.788m

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 two Joint Service Centres at Clifton and Hyson Green which became operational in 2005/06 and 2007/08 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 contributions that will be required for the duration of the contract.

Nottingham Express Transit (NET)

NET City Reserve £2.697

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.

Nottingham First Project £2.329m

This reserve was approved as part of the 2008/09 closedown process and received further contributions during 2009/10 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 MTFP.

BSF Bigwood & Oakfield PFI £2.180m

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.

Balances held by schools under a scheme of delegation

Schools' Statutory Reserve – Other £13.076m

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 £10.535m

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 £10.535m total schools balance is made up of £10.698m surpluses and £0.163m deficits.

TABLE 4.9: SCHOOLS STATUTORY RESERVE

DESCRIPTION	31 Mar 2010 £m	Movement £m	31 Mar 2011 £m
Primary Schools	(6.890)	(0.460)	(7.350)
Secondary Schools	(2.119)	(0.465)	(2.584)
Special Schools	(0.398)	(0.103)	(0.501)
Nursery Schools	(0.078)	(0.022)	(0.100)
TOTAL	**(9.485)**	**(1.050)**	**(10.535)**

Capital

Revenue Reserves for Capital Purposes £4.857m

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.

OTHER OPERATING EXPENDITURE

TABLE 4.10: OTHER OPERATING EXPENDITURE		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Payments to the Government Housing Capital Receipts Pool	2.700	2.653
Gains/Losses on the disposal of non-current assets	(0.381)	(1.786)
TOTAL	**2.319**	**0.867**

FINANCING AND INVESTMENT INCOME AND EXPENDITURE

TABLE 4.11: FINANCING AND INVESTMENT INCOME AND EXPENDITURE		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Interest payable and similar charges	43.260	51.357
Pensions interest cost and expected return on pensions assets	28.374	19.755
Interest receivable and similar income	(8.961)	(5.309)
Income and expenditure in relation to investment properties and changes in their fair value	-	-
Other investment income	(4.067)	(7.701)
TOTAL	**58.606**	**58.102**

TAXATION AND NON-SPECIFIC GRANT INCOME

TABLE 4.12: TAXATION AND NON-SPECIFIC GRANT INCOME		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Council Tax income	(96.921)	(100.934)
National Non domestic rates (NNDR)	(136.011)	(150.711)
Non-ringfenced government grants	(66.931)	(73.297)
Capital grants and contributions	(71.305)	(92.439)
TOTAL	**(371.168)**	**(417.381)**

TABLE 4.13: PROPERTY, PLANT AND EQUIPMENT 2010/11									
PROPERTY, PLANT AND EQUIPMENT MOVEMENTS IN 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 Plant, Property & Equipment**
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 4.13: PROPERTY, PLANT AND EQUIPMENT DEPRECIATION AND IMPAIRMENT MOVEMENTS IN 2010/11									
MOVEMENTS IN 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 Plant, Property & Equipment £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	**-**	**(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**

TABLE 4.15: RESTATED PROPERTY, PLANT AND EQUIPMENT COMPARATIVE COST OR VALUATION MOVEMENT IN 2009/10

PROPERTY, PLANT AND EQUIPMENT COMPARATIVE MOVEMENTS IN 2009/10	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 Property, Plant & Equipment £m
COST OR VALUATION									
AT 1 APRIL 2009	906.528	997.159	74.209	317.799	20.225	10.210	55.505	**2,381.635**	**140.771**
Additions	50.049	78.120	17.830	14.813	2.884	0.196	65.238	**229.130**	**29.041**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(7.607)	3.796	-	-	-	0.164	-	**(3.647)**	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(45.468)	(91.867)	-	-	-	(4.994)	-	**(142.329)**	-
Derecognition - disposals	(2.545)	(1.889)	(0.245)	-	-	(0.745)	-	**(5.424)**	-
Other movements in cost or valuation	(5.370)	9.689	0.007	-	-	19.695	(24.012)	**0.009**	-
AT 31 MARCH 2010	**895.587**	**995.008**	**91.801**	**332.612**	**23.109**	**24.526**	**96.731**	**2,459.374**	**169.812**

TABLE 4.15: RESTATED PROPERTY, PLANT AND EQUIPMENT COMPARATIVE DEPRECIATION AND IMPAIRMENT MOVEMENTS IN 2009/10

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 Property, Plant & Equipment £m	PFI Assets included in Plant, Property & Equipment £m
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
AT 1 APRIL 2009	**-**	**(58.869)**	**(16.891)**	**(60.210)**	**(2.520)**	**-**	**-**	**(138.490)**	**(21.720)**
depreciation charge	(22.091)	(13.961)	(8.026)	(12.223)	(0.591)			**(56.892)**	**(4.433)**
depreciation written out to the Revaluation Reserve	-	-	-	-	-	-	-	**-**	-
depreciation written out to the Surplus/Deficit on the Provision of Services	22.091	33.023	-	-	-	0.260	-	**55.374**	-
impairment (losses)/reversals recognised in the Revaluation Reserve	(0.030)	-	-	-	-	(0.023)	-	**(0.053)**	-
impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	(3.539)	14.776				(3.857)		**7.380**	-
derecognition - disposals	-	0.005	0.135	-	-	-	-	**0.140**	-
other movements in depreciation and impairment	-	11.435	-	-	-	(11.435)	-	**-**	-
AT 31 MARCH 2010	**(3.569)**	**(13.591)**	**(24.782)**	**(72.433)**	**(3.111)**	**(15.055)**	**-**	**(132.541)**	**(26.153)**
NET BOOK VALUE									
AT 31 MARCH 2009	**906.528**	**938.290**	**57.316**	**257.589**	**17.705**	**10.210**	**55.505**	**2,243.143**	**119.051**
AT 31 MARCH 2010	**892.018**	**981.417**	**67.019**	**260.179**	**19.998**	**9.471**	**96.731**	**2,326.833**	**157.014**

Depreciation

In line with the Accounting Policies for Property Plant and Equipment (para 4.2.18) the following useful lives and depreciation rates have been used in the calculation of depreciation:

TABLE 4.16: 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	5-20 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.

As at 1st April 2010, the Council's internal valuers completed asset valuations for education and children's services properties including schools and children's centres. In addition, internal valuers also completed a number of 'non cyclical' (those outside the Council's 5-year property revaluation programme) during 2010/11 for properties undergoing significant changes as a result of capital investment or material impairment.

As a result of a lack of 'market evidence' an adjustment to the basis of valuation for 4 Children's Centres from Existing Use Value (EUV) to Depreciated Replacement Cost (DRC) was processed in 2010/11.

External valuers Herbert Button & Partners and Freeman and Mitchell completed a desktop review of the Council Housing Stock valuation as at 31st March 2011.

Valuers Assumptions

Education 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

In line with the CiPFA Local Authority Accounting Panel Bulletin (LAAP) 88 two foundation schools have been removed from the Council's balance sheet as part of the Schools and Education assets revaluation in 2010/11. They are, Fernwood Comprehensive School previously valued at £10.020m and Hadden Park High School previously valued at £17.892m.

Capital Commitments

At 31 March 2011, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in 2011/12 and future years budgeted to cost £57.318m. Similar commitments at 31 March 2010 were £83.203m

The major commitments are:

TABLE 4.17: CAPITAL COMMITMENTS

CAPITAL COMMITMENTS	Contract Period	at 31 March 2010 £m	at 31 March 2011 £m
Station Hub	2010-2015	-	11.41
Sycamore Primary	2011-2012	-	1.377
St Anns Primary	2011-2012	-	1.163
Ellis Guildford School – BSF	2011-2013	-	10.478
Victoria Leisure Centre	2009-2012	-	4.826
St Anns Joint Service Centre	2009-2012	-	7.651
ICT Managed Services – Installation in BSF schools	2009-2015	9.437	4.596
Nottingham Academy – Construction of new academy	2010-2013	40.121	11.125
Eastcroft Incinerator Waste Recycling Contract	2010-2012	3.743	3.494
2009/10 Contracts with Commitments less than £1m as at 31 March 2011	-	29.902	1.198
TOTAL		**83.203**	**57.318**

Assets held by the Council

The analysis below shows the assets included in the Balance Sheet regarding Council Dwellings and Operational buildings in the delivery of Council services.

TABLE 4.18: NUMBER OF ASSETS HELD		
DESCRIPTION	**Numbers as at 31/03/2010**	**Numbers as at 31/03/2011**
COUNCIL DWELLINGS	28,598	28,260
OPERATIONAL BUILDINGS		
Major Administrative Buildings	9	8
Car Parks and Bus Stations	25	24
Cemeteries and Crematoria	7	7
Retail Markets	4	4
Toilets	9	6
Depots and Workshops	2	2
Homes and Day Centres for the Elderly and Disabled	12	13
Community Homes and Family Centres	23	25
Primary, Secondary and Special Schools	83	83
Community Centres	50	49
Leisure Centres and Sports Halls	10	10
Libraries	18	17
Museums and Entertainment Centres	10	10
National Ice Centre	1	1
Joint Service Centre	1	1

Valuation at 31 March 2011

TABLE 4.19: REVALUATIONS								
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 Property, Plant & Equipment £m**
Carried at historical cost	-	-	72.449	270.220	21.285	-	-	363.955
valued at fair value as at:								
2006/07	-	66.786	-	-	-	-	9.535	76.321
2007/08	-	195.049	-	-	-	-	8.846	203.894
2008/09	-	195.449	-	-	-	9.256	9.850	214.555
2009/10	-	24.029	-	-	-	0.365	4.988	29.382
2010/11	594.300	412.136	-	-	-	20.314	121.555	1,148.306
TOTAL	**594.300**	**893.449**	**72.449**	**270.220**	**21.285**	**29.935**	**154.774**	**2,036.412**

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 4.20: INVESTMENT PROPERTY		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Rental income from investment property	3.127	2.812
Direct operating expenses arising from investment property	(0.367)	(0.364)
NET GAIN/(LOSS)	**2.760**	**2.448**

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 4.21: MOVEMENT IN FAIR VALUE		
DESCRIPTION	**Restated 2009/10 £m**	**2010/11 £m**
Balance at start of the year	59.816	46.947
Additions		
- Subsequent expenditure	0.083	0.013
Disposals	(10.597)	(3.418)
Net gains/(losses) from fair value adjustments	(2.355)	(0.004)
BALANCE AT END OF THE YEAR	**46.947**	**43.538**

NTANGIBLE 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 5 years.

The carrying amount of intangible assets is amortised on a straight-line basis. The amortisation charged to revenue in 2010/11 was £0.460m.

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

TABLE 4.22: PURCHASED SOFTWARE LICENCES		
DESCRIPTION	**2009/10 Other Assets £m**	**2010/11 Other Assets £m**
Balance at start of year:		
-Gross carrying amounts	2.212	2.709
-Accumulated amortisation	(1.239)	(1.302)
Net carrying amount at start of year	0.973	1.407
Additions:		
-Purchases	0.814	0.731
Amortisation for the period	(0.380)	(0.460)
Net carrying amount at end of year	**1.407**	**1.678**
Comprising:		
-Gross carrying amounts	3.026	3.440
-Accumulated amortisation	(1.619)	(1.762)
TOTAL	**1.407**	**1.678**

4.7 INVENTORIES

TABLE 4.23: INVENTORIES								
	2009/10				2010/11			
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
Balance outstanding at start of year	**0.717**	**-**	**0.111**	**0.828**	**0.724**	**0.042**	**0.146**	**0.912**
Purchases	2.750	2.262	0.035	5.047	3.069	1.727	0.550	5.346
Recognised as an expense in the year	(2.744)	(2.220)	-	(4.964)	(2.923)	(1.683)	-	(4.606)
Written off balances	0.001	-	-	0.001	(0.105)	-	-	(0.105)
Reversals of write-offs in previous years	-	-	-	-	-	-	-	-
BALANCE OUTSTANDING AT YEAR-END	**0.724**	**0.042**	**0.146**	**0.912**	**0.765**	**0.086**	**0.696**	**1.547**

4.8 SHORT TERM DEBTORS

TABLE 4.24: SHORT TERM DEBTORS			
DESCRIPTION	**31 March 2009 £m**	**31 March 2010 £m**	**31 March 2011 £m**
Central government bodies	13.648	21.585	18.879
Other local authorities	6.829	5.271	6.989
Other entities and individuals	47.277	42.281	42.674
TOTAL	**67.754**	**69.137**	**68.542**

CASH AND CASH EQUIVALENTS

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

TABLE 4.25: CASH AND CASH EQUIVALENTS			
DESCRIPTION	**31 March 2009 £m**	**Restated 31 March 2010 £m**	**31 March 2011 £m**
Cash held by the Authority	0.736	1.295	1.092
Bank current accounts	13.888	(1.002)	25.846
Short-term deposits with banks and building societies	-	70.000	60.000
TOTAL	**14.624**	**70.293**	**86.938**

ASSETS HELD FOR SALE

TABLE 4.26: ASSETS HELD FOR SALE		
DESCRIPTION	**31 March 2010 2009/10 £m**	**31 March 2011 2010/11 £m**
Balance outstanding at start of year	0.090	0.160
Assets newly classified as held for sale:		
-Property, Plant and Equipment	-	9.642
Revaluation losses	-	(8.157)
Revaluation gains	0.160	-
Assets sold	(0.090)	-
BALANCE OUTSTANDING AT YEAR-END	**0.160**	**1.645**

SHORT TERM CREDITORS

TABLE 4.27: SHORT TERM CREDITORS			
DESCRIPTION	**31 March 2009 £m**	**Restated 31 March 2010 £m**	**31 March 2011 £m**
Central government bodies	(9.275)	(26.393)	(34.316)
Other local authorities	(11.655)	(12.386)	(13.740)
Other entities and individuals	(102.768)	(95.559)	(105.851)
TOTAL	**(123.698)**	**(134.338)**	**(153.907)**

PROVISIONS

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

TABLE 4.28 PROVISIONS			
DESCRIPTION	**Injury and Damage Compensation Claims £m**	**Other Provisions £m**	**Total £m**
Balance at 1 April 2009	**(4.130)**	**(17.346)**	**(21.476)**
Additional provisions made in 2009/10	(0.444)	(1.221)	(1.665)
Balance at 1 April 2010	**(4.574)**	**(18.567)**	**(23.141)**
Additional provisions made in 2010/11	(1.174)	(1.880)	(3.054)
Amounts used in 2010/11	-	-	-
Unused amounts reversed in 2010/11	-	18.567	18.567
Unwinding of discounting in 2010/11	-	-	-
BALANCE AT 31 MARCH 2011	**(5.748)**	**(1.880)**	**(7.628)**

Injury and Damage 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 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 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 2010/11 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 services. These 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.

Pre Fund Exposures

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's and 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.

Employers Liability (EL) Trigger Point Litigation

There is still uncertainty concerning the policy covering Employers Liability claims prior to 1974, due to a recent Court of Appeal Decision. This means that certain policies held by the Council pre-1974 will not indemnify mesothelioma related claims. It is likely that this decision will be appealed to the Supreme Court. Meanwhile these claims would have to be met from the provision. It is anticipated that the number of such claims will continue to rise as more people are diagnosed. It is anticipated that these claims will not peak until 2020.

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 Council's share of the deficit will be 23%. At 31 March 2011, Nottinghamshire County Council was predicting a deficit of £1.7m, the Council's share of this deficit would be £0.384m.

Other Provisions

Workforce Reduction Termination Costs

At 31 March 2011, there were 74 employees whose contracts were expected to be terminated in early 2011/12 at a cost of £1.820m for which a provision has been made.

Job Evaluation

This provision was set up to meet historic Equal Pay liabilities which have been recognised by the Council. The negotiations for the first phase have now been completed and compensation has been paid to affected staff during 2010/11. As a result the provision has now been reversed into the Comprehensive Income and Expenditure Statement.

USABLE RESERVES

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

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 4.29 UNUSABLE RESERVES

DESCRIPTION	31 March 2009 £m	Restated 31 March 2010 £m	31 March 2011 £m
Revaluation Reserve	195.399	187.635	166.117
Capital Adjustment Account	1,478.971	1,462.830	1,132.543
Financial Instruments Adjustment Account	(18.399)	(15.743)	(8.284)
Pensions Reserve	(411.491)	(717.038)	(339.821)
Deferred Capital Receipts Reserve	4.127	4.081	4.132
Collection Fund Adjustment Account	(0.072)	(0.370)	0.445
Accumulated Absences Account	(7.511)	(5.841)	(5.879)
TOTAL	**1,241.024**	**915.554**	**949.253**

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 4.30: REVALUATION RESERVE		
DESCRIPTION	**Restated 2009/10 £m**	**2010/11 £m**
BALANCE AT 1 APRIL	**195.399**	**187.635**
Upward revaluation of assets	11.076	24.910
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(14.614)	(41.465)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(3.538)	(16.555)
Difference between fair value depreciation and historical cost depreciation	(3.259)	(3.514)
Accumulated gains on assets sold or scrapped	(0.967)	(1.449)
Amount written off to the Capital Adjustment Account	(4.226)	(4.963)
BALANCE AT 31 MARCH	**187.635**	**166.117**

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 Authority. 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 4.31: CAPITAL ADJUSTMENTS ACCOUNT		
DESCRIPTION	**Restated 2009/10 £m**	**2010/11 £m**
BALANCE AT 1 APRIL	**1,478.971**	**1,462.830**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
-Amortisation of intangible assets	(0.380)	(0.460)
-Charges for depreciation of non-current assets	(56.894)	(67.058)
-Charges for impairment of non-current assets	(19.818)	(2.607)
-Revaluation losses on Property, Plant and Equipment	(59.795)	(369.589)
-Movements in the market value of Investment Properties	(2.355)	(0.004)
-Revenue expenditure funded from capital under statute	(0.545)	(6.673)
-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	(15.967)	(15.412)
Adjusting amounts written out of the Revaluation Reserve	4.226	4.963
	(151.528)	(456.840)
Capital financing applied in the year		
-Use of Capital Receipts Reserve to finance new capital expenditure	6.160	10.925
-Use of the Major Repairs Reserve to finance new capital expenditure	10.076	10.307
-Application of grants to capital financing from the Capital Grants Unapplied Account	94.382	90.054
-Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12.437	15.082
-Voluntary set aside of capital receipts for debt redemption	6.828	3.236
-Capital expenditure charged against the General Fund and HRA balances	5.522	8.261
-Equal Pay Capitalisation Direction	-	(10.513)
Reduction in Liabilities & Repayment of Long Term Debtors etc		
Equity Loan Scheme - Art Homes	-	(0.172)
Principal Repayment of Capital Loans	-	(0.627)
Leasing and Compulsory Purchase Order repayments	(0.018)	-
	135.387	126.553
BALANCE AT 31 MARCH	**1,462.830**	**1,132.543**

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 on the early redemption of loans. Premiums are debited 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 2011 will be charged to the General Fund over the next 14 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 authority 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 4.32: FINANCIAL INSTRUMENTS		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
BALANCE AT 1 APRIL	**(18.399)**	**(15.743)**
Discounts created in year	0.722	0.832
Discounts incurred in the year	(0.065)	(0.072)
LOBO's	0.004	0.003
Iceland Bank Deposits – Impairment and Interest	0.643	6.679
Soft Loans	0.016	0.017
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	1.336	-
BALANCE AT 31 MARCH	**(15.743)**	**(8.284)**

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 4.33: PENSIONS RESERVE		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
BALANCE AT 1 APRIL	**(411.491)**	**(717.038)**
Actuarial gains or (losses) on pensions assets and liabilities	(295.642)	304.875
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	(43.160)	40.564
Employer's pensions contributions and direct payments to the pensioners payable in the year	33.255	31.778
BALANCE AT 31 MARCH	**(717.038)**	**(339.821)**

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 4.34: DEFERRED CAPITAL RECEIPTS RESERVE		
DESCRIPTION	**Restated 2009/10 £m**	**2010/11 £m**
BALANCE AT 1 APRIL	**4.127**	**4.081**
Deferred Capital Receipt created in Year - Equity Loans Schemes	-	0.171
Transfer to the Capital Receipts Reserve upon receipt of cash	(0.046)	(0.120)
BALANCE AT 31 MARCH	**4.081**	**4.132**

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 4.35: COLLECTION FUND ADJUSTMENT ACCOUNT		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
BALANCE AT 1 APRIL	**(0.072)**	**(0.370)**
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.	(0.298)	0.815
BALANCE AT 31 MARCH	**(0.370)**	**0.445**

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 4.36: ACCUMULATED ABSENCES ACCOUNT		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
BALANCE AT 1 APRIL	**(7.511)**	**(5.841)**
Settlement or cancellation of accrual made at the end of the preceding year	7.511	5.841
Amounts accrued at the end of the current year	(5.841)	(5.879)
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	1.670	(0.037)
BALANCE AT 31 MARCH	**(5.841)**	**(5.879)**

CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities includes the following items:

TABLE 4.37: CASH FLOW – OPERATING ACTIVITIES		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Interest received	7.973	3.254
Interest paid	(26.553)	(50.867)
Dividends received	2.000	-

CASH FLOW STATEMENT – INVESTING ACTIVITIES

TABLE 4.38 CASH FLOW – INVESTING ACTIVITIES		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Purchase of property, plant and equipment, investment property and intangible assets	(199.696)	(174.931)
Purchase of short-term and long-term investments	-	(19.400)
Other payments for investing activities	(0.976)	(1.924)
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	16.099	17.479
Proceeds from short-term and long-term investments	-	2.360
Other receipts from investing activities	89.950	90.771
NET CASH FLOWS FROM INVESTING ACTIVITIES	**(94.623)**	**(85.645)**

CASH FLOW STATEMENT – FINANCING ACTIVITIES

TABLE 4.39: CASH FLOW – FINANCING ACTIVITIES		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Cash receipts of short and long-term borrowing	83.425	64.687
Other receipts from financing activities	103.329	-
Cash payments for the reduction of the outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	(0.229)	(1.316)
Repayments of short and long-term borrowing	(71.924)	(6.640)
Other payments for financing activities	(0.625)	2.596
NET CASH FLOWS FROM FINANCING ACTIVITIES	**113.976**	**59.327**

4.9 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Portfolios.

The income and expenditure recorded in the budget reports for the year is as follows:

TABLE 4.40: 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)	(16.193)	(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)	(1.121)	(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)**	**(26.610)**	**(4.822)**	**(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	30.153	24.521	4.410	41.171	38.266	259.891	**645.039**
Support Service Recharges	0.731	4.049	0.023	0.571	(0.136)	-	(0.534)	0.022	(0.895)	0.665	-	**4.496**
TOTAL EXPENDITURE	**110.181**	**344.584**	**15.009**	**34.713**	**16.140**	**32.257**	**45.712**	**8.776**	**86.016**	**54.182**	**264.561**	**1,012.130**
NET EXPENDITURE	**75.122**	**69.418**	**10.368**	**23.636**	**11.634**	**30.496**	**19.102**	**3.953**	**34.500**	**15.907**	**(21.462)**	**272.675**

TABLE 4.41: RESTATED PORTFOLIO INCOME AND EXPENDITURE 2009/10												
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	(26.828)	(47.247)	(1.163)	(22.614)	(2.670)	(9.384)	(26.080)	(2.327)	(48.344)	(35.679)	(45.872)	**(268.209)**
Government Grants	(2.737)	(208.330)	(4.071)	(0.506)	(1.110)	(25.067)	(0.287)	(4.473)	(0.020)	(2.588)	(207.639)	**(456.826)**
TOTAL INCOME	**(29.565)**	**(255.577)**	**(5.234)**	**(23.120)**	**(3.780)**	**(34.450)**	**(26.367)**	**(6.800)**	**(48.364)**	**(38.267)**	**(253.511)**	**(725.035)**
Employee Expenses	29.081	200.629	7.685	20.079	9.936	2.336	18.365	5.009	42.694	14.951	7.707	**358.471**
Other Service Expenses	71.846	115.747	8.015	17.387	3.364	37.139	28.852	8.517	30.202	43.680	256.376	**621.124**
Support Service Recharges	0.537	3.832	0.830	6.655	(0.144)	-	(0.318)	(0.324)	(0.631)	0.436	-	**10.873**
TOTAL EXPENDITURE	**101.464**	**320.208**	**16.530**	**44.121**	**13.156**	**39.475**	**46.899**	**13.202**	**72.265**	**59.067**	**264.083**	**990.468**
NET EXPENDITURE	**71.899**	**64.631**	**11.296**	**21.001**	**9.376**	**5.024**	**20.532**	**6.402**	**23.901**	**20.800**	**10.572**	**265.434**

Reconciliation of Portfolio Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis by portfolio of income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

TABLE 4.42: RECONCILIATION OF PORTFOLIO I&E TO COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

DESCRIPTION	Restated 2009/10 £m	2010/11 £m
Net expenditure in the Portfolio Analysis	265.434	272.675
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(45.351)	72.664
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	123.990	245.856
COST OF SERVICES IN COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	**344.073**	**591.195**

Reconciliation to Subjective Analysis

This reconciliation shows 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 4.43: 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	Operating expenditure included elsewhere	Corporate Amounts	Total
	£m	£m	£m	£m	£m	£m	£m
Fees, charges and other service income	(219.114)	92.439	-	(126.675)	(68.961)	-	**(195.636)**
Surplus or deficit on associates and joint ventures	-	-	(0.332)	(0.332)	-	-	**(0.332)**
Interest and investment income	-	-	5.309	5.309	-	-	**5.309**
Income from council tax	-	-		-	-	(100.934)	**(100.934)**
Government grants and contributions	(520.341)	-	49.911	(470.430)	-	(451.553)	**(921.983)**
TOTAL INCOME	**(739.455)**	**92.439**	**54.888**	**(592.128)**	**(68.961)**	**(552.487)**	**(1,213.576)**
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)**
Taxation	-	-	-	-	-	135.106	**135.106**
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**	**127.93**	**135.106**	**1,446.359**
SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	**272.675**	**72.664**	**245.856**	**591.195**	**58.969**	**(417.381)**	**232.783**

TABLE 4.44: RECONCILIATION OF SUBJECTIVE ANALYSIS 2009/10							
DESCRIPTION	**Directorate Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in I&E net cost of Service**	**Cost of Services**	**Operating expenditure included elsewhere**	**Corporate Amounts**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Fees, charges and other service income	(268.209)	9.528	-	(258.681)	(112.711)	-	(371.392)
Surplus or deficit on associates and joint ventures	-	-	(1.885)	(1.885)	-	-	(1.885)
Interest and investment income	-	-	8.646	8.646	-	-	8.646
Income from council tax	-	-	-	-	-	(96.921)	(96.921)
Government grants and contributions	(456.826)	-	39.044	(417.782)	-	(274.247)	(692.029)
TOTAL INCOME	**(725.035)**	**9.528**	**45.805**	**(669.702)**	**(112.711)**	**(371.168)**	**(1,153.581)**
Employee expenses	358.471	(30.044)	43.160	371.587	-	-	371.587
Other service expenses	621.125	(39.997)	(50.273)	530.855	173.636	-	704.491
Support Service recharges	10.873	-	-	10.873	-	-	10.873
Depreciation, amortisation and impairment	-	-	128.735	128.735	-	-	128.735
Interest payments	-	-	(25.956)	(25.956)	-	-	(25.956)
Payments to Housing Capital Receipts Pool	-	(2.700)	-	(2.700)	-	-	(2.700)
Gain or Loss on Disposal of Fixed Assets	-	0.381	-	0.381	-	-	0.381
TOTAL EXPENDITURE	**990.469**	**(72.360)**	**95.666**	**1,013.775**	**173.636**	**-**	**1,187.411**
SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	**265.434**	**(62.832)**	**141.471**	**344.073**	**60.925**	**(371.168)**	**33.830**

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 4.45: TRADING OPERATIONS						
	Restated 2009/10			2010/11		
TRADING OPERATION	Turnover	Expenditure	(Surplus)/ Deficit	Turnover	Expenditure	(Surplus)/ Deficit
	£m	£m	£m	£m	£m	£m
Bereavement Services	1.565	1.742	0.177	1.073	0.851	(0.222)
Car Parks, Bus Stations and Park & Ride	9.422	6.777	(2.645)	8.981	6.376	(2.605)
Property	10.204	7.208	(2.996)	9.624	5.800	(3.824)
City Advertising	0.456	0.657	0.201	0.337	0.454	0.117
Markets	1.488	1.511	0.023	0.344	0.135	(0.209)
Royal Centre	11.827	12.834	1.007	11.467	11.477	0.010
Translation and Interpretation	0.708	0.613	(0.095)	0.594	0.498	(0.096)
Highways and Sewer Work	12.807	12.021	(0.786)	10.425	10.338	(0.087)
Street Scene	15.015	15.095	0.080	-	-	-
Garage Revenue	2.628	2.919	0.291	2.536	2.685	0.149
Education Catering	7.755	7.661	(0.094)	8.325	8.299	(0.026)
NET (SURPLUS)/DEFICIT ON TRADING OPERATIONS	**73.875**	**69.038**	**(4.837)**	**53.706**	**46.913**	**(6.793)**

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

AGENCY SERVICES

The Council does not provide any major agency services.

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 Service (ICES)

Host organisation – Nottingham City Council

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

- Nottingham City Council
- Nottinghamshire County Council
- NHS Nottingham City
- NHS Nottinghamshire County

TABLE 4.46: INTEGRATED COMMUNITY EQUIPMENT SERVICES (ICES)

DESCRIPTION	RESTATED 2009/10 £m	2010/11 £m
SURPLUS B/FWD	**0.547**	**0.533**
Funding provided to the pooled budget		
-Nottingham City Council	1.086	1.194
-Other Partners	3.225	3.245
-Other	0.312	0.038
TOTAL FUNDING	**4.623**	**4.477**
Expenditure met from the pooled budget	(4.637)	(4.581)
NET SURPLUS ARISING ON THE POOLED BUDGET DURING THE YEAR	**0.533**	**0.429**

The Council's share of the net surplus for the year is £0.025m.

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 4.47: ADULT SAFEGUARDING PARTNERSHIP BOARD

DESCRIPTION	2009/10 £m	2010/11 £m
Funding provided to the pooled budget		
-Nottingham City Council	0.067	0.068
-Other Partners	0.077	0.078
TOTAL FUNDING	**0.144**	**0.146**
Expenditure met from the pooled budget	(0.058)	(0.073)
NET SURPLUS ARISING ON THE POOLED BUDGET DURING THE YEAR	**0.086**	**0.073**

The Council's share of the net surplus for the year is £0.034m.

St Ann's Joint Service Centre

Host organisation – Nottingham City Council

A partnership exists between the following partners with the aim of modernising NHS primary care, the Council and Nottingham City Homes facilities and services:

- Nottingham City Council
- Nottingham City PCT

The centre will improve the delivery of services to local citizens:

TABLE 4.48: ST ANN'S JOINT SERVICE CENTRE		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
SURPLUS B/FWD	**-**	**1.152**
Funding provided to the pooled budget		
-Nottingham City Council	1.300	2.700
-Other Partners	-	6.000
-Other	-	0.073
TOTAL FUNDING	**1.300**	**8.773**
Expenditure met from the pooled budget	(0.148)	(5.555)
NET SURPLUS ARISING ON THE POOLED BUDGET DURING THE YEAR	**1.152**	**4.370**

The Council's share of the net surplus for the year is £1.380m.

COUNCILLORS ALLOWANCES

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

TABLE 4.49: MEMBERS ALLOWANCES		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Allowances	1.058	1.068
Expenses	0.004	0.005
TOTAL	**1.062**	**1.073**

4.10 OFFICERS REMUNERATION

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

TABLE 4.50: OFFICERS REMUNERATION						
POST HOLDER	**Year**	**Salary, Fees & Allowances £**	**Expense Allowances £**	**Compensation for loss of employment £**	**Pension Contributions £**	**Total £**
Chief Executive	2009/10	165,000	486	-	27,720	**193,206**
(Jane Todd)	2010/11	165,000	219	-	28,710	**193,929**
Deputy Chief Executive and Corporate Director	2009/10	144,653	25	-	24,302	**168,980**
Director - Resources	2010/11	141,879	25	-	25,170	**167,074**
Corporate Director - Adult, Support & Health*	2009/10	120,544	80	12,825	20,251	**153,700**
Corporate Director	2009/10	144,653	152	-	24,302	**169,107**
Childrens Services	2010/11	144,653	146	-	25,170	**169,969**
Corporate Director	2009/10	144,653			24,302	**168,955**
Communities***	2010/11	84,380	-	-	14,682	**99,062**
Director	2009/10	111,067	81	-	18,651	**129,799**
One Nottingham**	2010/11	67,622	-	-	10,826	**78,448**
Director	2009/10	86,836	33	-	14,588	**101,457**
Corporate Partnerships	2010/11	88,236	136	-	15,353	**103,725**
Director	2009/10	74,712	1,062	-	12,551	**88,325**
Communications & Marketing	2010/11	75,079	379	-	14,131	**89,589**

* The Corporate Director post for Adult, Support & Health has been deleted and the services reassigned to the directors for Communities and Children & Families.

** The number of Director posts at One Nottingham have been reduced.

*** The Corporate Director – Communities left the Council in October 2010.

A total of 300 employees (including senior employees) received remuneration of more than £0.050m, of these 160 are employed directly by schools. However, the figures do not include staff employed by academy schools, who are not Council employees:

TABLE 4.51: EMPLOYEE REMUNERATION		
Employee remuneration	**Number of Employees**	
£	**2009/10**	**2010/11**
50,000 – 54,999	105	132
55,000 – 59,999	68	64
60,000 – 64,999	45	37
65,000 -69,999	22	26
70,000 – 74,999	7	5
75,000 – 79,999	11	5
80,000 – 84,999	9	10
85,000 – 89,999	10	11
90,000 – 94,999	7	4
95,000 – 99,999	-	-
100,000 – 104,999	2	2
105,000 – 109,999	1	-
110,000 – 114,999	1	-
115,000 – 119,999	-	-
120,000 – 124,999	-	-
125,000 – 129,999	-	-
130,000 – 134,999	1	-
135,000 – 139,999	-	-
140,000 – 144,999	3	2
145,000 – 149,999	1	1
150,000 – 154,999	-	-
155,000 – 159,999	-	-
160,000 – 164,999	-	-
165,000 – 169,999	1	1
170,000 – 174,999	-	-
175,000 – 179,999	-	-
180,000 – 184,999	-	-
185,000 – 189,999	-	-
190,000 – 194,999	-	-
195,000 – 199,999	-	-
200,000 – 204,999	-	-
205,000 – 209,999	-	-
210,000 – 214,999	1	-

11 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 4.52: EXTERNAL AUDIT COSTS		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Fees payable to the Audit Commission for the certification of grant claims and returns	0.074	0.071
Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor	0.415	0.391
TOTAL	**0.489**	**0.462**

EDICATED SCHOOLS GRANT (DSG)

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 Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-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 2010/11 are as follows:

TABLE 4.53: DEDICATED SCHOOLS GRANT (DSG)				
Notes	**DESCRIPTION**	**Central Expenditure £m**	**ISB £m**	**Total £m**
i	Final DSG for 2010/11			**157.410**
ii	Plus Brought forward from 2009/10			**12.196**
iii	Less Carry forward to 2011/12 agreed in advance			**(5.541)**
iv	Agreed budgeted distribution in 2010/11	36.492	127.573	**164.065**
v	Less Actual central expenditure	(21.865)		
vi	Less ISB deployed to schools		(134.269)	
vii	**CARRY FORWARD TO 2011/12**	**14.627**	**(6.696)**	**13.472**

i DSG figure as issued by the DfE on 1 July 2010.

ii Figure brought forward from 2009/10 as agreed with the DfE.

iii Any amount which the Council decided after consultation with the schools forum to carry forward to 2011/12 rather than distribute in 2010/11 – this will be the difference between estimated and final DSG for 2010/11, or a figure (positive or negative) brought forward from 2009/10 which the Council is carrying forward again.

iv Budgeted distribution of DSG, adjusted for carry-forward, as agreed with the schools forum.

v Actual amount of central expenditure items in 2010/11 – amounts not actually spent, e.g. money that is moved into earmarked reserves, should be included in 'Central Expenditure – Carry Forward to 2011/12'.

vi 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).

vii Carry forward to 2011/12

- For central expenditure, the difference between budgeted distribution of DSG and actual expenditure.

- For ISB, the difference between budget and amount actually deployed to schools. Over or under deployment on ISB can arise from transfers from central expenditure during the year, e.g. for contingencies; or from adjustments to schools' budget shares during the year, for e.g. for named SEN pupils or excluded pupils.

- The total is carry-forward on central expenditure plus carry-forward on ISB plus/minus any carry forward to 2010/11 already agreed.

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

TABLE 4.54: GRANT INCOME		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
CREDITED TO TAXATION AND NON SPECIFIC GRANT INCOME		
Revenue Grants		
-Revenue Support Grant	(31.393)	(21.885)
-Area Based Grant	(21.830)	(40.250)
-Local Authority Business Growth Incentive	(0.234)	-
-Working Neighbourhood Fund	(13.066)	(11.162)
-Housing Planning & Delivery Grant	(0.407)	-
-Non-domestic rates distribution	(136.011)	(150.711)
-Demand on the Collection Fund	(96.921)	(100.934)
Capital Grants		
- Government Departments	(64.280)	(75.562)
- Other	(7.025)	(16.877)
TOTAL	**(371.168)**	**(417.381)**
CREDITED TO SERVICES		
Revenue Grants		
- Department for Education: Dedicated School Grant	(156.855)	(157.124)
- Department for Education: Standard Fund	(31.262)	(31.911)
- DCLG - Supporting People	(23.587)	-
- Department of Transport: PFI Grants	(18.135)	(20.060)
- Department for Works and Pensions: Council Tax Benefit	(30.436)	(32.585)
- Mandatory Rent Allowances: Subsidy	(63.898)	(68.445)
- Rent Rebates Granted to HRA Tenants	(55.138)	(56.166)
- Major Repairs Allowance	(16.939)	(17.033)
- Department for Work & Pensions: Housing Benefit Admin	(4.078)	(3.814)
- Sure Start, Early Years and Childcare Grant	(12.338)	(13.786)
- Learning & Skills Grant	(4.515)	(2.740)
- New Deal for Communities	(3.667)	-
- Concessionary Fares	(2.001)	(4.366)
- Local Area Agreement Grant	(2.247)	(2.721)
- Young People Learning Agency Grant	-	(22.254)
- Department of Education - PFI Grant	(1.954)	(3.419)
- Department for Work & Pensions: Future Jobs Fund	(0.776)	(5.481)
- Other Revenue Grants	(19.543)	(21.019)
Contributions	(6.679)	(6.010)
Donations	(1.040)	(0.599)
TOTAL	**(455.090)**	**(469.533)**

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 4.55: CAPITAL GRANTS RECEIVED IN ADVANCE		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
- Department for Education	(2.474)	(0.255)
- Department for Communities and Local Government	(2.033)	-
- Home Office	-	(0.032)
- Homes & Communities Agency (HCA)	(1.430)	-
- S106 Contributions - Affordable Housing	(1.597)	(1.045)
- S106 Contributions - Open Space	(2.041)	(1.224)
- S106 Contributions - Transport / Public Realm	(0.782)	(0.949)
- Other Grants and Contributions	-	(0.349)
TOTAL	**(10.357)**	**(3.854)**

ELATED 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 Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (eg council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 4.25 on reporting for resources allocation decisions. Grant receipts outstanding at 31 March 2011 are shown in Note 4.33.

Councillors

Councillors of the Council have direct control over the financial and operating policies. The total of Councillors' allowances paid in 2010/11 is shown in the Councillors' allowances note.

During 2010/11 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 4.56: RELATED PARTIES

	2009/10 £m	2010/11 £m
Payments	112.152	106.621
Receivables	(4.921)	(8.447)
Debtors	0.880	1.761
Creditors	(3.240)	(0.006)

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 Joint Service Centre. Transactions and balances outstanding are detailed in the pooled budget note.

The Council paid £0.078m in 2010/11 (£0.080m 2009/10) 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 4.57: RELATED PARTIES				
SUBSIDIARY AND ASSOCIATED COMPANIES	**2009/10**		**2010/11**	
	RECEIPTS £m	**PAYMENTS £m**	**RECEIPTS £m**	**PAYMENTS £m**
NOTTINGHAM CITY TRANSPORT				
Concessionary Fares	-	6.010	-	6.145
Season ticket passes provided to the City Council	-	0.085	-	0.062
Revenue from various routes on tender let by NCC	-	0.789	-	0.782
Skylink Service and Link 1 & 2 Park and Ride Services.	-	0.702	-	0.589
Non-Domestic Business Rates	0.180	-	0.188	-
Interest on Loan	0.005	-	0.004	-
NOTTINGHAM CITY HOMES (NCH) LTD				
Management and repair of homes	-	69.447	-	63.565
General services provided to NCH Ltd	6.065	-	5.341	-
NOTTINGHAM ICE CENTRE LTD				
Rent	0.100	-	0.100	-
Other Expenses	0.206	-	0.209	-
Asset purchases for the company	0.347	-	0.317	-
Sales	-	0.053	-	0.052
Revenue Grant	-	0.185	-	0.161
ENVIROENERGY LTD				
Purchase of steam from NCC	1.609	-	1.806	-
Supply of Energy	-	0.362	-	0.561
Other operating costs including rent, rates and motor repair costs	0.274	-	0.294	-
Interest on Prudential borrowing	0.049	-	0.032	-
GUIDELINE CAREER SERVICES LTD				
Sales	-	0.019	-	0.013
Purchases	-	-	0.001	-
NOTTINGHAM AND NOTTINGHAMSHIRE FUTURES LTD				
Sales	-	4.429	-	4.624
Purchases	0.206	-	0.163	-
HIGHFIELDS TRUST				
Revenue Grant	-	0.127	-	0.109
HARVEY HADDEN TRUST				
Revenue Grant	-	0.155	-	0.128

TABLE 4.57: RELATED PARTIES				
SUBSIDARY AND ASSOCIATED COMPANIES	**2009/10**		**2010/11**	
	RECEIPTS	**PAYMENTS**	**RECEIPTS**	**PAYMENTS**
	£m	**£m**	**£m**	**£m**
BRIDGE ESTATE				
Balance transferred to General Fund	1.319	-	1.238	-
Property Leases	-	-	-	0.409
Interest	-	-	0.002	-
ARROW LIGHT RAIL LTD				
Availability Payments	-	24.774	-	17.693
Other expenses	-	1.506	-	0.562
Performance Penalties	0.152	-	0.022	-

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 4.59: CAPITAL FINANCING AND EXPENDITURE

DESCRIPTION	2009/10 £m	2010/11 £m
OPENING CAPITAL FINANCING REQUIREMENT	**499.984**	**734.506**
CAPITAL INVESTMENT		
Property, Plant and Equipment	200.091	170.266
Investment Properties	0.083	0.012
Intangible Assets	0.814	0.732
Revenue Expenditure Funded from Capital under Statute	15.143	6.631
Equal Pay - Capitalisation Direction	-	10.513
Long Term Debtors	0.453	0.658
ASSETS ACQUIRED UNDER PFI CONTRACTS & FINANCE LEASES		
Assets acquired under finance leases	2.373	(0.111)
Assets acquired under PFI/PPP contracts	165.323	8.068
SOURCES OF FINANCE		
Capital receipts	(6.162)	(10.924)
Government grants and other contributions	(119.248)	(100.530)
Sums set aside from revenue	(5.402)	(7.517)
Direct revenue contributions	(0.120)	(0.744)
Statutory Minimum Revenue Provision	(8.387)	(8.378)
Voluntary Revenue Provision	(4.005)	(5.387)
Voluntarily Set Aside Capital Receipts	(6.828)	(3.236)
Local Government Reorganisation 1998 Capitlaised Costs repaid	(0.429)	(0.112)
Other Items	0.823	(1.359)
CLOSING CAPITAL FINANCING REQUIREMENT	**734.506**	**793.088**
MOVEMENT IN THE YEAR	**234.522**	**58.582**

TABLE 4.60: CAPITAL FINANCING AND EXPENDITURE		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
EXPLANATION OF MOVEMENTS IN YEAR		
Increase in underlying need to borrowing (supported by government financial assistance)	46.773	44.862
Increase in underlying need to borrowing (unsupported by government financial assistance)	38.878	24.235
Statutory Minimum Revenue Provision	(8.387)	(8.378)
Voluntary Revenue Provision	(4.005)	(5.387)
Voluntarily Set Aside Capital Receipts	(6.828)	(3.236)
Local Government Reorganisation 1998 Capitlaised Costs repaid	(0.429)	(0.112)
Assets acquired under finance leases	2.373	(0.126)
Transferred to Short Term Lease Liability	-	0.015
Assets acquired under PFI/PPP contracts	165.323	5.413
Transferred to short Term PFI Liability	0.641	2.013
Other Items	0.183	(0.717)
INCREASE/(DECREASE) IN CAPITAL FINANCING REQUIREMENT	**234.522**	**58.582**

EASES

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 4.61: FINANCE LEASES		
DESCRIPTION	**31 March 2010 £m**	**31 March 2011 £m**
Other Land and Buildings	34.758	35.345
Vehicles, Plant, Furniture and Equipment	0.201	0.038
TOTAL	**34.959**	**35.383**

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 4.62: MINIMUM LEASE PAYMENTS		
DESCRIPTION	**31 March 2010 £m**	**31 March 2011 £m**
Finance lease liabilities (net present value of minimum lease payments):		
-current	0.111	0.027
-non-current	2.262	2.235
Finance costs payable in future years	12.428	12.140
MINIMUM LEASE PAYMENTS	**14.801**	**14.402**

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

TABLE 4.63: LEASES				
DESCRIPTION	**Minimum Lease Payments**		**Finance Lease Liabilities**	
	31 March 2010 £m	**31 March 2011 £m**	**31 March 2010 £m**	**31 March 2011 £m**
Not later than one year	0.412	0.240	0.111	0.027
Later than one year and not later than five years	0.893	0.862	0.056	0.030
Later than five years	13.496	13.300	2.206	2.205
TOTAL	**14.801**	**14.402**	**2.373**	**2.262**

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 2010/11 (or 2009/10), 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 4.64: OPERATING LEASES		
DESCRIPTION	**31 March 2010 £m**	**31 March 2011 £m**
Not later than one year	1.245	1.144
Later than one year and not later than five years	2.777	2.215
Later than five years	1.647	1.721
TOTAL	**5.669**	**5.080**

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 4.65: OPERATING LEASES		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Minimum lease payments	5.669	5.080
Contingent rents	0.394	0.348
(Sublease payments receivable)	-	-
TOTAL	**6.063**	**5.428**

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 4.66: FINANCE LEASES		
DESCRIPTION	**31 March 2010 £m**	**31 March 2011 £m**
Finance lease debtor (net present value of minimum lease payments):		
-current	-	-
-non-current	1.022	1.022
Unearned finance income	59.670	59.604
Unguaranteed residual value of property	8.856	8.918
GROSS INVESTMENT IN THE LEASE	**69.548**	**69.544**

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

TABLE 4.67: FINANCE LEASES				
DESCRIPTION	**Gross Investment in the Lease**		**Minimum Lease Payments**	
	31 March 2010 £m	**31 March 2011 £m**	**31 March 2010 £m**	**31 March 2011 £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	69.215	69.211	60.360	60.293
TOTAL	**69.548**	**69.544**	**60.693**	**60.626**

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 by the Council in 2010/11 (or 2009/10) 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 Authority 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 4.68: OPERATING LEASE		
DESCRIPTION	**31 March 2010 £m**	**31 March 2011 £m**
Not later than one year	6.119	4.944
Later than one year and not later than five years	21.053	15.529
Later than five years	122.915	115.490
TOTAL	**150.087**	**135.963**

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 2010/11 £0.847m contingent rents were receivable by the Authority (2009/10 £1.435m).

RIVATE FINANCE INITIATIVES AND SIMILAR CONTRACTS

NET Line One

The Council is committed to making monthly availability payments to the concessionaire responsible for the provision of the light rail Nottingham Express Transit Line One System, procured via a PFI contract. The Council's share of the maximum remaining payment at 31 March 2011 is £358m (£375m at 31 March 2010), payable over the next 19 years, and funded from PFI grants payable by Central Government. This amount will be reduced if the tram operator fails to meet various performance targets (such as for punctuality of trams and cleanliness of tram stops).

The Council is currently nearing the close of procurement for NET Phase Two, which is intended to expand the overall tram network to incorporate two new lines. Should this procurement be successful then the current NET Line One contract will be terminated early. At this point Nottinghamshire County Council would transfer its share of the assets and liabilities for NET Line One to the Council. This is because; following a change in political administration, the County Council no longer wishes to provide financial support for NET Phase Two and NET Line One is fully incorporated into the expanded network.

Should NET Phase Two reach financial close then the NET Line One contract will be terminated. This will require a payment to the existing concessionaire, primarily to repay the debt the banks used to finance the building of the existing line, a standard requirement of all PFI contracts. It is intended that the Council will borrow this money and repay it from the ongoing original grant for NET Line One.

If NET Phase Two does not reach financial close, then the NET Line One contract will end in November 2030, unless terminated early for other reasons.

Applying the tests of control under IFRIC 4, 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 2011 total £129m (£134m at 31 March 2010), 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 asset has 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

The Council has completed the procurement of two new Joint Service Centres at Clifton and Hyson Green using the LIFT vehicle in partnership with NHS Nottingham City. Under this arrangement, which is 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, 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. In respect of the Mary Potter Centre, remaining payments as at 31 March 2011 total £18.681m, ignoring contingent rentals arising from the effects of inflation above a working assumption of 2.5% per annum, ending in 2032.

The Council has procured a third LIFT Joint Service Centre located in Bulwell, with financial close completed in March 2010. DCLG have agreed a PFI Credit of £23m. Construction will be completed in 2011/12 and upon handover of the facility, expected from October 2011, payment of the Lease Plus payments will commence for a 25 year period (£63.6m, ignoring the potential effect of inflation, ending in 2036).

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 2011 total £175m, excluding contingent rentals arising from inflation estimates above a working assumption of 2.5% per annum, payable over the next 24 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 2011 (excluding any estimation of inflation and availability / performance deductions) are as follows:

TABLE 4.69: REMAINING PFI CONTRACT PAYMENTS AT 31 MARCH 2011

DESCRIPTION	Payment for Services £m	Reimbursement of Capital Expenditure £m	Interest £m	Total £m
PAYABLE IN 2011/12				
NET Line One	0.024	0.523	17.445	17.992
BSF	1.456	0.627	2.842	4.925
LIFT	0.324	0.158	0.791	1.273
Street Lighting	1.865	1.429	0.530	3.824
PAYABLE WITHIN TWO TO FIVE YEARS				
NET Line One	0.574	6.941	68.125	75.640
BSF	6.500	2.790	10.837	20.127
LIFT	2.032	1.329	4.883	8.244
Street Lighting	8.093	3.095	11.402	22.590
PAYABLE WITHIN SIX TO TEN YEARS				
NET Line One	2.820	24.913	75.643	103.376
BSF	9.685	4.556	12.045	26.286
LIFT	3.267	1.852	5.559	10.678
Street Lighting	9.427	4.364	20.717	34.508

TABLE 4.69: REMAINING PFI CONTRACT PAYMENTS AT 31 MARCH 2011				
DESCRIPTION	**Payment for Services £m**	**Reimbursement of Capital Expenditure £m**	**Interest £m**	**Total £m**
PAYABLE WITHIN ELEVEN TO FIFTEEN YEARS				
NET Line One	2.345	57.566	48.060	107.971
BSF	10.295	7.443	9.599	27.337
LIFT	4.138	2.279	4.833	11.250
Street Lighting	10.846	7.850	17.223	35.919
PAYABLE WITHIN SIXTEEN TO TWENTY YEARS				
NET Line One	0.051	40.503	12.196	52.750
BSF	13.599	9.868	6.065	29.532
LIFT	5.634	2.480	4.019	12.133
Street Lighting	16.387	11.852	11.074	39.313
PAYABLE WITHIN TWENTY-ONE TO TWENTY FIVE YEARS				
NET Line One				
BSF	9.855	9.660	1.452	20.967
LIFT	4.649	3.116	2.042	9.807
Street Lighting	22.179	12.883	4.267	39.329
PAYABLE WITHIN TWENTY - SIX TO TWENTY SEVEN YEARS				
LIFT	0.422	0.394	0.122	0.938
TOTAL				
NET Line One	5.814	130.446	221.469	357.729
BSF	51.390	34.944	42.840	129.174
LIFT	20.466	11.608	22.249	54.323
Street Lighting	68.797	41.473	65.213	175.483
TOTAL	**146.467**	**218.471**	**351.771**	**716.709**

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 4.70:OUTSTANDING PFI LIABILITIES FOR CAPITAL EXPENDITURE		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
BALANCE OUTSTANDING AT START OF YEAR		
NET Line One	(130.394)	(130.586)
BSF	-	(29.151)
LIFT	(6.522)	(6.368)
Street Lighting	-	-
PAYMENTS DURING THE YEAR		
NET Line One	(0.192)	0.140
BSF	(0.110)	0.456
LIFT	0.154	0.067
Street Lighting	-	0.855
CAPITAL EXPENDITURE INCURRED IN THE YEAR		
NET Line One	-	-
BSF	(29.041)	(6.249)
LIFT	-	-
Street Lighting	-	(2.777)
OTHER MOVEMENTS		
NET Line One	-	-
BSF	-	-
LIFT	-	0.223
Street Lighting	-	-
BALANCE OUTSTANDING AT YEAR END		
NET Line One	(130.586)	(130.446)
BSF	(29.151)	(34.944)
LIFT	(6.368)	(6.078)
Street Lighting	-	(1.922)
OVERALL BALANCE OUTSTANDING AT YEAR END	**(166.105)**	**(173.390)**

ERMINATION BENEFITS

The Council terminated the contracts of a number of employees in 2010/11, incurring liabilities of £2.848m (£7.157m in 2009/10). The reduction in cost from 2009/10 is due to fewer employees affected and a reduction in the average amount payable. This cost related to 143 (229 in 2009/10) employees throughout the Council as part of the workforce reduction process. At 31 March 2011, there were 74 employees whose contracts were expected to be terminated in early 2011/12 at a cost of £1.820m for which a provision has been made.

ENSIONS 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 2010/11, the Council paid £9.147m to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 14.1% of pensionable pay. The figures for 2009/10 were £9.170m 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.

EFINED 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.

Transactions Relating to Post-employment Benefits

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 Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

TABLE 4.71: TRANSACTIONS RELATING TO POST EMPLOYMENT BENEFITS				
	Local Government Pension Scheme		Discretionary Benefits Arrangements	
DESCRIPTION	**2009/10 £m**	**2010/11 £m**	**2009/10 £m**	**2010/11 £m**
Cost of Services				
-current service cost	13.228	42.785	-	-
-past service costs	1.093	(101.795)	0.465	(1.309)
-settlements and curtailments	-	-	-	-
Financing and Investment Income and Expenditure				
-interest cost	58.667	63.079	1.575	1.555
-expected return on scheme assets	(31.868)	(44.879)		
TOTAL POST EMPLOYMENT BENEFIT CHARGED TO THE SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	**41.120**	**(40.810)**	**2.040**	**0.246**
Other Post Employment Benefit charged to the Surplus or Deficit on the Provision of Services				
-actuarial gains and losses	290.906	(307.500)	4.736	2.625
TOTAL POST EMPLOYMENT BENEFIT CHARGED TO THE SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	**332.026**	**(348.310)**	**6.776**	**2.871**
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	(41.120)	40.810	(2.040)	(0.246)
Actual amount charged against the General Fund Balance for pensions in the year:				
-employers' contributions payable to scheme	31.252	29.774		
-retirement benefits payable to pensioners			2.004	2.003

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is a gain of £304.875m (loss of £295.642m at 31 March 2010).

Assets and Liabilities in Relation to Post-employment Benefits

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

TABLE 4.72: ASSETS AND LIABILITIES				
DESCRIPTION	**Funded liabilities: Local Government Pension Scheme**		**Unfunded liabilities: Discretionary Benefits**	
	2009/10 £m	**2010/11 £m**	**2009/10 £m**	**2010/11 £m**
Opening balance at 1 April	(880.249)	(1351.909)	(24.489)	(29.261)
Current service cost	(13.228)	(42.785)	-	-
Interest cost	(58.667)	(63.079)	(1.575)	(1.555)
Contributions by scheme participants	(9.940)	(9.389)	-	-
Actuarial gains and losses	(423.897)	311.614	(4.736)	(2.625)
Benefits paid	31.273	34.878	2.004	2.003
Past service costs	-	102.565	(0.465)	1.309
Entity combinations				
Curtailments	1.497	(0.292)	-	-
Settlements	1.302	1.265	-	-
CLOSING BALANCE AT 31 MARCH	**(1351.909)**	**(1017.132)**	**(29.261)**	**(30.129)**

In 2010/11 the valuation method for pension fund liabilities has changed from the Retail Price Index (RPI) to Consumer Price Index (CPI). This has the effect of reducing the Council's liabilities by £103.104m and has been recognised as a past service gain in accordance with guidance set down in Urgent Issues Task Force (UITF) Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

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

TABLE 4.73: FAIR VALUE		
DESCRIPTION	**Funded liabilities: Local Government Pension Scheme**	
	2009/10 £m	**2010/11 £m**
Opening balance at 1 April	493.247	664.133
Expected rate of return	31.868	44.879
Actuarial gains and losses	132.991	(4.114)
Employer contributions	31.252	29.774
Contributions by scheme participants	9.940	9.389
Benefits paid	(32.575)	(36.143)
Settlements/Curtailments	(2.590)	(0.478)
CLOSING BALANCE AT 31 MARCH	**664.133**	**707.440**

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 £40.765m (2009/10 £164.860m).

TABLE 4.74: SCHEME HISTORY					
DESCRIPTION	**2006/07 £m**	**2007/08 £m**	**2008/09 £m**	**2009/10 £m**	**2010/11 £m**
PRESENT VALUE OF LIABILITIES:					
Local Government Pension Scheme	(877.232)	(1025.306)	(880.249)	(1351.910)	(1017.132)
Discretionary Benefits	(24.497)	(25.460)	(24.489)	(29.261)	(30.129)
Fair value of assets in the Local Government Pension Scheme	592.474	595.550	493.247	664.133	707.440
SURPLUS/(DEFICIT) IN THE SCHEME:					
Local Government Pension Scheme	(284.758)	(429.756)	(387.003)	(687.777)	(309.692)
Discretionary Benefits	(24.497)	(25.460)	(24.489)	(29.261)	(30.129)
TOTAL	**(309.255)**	**(455.216)**	**(411.492)**	**(717.038)**	**(339.821)**

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 of £339.821m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet, resulting in a negative overall balance of £339.821m. 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 2012 is £27.621m. Expected contributions for the Discretionary Benefits scheme in the year to 31 March 2012 are £2.041m.

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 4.75: ASSUMPTIONS				
DESCRIPTION	**Local Government Pension Scheme**		**Discretionary Benefits**	
	2009/10 £m	**2010/11 £m**	**2009/10 £m**	**2010/11 £m**
LONG-TERM EXPECTED RATE OF RETURN ON ASSETS IN THE SCHEME:				
Equity investments	7.4%	7.3%	N/A	N/A
Bonds	5.5%	5.5%	N/A	N/A
Property	6.9%	6.8%	N/A	N/A
Cash	3.0%	3.0%	N/A	N/A
Gilts	4.5%	4.4%	N/A	N/A
MORTALITY ASSUMPTIONS:				
Longevity at 65 for current pensioners:				
-Men	20.30	18.50	20.30	18.50
-Women	23.91	22.60	23.91	22.60
Longevity at 65 for future pensioners:				
-Men	21.22	20.50		
-Women	24.91	24.50		
Rate of inflation	3.9%	3.5%	3.9%	3.5%
Rate of increase in salaries	5.4%	5.0%	5.4%	5.0%
Rate of increase in pensions	3.9%	2.7%	3.9%	2.7%
Rate for discounting scheme liabilities	5.5%	5.5%	5.5%	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 4.76: DISCRETIONARY BENEFITS		
DESCRIPTION	**31 March 2010 %**	**31 March 2011 %**
Equity investments	68	73
Gilts	9	7
Other bonds	6	4
Property	15	12
Cash	2	4
Total	**100**	**100**

History of Experience – Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2011:

TABLE 4.77: HISTORY					
DESCRIPTION	**2006/07 %**	**2007/08 %**	**2008/09 %**	**2009/10 %**	**2010/11 %**
Differences between the expected and actual return on assets	2.1	(7.5)	(30.5)	20.0	(0.6)
Experience gains and losses on liabilities	-	(3.6)	-	-	9.2

FRS 17 values change from Retail Price Index (RPI) to Consumer Price Index (CPI)

The Chancellor of the Exchequer announced in his Emergency Budget on 22 June 2010 that the CPI rather than the RPI will be the basis for future public sector pension increases. In accordance with paragraph 21 of Financial Reporting Standard 21 (Events after the balance sheet date), this change is deemed to be a non-adjusting post balance sheet event. It is estimated that this change will reduce the value of an average employer's FRS 17 liabilities in the Fund by around 6-8%.

ONTINGENT LIABILITIES

At 31 March 2011, the Council had the following material contingent liabilities:

Employment Tribunal Cases

There are a small number of Employment Tribunal cases outstanding together with the potential costs arising from the cases. Due to the stage that the cases are at, it is very difficult to make an accurate cost analysis.

Planning Application Appeal –Waste Recycling Group

A planning application to extend the incinerator (3rd line) was declined. This decision was appealed against by Waste Recycling Group (WRG) and the appeal was successful. There will be extensive negotiation over what the Council should pay based on the Secretary of State decision. These negotiations will involve independent cost arbitrators meaning the process once the claim is submitted will take a while to resolve.

Municipal Mutual Insurance (MMI)

A number of outstanding liabilities and IBNR (incurred but not reported) claims currently sit with MMI. MMI ceased writing insurance in September 1992 and is now in run off with a contingent Scheme of Arrangement in place. The Company will continue to pay claims unless a solvent run off cannot be foreseen, when the Scheme will be triggered. If the Scheme of Arrangement is triggered the amount the Council are liable for is the total carried forward claim payments less £50K. This is estimated at £2.1m.

Insurance Claims

Details regarding Pre-Fund exposure, Employers Liability Trigger Point Litigation and the Nottinghamshire County Council Fund, as outlined in the provisions note, identify potential costs. Due to the uncertainty around these matters, it is not possible to make an accurate cost analysis. A contingent liability therefore exists to the extent that existing provisions could be insufficient to meet the potential liabilities.

Land transaction

The Council is currently in legal proceedings over a land deal and it is estimated that the Council could incur a liability of £1.750m to £2.000m in settling these proceedings prior to judgement, with the potential for damages and costs in excess of that if such judgement be given against the Council.

NET Line 1

Currently the Council controls and accounts for 80% of the assets and liabilities associated with NET Line One, with the remainder the responsibility of Nottinghamshire County Council. Following a change in political administration in 2009, Nottinghamshire County Council notified the Council of their desire to withdraw from the joint promotion of NET Phase Two. A Settlement Agreement between the Councils has been developed, setting out the orderly transfer of the assets, remaining responsibilities and future payments, once NET Phase Two goes ahead. Upon signing the contract with the new provider (at financial close) of NET Phase Two (which will incorporate operating and maintaining NET Line One), then ongoing responsibility for NET Line One will transfer to the Council. Thus a contingent asset of £25m representing 20% of the depreciated value of NET Phase 1 assets, and a contingent liability of £32.6m representing the 20% finance lease liability have been recognised, both contingent upon the signing of a contract for NET Phase Two. As part of the agreement, the full PFI grant for NET Line One will also transfer to the Council at the same time, which will be used to meet the payments due under the contract.

Workforce Reductions

As outlined in the 2011/12 Medium Term Financial Plan, the Council anticipates incurring one-off costs in respect of workforce reduction. The 2011/12 MTFP allows for £5.000m but the actual cost will depend on a number of factors such as the actual staff numbers and employment profile of the affected employees.

NANCIAL 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 2010 SORP 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 2011 (and 31 March 2010). The investments figures reflect the impairment of deposits placed with Icelandic banks.

TABLE 4.78:FINANCIAL ASSETS

DESCRIPTION	Long-term		Current	
	31 March 2010 £m	31 March 2011 £m	31 March 2010 £m	31 March 2011 £m
INVESTMENTS				
Loans and receivables				
- investments (principal)	-	-	40.600	60.000
- cash equivalents (principal)	-	-	70.000	60.000
- interest	-	-	0.180	0.375
- Icelandic deposits	26.550	11.002	2.914	17.221
	26.550	**11.002**	**113.694**	**137.596**
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	0.763	0.711	-	-
Financial assets at fair value through profit and loss	-	-	-	-
TOTAL	**27.313**	**11.713**	**113.694**	**137.596**
DEBTORS				
Loans and receivables	10.112	10.699	53.185	57.022
Financial assets carried at contract amounts	-	-	-	
TOTAL	**10.112**	**10.699**	**53.185**	**57.022**

TABLE 4.79:FINANCIAL LIABILITES				
	Long-term		Current	
DESCRIPTION	31 March 2010 £m	31 March 2011 £m	31 March 2010 £m	31 March 2011 £m
BORROWINGS				
Financial liabilities at amortised cost				
- principal	463.824	496.179	37.403	62.966
- interest	-	-	4.012	4.034
- accounting adjustments	-	0.959	0.962	-
TOTAL BORROWINGS	**463.824**	**497.138**	**42.377**	**67.000**
OTHER LONG TERM LIABILITIES				
PFI and finance lease liabilities	167.696	172.982	0.641	2.670
TOTAL OTHER LONG TERM LIABILITIES	**167.696**	**172.982**	**0.641**	**2.670**
CREDITORS				
Financial liabilities at amortised cost	-	-	132.769	151.602
TOTAL CREDITORS	**-**	**-**	**132.769**	**151.602**

Debtors and creditors figures 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 2010/11 in respect of all financial assets and liabilities not held at fair value, calculated using the effective interest method:

TABLE 4.80: INTEREST, EXPENSE, GAINS AND LOSSES		
DESCRIPTION	2009/10 Total £m	2010/11 Total £m
Interest expense	(24.407)	(44.233)
Impairment losses	-	(7.150)
TOTAL EXPENSE IN SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	**(24.407)**	**(51.383)**
Interest income	6.946	5.335
Interest income – impaired financial assets	-	1.777
TOTAL INCOME IN SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES	**6.946**	**7.112**
Amounts recycled to the Surplus or Deficit on the Provision of Services after impairment	0.643	-
SURPLUS FROM REVALUATION OF FINANCIAL ASSETS	**0.643**	**-**
NET GAIN/(LOSS) FOR THE YEAR	**(16.818)**	**(44.271)**

During 2010/11 the only significant gain or loss in the 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.

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 4.81:FINANCIAL INSTRUMENTS - FAIR VALUES				
	31 March 2010		31 March 2011	
DESCRIPTION	**Carrying amount £m**	**Fair value £m**	**Carrying amount £m**	**Fair value £m**
PWLB debt	445.466	491.438	459.462	513.177
Market loans	50.455	50.981	50.453	52.062
3% stock	2.335	1.406	2.335	1.436
Bonds etc	2.465	2.465	1.693	1.693
Other debt	5.481	5.481	50.195	50.195
Trade creditors	132.769	132.769	151.602	151.602
FINANCIAL LIABILITIES	**638.971**	**684.540**	**715.740**	**770.165**
Investments (< 1 year)	110.780	110.780	120.375	120.375
Debtors	53.185	53.185	57.022	57.022
Long-term debtors	10.112	10.112	10.699	10.699
FINANCIAL ASSETS	**174.077**	**174.077**	**188.096**	**188.096**

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 2011, giving a 'carrying amount' at year-end. The fair value of these investments has been determined by reference to market rates at 31 March each year.

ATURE 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 reviewed regularly.

Credit Risk

Credit risk arises from investments with banks and 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 2010/11 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 A1 (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) – an individual cash limit of £10m with any one Fund and an overall limit of £40m for all MMFs.

The Council's maximum exposure to credit risk in relation to its investments in banks and building societies of £120.000m at 31 March 2011 (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 2011 that this was likely to crystallise.

The following table summarises the value of the Council's investment portfolio at 31 March 2011 (Excluding Icelandic bank deposits) and confirms that all investments were made in line with the approved credit rating criteria:

TABLE 4.82: CREDIT RATING CRITERIA

	Criteria met?		Total
COUNTERPARTY	**At time of investment (Yes /No)**	**At 31 March 2011 (Yes /No)**	**£m**
UK banks	Yes	Yes	40.000
UK building societies	Yes	Yes	20.000
Call accounts	Yes	Yes	60.000
TOTAL			**120.000**

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 is:

TABLE 4.83: FINANCIAL LIABILITIES		
DESCRIPTION	**31 March 2010** **£m**	**31 March 2011** **£m**
Less than 1 year	37.402	62.966
1 to 2 years	28.646	39.544
2 to 5 years	67.975	32.432
5 to 10 years	64.993	83.993
10 – 25 years	113.193	102.194
25 – 40 years	32.026	36.025
40 – 70 years	154.450	199.450
Irredeemable	2.541	2.541
TOTAL	**501.226**	**559.145**

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 is shown below. The Icelandic bank deposits have been expressed based on the current forecast of recovery percentages and dates.

TABLE 4.84: LOANS AND RECEIVABLES		
DESCRIPTION	**31 March 2010 £m**	**31 March 2011 £m**
Less than 1 year	113.720	137.222
1 to 2 years	17.446	2.999
2 to 3 years	2.890	0.898
More than 3 years	9.594	7.124
TOTAL	**143.650**	**148.243**

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 2010/11 strategy allowed for a maximum of 30% 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 2011, if interest rates had been 1% higher, with all other variables held constant, the financial effect would be:

TABLE 4.85: IMPACT OF 1% INCREASE IN INTEREST RATES	
DESCRIPTION	**£m**
Increase in interest payable on variable rate borrowings	(0.834)
Increase in interest receivable on variable rate investments	0.600
Impact on Surplus or Deficit on the Provision of Services	**(0.234)**
Share of overall impact debited to the HRA	0.425
IMPACT ON OTHER COMPREHENSIVE INCOME AND EXPENDITURE	**0.191**

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 £0.711m in a number of joint ventures and in local industry, at 31 March 2011. 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 has no financial assets or liabilities denominated in foreign currencies, other than deposits with Icelandic banks which are addressed separately.

ELANDIC BANK INVESTMENTS

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 4.86: ICELANDIC BANK INVESTMENTS

BANK	Principal £m	From	To	Rate
Glitnir	5.000	20/04/07	20/04/09	5.92%
Landsbanki	4.000	15/06/07	15/06/09	6.43%
Glitnir	6.000	30/11/07	28/11/08	5.98%
Heritable	3.300	18/03/08	21/11/08	5.93%
Landsbanki	3.500	14/05/08	13/05/09	6.05%
Heritable	5.500	14/05/08	13/05/09	6.05%
Heritable	4.000	18/07/08	22/04/09	6.24%
Heritable	2.800	22/07/08	21/07/09	6.37%
Landsbanki	6.000	19/09/08	27/04/09	6.21%
Landsbanki	1.500	19/09/08	21/08/09	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 on 10 February 2011 outlined that the return to creditors was projected to be 85% by October 2012. To 31 March 2011, the Council has received dividend payments of £7.985m, constituting principal and interest, representing repayments of 50p in the £. Based on the latest advice, the Council has decided to recognise an impairment based on it recovering a total of 85p 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 October 2012.

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 has been the subject of a legal challenge by other Landsbanki creditors in the Icelandic courts. On 1 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. This status is the subject of an appeal to the Icelandic Supreme Court which is expected to convene later in 2011. However, based on the latest advice from CIPFA, in the form of a Local Authority Accounting Panel Bulletin (LAAP82, May 2011) it remains the most likely outcome that the claims will enjoy priority status.

The latest creditors report in respect of Landsbanki has not materially changed the forecast of a total recovery of 95p in the £, through a series of instalment repayments. The final instalment is not expected until 2018.

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 has been 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. This decision is the subject of an appeal to the Icelandic Supreme Court which is expected to convene later in 2011. However, based on the latest advice from CIPFA, in the form of a Local Authority Accounting Panel Bulletin (LAAP82, May 2011) it remains the most likely outcome that the claims will enjoy priority status.

The latest information available regarding Glitnir bank net assets indicates that all priority status creditors are able to be repaid in full. Based on this information, a recovery of 100p in the £ has therefore been assumed at this stage, with payment being received after the legal proceedings have been resolved, in 2011.

Impairment

Based on the assumed percentage recoveries above, the Council would have to write off £3.111m 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). This provides a current impairment loss of £7.150m, which has been recognised in the Income and Expenditure Account in 2010/11. This sum is offset by accrued interest of £1.777m in 2010/11, with a further £4.004m 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 £1.400m.

Foreign Exchange Risk

Deposits with Landsbanki and Glitnir banks were converted into Icelandic Krona on 22 April 2009. The sterling value received will depend on the prevailing exchange rate and may be different from the equivalent value on 22 April 2009. Currency restrictions mean that there is no futures market for the Icelandic Krona and it is therefore not possible to price the exchange risk. However, any net increase or decrease in the amount of repayments received by authorities is not expected to be material. Exchange rate risk has therefore been ignored in estimating future cash flows.

SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES

5. SUPPLEMENTARY FINANCIAL STATEMENTS AND NOTES

HOUSING REVENUE ACCOUNT

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to an Council'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, ring fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax.

HRA INCOME AND EXPENDITURE STATEMENT

TABLE 5.1: HRA INCOME AND EXPENDITURE ACCOUNT		
DESCRIPTION	**Restated 2009/10 £m**	**2010/11 £m**
EXPENDITURE		
Management and maintenance	59.619	59.613
Rents, rates, taxes and other charges	1.944	2.002
Depreciation and impairment of non-current assets	74.468	39.638
Exceptional costs for HRA social housing revaluation adjustment	0.000	279.680
Debt management costs	0.136	0.142
Movement in the allowance for bad debts	0.245	0.464
TOTAL EXPENDITURE	**136.412**	**381.539**
INCOME		
Dwelling Rents	(87.430)	(88.810)
Non Dwelling Rents	(1.553)	(1.555)
Charges for Services and Facilities	(0.398)	(0.581)
HRA Subsidy Receivable	(4.331)	(1.341)
Major Repairs Allowance receivable	(0.211)	(0.495)
TOTAL INCOME	**(93.923)**	**(92.782)**
NET COST OF HRA SERVICES AS INCLUDED IN THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	**42.489**	**288.757**
HRA services' share of Corporate and Democratic Core	0.042	0.042
NET COST FOR HRA SERVICES	**42.531**	**288.799**
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	(0.579)	(1.197)
Interest payable and similar charges	11.929	11.950
Interest and Investment Income	(0.037)	(0.026)
DEFICIT FOR THE YEAR ON HRA SERVICES	**53.844**	**299.526**

MOVEMENT ON THE HRA STATEMENT

TABLE 5.2: MOVEMENT ON HRA STATEMENT		
DESCRIPTION	**Restated 2009/10 £m**	**2010/11 £m**
BALANCE ON THE HRA AT THE END OF THE PREVIOUS YEAR	**3.204**	**4.666**
Surplus or (deficit) for the year on the HRA Income and Expenditure Statement	(53.844)	(299.526)
Adjustments between accounting basis and funding basis under statute	48.863	291.871
NET INCREASE OR (DECREASE) BEFORE TRANSFERS TO OR FROM RESERVES	**(4.981)**	**(7.655)**
Transfers (to) or from reserves	6.443	8.160
INCREASE OR (DECREASE) IN YEAR ON THE HRA	**1.462**	**0.505**
BALANCE ON THE HRA AT THE END OF THE CURRENT YEAR	**4.666**	**5.171**

NOTES TO THE HRA FINANCIAL STATEMENTS

HOUSING STOCK

The Council was responsible for managing the following housing stock:

TABLE 5.3 HOUSING STOCK		
DESCRIPTION	**31 March 2010 Number**	**31 March 2011 Number**
HOUSE AND BUNGALOWS		
- 1 Bedroom	1,006	1,002
- 2 Bedroom	5,889	5,817
- 3 Bedroom	10,903	10,862
- 4 or more Bedrooms	596	591
FLATS		
- 1 Bedroom	6,798	6,743
- 2 Bedrooms	3,153	3,017
- 3 or more Bedrooms	253	228
TOTAL	**28,598**	**28,260**

VALUATION OF HOUSING ASSETS

The value of land, houses and other property within the HRA in 2010/11 was as follows:

TABLE 5.4: HOUSING ASSETS		
DESCRIPTION	**Value at 31 March 2010 £m**	**Value at 31 March 2011 £m**
OPERATIONAL ASSETS		
Council Dwellings	892.018	594.300
Other Land and Buildings		
Land	0.952	2.728
Buildings	1.049	5.647
Vehicles, IT and Other Equipment	0.574	0.358
Infrastructure	20.458	20.461
TOTAL	**915.051**	**623.494**
NON-OPERATIONAL ASSETS		
Land	3.308	2.121
Buildings	5.457	0.382
TOTAL	**8.765**	**2.503**
TOTAL VALUE OF ASSETS	**923.816**	**625.997**

ASSET VALUE OF DWELLINGS

The vacant possession valuation of Council dwellings at 31 March 2011 was £1,748.00m (1 April 2010 £1,791.280m). The Balance Sheet value of dwellings was £594.300m. The difference of £1,153.68m 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.

Council dwellings were re-valued in 2009/10 based on a full revaluation of beacon properties by Chartered Surveyors Herbert Button & Partners and Freeman & Mitchell. A desktop revaluation was completed in 2010/11 using the revised Social Housing adjustment factor of 34% which compares to 50% used in 2009/10 valuation.

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 2010/11 were as follows:

TABLE 5.5: MAJOR REPAIRS RESERVE		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Balance Brought Forward	-	(6.671)
CREDITS TO THE RESERVE		
Depreciation on HRA Assets	(23.382)	(25.193)
DEBITS TO THE RESERVE		
Capital Expenditure	10.268	10.307
Appropriation to HRA	6.443	8.160
TOTAL	**(6.671)**	**(13.397)**

CAPITAL EXPENDITURE

Capital expenditure of £56.898m (£51.527m in 2009/10) in respect of HRA assets was financed from a range of sources in 2010/11. This is set out below:

TABLE 5.6: HRA CAPITAL EXPENDITURE		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
CAPITAL EXPENDITURE	**51.527**	**56.898**
FINANCED BY:		
Borrowing	40.923	39.095
Capital Receipts Reserve	0.185	5.665
Major Repairs Reserve (MRR)	10.268	10.307
Other Capital Grants and Contributions	0.151	1.831
TOTAL	**51.527**	**56.898**

CAPITAL RECEIPTS

Capital receipts of £9.325m (£4.005m in 2009/10) arose from the sale of land, houses and other property within the HRA in 2010/11. Of this total, £3.491m (£3.515m in 2009/10) related to the disposal of houses and flats under the right to buy scheme and £5.235m (nil in 2009/10) from the sale of vacant non purpose built council houses.

TABLE 5.7: CAPITAL RECEIPTS		
Description	**2009/10 £m**	**2010/11 £m**
Land	0.189	0.133
Houses	3.816	8.894
Other Property	-	0.298
TOTAL	**4.005**	**9.325**

DEPRECIATION

Depreciation was charged in respect of HRA operational assets in 2010/11 as follows:

TABLE 5.8: HRA DEPRECIATION		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Dwellings	22.092	23.779
Other Operational HRA Assets	1.331	1.414
TOTAL	**23.423**	**25.193**

REVALUATIONS AND IMPAIRMENTS DURING THE FINANCIAL YEAR

£294.091m (£43.017m in 2009/10) in respect of revaluation losses and impairment losses have been charged in the year. Impairment losses of £2.261m (£8.690m in 2009/10) relating to damaged properties and demolitions are included in this total.

HOUSING SUBSIDY

The HRA records the receipt of £1.362m (£4.331m 2009/10) in Housing Subsidy in 2010/11. This is an estimate as the amount claimed 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 HRA. These are broken down as follows:

TABLE 5.9: HOUSING SUBSIDY		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
SUBSIDY ELEMENTS		
Charges for capital	14.919	14.065
Interest on Receipts (minus)	(0.034)	(0.022)
Maintenance Allowance	33.335	33.160
Major Repairs Allowance	16.939	17.033
Management Allowance	20.774	21.136
Rent (minus)	(81.602)	(84.010)
TOTAL	**4.331**	**1.362**

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.

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.

RENT ARREARS AND THE AGGREGATE BALANCE SHEET PROVISION IN RESPECT OF UNCOLLECTABLE DEBTS

Gross rent arrears (including service charges and overpaid housing benefit) in respect of current and former tenants amounted to £5.239m at 31 March 2011 (£5.643m at 31 March 2010). A total bad debt provision of £4.388m has been established at 31 March 2011 (£4.571m at 31 March 2010).

AVERAGE RENT FOR HRA DWELLINGS

TABLE 5.10: 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

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

COLLECTION FUND

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 5.11: COLLECTION FUND		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
INCOME		
Income from Council Tax	(85.387)	(88.296)
TRANSFERS FROM GENERAL FUND		
Council Tax Benefit	(30.150)	(32.159)
Income collectable from business ratepayers	(129.089)	(117.784)
Contribution towards previous years' deficit	(0.292)	(0.292)
TOTAL INCOME	**(244.918)**	**(238.531)**
EXPENDITURE		
Precepts - Police Authority	11.504	12.062
- Fire Authority	5.099	5.251
- Council General Fund	97.468	100.371
NNDR		
Payment to national pool	125.534	115.412
Cost of collection	0.504	0.481
Amounts written off and provision for losses	2.786	1.714
Interest paid on refunds	0.265	0.177
Council Tax		
Amounts written off and provision for losses	2.108	2.109
TOTAL EXPENDITURE	**245.268**	**237.577**
Movement on the Collection Fund Balance	0.350	(0.954)
(Surplus)/Deficit Brought Forward from previous year	0.083	0.433
(SURPLUS)/DEFICIT CARRIED FORWARD	**0.433**	**(0.521)**

5.2.1 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 5.12: NNDR		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Rate in the pound	48.5p	41.4p
Total non-domestic rateable value per NNDR system	312,471,631	321,361,679

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 5.13: COUNCIL TAX				
			2009/10	**2010/11**
Council Tax Base			75,281	75,338
Council Tax (Band D) Property			£1,515.28	£1,562.08
Band	**Average Number of Properties**	**Taxable Properties after discounts, exemptions etc.**	**Conversion Factor to Band D**	**Band D Equivalents**
A	85,088	67,939	6/9	45,293
B	21,189	16,124	7/9	12,541
C	15,046	11,486	8/9	10,210
D	6,450	5,021	9/9	5,021
E	2,280	1,927	11/9	2,355
F	992	883	13/9	1,275
G	690	616	15/9	1,027
H	110	65	18/9	130

PRECEPTS

The following precepts payments were made during the year:

TABLE 5.14: PRECEPTS		
	2009/10	2010/11
DESCRIPTION	£m	£m
Nottinghamshire Fire & Rescue Service	5.099	5.251
Nottinghamshire Police Authority	11.504	12.062

5.2.4 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 5.15: ANALYSIS OF SURPLUS DEFICIT ON COLLECTION FUND		
DESCRIPTION	2009/10 £m	2010/11 £m
Nottingham City Council	0.370	(0.445)
Nottinghamshire Police Authority	0.044	(0.053)
Nottinghamshire Fire and Rescue Authority	0.019	(0.023)
TOTAL	**0.433**	**(0.521)**

GROUP FINANCIAL STATEMENTS

3.4 GROUP FINANCIAL STATEMENTS AND NOTES

INTRODUCTION TO GROUP ACCOUNTS AND ACCOUNTING POLICIES

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 an associate.

The following pages include:

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

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:

- Subsidiary – 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.
- Joint Ventures – where the Council exercises joint control with one or more organizations. Where these are material they have been included in the group.
- Simple Investment – where the Council holds an insufficient interest to justify inclusion in the group financial statements. These entities are not included in the group.
- No group relationship – where interest 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 inter-group transactions written out. An associate has been accounted for by including the Council's share of their net operating results.

For 2010/11 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 them are given in Group Accounts Note 1.

The Group Accounts for 2010/11 have been completed using audited accounts from Nottingham Ice Centre, Nottingham City Transport, Enviroenergy, Nottingham City Homes, Connexions and Bridge Estate.

6.1.3 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 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:

1. 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.

1. 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.

7.1 GROUP CORE FINANCIAL STATEMENTS

TABLE 6.1: GROUP MOVEMENT IN RESERVES STATEMENT 2010/11										
DESCRIPTION	**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**	**Authority's Share of Group Reserves £m**	**Total Authority Reserves £m**
BALANCE AT 31 MARCH 2010	**7.058**	**92.926**	**4.666**	**0.038**	**6.671**	**15.849**	**127.208**	**915.554**	**(22.746)**	**1,020.016**
Movement in reserves during 2010/11:										
Surplus/(deficit) on the provision of services	66.743	-	(299.526)	-	-	-	(232.783)	-	13.408	(219.375)
Other Comprehensive Income and Expenditure	-	-	-	-	-	-	-	288.320	-	288.320
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	**66.743**	**-**	**(299.526)**	**-**	**-**	**-**	**(232.783)**	**288.320**	**13.408**	**68.945**
Adjustments between accounting basis and funding basis under regulations	(55.144)	-	300.031	0.977	6.726	6.239	258.829	(254.621)	22.554	26.762
NET INCREASE/DECREASE BEFORE TRANSFERS TO EARMARKED RESERVES	**11.599**	**-**	**0.505**	**0.977**	**6.726**	**6.239**	**26.046**	**33.699**	**35.962**	**95.707**
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**	**33.699**	**35.962**	**95.707**
BALANCE AT 31 MARCH 2011	**8.604**	**102.979**	**5.171**	**1.015**	**13.397**	**22.088**	**153.254**	**949.253**	**13.216**	**1,115.723**

TABLE 6.2: GROUP MOVEMENT IN RESERVES STATEMENT 2009/10										
DESCRIPTION	**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	**Authority's Share of Group Reserves** £m	**Total Authority Reserves** £m
BALANCE AT 31 MARCH 2009	**11.374**	**82.488**	**3.204**	**0.028**	**-**	**38.926**	**136.020**	**1,241.024**	**5.384**	**1,382.428**
Movement in reserves during 2009/10										
Surplus/(deficit) on the provision of services	(0.198)	-	(33.632)	-	-	-	(33.830)	-	1.120	(32.710)
Other Comprehensive Income and Expenditure	0.118	-	-	-	-	-	0.118	(300.493)	(30.002)	(330.377)
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	**(0.080)**	**-**	**(33.632)**	**-**	**-**	**-**	**(33.712)**	**(300.493)**	**(28.882)**	**(363.087)**
Adjustments between accounting basis and funding basis under regulations	11.960	0.684	28.652	0.010	6.671	(23.077)	24.900	(24.977)	0.752	0.675
NET INCREASE/DECREASE BEFORE TRANSFERS TO EARMARKED RESERVES	**11.880**	**0.684**	**(4.980)**	**0.010**	**6.671**	**(23.077)**	**(8.812)**	**(325.470)**	**(28.130)**	**(362.412)**
Transfers to/from Earmarked Reserves	(16.196)	9.754	6.442	-	-	-	-	-	-	-
INCREASE/DECREASE IN YEAR	**(4.316)**	**10.438**	**1.462**	**0.010**	**6.671**	**(23.077)**	**(8.812)**	**(325.470)**	**(28.130)**	**(362.412)**
BALANCE AT 31 MARCH 2010	**7.058**	**92.926**	**4.666**	**0.038**	**6.671**	**15.849**	**127.208**	**915.554**	**(22.746)**	**1,020.016**

TABLE 6.3: GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT						
DESCRIPTION	**Restated 2009/10**			**2010/11**		
	Gross Expenditure £m	**Gross Income £m**	**Net Expenditure £m**	**Gross Expenditure £m**	**Gross Income £m**	**Net Expenditure £m**
Central services to the public	5.278	(1.891)	3.387	2.962	(3.185)	(0.223)
Cultural, environmental, regulatory and planning services	127.081	(47.623)	79.458	135.329	(53.887)	81.442
Education and children's services	348.627	(255.029)	93.598	432.320	(279.432)	152.888
Highways and transport services	80.209	(67.305)	12.904	90.469	(81.580)	8.889
Local authority housing (HRA)	116.149	(93.519)	22.630	102.138	(92.782)	9.356
Other housing services	188.033	(180.196)	7.837	198.857	(165.185)	33.672
Adult social care	119.235	(39.933)	79.302	126.224	(44.301)	81.923
Exceptional costs for HRA social housing revaluation adjustment			0.000	279.401	-	279.401
Exceptional pension costs as a result of changes to valuation basis			0.000	(103.104)	-	(103.104)
Corporate and democratic core	62.796	(44.380)	18.416	74.351	(44.915)	29.436
Non distributed costs	22.383	-	22.383	10.586	-	10.586
COST OF SERVICES	**1,069.791**	**(729.876)**	**339.915**	**1,349.533**	**(765.267)**	**584.266**
Other operating expenditure	13.911	(11.592)	2.319	9.157	(8.290)	0.867
Financing and investment income and expenditure	161.630	(100.507)	61.123	122.257	(71.759)	50.498
Taxation and non-specific grant income	-	(371.167)	(371.167)	135.106	(552.487)	(417.381)
(SURPLUS) OR DEFICIT ON PROVISION OF SERVICES	**1,245.332**	**(1,213.142)**	**32.190**	**1,616.053**	**(1,397.803)**	**218.250**
Share of the surplus or deficit on the provision of services by associates			(0.170)			0.554
Tax expenses of subsidiaries			0.709			0.589
Tax expenses of associate			(0.019)			(0.018)
GROUP (SURPLUS) / DEFICIT			**32.710**			**219.375**

TABLE 6.3:GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT						
DESCRIPTION	**Restated 2009/10**			**2010/11**		
	Gross Expenditure £m	**Gross Income £m**	**Net Expenditure £m**	**Gross Expenditure £m**	**Gross Income £m**	**Net Expenditure £m**
Surplus or deficit on revaluation of Property, Plant and Equipment assets	-	-	4.851	-	-	16.555
Actuarial gains/losses on pension assets/liabilities	-	-	325.623	-	-	(304.875)
Other gains/losses required under IFRS restatement	-	-	(0.097)	-	-	-
OTHER COMPREHENSIVE INCOME AND EXPENDITURE	**-**	**-**	**330.377**	**-**	**-**	**(288.320)**
TOTAL COMPREHENSIVE INCOME AND EXPENDITURE	**-**	**-**	**363.087**	**-**	**-**	**(68.945)**

TABLE 6.5: GROUP BALANCE SHEET				
Restated 1 APRIL 2009 £m	**Description**	**Notes**	**Restated 31 March 2010 £m**	**31 March 2011 £m**
2,268.739	Property, Plant & Equipment	6.3.4	2,356.415	2,067.309
84.671	Investment Property	6.3.5	71.725	68.414
0.973	Intangible Assets		1.407	1.678
13.224	Long Term Investments		37.900	16.781
7.935	Long Term Debtors		9.203	9.989
2,375.542	**LONG TERM ASSETS**		**2,476.650**	**2,164.171**
176.252	Short Term Investments		48.857	82.388
0.090	Assets Held for Sale		0.160	1.645
3.040	Inventories		3.326	3.583
51.354	Short Term Debtors		67.124	67.391
30.204	Cash and Cash Equivalents	6.3.6	74.931	97.889
260.940	**CURRENT ASSETS**		**194.398**	**252.896**
(48.760)	Short Term Borrowing		(42.377)	(71.085)
(129.841)	Short Term Creditors	6.3.7	(162.255)	(173.970)
(178.601)	**CURRENT LIABILITIES**		**(204.632)**	**(245.055)**
(9.543)	Long Term Creditors		(8.946)	-
(22.792)	Provisions		(25.138)	(11.066)
(450.310)	Long Term Borrowing		(463.824)	(495.380)
(140.914)	Other Long Term Liabilities		(169.717)	(188.106)
(440.434)	Net Pensions Liability		(768.418)	(358.012)
(11.460)	Capital Grants Receipts in Advance		(10.357)	(3.725)
(1,075.453)	**LONG TERM LIABILITIES**		**(1,446.400)**	**(1,056.289)**
1,382.428	**NET ASSETS**		**1,020.016**	**1,115.723**
140.459	Usable Reserves		132.214	158.231
1,241.969	Unusable Reserves	6.3.8	887.802	957.492
1,382.428	**TOTAL RESERVES**		**1,020.016**	**1,115.723**

TABLE 6.6: GROUP CASH FLOW		
DESCRIPTION	**Restated 2009/10 £m**	**2010/11 £m**
NET (SURPLUS) OR DEFICIT ON THE PROVISION OF SERVICES	**(31.598)**	**(223.887)**
Adjustments to net surplus or deficit on the provision of services for non-cash movements	129.266	390.643
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	(62.351)	(115.353)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**35.317**	**51.403**
Investing activities	(95.285)	(81.742)
Financing activities	104.695	53.297
NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS	**44.727**	**22.958**
Cash and cash equivalents at the beginning of the reporting period	30.204	74.931
CASH AND CASH EQUIVALENTS AT THE END OF THE REPORTING PERIOD	**74.931**	**97.889**

GROUP NOTES TO THE FINANCIAL STATEMENTS

DETAILS OF SUBSIDIARY ENTITIES, ASSOCIATES AND TRUST FUNDS INCLUDED IN THE GROUP ACCOUNTS

Subsidiary Entities

Nottingham City Transport Limited (NCT Ltd) (Registered Number: 2004967)

Nature of Business
The company's main activities are the operation of public transport in the Nottingham city area, running both buses and trams within its business.

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 NCT 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 accounting treatment in respect of the minority interest has been reviewed in 2009/10 and now takes account of 100% with an adjustment for the minority interest. The 2010/11 Group financial statements reflect 95% share.

Accounts
Copies of the accounts of NCT Ltd can be obtained from Companies House, Crown Way, Maindy, Cardiff.

Audit Opinion
The accounts used to produce the 2010/11 Group Accounts are audited.

Enviroenergy Limited (Registered 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, Maindy, Cardiff.

Audit Opinion
The accounts used to produce the 2010/11 Group Accounts are audited.

Nottingham Ice Centre (Registered 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 owns 100% of the issued share capital.

Accounts
Copies of the accounts of NIC Ltd can be obtained from Companies House, Crown Way, Maindy, Cardiff.

Audit Opinion
The accounts used to produce the 2010/11 Group Accounts are audited.

Nottingham City Homes Limited (Registered 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 Nottingham City Council.

Accounts
Copies of the accounts of Nottingham City Homes Ltd can be obtained from Companies House, Crown Way, Maindy, Cardiff.

Audit Opinion
The accounts used to produce the 2010/11 Group Accounts are audited.

Associate

Connexions Nottinghamshire Ltd (Registered Number: 4172770)

Nature of the business
Connexions provides quality guidance, support and personal development services for all 13-19 year olds in Nottinghamshire. Connexions Personal Advisers, based in schools, colleges, Connexions centres and in the community, can provide help and advice on a range of issues from careers, employment, training and education to health, housing, money and relationships. Supporting the face-to-face Personal Adviser service is a wealth of information services both paper-based and online. At Connexions, their vision is to significantly reduce youth unemployment in Nottinghamshire and raise achievement at all levels. To do this they recognise that they must work with and support partner organisations, particularly those who provide opportunities for young people, parents, employers and young people.

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

Accounts
Copies of the accounts of Connexions Nottinghamshire Ltd can be obtained from Companies House, Crown Way, Maindy, Cardiff.

Audit Opinion
The accounts used to produce the 2010/11 Group Accounts are audited.

Trust Funds

Bridge Estate (Registered 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. All transactions relating to Bridge Estate are subject to the same Financial Regulations and procedures as those relating to land held by the Council.

Accounts

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

Audit Opinion

The accounts used to produce the 2010/11 Group Accounts are audited.

DETAILS OF SUBSIDIARY ENTITIES, ASSOCIATES AND TRUST FUNDS NOT INCLUDED IN THE GROUP ACCOUNTS

The Council has considered its relationship with companies, associates, joint arrangements and partnerships and the following organisations have been excluded from the Group financial statements on the basis of risk and materiality.

Harvey Hadden Stadium Trust (Registered 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, Nottingham is a charity of which the Council is sole trustee. The Trustees are members of the Council. The Executive Board of the Council meets to make recommendations on the management of the Charity in their capacity as Trustees. All transactions relating to Harvey Hadden Stadium Trust are reported to the Council in the same way as transactions involving Council business. An annual report is submitted by the Trustees, which follows the format outlined by the Charity Commission regarding Harvey Hadden Stadium Trust.

Highfields Leisure Park Trust (Registered 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, Nottingham is a charity of which the Council is sole trustee. The Trustees are members of the Executive Board who are appointed by the Council. The Executive Board of the Council meets to make recommendations on the management of the Charity in their capacity as Trustees. All transactions relating to Highfields Leisure Park Trust are reported to the Council in the same way as transactions involving Council business. An annual report is submitted by the Trustees, which follows the format outlined by the Charity Commission regarding Highfields Leisure Park Trust.

EMBC Procurement Ltd (Registered 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.

Local Education Partnership (Registered 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.

Nottingham Business Development Limited (Registered Number: 6055235)

Nature of the Company

Nottingham Business Development Limited's principal activity is to build business links between Nottingham and China, and particularly with priority sectors in key geographically targeted areas:

- Environmental technology
- Transport
- Healthcare (Biotech)
- Construction/Property
- Banking and Finance
- Food and drink

Building links for Higher Education and Further Education are a further focus for the company.

The company is also dedicated to building links and facilitating projects in political, educational and cultural exchanges.

Relationship with the Council

The two Directors are full time employees of the City Council. The Council contributes £0.020m towards the administration costs of running an office in China.

Nottingham Regeneration Ltd (NRL) (Registered Number: 3665996)

Nature of the company

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

1. To improve the local economy to underpin Nottingham's position as a core city;
2. Assist in providing opportunities for employment and training;
3. Help create balanced communities with greater and better housing choice, and
4. 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. The Greater Nottingham Local Authorities strengthened their input over the year with the arrival of the Chief Executive of Rushcliffe Borough Council on the Board.

7.3 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

TABLE 6.7: FINANCING AND INVESTMENT INCOME AND EXPENDITURE		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
Interest payable and similar charges	45.344	52.969
Pensions interest cost and expected return on pensions assets	29.951	8.069
Interest receivable and similar income	(9.672)	(3.394)
Other investment income	(4.500)	(7.146)
TOTAL	**61.123**	**50.498**

7.4 PROPERTY, PLANT AND EQUIPMENT

TABLE 6.8:PROPERTY, PLANT AND EQUIPMENT 2010/11

PROPERTY, PLANT AND EQUIPMENT MOVEMENTS IN 2010/11	Council Dwellings £m	Other Land & Buildings £m	Vehicle, Plant and Equipment £m	Infrastructure Assets £m	Community Assets £m	Surplus Assets £m	Assets Under Construction £m	Total Property, Plant & Equipment £m	PFI Assets included in Plant, Property & Equipment £m
COST OR VALUATION									
AT 1 APRIL 2010	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
AT 31 MARCH 2011	**594.299**	**910.401**	**164.550**	**355.639**	**25.103**	**32.819**	**154.774**	**2,237.585**	**189.025**

TABLE 6.8:PROPERTY, PLANT AND EQUIPMENT 2010/11									
PROPERTY, PLANT AND EQUIPMENT MOVEMENTS IN 2010/11	**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 Plant, Property & Equipment £m**
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
AT 1 APRIL 2010	(3.569)	**(14.362)**	**(49.798)**	(72.433)	(3.111)	(15.055)	-	**(158.328)**	**(26.153)**
Depreciation charge	(23.779)	**(18.163)**	**(13.453)**	(12.986)	(0.707)	(0.919)	(0.543)	**(70.550)**	**(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**	-
AT 31 MARCH 2011	-	**(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**	**270.219**	**21.285**	**29.936**	**154.774**	**2,067.309**	**157.014**

TABLE 6.9:PROPERTY, PLANT AND EQUIPMENT 2009/10									
PROPERTY, PLANT AND EQUIPMENT COMPARATIVE MOVEMENTS IN 2009/10	**Council Dwellings £m**	**Other Land & Buildings**	**Vehicle, Plant, Furniture & Equipment**	**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									
AT 1 APRIL 2009	906.528	**997.507**	**123.574**	317.799	20.225	10.210	55.505	**2431.348**	**140.771**
Additions	50.049	**78.187**	**25.655**	14.813	2.884	0.196	65.238	**237.022**	**29.041**
revaluation increases/(decreases) recognised in the Revaluation Reserve	(7.607)	**3.796**	-	-	-	0.164	-	**(3.647)**	-
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(45.468)	**(91.867)**	-	-	-	(4.994)	-	**(142.329)**	-
Derecognition – disposals	(2.545)	**(1.889)**	**(2.417)**	-	-	(0.745)	-	**(7.596)**	-
Assets reclassified (to)/from Held for Sale	-	-	**(0.068)**	-	-	-	-	**(0.068)**	-
Other movements in cost or valuation	(5.371)	**9.689**	**0.009**	-	-	19.694	(24.013)	**0.008**	-
AT 31 MARCH 2010	**895.586**	**995.423**	**146.753**	**332.612**	**23.109**	**24.526**	**96.731**	**2514.740**	**169.812**

TABLE 6.9: PROPERTY, PLANT AND EQUIPMENT 2009/10									
PROPERTY, PLANT AND EQUIPMENT COMPARATIVE MOVEMENTS IN 2009/10	**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 Plant, Property & Equipment £m**
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
AT 1 APRIL 2009	-	(59.924)	(39.954)	(60.210)	(2.520)	-	-	**(162.608)**	**(21.720)**
Depreciation charge	(22.092)	(13.678)	(11.605)	(12.223)	(0.591)	-	-	**(60.189)**	**(4.433)**
Depreciation written out to the Revaluation Reserve	0.621	-	-	-	-	0.261	-	**0.882**	-
Depreciation written out to the Surplus/Deficit on the Provision of Services	21.470	33.023	-	-	-	-	-	**54.493**	-
Impairment losses/(reversals) recognised in the Revaluation Reserve	(0.030)	-	-	-	-	(0.023)	-	**(0.053)**	-
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	(3.539)	14.776	-	-	-	(3.857)	-	**7.380**	-
Derecognition – disposals	-	0.005	1.743	-	-	-	-	**1.748**	-
Other movements in depreciation and impairment	-	11.435	0.019	-	-	(11.435)	-	**0.019**	-
AT 31 MARCH 2010	**(3.570)**	**(14.363)**	**(49.796)**	**(72.433)**	**(3.111)**	**(15.054)**	**-**	**(158.327)**	**(26.154)**

NET BOOK VALUE									
AT 31 MARCH 2009	**906.528**	**937.583**	**83.619**	**257.589**	**17.705**	**10.210**	**55.505**	**2,268.739**	**119.051**
AT 31 MARCH 2010	**892.019**	**981.061**	**96.956**	**260.179**	**19.998**	**9.471**	**96.731**	**2,356.415**	**143.659**

7.5 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 6.12:INVESTMENT PROPERTIES		
DESCRIPTION	**2009/10** **£m**	**2010/11** **£m**
Rental income from investment property	4.827	4.462
Direct operating expenses arising from investment property	(0.694)	(0.668)
NET GAIN/(LOSS)	**4.133**	**3.794**

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

TABLE 6.13:FAIR VALUE OF INVESTMENT PROPERTIES		
DESCRIPTION	**2009/10** **£m**	**2010/11** **£m**
Balance at start of the year	84.671	71.725
Additions		
- Subsequent expenditure	0.083	0.227
Disposals	(10.646)	(3.534)
Net gains/losses from fair value adjustments	(2.384)	(0.004)
BALANCE AT END OF THE YEAR	**71.725**	**68.414**

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.

7.6 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:

TABLE 6.14:CASH AND CASH EQUIVALENTS			
DESCRIPTION	**31 March 2009 £m**	**31 March 2010 £m**	**31 March 2011 £m**
Cash held by the Authority	0.736	1.295	1.092
Bank current accounts	29.468	3.636	31.792
Short-term deposits with banks and building societies	-	70.000	65.005
TOTAL	**30.204**	**74.931**	**97.889**

7.7 CREDITORS

TABLE 6.15:CREDITORS			
DESCRIPTION	**31 March 2009 £m**	**31 March 2010 £m**	**31 March 2011 £m**
Central government bodies	(9.275)	(27.675)	(21.075)
Other local authorities	(11.655)	(12.386)	(13.457)
Other entities and individuals	(108.380)	(119.643)	(138.111)
Creditors due from Associates	(0.531)	(2.551)	(1.326)
TOTAL	**(129.841)**	**(162.255)**	**(173.970)**

7.8 UNUSABLE RESERVES

TABLE 6.16:UNUSABLE RESERVES			
DESCRIPTION	**31 March 2009 £m**	**31 March 2010 £m**	**31 March 2011 £m**
Capital Adjustment Account	1,490.615	1,474.494	1,144.396
Revaluation Reserve	207.851	200.386	179.142
Financial Instruments Adjustment Account	(18.399)	(15.743)	(8.284)
Pensions Reserve	(432.273)	(762.645)	(365.077)
Collection Fund Adjustment Account	(0.072)	(0.370)	0.445
Deferred Capital Receipts Reserve	4.533	4.081	4.133
Accumulated Absences Account	(7.868)	(6.206)	(6.233)
Profit & Loss Reserves	(3.496)	(4.196)	9.556
Authority's share of Profit & Loss and other reserves of an associate	0.552	(2.551)	(1.326)
Minority Interest - Equity	0.526	0.552	0.740
TOTAL	**1,241.969**	**887.802**	**957.492**

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 6.17:REVALUATION RESERVE

DESCRIPTION	**2009/10 £m**	**2010/11 £m**
BALANCE AT 1 APRIL	**207.851**	**200.386**
Upward revaluation of assets	11.076	24.910
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(14.289)	(41.123)
Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	(3.213)	(16.213)
Difference between fair value depreciation and historical cost depreciation	(3.259)	(3.514)
Accumulated gains on assets sold or scrapped	(0.993)	(1.517)
Amount written off to the Capital Adjustment Account	(4.252)	(5.031)
BALANCE AT 31 MARCH	**200.386**	**179.142**

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 6.18:CAPITAL ADJUSTMENTS ACCOUNT		
DESCRIPTION	**2009/10 £m**	**2010/11 £m**
BALANCE AT 1 APRIL	**1,490.615**	**1,474.494**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
-Amortisation of intangible assets	(0.380)	(0.460)
-Charges for impairment of non-current assets	(56.894)	(67.058)
-Charges for impairment of non-current assets	(19.818)	(2.604)
-Revaluation losses on Property, Plant and Equipment	(59.795)	(369.589)
-Movements in the market value of Investment Properties	(2.355)	(0.004)
-Revenue expenditure funded from capital under statute	(0.545)	(6.673)
-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	(15.973)	(15.507)
Adjusting amounts written out of the Revaluation Reserve	4.252	5.031
	(151.508)	(456.864)
Capital financing applied in the year:		
-Use of Capital Receipts Reserve to finance new capital expenditure	6.160	11.137
-Use of the Major Repairs Reserve to finance new capital expenditure	10.076	10.307
-Application of grants to capital financing from the Capital Grants Unapplied Account	94.382	90.054
-Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	12.437	15.083
-Voluntary set aside of capital receipts for debt redemption	6.828	3.236
-Capital expenditure charged against the General Fund and HRA balances	5.522	8.261
-Equal Pay Capitalisation Direction	0.000	(10.513)
Reduction in Liabilities & Repayment of Long Term Debtors etc		
Equity Loan Scheme - Art Homes	0.000	(0.172)
Principal Repayment of Capital Loans	0.000	(0.627)
Leasing and Compulsory Purchase Order repayments	(0.018)	0.000
	135.387	126.766
BALANCE AT 31 MARCH	**1,474.494**	**1,144.396**

AUDITORS' REPORT TO NOTTINGHAM CITY COUNCIL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAM CITY COUNCIL

Opinion on the Authority and Group accounting statements

I have audited the Authority and Group accounting statements of Nottingham City Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The Authority and Group accounting 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, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

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 Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Authority and Group'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. My responsibility is to audit the accounting 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 accounting statements sufficient to give reasonable assurance that the accounting 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 Authority and Group; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Nottingham City Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended;
- give a true and fair view of the state of the Group's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

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

Authority's responsibilities

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

Auditor's responsibilities

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 2010, 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 2011.

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 2010, 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 ending 31 March 2011.

Delay in certification of completion of the audit

The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of matters brought to my attention by local authority electors in 2009/10 and issued a certificate for that year. I am satisfied that these matters do not have a material effect on the 2010/11 financial statements or a significant impact on my value for money conclusion.

Sue Sunderland
Officer of the Audit Commission

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September 2011

GLOSSARY OF FINANCIAL TERMS

8. 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**.

Best Value Accounting Code of Practice (BVACOP)
Published by **CIPFA** the BVACOP 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 2003.

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 authority. 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 authority 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 authority'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 authority 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 Authority, 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 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 authority'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 an authority 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 authority'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 an authority for the purpose of the direct delivery of services for which that authority 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 authority (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.

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.