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EXPLANATORY **FOREWORD**

1. Introduction

- The information contained within this Statement of Accounts provides a detailed review of the City Council's financial activity during the financial year 2005-2006 and of the Council's assets and liabilities at 31st March 2006. 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 some assistance in interpreting those statements.
 - a review of the City Council's financial performance in the financial year 2005-2006.
- Although this statement provides an accurate 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 City Council's activities, priorities and plans, other published documents will need to be consulted:
 - The Corporate Plan sets out the Council's strategic priorities for the period 2006 to 2011. These priorities reflect what we want to achieve for the city but more importantly reflect the views of the people of Nottingham and what they want to see improved in their city. As such, it is intended to support the city's emerging community strategy.
 - The Medium Term Financial Plan provides details of the resources allocated to each area of our activity and the targets and objectives each area works towards. The plan also gives background details of the expected resources available to the City Council over a three-year period.
 - The Asset Management Plan and Capital Strategy detail the City Council's approach to asset management and are designed to improve our property portfolio, ensuring that it is well maintained, appropriately located, fit for purpose and accessible for its intended users.

2. The Accounting Statements and their purpose

The Statement of Accounts comprises the following main accounting statements, each of which are accompanied by supporting notes.

Main Financial Statements

- **Consolidated Revenue Account**

This shows how much the City Council has spent during the year on each of the services it provides, along with any corporate income or expenditure relating to the Council as a whole. The account goes on to show how this expenditure has been financed – through local taxpayers or Central Government in the form of Formula Grant.

- **The Consolidated Balance Sheet**
This statement summarises the City Council's assets and liabilities as at 31st March 2006, including those detailed in the Housing Revenue Account and Collection Fund.
- **The Cashflow Statement**
This statement summarises all of the Authority's inflows and outflows of cash arising from revenue and capital transactions.
- **The Statement of Total Movement in Reserves**
The statement summarises the movements in the City Council's reserves, separated between revenue and capital reserves.

Other Financial Statements

- **The Housing Revenue Account**
As required by law, this account shows where resources are spent in maintaining and managing the Authority's council dwellings together with the sources of income available to meet these costs.
- **Works Departments' Revenue and Appropriation Account**
The City Council's Works Departments operate under the Corporate Directors responsible for Neighbourhood Services and Leisure and Community. This statement gives readers a summarised picture of these activities.
- **The Collection Fund**
This account reflects the statutory requirement for billing authorities to maintain a separate Collection Fund, which collates all the transactions relating to a billing authority's Non Domestic Rate and Council Tax. The account shows how these resources have been distributed to precepting authorities and to the Council's own General Fund.
- **Group Accounts**
These statements consolidate the accounts of the Council together with those of the companies over which the City Council wields a formal influence. The broad aim of consolidation is to provide readers of financial statements with an overall picture of an entity by showing the totality of its operations and available resources.
- **Trust Funds**
These accounts are administered by the City Council but do not represent City Council functions and do not fall within the Council's Consolidated Balance Sheet. These are, therefore, shown separately within the Statement of Accounts.

3. Revenue Expenditure

Revenue expenditure relates to the provision of the City Council's daily operations. Although the major area of spending is on employees' salaries, other significant areas include premises costs (such as rents, rates, heating and lighting), the purchase of materials, supplies and services and the costs of capital financing. This expenditure is offset by income, generated by charging users for certain services, council tax and the receipt of grants from the Government and other organisations.

The Council's revenue budget is a complex area, providing finance for a range of services and functions, allocated between portfolio holders - elected members who make up the City Council's Executive Board. Budgets are set by the Council prior to the commencement of the financial year and management action is taken throughout the year to maximise the use of these resources.

The end of year spending position was reported to the Executive Board on 20th June 2006 and is summarised in this table:

Portfolio	Latest Budget £000	Net Revenue Expenditure £000	(Underspend)/ Overspend £000
Community Safety & Area Working	5,933	5,799	(134)
Culture, Community Services & Tourism	27,826	27,966	140
Development, Land & Regeneration	(2,939)	(2,719)	220
Education & Training	153,205	153,447	242
Housing & Social Services	92,252	92,245	(7)
Personnel, Equalities & Access	2,296	2,326	30
Resources-Deputy Leader	16,205	15,935	(270)
Transport & Street Services	25,966	26,949	983
Corporate Items	31,131	27,386	(3,745)
Creation of Specific Reserves	0	1,400	1,400
Grand Total	351,875	350,734	(1,141)

The table presents the end of year spending position, net of amounts agreed by Executive Board on 20th June 2006 to be carried forward by portfolios and the creation of Specific Reserves, which will be set up on 1st April 2006. This is summarised in the table below:

	£000
Underspend before Carry Forwards	(3,933)
Approved Carry Forwards	1,392
Specific Reserves	1,400
Net Underspend	(1,141)

Copies of the Executive Board report on 20th June 2006 are available on Nottingham City Council's internet site www.nottinghamcity.gov.uk. The Latest Budget figures show the budget estimate as at 31st March 2006.

4. General Fund Reserves and Balances

The General Fund contains revenue transactions that are, by and large, consumed within the year and are financed from Council Tax, Government Grants and Other Income.

General Fund transactions are consolidated with those of the Collection Fund and Housing Revenue Account within the Consolidated Revenue Account. The surplus or deficit on the Consolidated Revenue Account feeds directly into the General Fund Reserve.

The General Fund Reserve is monitored closely to ensure that it is kept at a prudent level to cover any unforeseen circumstances. At 31st March 2006 the General Fund balance stood at £10.816m (£9.549m 2004-2005).

5. Revenue Income

The Council's net revenue expenditure of £351.0m (as per the Consolidated Revenue Account) was funded by grant from Central Government, contributions from the National Non-Domestic Rate Pool and income from Council Tax payers.

The level of Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) is determined by Central Government. 2005-2006 was the thirteenth year of the Council Tax system and the City Council set a Band D tax of £1315.30 to recoup its own precept on the Collection Fund (£82.971m) and that of the Police Authority (£9.242m) and Fire Authority (£4.254m).

The following tables show the various sources of the City Council's revenue funding in 2005-2006 and where this money was spent across a number of major service areas. This analysis shows gross spending, whereas the previous tables have shown expenditure net of specific grants and other income received directly by services.

Where the money came from			Where the money was spent		
£m			£m		
Business Rates	91	11%	Central Services	5	1%
Council House Rents	75	9%	Corporate and Democratic Core Costs	10	1%
Council Tax	83	10%	Cultural, Environmental & Planning	108	13%
Housing Subsidy	8	1%	Education Services	267	33%
Other	100	12%	Highways, Roads & Transport	38	5%
Revenue Support Grant	178	22%	Housing Services	249	30%
Sales and Charges	18	2%	Social Services	138	17%
Specific Government Grant	264	32%	Non-Distributed Costs	2	0%
Total	817	100%		817	100%

6. Capital Expenditure

The Council's capital expenditure relates mainly to the acquisition of fixed assets, either as the purchase of a new item or the development of existing assets.

The following tables show the various sources of the City Council's capital funding in 2005-2006 and where this money was spent across a number of major service areas.

Where the money came from			Where the money was spent		
£m			£m		
Supported Borrowing	25	25%	Central Services	8	8%
Unsupported Borrowing	14	14%	Cultural, Environmental & Planning	11	11%
Capital Receipts	11	11%	Education Services	18	18%
Government Grants	22	22%	Highways, Roads & Transport (Incl. NET)	17	17%
Major Repairs Allowance	17	17%	Housing Services and Social Services	38	38%
Other Grants and Contributions	10	10%	Regeneration/Sure Start	8	8%
Revenue/Internal Funds	2	2%			
Total	100	100%		100	100%

7. External Debt

Nottingham's external borrowing is controlled through the Local Government Act 2003. On

7th March 2005, the City Council approved an operational limit on the level of external debt during 2005-2006 of £468m (£448m 2004-2005). Actual borrowing on the 1st April 2005 was £399m (£378m at 1st April 2004) and this increased to £434m at 31st March 2006 (£399m at 31st March 2005).

During the year, new borrowing totalling £30m was raised, from a combination of the Public Works Loans Board (PWLB) and private sector sources, to finance new capital expenditure and repay maturing debt. In addition, £23.2m of existing debt was repaid early and replaced with loans from the same source. The timing of this debt-rescheduling during the year, based on movements in the interest rate yield curve, enabled revenue savings to be generated.

8. Pensions Liability

The City 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 City Council are evaluated on an annual basis by an independent actuary. The actuary has estimated that, at 31st March 2006, the City Council's fund was in deficit by £317.2m (£344.04m as at 31st March 2005) which is average for an authority of this size. The strategy adopted by the actuary is for the deficit to be recovered over the next twenty five years with regular tri-annual revaluations of the fund. A key contributing factor to the reduction in this deficit has been the transfer of that part of the total at 31st March 2005, (£45.4m) that related to those employees transferred to Nottingham City Homes.

9. Significant Issues Arising in 2005-2006 and beyond

➤ Nottingham Express Transit

Line One Private Finance Initiative (PFI) joint scheme

The City 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 in Nottinghamshire. A concession agreement was signed with the Arrow consortium (the Concessionaire), on 31st March 2000, for the Concessionaire to design, build, finance and operate the Nottingham Express Transit (NET) tram service. Arrow will operate the service over a 14km length, from Hucknall to Nottingham, with 23 tram stops en route, for an initial period of 27 years. The Concessionaire has obtained private finance through bank loans and equity investment to fund the scheme. Repayments of the loan will come from fare box revenues and service availability payments made by the Promoters, with PFI grant payments being made to the Promoter, from Central Government. Availability payments to Arrow are scheduled to be paid over the 27 years of operation of the system with PFI grant to be received by the promoter over the same period. The City Council element of these sums is 80%.

City Council shortfall contribution

PFI grant payments, which commenced in 2004-2005, were not initially sufficient, within the 27-year contract period, to offset in full the maximum availability payments required. To meet its share of the anticipated shortfall, the City Council therefore provided for an annual revenue contribution to a NET reserve. The balance on this reserve at 31st March 2006 is £2.103m. Changes to the calculation method for the payment of future PFI grant payments were introduced by the Office of the Deputy Prime Minister from 1st April 2005 which accelerated grant payments. A decision on the future need for this fund was deferred in 2005-2006, pending a final decision by Central Government on the extension to the tram network (lines 2 and 3).

Concessionaire claim

Construction of Line One was completed in 2003-2004, with service commencing in 2004. Under the terms of the PFI deal, responsibility for the construction rested with the Concessionaire. In 2004-2005, the City Council was notified of a claim against the authority for additional costs incurred by the Concessionaire, as a consequence of the Council's actions as the planning and highways authority during the construction process. Following an independent hearing, an adjudicator, appointed under the terms of the concession agreement, found in favour of the Promoters. However, the Concessionaire has not accepted this ruling, and is continuing to pursue a financial claim.

Negotiations have continued with the promoter during 2005-2006 to resolve this matter without recourse to further legal action and a related contingent liability is disclosed within the notes to the Consolidated Balance Sheet.

➤ **Nottingham Forest Football Club**

During the financial year 1994-1995, the City Council guaranteed a £4.3 million stock issue raised by Nottingham Forest Football Club and repayable after 10 years. The guarantee also extended to any outstanding interest payments. This arrangement had been included in the City Council's annual accounts since that time as a contingent liability. During 2004-2005 this guarantee was called upon, and the City Council was obliged to make a payment of £4.5m, representing outstanding principal and interest in respect of the original debt. Initially, this payment was charged against the specific provision created in 2003-2004 for this eventuality. Following an agreement between the City Council and Nottingham Forest Football Club for the repayment of the monies, with interest, over a 6 year period, the provision was deleted and a long-term debtor created. All due payments were made during 2005-2006 and the remaining debt continues to be shown within the long-term debtors as at 31st March 2006.

➤ **Financial Reporting Standard 17**

The requirements of FRS 17 have been fully met within the City Council's accounts from 2003-2004. This is a complex accounting standard based on a simple principle – that an organisation should account for retirement benefits when it is committed to providing to them, even if the actual benefit will be received many years into the future. This provides a more accurate reflection of the economic reality of the relationship between an employer and the pension fund than the previous arrangements. The required inclusion of the attributable share of the fund assets and liabilities does not mean that legal title has passed from the trustees of the pension fund to the City Council.

The objectives of FRS 17 are to ensure that:

- (a) financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding;
- (b) the operating costs of providing retirement benefits to employees are recognised in the accounting periods in which the benefits are earned by the employees, and the related finance costs and any other changes in value of the assets and liabilities are recognised in the accounting periods in which they arise; and
- (c) the financial statements contain adequate disclosure of the cost of providing retirement benefits and the related gains, losses, assets and liabilities.

➤ **Nottingham City Homes (NCH)**

The Government has set a target of 2010 by which time all council-owned housing should meet the Decent Homes Standard. A range of options were available, including an Arm's Length Management Company, stock transfer or the Private Finance Initiative. The investment gap identified, for the City Council, to meet the Decent Homes Standard was estimated at £165 million.

The Council balloted its tenants during July 2004 to establish whether they supported the Council in setting up a separate Arm's Length Company to manage the stock and open the opportunity to receiving additional Government funding of £165 million to meet the Decent Homes Standard.

Following the positive vote of support from the ballot the Council submitted a request that the Office of the Deputy Prime Minister agree, under a Section 27 Agreement of the Local Government and Housing Act, to the establishment of NCH Limited to manage the stock.

With effect from 1st April 2005 the management of the Council's housing stock transferred to NCH Limited, although the ownership of the stock remains with the City Council, and the associated company is wholly owned by the City Council.

Accounts and Audit Regulations and Whole of Government accounts

The Government has a stated aim of publishing a Whole of Government Account from financial year 2005-2006 onwards. This requires the accounting policies and practices of the various public agencies to be progressively harmonised, resulting in an eventual change in the layout and presentation of the City Council's accounts.

10. Further Information

Further information about the accounts is available from:

City Finance

Financial Accounting
Burton Street
Nottingham
NG1 2DE

Interested members of the public have a statutory right to inspect the accounts before the audit is completed. For the 2005-2006 accounts, the inspection period was 31st July 2006 to 25th August 2006. These dates were advertised in the local press on the 7th June 2006.

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;
- Approve the Statement of Accounts.

Approved by Council

The statement of accounts was approved at a meeting of the Council on 26th June 2006.

Councillor J Collins
Leader of the Council

Date:

The Chief Finance Officer's Responsibilities

I am responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the Statement of Recommended Practice, issued in 2005 by the Chartered Institute of Public Finance and Accountancy (the Code of Practice).

In preparing this Statement of Accounts, I have:

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

I have also:

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

Acting Director of Corporate Services
Nottingham City Council
The Guildhall
Nottingham
NG1 2DE

Date:

STATEMENT ON THE **SYSTEM OF** **INTERNAL CONTROL**

(To be published within final version of Statement of Accounts)

AUDITORS' REPORT **TO NOTTINGHAM** **CITY COUNCIL**

(To be published within final version of Statement of Accounts)

STATEMENT OF **ACCOUNTING** **POLICIES**

1. General Principles

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

These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice, issued in 2005 by the Chartered Institute of Public Finance and Accountancy (the Code of Practice).

2. Fundamental Accounting Concepts

This Statement of Accounts has been prepared according to the requirements of Financial Reporting Standard 18 – Accounting Policies, as interpreted for application to local authority accounts by the Code of Practice.

➤ Accruals

The revenue and capital accounts of the Council are maintained on an accrual basis. 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. The payment or receipt of cash does not determine the period of account. This means that sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year.

However, certain quarterly payments, including gas and electricity, are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and, therefore, does not have a material effect on the year's accounts.

In many cases the value to be entered in respect of accrued transactions will be known with certainty. In others it is necessary to estimate this value and in these cases reference will be 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 officers working in affected service areas.

In addition to debtors and creditors for goods supplied and services rendered, significant debtors and creditors can arise from such items as government grants and pay awards. The approach adopted in these cases is to make estimates on the basis of the best information that is presently available, or 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.

➤ Reliability

The key requirement of this statement is that users may be able to rely on the detailed information contained herein. A number of fundamental accounting concepts are applied in order to ensure this reliability.

- The accounting statements have been prepared so as to reflect the reality or substance of each transaction rather than their formal legal character. A good example of the practical application of this concept would be a situation where a local authority obtained the rights to economic benefits flowing from the use of a property without actually obtaining legal ownership of that property. In this case, the benefits should be shown as assets relating to that property.
- The accounting statements are free from deliberate or systematic bias. The financial analyses have been produced to objectively reflect the financial activities of the City Council, rather than in order to support a particular viewpoint.
- The statements are free from material error, containing no misstatement that would influence the conclusions of any user.
- The concept of materiality has been applied in the construction of the statements in order that, while insignificant movements may have been excluded, nothing has been omitted that may have assisted users in gaining an understanding of the Council's activities.

Where uncertainty exists, the statements have been prepared prudently and, therefore, a greater reliability has been required before assets and gains have been recognised than that for liabilities and losses.

➤ **Comparability**

One of the key purposes of regulating the means by which local authority accounts are produced is to ensure that a user is able to compare an authority's performance between financial years and with other local authorities.

This requirement encourages the use of consistent accounting policies but does not preclude the adoption of improved policies. Consistent policies have been applied in the City Council's case, both within the year and between years. Where such changes do become necessary the reason and effect would be separately disclosed and adjustments made to the comparative figures for the previous year.

➤ **Understandability**

Although the information provided within this statement has been presented as simply and clearly as possible it is inevitable that some of the detail is of a highly complex and technical nature. A foreword has been written so as to provide some support for understandability and, where appropriate, technical language has been avoided. Where this has not been possible, users are directed towards the Glossary of Technical Terms included at the end of the statement.

This statement has been prepared on a '**going concern**' basis, under the assumption, therefore, that the City Council will continue to exist and operate on its current basis for the foreseeable future.

➤ **Primacy of legislative requirements**

Where a particular accounting treatment is prescribed by law it has been applied as required. In some cases this will contradict accounting standards or generally accepted accounting concepts. The following legislative accounting requirements have been applied when compiling these accounts:

- Capital Receipts arising from the disposal of assets are treated in accordance with the requirements of the Local Government Act 2003.
- The City Council has set aside a minimum revenue provision for the repayment of debt, in accordance with the requirements of the Local Government Act 2003.
- The Collection Fund account is compiled according to the provisions of the Local Government Finance Act 1988.
- The Housing Revenue Account is compiled according to the definition of good practice contained within the Local Government and Housing Act 1989.

3. Fixed Assets

➤ **Recognition of fixed assets**

New fixed assets are recognised in accordance with Financial Reporting Standard 15 and capital expenditure on existing assets is only added to the fixed asset value in the balance sheet where it is considered to have had a material effect on the value of the asset.

All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Assets acquired under finance leases are also capitalised in the Balance Sheet together with a liability to pay future rentals.

➤ **Assets are classified and valued as follows:**

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.

For assets transferred from Nottinghamshire County Council on 1st April 1998, the valuation basis applied is debt outstanding at 1st April 1994, with acquisitions since that date at cost. All other assets recorded in these categories are valued at historical cost, net of depreciation where applicable.

Land and Buildings

Operational Land and Buildings, which includes schools and office accommodation, are valued on the basis of current value in existing use. During 2005-2006 all Education assets including schools and caretakers' houses were revalued by the Council's internal "Property Plus" division of valuers.

Non-operational assets are included at the lower of net current replacement cost or net realisable value where the valuation is in excess of £5,000. In the case of commercial property lettings, this will normally be market value.

Vehicles, Plant and Computer Equipment

All assets are included at net current replacement cost.

Council Dwellings

In accordance with recommended accounting practice, external qualified valuers valued Council dwellings as at 1st April 2005. The basis of the valuation was 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 Office of the Deputy Prime Minister (ODPM).

Council dwellings have been re-valued in 2005-2006 based on the average discounted value of the sales during the year, adjusted by a regional adjustment factor in recognition of their status as social housing.

Intangible Fixed Assets

Examples of intangible fixed assets will include software licenses. Revaluation is only undertaken where there is a readily ascertainable market value available.

➤ **Revaluation of Fixed Assets**

Where assets are included in the Balance Sheet at current value, revaluations will occur at intervals of not more than five years and the revised amount included in the Balance Sheet. Material changes to valuations will be adjusted as they occur.

➤ **Impairment of Fixed Assets**

City Council operational land and buildings assets have been reviewed in accordance with Financial Reporting Standard 11 in order to ascertain the extent to which their current values may have had fallen below the valuations carried within the Consolidated Balance Sheet due to obsolescence, physical damage or a fall in market value. Where such impairment has been discovered the asset valuation has been adjusted accordingly.

➤ **De Minimis Levels**

All assets acquired after 1st April 1994 are included in the Balance Sheet, regardless of their cost, provided they are acquired using Capital Resources. However, where the original cost of vehicles, plant and other equipment, or the current valuation of property, acquired before this date is less than a prescribed amount, as detailed below, the asset is not included in the Balance Sheet.

De Minimis Levels	
	£
Vehicles and Plant	3,000
Computer Equipment	5,000
Land & Buildings	5,000

➤ **Disposals**

Income from the disposal of fixed assets is accounted for on an accruals basis. Any proportion required to be reserved for the repayment of external loans is credited to the Capital Financing Account. The remaining element of the income is credited to the Usable Capital Receipts Reserve and is available to finance capital expenditure. On disposal, the net book value of the asset is written off to the Fixed Asset Restatement Account.

Legislation on the treatment of capital receipts precludes the crediting of gains on the sale of assets to revenue accounts and, therefore, local authorities are unable to comply with the requirements of Financial Reporting Standard 3.

➤ **Depreciation**

Depreciation is provided for on fixed assets with a finite useful life. The annual charge to the revenue account is calculated by dividing the 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 on the year of disposal. In accordance with recommended accounting practice, depreciation is not provided for in respect of freehold land and non-operational investment properties.

Estimated asset lives are as follows: IT equipment 5 years, infrastructure assets 25 years, community assets 25 years, plant & vehicles 7 years, grounds maintenance equipment 5 years, other equipment 5 years. The valuer provides an estimate of the life of each property.

➤ **Charges to Revenue**

- City Council revenue accounts are charged with a capital charge for all fixed assets used in the provision of the service. This charge comprises the annual provision for depreciation, plus a notional charge based on the mid-year Balance Sheet value of the asset, net of accumulated depreciation. For 2005-2006 the appropriate interest rates have been determined by CIPFA to be 3.5% for operational land and property, vehicles, equipment and IT and 4.95% for infrastructure and community assets.
- All external interest payments, excluding those relating to the Housing Revenue Account, but including interest payable on finance leases and provisions for depreciation, are charged to the Asset Management Revenue Account. Capital charges applied to service revenue accounts are also credited to this account, achieving a neutral impact on the amounts, which must be raised from local taxpayers.
- Amounts set aside from the Consolidated Revenue Account in respect of the minimum revenue provision and amounts set aside to finance capital expenditure are disclosed in that account below net operating expenditure. The minimum revenue provision for debt repayment in relation to General Fund debt (excluding the Housing Revenue Account) is 4% of the related debt.

- The Housing Revenue Account receives a statutory charge in respect of interest only.

➤ **Deferred Charges**

Capital expenditure that produces no tangible or intangible asset for the City Council, including the payment of discretionary grants, is classified as a deferred charge. All deferred charges expenditure is written out to the Revenue Account in the year in which it is incurred.

➤ **Government Grants and Capital Contributions**

Government grants and capital contributions received to finance depreciable fixed assets are credited to the Government Grants Deferred Account and written off over the life of the asset for which they were applied.

4. Contingent Liabilities

Material contingent liabilities are not recognised in the accounts but are disclosed in notes to the financial statements.

5. Provisions

The Council sets aside provisions for specific future expenses that are likely or certain to be incurred, but the timing and amount of which cannot be determined accurately, in accordance with Financial Reporting Standard 12. When expenditure is incurred on an issue for which a provision has been set up, that expenditure is charged directly to the provision.

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.

6. Reserves

Amounts set aside for specific purposes that do not meet the definition of provisions within FRS12 are treated as earmarked reserves. Expenditure funded from reserves is charged directly to service revenue accounts with a compensating appropriation being made from the reserve.

7. Stocks 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.

For trading activities, the amount recognised in the appropriate revenue accounts for work in progress is the payments received and receivable, less related costs. The amount at which work in progress is included in the balance sheet is cost plus any attributable profit less any foreseeable losses.

8. Accounting Treatment of Overheads

The accounting treatment of overheads substantially complies with the guidance issued within Best Value Accounting Code of Practice (BVACOP).

➤ Support Service Costs

The costs of those functions that support the provision of services to the public are fully allocated to the users of those services. The basis of allocation is generally the time spent by staff on relevant tasks, although other bases may be more appropriate in certain instances.

➤ Democratic Representation and Management Costs

These costs will include all aspects of members' activities, including corporate, programme and service policy making and more general activities relating to governance and the representation of local interests.

➤ Corporate Management Costs

The BVACOP defines Corporate Management as those activities and costs which provide the infrastructure which allows services to be provided, whether by the Authority or not, and the information which is required for public accountability.

9. Pensions

The Council participates in two different pension schemes, both of which provide members with defined benefits related to pay and length of service.

Teachers

The payment of statutory pensions to former teachers is the responsibility of the Department for Education and Skills (DFES), and contributions from teachers, together with the employer's contribution, are paid by the Council to the DFES.

Other Employees

The pension costs that are charged to the Council's accounts in respect of its employees are equal to the contributions paid to the funded pension scheme for these employees. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

Financial Reporting Standard 17 aims to provide clear information on the impact of the authority's obligation to fund the retirement benefits of its staff on its financial position and performance.

10. Interest on Internal Balances

Interest on loans is charged to the asset management revenue account based on the amount which is due and payable within the financial year.

Interest, based on seven-day rates, is applied to cash balances on the following accounts:

- a) Housing Revenue Account – revenue transactions only
- b) Rent Bonds

11. Provision for Redemption of Debt

Nottingham City Council is required by statute to set aside a Minimum Revenue Provision (MRP) for the repayment of debt. Provision is made for principal repayments by charging MRP calculated in accordance with the Local Government Act 2003. The amount involved is shown in the Consolidated Revenue Account, net of the depreciation charge made for fixed assets. Debt management expenses have been charged to the HRA, the General Fund and to outside bodies whose debt is managed by the City Council.

12. Repurchase of borrowing

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the consolidated revenue account in the period during which the repurchase or early settlement is made. Where, however, the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing.

13. Investments

Investments are shown in the Consolidated Balance Sheet at cost. This can represent the acquisition cost of investments or the book value of assets arising from the capital structure of newly created companies. Details of investments are shown in the note to the Consolidated Balance Sheet.

14. Leases

Rentals payable under Operating Leases are charged to revenue on a straight-line basis over the term of the lease. All primary rentals on Finance Leases have been paid with secondary 'peppercorn' rentals charged to revenue.

15. Value Added Tax (VAT)

Value Added Tax is included within the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure or capital expenditure as appropriate.

16. Group Accounts

The Council holds a controlling interest in a number of companies. Group Accounts have been produced to give an overall picture by showing the totality of its operation and available resources, thus providing transparency and enabling comparison with other entities with a different structure. 2005-2006 is the first year of operation for NCH and this company's accounts have been consolidated into the Group Accounts presented here.

17. Discontinued/Acquired Operations

The Authority had no material operations which discontinued in the year and therefore no separate disclosure is required in respect of the revenue and balance sheet accounts.

18. Exceptional Items, extraordinary items and prior year adjustments

Any material exceptional or extraordinary items are included within the cost of the relevant individual service or separately identified on the face of the revenue account. Details of any such items are given in the explanatory notes.

Material prior period adjustments arising from changes in accounting policies have been accounted for by restating the comparative figures in the financial statements and notes, along with the cumulative effect on reserves. Any effect of material prior period adjustment is disclosed separately as a note to the accounts.

19. Post balance sheet events

Any material post balance sheet events, which provide additional evidence relating to conditions existing at the balance sheet.

MAIN **FINANCIAL** **STATEMENTS**

CONSOLIDATED REVENUE ACCOUNT

This account summarises expenditure and income on the major services the Council provides. It then shows how this expenditure was financed by the Collection Fund, Council Tax, Non-Domestic Rates and Revenue Support Grant.

	2004-2005	Gross	2005-2006	
	Net	Expenditure	Income	Net
	Expenditure	£000	£000	Expenditure
	£000		£000	£000
Central Services - Local Tax Collection	1,696	2,598	(714)	1,884
Central Services - Other Central Services to the public	384	1,574	(1,074)	500
Court Services	1,260	1,056	(537)	519
Cultural Environmental & Planning Services	60,963	107,570	(41,364)	66,206
<i>Education</i>				
Education Service	165,394	254,614	(82,501)	172,113
Youth Service	3,441	12,067	(6,373)	5,694
Highways, Road & Transport Services	25,490	37,795	(9,719)	28,076
Housing Services	8,310	164,366	(159,908)	4,458
<i>Social Services</i>				
Social Services	88,222	137,187	(44,338)	92,849
Child Care Legal Services	41	744	(691)	53
<i>Corporate and Democratic Core Costs</i>				
Democratic Representation and Management Costs	2,206	3,574	(154)	3,420
Corporate Management	(2,122)	6,842	(2,165)	4,677
Non distributed Costs	3,668	2,592	(57,766)	(55,174)
Net Cost of General Fund Services	358,953	732,579	(407,304)	325,275
Housing Revenue Account	(152)	84,679	(87,182)	(2,503)
Net Cost of Services	358,801	817,258	(494,486)	322,772
Asset Management Revenue Account (AMRA)	Note 1	(18,516)	(18,835)	(18,835)
Effect of Wholly Owned Companies		990	554	554
(Surpluses)/Deficits on Works Organisations	Page 69	(1,554)	(1,327)	(1,327)
(Surpluses)/Deficits on Trading Undertakings	Note 2	(10,193)	(9,440)	(9,440)
Contribution from Bridge Estate	Page 84	(1,562)	(1,556)	(1,556)
Interest and Investment Income		(3,621)	(5,904)	(5,904)
Contribution of housing capital receipts to Government Pool		22,402	17,422	17,422
Losses on the repurchase of borrowing		134	326	326
Pensions interest costs and expected return on pensions	Note 8	11,167	10,554	10,554
Net Operating Expenditure		358,048	846,114	(531,548)
Transfer to/(from) HRA		152	87,182	2,503
Contribution from the Pensions Reserve		(14,881)	45,747	45,747
Provision for Repayment of Debt	Note 4	(12,279)	(12,156)	(12,156)
Deferred Charges		(4,919)	(4,809)	(4,809)
Government Grants Deferred		2,393	3,299	3,299
Transfer from Usable Capital Receipts equal to the contribution to Housing Pooled Capital Receipts.		(22,402)	(17,422)	(17,422)
NET Residual Interest		827	827	827
NET Reversionary Principal & Interest		0	144	144
Transfer to/(from) Earmarked Reserves		18,262	(1,325)	15,169
Transfer to/(from) Collection Fund	Note 5	583	445	445
Transfer to Schools LMS Reserves		1,865	2,692	2,692
Amount to be met from Government Grants and Local Taxpayers		327,649	1,002,944	(651,939)
Sources of Finance:				
Revenue Support Grant (RSG)		(177,544)	(178,038)	(178,038)
Non-Domestic Rate Income (NDR)		(75,425)	(91,263)	(91,263)
Council Tax Income		(78,585)	(82,971)	(82,971)
Transfer (to)/from General Fund Balance		(3,905)	1,002,944	(1,267)
General Fund Balance @ 1st April 2004		(5,644)		
General Fund Balance @ 1st April 2005		(9,549)		(9,549)
General Fund Balance @ 31st March 2006				(10,816)

CONSOLIDATED BALANCE SHEET

This statement summarises the Council's financial position as at 31st March 2006. It shows the balances and reserves at the Council's disposal, fixed assets and current assets employed in operations and the Council's long term borrowing position.

		31st March 2005 £000	31st March 2006 £000
Fixed Assets			
<i>Tangible Fixed Assets</i>			
<i>Operational Assets</i>			
Council Dwellings		1,252,486	1,088,493
Other Land and Buildings		647,032	666,773
Vehicles, Plant and Equipment		9,869	14,080
Infrastructure Assets		132,525	150,648
Community Assets		3,734	5,739
<i>Non-operational Assets</i>			
Investment Properties		180,129	187,326
Assets under Construction		0	4,100
Surplus Assets - Held for Disposal		11,301	43,997
TOTAL FIXED ASSETS	Note 17	2,237,076	2,161,156
Long Term Investments	Note 31	4,829	4,988
Long Term Debtors	Note 28	35,250	35,068
TOTAL LONG TERM ASSETS		2,277,155	2,201,212
<i>Current Assets</i>			
Stocks and Work in Progress	Note 23	2,150	1,361
Debtors	Note 24	74,923	86,350
Investments	Note 31	78,161	119,559
<i>Current Liabilities</i>			
Short Term Borrowing		(14,233)	(8,356)
Creditors	Note 24	(104,917)	(112,369)
Cash Overdrawn		(166)	(5,270)
Net Current Liabilities:		35,918	81,275
TOTAL ASSETS LESS CURRENT LIABILITIES		2,313,073	2,282,487
Long Term Borrowing	Note 26	(384,613)	(426,140)
Deferred Credits	Note 27	(6,642)	(6,268)
Provisions	Note 36	(16,273)	(21,555)
Deferred Liability		0	(912)
Liability related to defined benefit pension scheme	Note 34	(344,036)	(317,220)
TOTAL ASSETS LESS LIABILITIES		1,561,509	1,510,392
<i>Financed by</i>			
Fixed Asset Restatement Account		1,346,690	1,210,596
Capital Financing Account		427,677	437,162
Pensions Reserve	Note 34	(344,036)	(317,220)
Government Grants Deferred Account	Note 30	82,472	107,550
Housing Revenue Account Balance	Page 63	1,584	4,087
Housing Revenue Account - Major Repairs Reserve		3,070	2,520
Earmarked Reserves	Note 35	34,503	54,881
General Fund Reserve	Note 35	9,549	10,816
TOTAL EQUITY		1,561,509	1,510,392

STATEMENT OF TOTAL MOVEMENT IN RESERVES

The statement of total movements in reserves brings together all the recognised gains and losses of the authority during the period and identifies those which have and have not been recognised in the consolidated revenue account. The statement separates the movements between revenue and capital reserves.

	2004-2005		2005-2006	
	£000	£000	£000	£000
<i>Surplus/(deficit) for the year:</i>				
-General Fund/Council Fund	3,905		1,267	
-Housing Revenue Account	153		2,503	
<i>add back</i> Movements in earmarked revenue reserves	<u>19,721</u>		<u>20,124</u>	
Total increase/(decrease) in revenue resources		23,779		23,894
Increase/(decrease) in useable capital receipts	30		(2)	
Increase/(decrease) in unapplied capital grants and contributions	<u>(178)</u>		<u>256</u>	
Total increase/(decrease) in realised capital resources		(148)		254
Gains/(losses) on revaluation of fixed assets	299,019		(51,699)	
Capital expenditure not adding value to fixed assets	<u>(55,117)</u>		<u>(55,766)</u>	
Total increase/(decrease) in unrealised value of fixed assets		243,902		(107,465)
Value of assets sold, disposed of or decommissioned		(37,565)		(28,629)
Capital receipts set aside	30,350		23,938	
Revenue resources set aside	(10,841)		(10,615)	
Movement on Government Grants Deferred	22,645		25,078	
Movement on Major Repairs Reserve	(959)		(550)	
Other Movements	<u>3,659</u>		<u>(3,838)</u>	
Total increase/(decrease) in amounts set aside to finance capital investment		44,854		34,013
Increase/(decrease) on the pensions reserve		(138,227)		26,816
Total recognised gains and losses		<u>136,595</u>		<u>(51,117)</u>

See Note 40 to the Financial Statements for further details.

CASHFLOW STATEMENT

This summarises the cash received and payments made by the Council to third parties for both revenue and capital purposes.

	2004-2005		2005-2006	
	£000	£000	£000	£000
Revenue Activities				
Expenditure				
Cash paid to and on behalf of employees	307,054		291,003	
Nottingham City Homes	0		61,584	
Other operating cash payments	433,432		513,843	
Housing benefit paid out	33,119		36,178	
National non-domestic rates	99,614		107,157	
Police and Fire Precept paid	10,760		13,435	
Levies	755	884,734	77	1,023,277
Income				
Rents (after rebates)	(27,308)		(27,850)	
Council Tax Receipts	(68,437)		(73,687)	
Non Domestic Rate receipts	(87,000)		(102,759)	
Revenue Support Grant	(177,544)		(178,038)	
Distribution from NNDR Pool	(75,425)		(91,263)	
ODPM Housing Revenue Subsidy	(20,270)		(20,008)	
DWP grants for benefits	(110,487)		(110,441)	
Other Government Grants	(232,423)		(279,317)	
Cash received for goods and services	(127,292)		(152,195)	
Nottingham City Home	0		(11,495)	
Other operating cash receipts	(17,397)		(22,926)	
Poll Tax Receipts	(17)	(943,600)	(5)	(1,069,984)
REVENUE ACTIVITIES NET CASH INFLOW		(58,866)		(46,707)
Dividends from Joint Ventures and Associates		(525)		(419)
Returns on Investments and Servicing of Finance				
Interest Paid	24,818		25,576	
Less: Interest received	(3,946)	20,872	(6,684)	18,892
Capital Activities				
Expenditure				
Purchase of Fixed Assets	90,225		85,603	
Purchase of Long Term Investments	56		341	
Deferred Charges etc.	6,061		9,268	
Income				
Sale of Fixed Assets	(25,703)		(17,692)	
Major Repairs Allowance	(16,812)		(16,449)	
Capital Grants received	(27,118)		(31,536)	
Other Capital Cash Receipts	(651)	26,058	(946)	28,589
NET CASH INFLOW BEFORE FINANCING		(12,461)		355
Management of Liquid Resources				
Net Increase in Short Term Deposits		36,000		40,400
Cashflow from Investing Activities		0		0
Financing				
Cash Outflows-Repayment of amounts borrowed	158,605		72,292	
Cash Inflows				
New Loans raised	(178,963)		(107,943)	
New Short Term Loans	0	(20,358)		(35,651)
Net (INCREASE) OR DECREASE IN CASH		3,181		5,104

See Note 39 to the Financial Statements for further details.

NOTES TO MAIN **FINANCIAL** **STATEMENTS**

Notes to the Consolidated Revenue Account

1. Asset Management Revenue Account

This account is credited with the notional charges made to Service Committees for the capital employed in the provision of services. It is debited with the actual capital financing costs incurred during the year. The balance on the account is then transferred into the Consolidated Revenue Account, ensuring that the notional charges made for capital do not impact on the level of Council Tax required.

		2004-2005		2005-2006	
		£000	£000	£000	£000
Income					
Capital Charges	General Fund/DSO		(46,062)		(47,816)
	Housing Revenue A/C		(51,709)		(61,075)
Impairment	Housing Revenue A/C		450		0
	General Fund		(68)		28
Expenditure					
Provision for Depreciation	General Fund/DSO	17,651		19,147	
	Housing Revenue A/C	16,793		16,633	
Housing Revenue Account - "Notional"					
Cost of Borrowing		34,916		44,442	
Impairment	Housing Revenue A/C	(450)		0	
	General Fund	68		(28)	
External Interest Charges		11,679		12,546	
Finance Leases		1		1	
Release from Government Grants					
Deferred A/C		(2,393)		(3,299)	
Interest on Internal Balances		608	78,873	586	90,028
Net Income to Consolidated Revenue Account			(18,516)		(18,835)

Capital Asset Accounting Adjustment-Transfer back to the Housing Revenue Account

Housing Revenue Account - "Notional" Cost of Borrowing	(34,466)	(44,442)
Housing Revenue Account - "Real" Cost of Borrowing	12,708	12,787
Capital Asset Accounting Adjustment	(21,758)	(31,655)

2. Contributions to/(from) Trading Undertakings

These arise from the following:

	2004-2005	Expenditure	2005-2006	
	Net (Surplus) or Deficit		Income	Net (Surplus) or Deficit
	£000	£000	£000	£000
Bereavement Services	242	1,492	(1,136)	356
Car Parks, Bus Stations and Park & Ride	(4,240)	6,708	(10,582)	(3,874)
Chamber Estate	(7,084)	5,088	(11,786)	(6,698)
City Advertising	(65)	122	(286)	(164)
Markets	211	1,482	(1,381)	101
Royal Centre	743	12,859	(12,020)	839
Contribution to the Consolidated Revenue Account	(10,193)	27,751	(37,191)	(9,440)

Notes to the Consolidated Revenue Account (Continued)

3. Building Control Trading Account

The Local Authority Building Control Regulations require authorities to provide information on the setting of charges for building control administration. Certain building control functions cannot be charged for, e.g. general advice and liaising with other statutory authorities. The table makes a distinction between chargeable and non-chargeable activities.

Building Regulations Charging Account 2005-2006	Non-Chargeable £000	Chargeable £000	Total Building Control £000
Expenditure			
Employee Expenses	102	600	702
Premises	2	10	12
Transport	2	10	12
Supplies and Services	7	67	74
Central and support services charges	25	213	238
TOTAL EXPENDITURE	138	900	1,038
Income			
Building regulation charges	0	(898)	(898)
Miscellaneous income	(6)	0	(6)
TOTAL INCOME	(6)	(898)	(904)
(Surplus)/Deficit for Year	132	2	134
3 Year Trading Account Position			
(Surplus)/Deficit for Year	2003-2004 (104)	2004-2005 1	2005-2006 2
	Total		(101)

SI 1998/3129 requires local authorities to only recover in Building Regulations fees those costs incurred in carrying out Building Regulations activities over a rolling 3 year period. Over the period 2003-2004 – 2005-2006 the Authority generated a surplus of £101,000. In accordance with regulatory recommendations and best practice a review of Building Control was undertaken in 2004 to ensure that the regulatory requirement to match income and expenditure would be met over the period 2004-2005 to 2006-2007.

4. Provision for Repayment of Debt

A total of £6,990,968 has been charged to the Council's revenue accounts in 2005-2006 (£5,371,580 in 2004-2005) so as to provide the statutory minimum revenue provision for the repayment of external loans. From 1st April 2004 there was no longer any statutory requirement to make provision for debt repayment in the Housing Revenue Account.

The amount appearing in the Consolidated Revenue Account is made up as follows:

	Note	2004-2005 £000	2005-2006 £000
Statutory Minimum Revenue Provision		4,532	5,543
Accelerated Revenue Provision	1	0	608
Transitional Costs Repayment Provision	2	840	840
Less			
Depreciation charged to Asset Management Revenue Account	3	(17,651)	(19,147)
Balance to Consolidated Revenue Account		(12,279)	(12,156)

Notes to the Consolidated Revenue Account

Notes to the Provision for Repayment of Debt:

1. For Assets financed from unsupported borrowing, a repayment provision is made to reflect the extended life of the assets.
2. A statutory provision for the repayment of debts associated with local government reorganisation.
3. From 1st April 2004, there is no statutory requirement to make provision for debt repayment in the Housing Revenue Account.

5. Transactions with the Collection Fund

An amount of £4,571 was transferred to the General Fund in respect of Community Charge monies collected. Separately, an amount of £450,000 was transferred from the General Fund to the Collection Fund in 2005-2006. This represented the City Council's share of the Collection Fund deficit for the financial year 2004-2005 that, in accordance with legislation, is transferred one year in arrears.

6. Employee remuneration

The number of employees whose remuneration was above £50,000 is as follows:

Annual Remuneration £	Number of Employees	
	2004-2005	2005-2006
50,000 - 59,999	86	87
60,000 - 69,999	21	23
70,000 - 79,999	10	15
80,000 - 89,999	8	7
90,000 - 99,999	1	3
100,000 - 109,999	2	2
110,000 - 119,999	0	4
120,000 - 129,999	1	0
130,000 - 139,999	0	1
150,000 - 159,999	1	1

7. Pensions

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits in the form of two pension schemes, which provide members with defined benefits related to pay and service.

Teachers

Teachers employed by the Council are members of the Teachers Pension Scheme, administered by the Teachers Pensions Agency. It provides teachers with defined benefits upon their retirement, and the authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

Other Employees

The Local Government Pension Scheme (LGPS) is administered by Nottinghamshire County Council. Nottingham City Council and its employees pay contributions into the Fund, calculated by the Fund's independent actuary, at a level intended to fund the growth in pension liabilities over the longer term. The next actuarial review will take place during 2007-2008.

Pensions to eligible ex-employees of the City Council are provided from the Pension Fund.

Further information can be found in the Nottinghamshire County Council Pension Fund Annual Report which is available from County Hall, West Bridgford, Nottingham NG2 7QP.

Detail	2004-2005 £000	2005-2006 £000	Change £000
Teachers			
Employers Contribution (Payable to the Teachers Pension Agency)	9,426	9,659	233
% of Employees Pensionable Pay	13.50%	13.50%	-
Gratuities and Added Years Benefit	1,383	1,768	385
% of Employees Pensionable Pay	2.16%	2.67%	0.51%
Other Employees			
Employers Contribution	21,431	20,171	(1,260)
% of Employees Pensionable Pay	14.20%	14.74%	0.54%
Gratuities and Added Years Benefit	1,294	1,055	(239)
% of Employees Pensionable Pay	0.86%	0.77%	-0.09%

8. Defined Benefit Pension Schemes-the requirements of FRS17

Financial Reporting Standard 17 (FRS17) Accounting for Retirement Benefits is based on the principle that the operating costs of providing retirement benefits should be accounted for at the time the Authority is committed to give them even if the actual giving will be many years into the future. FRS17 also requires that related finance costs be recognized in the period in which they arise. The charges to the revenue account as calculated on an FRS17 basis are set out in the table below.

In addition to the following information, further disclosures required by FRS17 are shown in the notes to the Consolidated Balance Sheet and in the notes to the Statement of Total Movement in Reserves.

	31 March 2005 £000	31 March 2006 £000
OPERATING		
Current Service Cost	(23,148)	(23,709)
Past Service Cost	(1,156)	11,084
Curtailment Cost	(988)	223
Total Cost	(25,292)	(12,402)
FINANCE		
Expected Return on Assets	30,359	31,199
Interest on Pension Liabilities	(41,526)	(41,753)
Net Cost	(11,167)	(10,554)
STATEMENT OF ACTUARIAL LOSSES		
Asset Gain	21,869	75,167
Liability Loss	4,110	(20,659)
Change in Assumptions	(150,864)	(72,680)
Net Gain	(124,885)	(18,172)

The implementation of FRS17 has a nil impact on the Council Tax.

Note 34 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. Note 6 to the Statement of Total Movement in Reserves details the costs that have arisen through the year.

9. Publicity Expenditure

Section 5 of the Local Government Act 1986 requires a local authority to keep a separate account of expenditure on publicity as defined by this legislation.

	2004-2005 £	2005-2006 £
Revenue Expenditure		
Arrow Newspaper	56,010	86,732
Other Advertising & Publicity	1,410,459	1,639,867
Media & Reputation	296,101	465,799
Recruitment Advertising	1,308,180	1,158,615
Total Revenue Expenditure	3,070,750	3,351,013
Capital Expenditure		
Marketing Expenditure	254,820	150,254
Publicity Expenditure	42,291	19,760
Total Capital Expenditure	297,111	170,014
Total	3,367,861	3,521,027

Publicity expenditure for 2004-2005 has been restated to include all expenditure within Media & Reputation.

10. Local Authorities (Goods and Services) Act 1970

This Act enables local authorities to supply goods and services (subject to certain restrictions) to other local authorities and to public bodies.

In 2005-2006 the Council generated income of £8,500 from such organisations (£163,941 2004-2005). In previous years the income disclosed related to work carried out by Nottingham City Building Works for outside bodies. Nottingham City Building Works became part of Nottingham City Homes from the 1st April 2005.

11. Leases

Rentals payable under all leases are charged to revenue on an accruals basis. Rentals paid to lessors during the year were as follows:

	2004-2005	2005-2006
	£000	£000
Finance Leases		
Other	1	1
Works Perks	0	46
Operating Leases	2,272	1,978
Total	2,273	2,025

2005-2006 saw the initial tranche of the 'Works Perks' initiative. Under the initiative employees can acquire computers and bikes for which finance leases are put in place by the authority for the assets. The authority meets the lease obligations but recovers the costs from the employee by deductions from salaries and wages.

The rentals paid under other finance leases relate to assets acquired prior to 1990 and still held by the authority. These are annual peppercorn rentals that will continue to be paid until the assets are sold or scrapped.

Undischarged rental liability at 31st March 2006 was £3,781,250 for operating leases (£5,390,755 at 31st March 2005) and £451,733 for finance leases (no outstanding liability at 31st March 2005).

The undischarged future liabilities will be charged to the accounts as follows:

	2006-2007	2007-2008	2008-2009	Future Years
	£000	£000	£000	£000
Operating Leases	1,282	1,005	781	713
Finance Leases				
Works Perks	172	166	114	0

12. Transactions with related parties

The City 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 the reader of the accounts to assess the extent to which the council might have been constrained in its ability to bargain freely.

Central Government

Central Government is responsible for providing the statutory framework within which the Council operates, provides the majority of the funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties.

	2004-2005	2005-2006
	Receipts	Receipts
	£000	£000
Central Government		
Revenue Grants	177,544	178,038
National Non-Domestic Rate Pool	75,425	91,263
Other Revenue Grants (Est. until final figures available 14th July)	237,852	240,000
Capital grants:		
- Office of the Deputy Prime Minister	6,742	4,794
- Department for Education and Skills	9,074	12,615
- Department of Health	250	291
- Home Office	75	0
- Department for Transport	2,007	2,709

Members of the Council

Members of the Council have direct control over the council's financial and operating policies. The total cost of members allowances paid during 2004-2005 and 2005-2006 is shown within note 13 to the consolidated revenue account. During 2005-2006, the value of works and services to companies in which members had an interest are as follows:

Payments	£000
Derwent Housing Association Ltd	324
Experience Nottingham (Formerly Profile Nottingham)	329
Leicester Housing Association	312
Nottingham Theatre Trust	310
Nottingham University Court	325

Precepts

The City Council paid the following precepts during 2004-2005 and 2005-2006:

	2004-2005	2005-2006
	Payments	Payments
	£000	£000
Nottinghamshire Fire Authority	4155	4,254
Nottinghamshire Magistrates Courts	684	0
Nottinghamshire Police Authority	8681	9,242
Environment Agency - Flood Defence Levy	71	77

Subsidiary and Associated Companies

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

	2005-2006	
	Receipts £000	Payments £000
Nottingham City Transport		
Concessionary Fares		3,572
Councillors Passes, Ex-Employee Passes and Other		163
Non-Domestic Business Rates	168	
Interest on Loan	9	
Nottingham City Homes (NCH) Ltd		
Management and repair of homes		70,722
General services provided by NCH Ltd	11,495	
Nottingham Ice Centre Ltd		
Rent	100	
Other Expenses	142	
Sales		46
Revenue Grant		190
Insurance		37
EnviroEnergy Ltd		
Supply of Heat		316
Rent for use of Assets	100	

Chief Officers

The City Council operates a car and cycle loan scheme with loans outstanding to Chief Officers as at 31st March 2006 totalling £3,350. Repayments are deducted from salary and during 2005-2006 these amounted to £5,880.

The Council has prepared this disclosure in accordance with its current interpretation and understanding of FRS8 and its applicability to the public sector.

13. Members' Allowances

The Local Authorities (Members' Allowances) Regulations 1995 introduced a requirement to disclose annually the total sum paid to each member in respect of basic allowance, special responsibility allowance and attendance allowance.

	2004-2005	2005-2006
	£	£
Basic Allowance	560,774	584,693
Special Responsibility Allowance	333,527	348,435
	894,301	933,128

14. Section 137 Local Government Act 1972

The majority of the provisions of Section 137 were repealed, when Section 18 of the Local Government Act 2000 granted new powers to authorities in England and Wales to promote well being in their area. In order to be consistent with previous years and the Code of Practice, the following note is shown for all expenditure previously classed as Section 137 Expenditure.

Section 137 stated that a local authority may incur limited expenditure, which in its opinion is in the interests of its area or part of its area, or all or some of its inhabitants and which is not otherwise authorised. The council was permitted to spend £1,045,380 under this power and its actual expenditure for 2005-2006 was £242,511 (£347,133 in 2004-2005).

15. Disclosure of Audit Costs

Nottingham City Council incurred the following fees relating to external audit and inspection:

	2004-2005 £000	2005-2006 £000
Certification of Grant Claims and Returns	124	127
External audit services carried out by the appointed auditor	474	392
	<u>598</u>	<u>519</u>

16. Pooled Budgets

Under S31 of the Health Act 1999, Nottingham City Council has entered into two Pooled Budget Arrangements.

The City Council is the Host Authority for both pooled budgets and is responsible for their financial administration.

Learning Disability Development Fund

The partnership is established between the City Council and the Nottingham City Primary Care (NHS) Trust. Funding is provided by the Nottingham City Primary Care (NHS) Trust. The partnership is established to develop schemes for the improvement of learning disability services.

	2004-2005	2005-2006
	£	£
Funding		
Balance of Funding brought forward	145,997	11,115
Nottingham City Primary NHS Care Trust	0	326,000
	145,997	337,115
Expenditure		
Person Centred Planning	35,021	8,651
Advocacy	11,104	10,194
Supported Living	27,652	0
Day Centre Modernisation	0	91,405
Leadership	0	57,773
Valuing People	49,105	0
Capital	12,000	27,094
Total Expenditure	134,882	195,117
Balance of funding carried forward	11,115	141,998

Integrated Community Equipment Service (ICES)

The partnership is established between the following partners:

- Nottingham City Council
- Nottinghamshire County Council
- Nottingham City Primary Care (NHS) Trust
- Rushcliffe Primary Care (NHS) Trust
- Gedling Primary Care (NHS) Trust
- Broxtowe & Hucknall Primary Care (NHS) Trust

Funding is as set out in the statement. The partnership is established to provide health and social care equipment for children and adults who require assistance to perform essential activities in their daily living.

	2004-2005	2005-2006
	£	£
Funding		
Surplus/(Deficit) brought forward	219,588	(482,655)
Nottingham City Council	585,419	784,564
Nottinghamshire County Council	585,419	717,246
Nottingham City Primary Care NHS Trust	585,416	1,267,280
Rushcliffe Primary Care NHS Trust	195,139	247,362
Gedling Primary Care NHS Trust	195,139	222,153
Broxtowe & Hucknall Primary Care NHS Trus	195,139	321,413
Continuing Care Contributions	25,135	57,533
DLC Contribution/Rent	79,938	21,166
Other Miscellaneous	30	4,871
Total Funding	2,666,362	3,160,933
Expenditure		
Employee Costs	54,557	48,567
Property Costs	333,661	308,383
Transport Costs	304	427
Supplies and Services	2,759,972	2,612,660
Administrative Costs	523	4,037
Third Party Payments	0	186,859
Total Expenditure	3,149,017	3,160,933
Balance carried forward	(482,655)	0

The 2004-2005 deficit was funded by the Primary Care Trusts. In 2005-2006 agreed partner contributions covered the full costs of the service.

Statement of Assets and Liabilities		£
Debtors		
Nottinghamshire County Council	Minor Adaptations	17,024
Nottingham City Primary Care NHS Trust	Continuing Care	5,346
Rushcliffe Primary Care NHS Trust	Continuing Care	13,258
Nottinghamshire County Council	Share of Overspend	34,365
Nottingham City Primary Care NHS Trust	Share of Overspend	105,514
Rushcliffe Primary Care NHS Trust	Share of Overspend	33,265
Gedling Primary Care NHS Trust	Share of Overspend	29,874
Broxtowe and Hucknall Primary Care NHS Trust	Share of Overspend	43,223
Creditors		
Nottingham City Council	Business Rates	96,400
Nottingham Rehab Supplies	Charges	410,808
Other Suppliers		1,606

Notes to the Consolidated Balance Sheet

17. Movement in Fixed Assets – Operational Assets

	Council Dwellings £000	Other Land and Buildings £000	Vehicles Plant and Equipment £000	Infra- structure Assets £000	Community £000	TOTAL £000
Certified Gross Value 31-03-05	1,318,690	687,316	24,305	154,586	4,884	2,189,781
Less accum. dep'n	(66,204)	(40,216)	(14,436)	(22,061)	(1,150)	(144,067)
Less accum. Impairment	0	(68)	0	0	0	(68)
Net Book value at 31-03-05	1,252,486	647,032	9,869	132,525	3,734	2,045,646
Adj - Revaluations	0	0	(43)	415	24	396
Revised Net book value 01-04-05	1,252,486	647,032	9,826	132,940	3,758	2,046,042
Capital Payments						
Total Capital Payments 2005-2006	24,191	29,183	7,044	23,025	2,160	85,603
Less 04-05 Accruals	(250)	(713)	(100)	(212)	0	(1,275)
Add 05-06 Accruals	4,056	1,064	16	945	14	6,095
Capital Expenditure 2005-2006	27,997	29,534	6,960	23,758	2,174	90,423
Less Capital Expenditure adding no value	(27,997)	(26,363)	0	0	0	(54,360)
Disposals (Incl. Insurance Cases)	(18,643)	(8,709)	0	0	0	(27,352)
Impairment for Year 2005-2006	0	28	0	0	0	28
Depreciation for the year 2005-2006	(15,592)	(11,240)	(2,706)	(6,050)	(193)	(35,781)
Revaluations @ 31 March 2006	(129,758)	36,491	0	0	0	(93,267)
Net Book value 31-03-06	1,088,493	666,773	14,080	150,648	5,739	1,925,733
Gross Book Value 31-03-06						
Accumulated Depn 31-03-06	(81,796)	(51,456)	(17,142)	(28,111)	(1,343)	(179,848)
Accumulated Impairment 31-03-06	0	(40)	0	0	0	(40)
Net Book Value 31-03-06	1,088,493	666,773	14,080	150,648	5,739	1,925,733

Notes to the Consolidated Balance Sheet (Continued)

Movement in Fixed Assets – Non-Operational Assets

	Investment Properties £000	Under Construction £000	Surplus Assets - Held for Disposal £000	TOTAL £000
Certified Gross Value 31-03-05	180,146	0	11,301	191,447
Less accum. dep'n	(17)	0	0	(17)
Less accum. Impairment	0	0	0	0
Net Book value at 31-03-05	180,129	0	11,301	191,430
Adj - Revaluations	0	0	0	0
Revised Net book value 01-04-05	180,129	0	11,301	191,430
Capital Payments				
Total Capital Payments 2005-2006	1,012	4,075	0	5,087
Less 04-05 Accruals	0	0	0	0
Add 05-06 Accruals	394	25	0	419
Capital Expenditure 2005-2006				
	1,406	4,100	0	5,506
Less Capital Expenditure adding no value	(1,406)	0	0	(1,406)
Disposals (Incl. Insurance Cases)	(1,278)	0	0	(1,278)
Impairment for Year 2005-2006	0	0	0	0
Depreciation for the year 2005-2006	0	0	0	0
Revaluations @ 31 March 2006	8,475	0	32,696	41,171
Net Book value 31-03-06	187,326	4,100	43,997	235,423
Gross Book Value 31-03-06	187,343	4,100	43,997	235,440
Accumulated Depn 31-03-06	(17)	0	0	(17)
Accumulated Impairment 31-03-06	0	0	0	0
Net Book Value 31-03-06	187,326	4,100	43,997	235,423

Notes to the Consolidated Balance Sheet (Continued)

18. Capital Commitments

Significant commitments as at 31st March 2006 under capital contracts are included in the following departments:

	£000
City Development	1,098
Education	8,801
Housing	5,811
Leisure and Community Services	4,074

The City Council's approved Capital Programme for the next three financial years is as follows:

	£000
2006-2007	119,379
2007-2008	115,824
2008-2009	108,099

19. Capital Expenditure and Financing

Total capital spending in 2005-2006 was £100,278,008 (£96,406,271 in 2004-2005), of which £36,159,669 (£40,157,241 in 2004-2005) was spent on housing services. Capital spending was financed as follows:

Capital Financing	2004-2005	2005-2006
	£000	£000
Borrowing	32,656	38,476
Capital Receipts	17,401	11,494
Government Grants and Other Contributions	27,295	31,280
Internal Reserves etc.	19,054	19,028
	<u>96,406</u>	<u>100,278</u>

Notes to the Consolidated Balance Sheet (Continued)

20. Analysis of Fixed Assets

The analysis of fixed assets specifies assets owned by the Council included in the Consolidated Balance Sheet.

	Numbers as at 31-03-2005	Numbers as at 31-03-2006
<u>Council Dwellings</u>	31,335	30,504
<u>Operational Buildings</u>		
Bus Stations	1	1
Car Parks	22	22
Cemeteries and Crematoria	6	6
Community Centres	47	47
Community Homes and Family Centres	12	12
Concert Halls and Theatres	2	2
Day Centres for the Elderly and Disabled	6	6
Depots	3	3
Homes for the Elderly and Disabled	9	9
Leisure Centres and Sports Halls	8	8
Libraries	20	20
Major Administrative Buildings	7	7
Museums	7	7
Nursery and Primary Schools	98	96
Retail Markets	9	7
Secondary Schools	17	17
Sheltered Workshop	1	1
Special Schools	6	6
Swimming Pools	3	3
Toilets	10	6
<u>Operational Equipment</u>		
Computers (Excluding Schools Curriculum PCs)	8,125	8,428
Vehicles	122	279
<u>Infrastructure Assets</u>, including		
B' Roads	25.8kms	25.8kms
Other Minor Roads	694.5kms	694.5kms
Principal Roads	54.1kms	54.1kms
<u>Community Assets</u>		
Parks and Open Spaces (hectares)	1,777	1,650
<u>Investment Properties</u>		
Industrial and Commercial Lettings	2,000 (Approx)	2,000 (Approx)
National Ice Centre	1	1

21. Fixed Asset Valuation

Properties regarded by the authority as operational have been valued in accordance with FRS15. All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accrual basis in the accounts. Expenditure on Land & Buildings is initially capitalised, but is written off to the Fixed Asset Restatement Account if it is not deemed to have increased the value of the related assets. Assets acquired under finance leases are also capitalised in the Balance Sheet, together with a liability to pay future rentals.

Properties regarded by the authority as non-operational investment properties have been valued on the basis of open market value.

Council dwellings

In accordance with recommended accounting practice, external qualified valuers valued Council dwellings as at 31st March 2005. Council dwellings have been re-valued in 2005-2006 based on the average discounted value of the sales during the year, adjusted by a regional adjustment factor in recognition of their status as social housing.

Vehicles, plant and equipment have been valued at net current replacement cost.

Infrastructure and Community assets are valued at historical cost, net of depreciation where applicable.

An analysis of fixed asset revaluations over the last 5 years is documented in the following table for all assets other than those held at historic cost.

Valuation History of Fixed Assets carried at current value

	Council Dwellings £000	Other Land & Buildings £000	Infrastructure £000	Community £000	Vehicles & Equipment £000	Non-Operational Assets £000	Total £000
Value at Historical Cost	0	0	150,648	5,739	0	0	156,387
Value at Current Value							
2001-2002	0	205,617	0	0	693	172,363	378,673
2002-2003	0	3,949	0	0	853	1,240	6,042
2003-2004	0	5,638	0	0	1,234	6,508	13,380
2004-2005	0	0	0	0	4,240	4,229	8,469
2005-2006	1,088,493	451,569	0	0	7,060	51,083	1,598,205
	1,088,493	666,773	150,648	5,739	14,080	235,423	2,161,156

22. Calculation of the Capital Financing Requirement

	2004-2005 £000	2005-2006 £000
Fixed Assets	2,237,076	2,161,156
Relevant Deferred Charges	3,681	2,842
Relevant Long Term Investments	4,632	4,632
Relevant Long Term Debtors	10,451	9,554
Fixed Asset Restatement Account	(1,346,691)	(1,210,596)
Capital Financing Account	(427,677)	(437,126)
Government Grants Deferred Account	(82,472)	(107,551)
Relevant Deferred Credits	(6,641)	(4,632)
	392,359	418,279

Notes to the Consolidated Balance Sheet (Continued)

23. Stock and Work-in-Progress

	31st March 2005 £000	31st March 2006 £000
Bereavement Services	8	5
City Information Centre	16	44
Corporate Services 25 Yr Gift	2	5
DOLACS - Leisure Management	65	65
DOLACS - Libraries	2	2
DOLACS - Museums	102	99
Neighbourhood Services - Design & Print	(20)	41
Neighbourhood Services - Garage	100	94
Neighbourhood Services - Highways	(392)	419
Neighbourhood Services - Stores	299	340
Neighbourhood Services - Streetscene	40	44
Nottingham City Building Works	1,690	0
Royal Centre	11	25
Social Services - Woodfield Industries	227	178
	2,150	1,361

24. Analysis of Debtors, Bad Debt Provision and Creditors

Debtors

	31st March 2005 £000	31st March 2006 £000
Adult Residential Services	1,820	1,338
Council Tax	21,510	20,909
Government Departments	17,988	16,587
Housing Rents	10,499	8,089
Inland Revenue	5,289	5,824
National Non-Domestic Rates	10,221	8,994
Nottingham City Homes	0	12,867
Other Local Authorities	6,435	4,197
Payments in Advance	5,263	3,660
Poll Tax	4,691	4,687
Sundry Debtors	35,143	40,220
	118,859	127,372
Less Provision for Bad Debts	(43,936)	(41,022)
	74,923	86,350

Bad Debt Provision

	31st March 2005 £000	31st March 2006 £000
Adult Residential Services	(1,150)	(725)
Commercial Rents	(811)	(661)
Council Tax	(12,703)	(12,340)
Enviroenergy	(4,878)	(5,658)
Housing Benefit Repayments	(891)	(968)
Housing Rents (Including HRA Rebates, Overpayments and Other HRA Debts)	(8,802)	(7,040)
Non-Domestic Rate	(6,123)	(4,379)
On Street Parking	(958)	(714)
Other Debtors	(2,928)	(4,327)
Poll Tax	(4,692)	(4,210)
	(43,936)	(41,022)

Creditors

	31st March 2005 £000	31st March 2006 £000
Government Departments	(24,145)	(23,389)
Other Local Authorities	(5,070)	(8,343)
Inland Revenue	(8,656)	(9,308)
Receipts in Advance	(23,418)	(19,851)
Sundry Creditors	(43,628)	(51,478)
	<u>(104,917)</u>	<u>(112,369)</u>

25. Trust Funds

Nottingham City Council is the sole trustee of the following Trust Funds:

- Bridge Estate
- Highfields Leisure Park Trust
- Harvey Hadden Stadium Trust
- Nottingham Derby Road British School Exhibition Fund
- Other Education Trust Funds

Further financial information can be found under the Trust Funds section within this Statement of Accounts.

26. Long Term Borrowing

	31st March 2005 £000	31st March 2006 £000
<i>Long Term External Loans</i>		
Bondholders	(2,692)	(2,221)
Gas Debentures	(234)	(234)
Lenders Option, Borrowers Option (LOBO)	(29,000)	(39,000)
PWLB	(350,348)	(382,348)
Stockholders	(2,306)	(2,306)
	<u>(384,580)</u>	<u>(426,109)</u>
Nottinghamshire County Council	<u>(33)</u>	<u>(31)</u>
	<u>(384,613)</u>	<u>(426,140)</u>

An analysis of long term borrowing outstanding by maturity is as follows:

Long Term Maturity	Gas						Total £000
	Bonds £000	PWLB £000	Stock £000	Debentures £000	LOBO £000	Other £000	
1-2 years	875	0	0	0	0	0	875
2-5 years	1,346	36,000	0	0	0	0	37,346
5-10 years	0	39,999	0	0	0	0	39,999
>10 years	0	306,349	0	0	39,000	0	345,349
Irredeemable	0	0	2,306	234	0	0	2,540
	2,221	382,348	2,306	234	39,000	0	426,109
Appropriations							
Notts County Council	0	0	0	0	0	31	31
	2,221	382,348	2,306	234	39,000	31	426,140

27. Deferred Credits

These are amounts that are due to the City Council over a number of years. As and when these amounts are received, a credit will accrue to the revenue account or as a capital receipt. The main constituent items are principal outstanding on Council dwellings sold, which amounted to £1,142,078 at 31st March 2006 (£1,574,712 at 31st March 2005), Share Capital relating to Nottingham City Transport (NCT) of £4,532,000 and an outstanding loan to NCT of £73,600 (£82,800 at 31st March 2005).

28. Long Term Debtors

	31st March 2005 £000	31st March 2006 £000
Assets Transferred to Other Bodies	3,613	2,924
Employees Car & Cycle Loans Scheme	290	240
Employees Works Perks Bike Scheme	0	3
Employees Works Perks PC Scheme	0	265
Exchange of Land - Abel Collins	38	33
Housing Advances	135	121
Housing Associations	37	36
Local Government Reorganisation	2,842	2,002
Miscellaneous Loans	256	480
NET - Reversionary Principal & Interest	7,756	7,901
NET - Residual Interest	827	1,653
Nottingham Forest Football Club	3,800	3,300
PWLB Premiums (Rescheduled Debt)	14,081	14,968
Sales of Council Houses	1,575	1,142
	35,250	35,068

Assets Transferred to Other Bodies

Following reorganisation in 1974 certain amounts of debt transferred to Nottinghamshire County Council. The debt relates to specific schemes and each is repayable over a set period. The annual recharge of principal is based on a 5% increase each year in the principal repayment sum. Some of the schemes were calculated to be repaid over 40 and 60 years. The debtor will continue for many years.

Employees Car & Cycle Loans Scheme

Advances to City Council employees to purchase a vehicle for use at work, repayable over a maximum of 5 years.

Employees Works Perks Bike and PC Scheme

2005-2006 saw the introduction of the 'Works Perks' initiative. Under the initiative all City Council employees with a minimum of one years service can acquire computers and bikes for personal use. Finance leases are put in place by the authority for the assets and the authority meets the lease obligations but recovers the costs from the employee by deductions from salaries and wages. The long term debtor is the balance outstanding payable over a period of 3 years.

Further information on Works Perks can be found within Note 11.

Housing Advances

These represent advances of a capital nature to borrowers for the purchase of and improvements to private properties.

Local Government Reorganisation

During Local Government Reorganisation from 1 April 1997, the City Council incurred many costs. The Secretary of State was empowered to grant the Authority credit approvals (right to borrow) to capitalise certain revenue expenditure under Section 40(6) of the Local Government and Housing Act 1989. The revenue sums capitalised are not amortised through the Minimum Revenue Provision mechanism but are dealt with in accordance with the Secretary of State's direction. The direction instructed the authority to defer repayment for 4 years and then repay over 7 years.

NET Reversionary Interest

The NET Reversionary Interest represents the present value of land assets to be returned to the City Council at the end of the existing contract period as part of an operational light rapid transit (tram system).

NET Residual Interest

The NET Residual Interest represents newly developed assets provided by the Nottingham Express Transit Operator to be transferred to the City Council as part of an operational light rapid transit (tram) system at the end of the existing contract period.

Nottingham Forest Football Club (NFFC)

Repayment of monies owed by NFFC to the City Council, to be repaid in accordance with an agreed schedule, over a period of 6 years.

PWLB Premiums (Rescheduled Debt)

Premiums resulting from the rescheduling of outstanding long-term debt are written down to revenue over the period of the replacement debt. The balance at 31st March 2006 represents the amount remaining to be written down in future years.

Sales of Council Houses

Principal amounts outstanding on mortgages issued in respect of Council House Sales, Private Sales, Improvement Loans and Housing Associations.

29. Contingent Liabilities

Insurance Claims

In 1992-1993 one of the Council's insurers, Municipal Mutual Insurance (MMI) ceased accepting new business. Whilst insurers have continued to meet run off claims in full, all claims settled after 1 October 1992 have been paid under the Scheme of Arrangement which provides for a claw back of payments if MMI's assets are inadequate to meet all these liabilities. The final position will remain uncertain until all outstanding claims have been concluded by MMI.

Job Evaluation Costs

A Job Evaluation Team has been recruited to undertake this project. The objective is to implement a new Job Evaluation Scheme within Nottingham City Council. This is an essential process that has been introduced because of the Council's commitment to Single Status and also to ensure that Equal Pay is in place across the Council. Although resolution of this issue may lead to back dated pay claims it is not possible to evaluate the total related costs at present.

NET Line One

In July 2004, the Arrow Light Rail Limited submitted a claim for compensation on behalf of its contractor in respect of additional costs incurred during the construction of the NET Line One. An adjudication in December 2004 found in favour of the Promoters (Nottingham City and County Councils), but Arrow have continued to pursue their claim. Negotiations have continued during 2005-2006 to resolve this matter without recourse to further legal action.

Accountable Body Role

Nottingham City Council acts as the Accountable Body in respect of several regeneration programmes, including Neighbourhood Renewal Fund (NRF), New Deal for Communities (NDC), Single Regeneration Budget (SRB), and Sure Start. In this role, the Council is responsible for the financial probity of the programmes and may be required to repay any grant that does not comply with the relevant grant conditions. There are currently no outstanding notifications from grant bodies requiring the repayment of grant funding. Audits (both internal and Audit Commission) in respect of 2005/06 grant claims will not be completed until the end of December 2006.

30. Government Grants and Contributions Deferred

Capital Contributions and Government Grants received to finance depreciable fixed assets are credited to the Government Grants and Contributions Deferred Account. Credits are then released annually from this account to the Asset Management Revenue Account to match the related depreciation charge for those assets. Any balance on the account represents monies to be released to the Asset Management Revenue Account in subsequent financial years.

2004-2005 £000	2005-2006 £000
(59,827) Balance @ 1st April 2005	(82,472)
Capital Grants and Contributions received to finance (25,038) depreciable fixed assets	(28,377)
2,393 Release to Asset Management Revenue Account	3,299
<u>(82,472) Balance @ 31st March 2006</u>	<u>(107,550)</u>

31. Investments

Investments are shown in the Balance Sheet at cost.

	31st March 2005 £000	31st March 2006 £000
<u>Short Term Investments</u>		
Temporary Loans	57,000	97,400
External Fund Management	21,161	22,159
	<u>78,161</u>	<u>119,559</u>
<u>Long Term Investments</u>		
2.5% Consolidated Stock	12	12
2.5% Treasury Stock	1	1
3% Treasury Stock	1	1
3.5% War Loan	2	2
ADC Debentures	60	60
Jacoby Will Trust	2	2
Lace Market Development Company Limited	60	60
NHS Local Improvement Finance Trust (LIFT)	56	215
Nottingham City Transport Limited	4,532	4,532
Nottingham Corp 3% Stock	3	3
Robin Hood Centre	100	100
	<u>4,829</u>	<u>4,988</u>

32. Economic and Monetary Union (EMU)

The introduction of the Euro could have an impact in the City Council in respect of matters such as the provision of economic development advice to businesses and in the procurement of goods and services. No commitments have been entered into as at 31st March 2006 in respect of the introduction of the single European currency.

Notes to the Consolidated Balance Sheet (Continued)

33. Analysis of Net Assets Employed

	2004-2005 £000	2005-2006 £000
General Fund	113,095	183,404
Housing Revenue Account	1,275,339	1,122,450
Works Organisations	(4,266)	(3,161)
Trading Operations	177,341	207,699
	<u>1,561,509</u>	<u>1,510,392</u>

34. Financial Reporting Standard (FRS) 17 Accounting for Retirement Benefits

Details of the Authority's participation in Pension Schemes are contained in the notes to the Consolidated Revenue Account and the objectives of FRS17 are described in the Explanatory Foreword.

The following information reflects, on an FRS17 basis, the City Council's position as at 31 March 2006 with regard to its participation in the Local Government Pension Scheme (LGPS) via the Nottinghamshire County Council Pension Fund.

The main actuarial assumptions taken as at 31st March 2006 and used in the FRS17 calculation are set out below:

FRS17 Accounting Disclosures as at 31 March 2006

Nature of Scheme:	Defined Benefit
Date of Last full Actuarial Valuation:	31-Mar-04

ACTUARIAL ASSUMPTIONS

	31 March 2006	
	Beginning of Year	End of Year
Financial Assumptions		
Rate of Inflation	2.9%	2.9%
Rate of increase in Salaries	4.65%	4.65%
Rate of increase in Pensions	2.9%	2.9%
Proportion of employees opting to take a commuted lump sum	N/A	50.0%
Discount Rate	5.4%	4.9%
Expected rate of return on assets		
-Equities	7.5%	7.0%
-Government Bonds	4.7%	4.3%
-Other Bonds	5.4%	4.9%
-Property	6.5%	6.0%
-Cash/Liquidity	4.75%	4.50%
-Other	7.5%	N/A
Split of assets between investment categories		
-Equities	63.3%	69.4%
-Government Bonds	13.8%	8.0%
-Other Bonds	4.6%	6.3%
-Property	14.3%	14.3%
-Cash/Liquidity	2.0%	2.0%
-Other	2.0%	0.0%
Market Value of total fund assets (£millions) as at 31st December 2004	1,662	2,039

The end of year figures for the market value of the assets and split of assets between investment categories have been calculated as at 31st December 2005.

Changes to the Local Government Pension Scheme permit employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 6 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the Council's pension liabilities by £13.127m and this has been included within Non-Distributed Costs on the face of the Consolidated Revenue Account.

Assumed levels of the take-up of the commutation option will have a significant effect on the amounts recognised in the Consolidated Revenue Account. A one percentage point change in the assumed level of take-up of the commutation option would have the following effects:

	One percentage point increase £000	One percentage point decrease £000
Effect on the aggregate of service cost and interest cost	263	(263)

The actuarial assumptions used in the calculation of the year-end balance sheet liabilities are based on the 2004 actuarial valuation assumptions.

Balance Sheet Items as at 31 March 2005

	31 March 2005 £000	31 March 2006 £000
Market Value of Assets	501,872	581,460
Liabilities	(845,908)	(898,680)
(Deficit)	<u>(344,036)</u>	<u>(317,220)</u>

The breakdown of the movement in the net liability is shown in the following table:

	31 March 2005 £000	31 March 2006 £000
Deficit at Beginning of Year	(205,809)	(344,036)
Current Service Cost	(23,148)	(23,709)
Employer Contributions	23,117	22,950
Past Service Cost/Curtailment Cost	(2,144)	56,301
Net Interest/Return on Assets	(11,167)	(10,554)
(Gain) or Loss	(124,885)	(18,172)
Deficit at End of Year	<u>(344,036)</u>	<u>(317,220)</u>

The table above shows the underlying commitments that the authority has in the long-run to pay retirement benefits and the extent to which these are matched by investment assets. The net unfunded liability of £317m has a substantial impact on the net worth of the authority as recorded in the balance sheet. However, the financial position of the authority remains healthy. Statutory arrangements mean the unfounded liability will be made good by increased employer contributions over the remaining working life of employees, as assessed by the scheme actuary.

The fair valuation of the Fund's assets and the return expected from each asset class are:

	31 March 2005		31 March 2006	
	£000	%	£000	%
Equities	317,686	63.3	403,533	69.4
Government Bonds	69,258	13.8	46,517	8.0
Other Bonds	23,086	4.6	36,632	6.3
Property	71,768	14.3	83,149	14.3
Cash/Liquidity	10,037	2.0	11,629	2.0
Other	10,037	2.0	0	0.0
	<u>501,872</u>		<u>581,460</u>	

Pensions Reserve

The cost of retirement benefits is recognised in the Consolidated Revenue Account when employees earn them, rather than when the benefits are eventually paid as pensions. However the charge required against council tax is based upon the cash payable in the year. This mismatch is represented by an appropriation to or from the pensions reserve. The balance of the reserve is an estimate of the value of pension liabilities and the net change in the reserve during the year equates to the net change in the pensions liability recognised in the Consolidated Revenue Account.

Notes to the Consolidated Balance Sheet (Continued)

35. Reserves

	31st March 2005 £000	Movement 2005-2006 £000	31st March 2006 £000
Earmarked for capital in latest programme			
projections			
Capital Receipts Unapplied	28	(2)	26
County Receipts Reorganisation	177	0	177
Works Department Fund	332	(88)	244
Grants & Contribution - Government	1,702	(1,143)	559
Grants & Contribution - Other	794	1,399	2,193
Revenue Reserves for Capital Purposes	5,384	754	6,138
Single Regeneration Budget (SRB) 2 Fund	33	(29)	4
Sub Total	8,450	891	9,341
Funds only available for specific purposes			
ACORN Project	0	56	56
Business Growth Incentive (BGI)	0	495	495
Collection Fund Deficit	(604)	247	(357)
NHS Local Improvement Finance Trust (LIFT)	440	544	984
OneWorld Development	0	157	157
Redfield Road Development	25	0	25
School Statutory Reserve-Schools Balances	5,203	1,119	6,322
School Statutory Reserve-Other Balances	1,336	1,573	2,909
Section 106 Developers	2,706	490	3,196
Sir J A Jacoby Will Trust	67	(45)	22
Sub Total	9,173	4,636	13,809
Other Earmarked Reserves			
Agreed budget carry forwards not yet used	685	(131)	554
Area Committees	894	(170)	724
Capital Fund	41	0	41
Car Parks	0	96	96
City Challenge	16	0	16
Energy Conservation Reserve	350	62	412
Ice Centre	200	(17)	183
Insurance	487	0	487
Investment Reserve	1,004	(78)	926
Job Evaluation - Equal Pay	700	2,606	3,306
Lawn Tennis Association	6	30	36
Local Government Review - Residual Issues	429	0	429
Miscellaneous Funds	313	161	474
NET City Reserve Fund	1,089	1,014	2,103
NET PFI Grant Joint Fund	5,970	2,376	8,346
Purchase Fund	114	1	115
Restructuring Reserve	198	(102)	96
Shopmobility	44	12	56
SME Loan Fund	352	197	549
Social Services	69	52	121
Social Services - Invest to Save	0	210	210
Superannuation Contributions	221	0	221
Supporting People	0	6,796	6,796
Surpluses to be Distributed - HRA	196	(196)	0
Treasury Management Reserve	690	870	1,560
Voice Over Internet Protocol	290	429	719
Sub Total	14,358	14,218	28,576
IT Development/E Government Fund	2,522	633	3,155
Total Earmarked Reserves	34,503	20,378	54,881
Unearmarked (General Fund) Reserve	9,549	1,267	10,816

Notes to the Consolidated Balance Sheet (Continued)

The purpose of each reserve is listed below:

Earmarked Reserves for Capital

Capital Receipts Unapplied

The authority generates capital receipts by selling land and property and from the repayment of capital advances such as mortgages. Capital receipts can only be used to fund capital expenditure or repay debt. The balance sheet shows the sums that have not been utilised at the end of the year.

County Receipts Reorganisation

This was created by reserves and funds transferred from Nottinghamshire County Council as a result of reorganisation on the 1st April 1998.

Works Department Fund

Over the years some of the Works Departments surpluses have been appropriated to this reserve to assist in funding both capital and revenue initiatives for the Works Departments in future years. The reserve has been used for the acquisition of bins and skips, depot improvements, specialist plant and equipment etc. The balance represents the sum still available for future investment.

Grants & Contribution – Government

The authority attracts claims from various Government Funding regimes towards the cost of capital investment. Examples includes Standard Fund grants towards Education capital investment, Section 56 grant towards Major Transport Schemes, Single Regeneration Budget Grant towards regeneration schemes etc. The balance represents grant received but not yet applied to finance capital investment.

Grants & Contribution – Other

The authority attracts claims from various external source regimes towards the cost of capital investment. Examples include National Lottery for Leisure schemes, East Midlands Development Agency for economic and environmental schemes etc. The balance represents grant received but not yet applied to finance capital investment.

Revenue Reserves for Capital Purposes

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.

Single Regeneration Budget (SRB) 2 Fund

Over recent years the City has been successful in securing significant grant aid for the Single Regeneration Budget (SRB). This is a capital and revenue initiative. Several of the capital schemes involve City Council contributions towards the cost of some of the capital schemes approved within the programme. This reserve has had sums appropriated to it over the years to cover the City Capital Contributions to some of these schemes.

Funds only available for specific purposes

Collection Fund Deficit

The deficit balance on the Collection Fund. This account shows the income received from Council Tax, Community Charge and Business Rate Payers.

NHS Local Improvement Finance Trust (LIFT)

NHS Local Improvement Finance Trust (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 City Council is currently procuring two new Joint Service Centres at Clifton and Hyson Green using the LIFT vehicle. Under this arrangement, which is supported by PFI Credits issued by the ODPM, the City Council enters into a Lease Plus agreement with the LIFT Company for a 26 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 City Council contributions that will be required for the duration of the contract.

OneWorld Development

This reserve is used to fund developments to the OneWorld Financial Accounting System.

Redfield Road Development

Sum obtained from the developer of Redfield Road to cover future maintenance liabilities.

Schools' Statutory Reserve

This represents unspent school balances; these are funds that have been delegated to schools but have not yet been spent. As part of the City's two Local Management Schemes, 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.

Section 106 Receipts

Sums given by developers to enable the Council to provide specific facilities.

Sir Jacoby Will Trust

This represents a bequest towards the construction of an Elderly Person's Home, made in 1965. It is a bequest given for the investment in Social Services only.

Other Earmarked Reserves

Agreed budget carry forward not yet used

Approved carry forwards committed to specific departments.

Capital Fund

This is an old reserve that used to act as an internal bank and advance capital funding to services, who then repaid the fund with interest over a set period. The fund was wound up several years ago and was left with a balance linked to Investments and Abel Collins Charity.

Energy Conservation Reserve

In 1992 the City Council set aside £1,500,000 for the internal Energy Conservation Fund. The objective of the fund is to provide monies for City Council schemes that would accrue savings in expenditure using energy saving products.

Investment Reserve

The Investment Reserve is an internal fund set up by the City Council in 1992. The objective of the Reserve is to provide finance for City Council schemes that would accrue savings in expenditure or generate additional income. Service areas receiving the benefit of Investment Reserve finance are required to make annual repayments of principal and interest until the advance is fully repaid.

Job Evaluation/Equal Pay Reserve

The City Council has made some provision in its Medium Term Financial Plan for the potential cost implications of the Council's commitment to Single Status and also to ensuring that Equal Pay is in place across the Council. An initial contribution of £700,000 was made to the reserve in 2004-2005 and further contributions of £2.606m have been made in 2005-2006.

Lawn Tennis Association

This fund is used to replace the cover over the outdoor courts in compliance with LTA funding conditions.

Miscellaneous Funds

Fund	Balance 2004-2005 £000	Balance 2005-2006 £000
Archaeology Fund	11	11
BDI Loan Fund	217	358
Graves	3	0
FT Perry	7	7
Newstead Abbey	1	1
Heroism	5	5
Museum Donations	59	80
Technology Centre	10	12
	313	474

Archaeology Fund

This fund is used to finance expenditure on Archaeology research.

BDI Loan Fund

This fund represents the balance of the Business Development Initiative Scheme funded from a legacy from Nottingham TaskForce and continues to be used to provide financial assistance to small businesses within the City in accordance with the funding agreement.

Graves

This money has been received from the public and for bequests relating to graves.

FT Perry

This is a bequest from F Thorpe Perry and can only be used in connection with the purchase of period furniture.

Museums Donations

Separate accounts are used to show public donations towards specific museums to be used for the enhancement of the facilities.

Technology Centre

This is a repair fund that has been accumulated to fund repairs or other extraordinary expenditure on the Technology Centre at Lenton Business Centre. Annual contributions are made to this fund.

Nottingham Express Transit (NET)

NET City Reserve Fund

The City Council created a separate fund to meet further potential future revenue shortfalls, dependant on the investment performance of the Joint Fund. A change in the calculation method for the payment of PFI grant, implemented in 2005-2006, has improved the forecast joint fund performance, and it is intended that a decision on the need for the separate City Fund will be taken, once a final decision on the extension to the NET network is known.

NET PFI Grant Joint Fund

This reserve reflects net surplus PFI grant receipts, plus earned interest, reserved to meet future revenue shortfalls in respect of the scheme for the provision of NET Line One, and shows the City Council's 80% share of this fund.

Purchase Fund

This fund is used to purchase museum exhibits.

Shopmobility

The Shopmobility service does not charge for the use of the scooters but does accept donations from its customers. These donations and other contributions received are accumulated in this fund and utilised towards repairs to and replacement of scooters and also an annual contributions towards staff costs.

SME Loan Fund

This fund was established from repayments made on loans to SME businesses. In accordance with an agreement reached with the original funders of the scheme, the monies can only be used for business development activities.

Social Services

The fund is made up of amounts received from the Criminal Injuries Compensation Authority in respect of Looked After Children. The City Council manages this money on behalf of the children until they are either adopted or reach the age of 18.

Social Services – Invest to Save

This reserve was created in order to support projects agreed as part of the development of the Council's residential and day care facilities for adults and older people - the residential transformation. Some specific schemes, e.g. the extra care village, have now been agreed and the reserve will fund one-off project management resources to support these schemes.

Supporting People

The Supporting People Programme Grant received is greater than the payments made. The grant received in 2005/06 was £26,885,425.00. Payments made were £23,160,800.68. The balance of £3,724,624.32 is in the Supporting People Programme Grant Reserve.

In 2003/04 unspent grant of £1,031,263.29 was carried forward and in 2004/05 an additional £2,040,313.54 unspent grant was carried forward. These balances have been moved to the Supporting People Programme Grant Reserve.

The balance on the Supporting People Programme Grant Reserve is £6,796,201.15.

It is expected that the Supporting People Programme Grant allocation will reduce each year. The reserve will be used to manage the cut in grant in future years.

Treasury Management Reserve

The creation of a Treasury Management Reserve was formally approved by the Executive Board on 21st June 2005. The reserve was created in response to a national debate on the accounting treatment of premiums arising from the early repayment of debt and the incidence of interest charges for some long-term market loans. The outcome of a CIPFA consultation paper on these matters is awaited, and a further contribution to the reserve has been made in 2005-2006, in anticipation of potential revenue consequences of any changes in accounting practice.

Voice Over Internet Protocol

Executive Board approved a report on 20th May 2004 to invest in Voice over Internet Protocol (VOIP) technology. This would enable the current two independent networks ie data traffic and land line telephony to be merged. This in turn would generate financial savings and improve services to the Authority's customers.

The report approved the principle of recycling savings from the revised land line telephone contract and further savings from merging the networks so as to finance the capital costs associated with VOIP.

The reserve at 31st March 2006 represents savings accumulated to date to finance future capital expenditure.

IT Development/E Government Fund

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 a reserve for continuing development in the IT hardware and software of the authority.

Unearmarked (General Fund) Reserve

The General Fund is the main fund of the Council to which all revenue receipts are credited and from which all revenue liabilities are discharged; all such transactions are recorded in the City Council's Consolidated Revenue Account. The increase of £1.267m in the General Fund during 2005-2006 represents the surplus within the Consolidated Revenue Account.

Notes to the Consolidated Balance Sheet (Continued)

36. Provisions

These accounts represent amounts set aside for a specific purpose to meet expenditure in future years. They can be broken down as follows:

	As at 31 Mar 2005 £000	Movement During Year Utilised £000	Established £000	As at 31 Mar 2006 £000
Broadmarsh Refurb. Fund	(644)		(8)	(652)
Chip & PIN	(25)			(25)
Dilapidations	(139)			(139)
District Heating	(307)			(307)
DSO Future Losses	(1,045)	427	(983)	(1,601)
Energy/Environment Project	0		(30)	(30)
Environment	(278)	194	(120)	(204)
Fletcher Gate Car Park Repairs	0		(454)	(454)
Hackney Carriage Office	(45)	8		(37)
Housing Revenue Account - Foxton Gardens	(107)			(107)
Inland Revenue Audit	(198)	2		(196)
Insurance Fund	(11,583)	5,294	(8,945)	(15,234)
Licence Dispute	(25)	25		0
Local Government Elections	(53)		(36)	(89)
Local Land Charges	(23)	23		0
Local Plan	(228)	13		(215)
Maintenance Provision	(8)	8		0
NCBW - Single Status Reserve	(88)	61		(27)
Neighbourhood Services - Parks Improvement and refurbishment	(741)	937	(1,122)	(926)
Neighbourhood Services - Health & Safety	(521)	208	(780)	(1,093)
Race Equality Scheme	(10)	10	(20)	(20)
Rank Xerox	(5)	6		1
Workplace Parking Enquiry	(200)			(200)
Total	(16,273)	7,216	(12,498)	(21,555)

The purpose of each provision is listed below:

Broadmarsh Refurbishment Fund

Committee approved fund set up to provide contributions towards refurbishment costs at Broadmarsh Centre to generate additional rent income. Contributions to refurbishment fund from additional rent income.

Chip and PIN

This provision has been set-aside to upgrade the Council's RADIUS system with anti-fraud software for the new generation of credit cards, in accordance with European guidelines and in line with anti-fraud measures being taken internationally.

Dilapidations

Various sums have been set aside in respect of the following properties:
Dilapidation works at former Babbington Colliery Tip (Stanton Tip). Popham Street car park suspense account – sums received in respect of bleeper deposits.

District Heating

This balance represents monies set aside to deal with the City Council's involvement in the District Heating Scheme.

DSO Future Losses

The provision for future losses is a reserve within the DSO Accounts, which reflects the probability of reasonably significant identifiable potential future losses or liabilities for maintenance in the DSO Accounts.

Environment

The provision is made up of a number of future liabilities:

Section	Description	£
Highways Design	Partnership Working	93,500
Environmental Improvements	Flooding Liability Tottle Brook	75,000
Trading Standards	Legal Costs	27,000
Trading Standards	Notts Testing Lab Metrology	9,049
		<u>204,549</u>

Fletcher Gate Car Park Repairs

This provision is set aside from previous year's retained surpluses for reinvestment to improve the service including structural repair works at Fletcher Gate multi-storey car park. Repair works have commenced in 2006/07.

Hackney Carriages

This provision was created from the excess of fee income from taxi licensing over and above the costs (the Taxi Licensing function can only recover its costs by statute). The provision will be used to fund future expenditure.

Housing Revenue Account – Foxtan Gardens

This provision was created from money transferred to City Council from the previous managers of Foxtan Gardens. The provision is to be used to replace the lift and provide other equipment at Foxtan Gardens.

Insurance Fund

The Insurance Fund is used to provide insurance for the City Council primarily for third party, employer's liability, motor and fire risks. The Fund's liability is limited, with various levels of reinsurance covered by outside insurers. The amount shown above relates to estimated liabilities of the Fund.

Licence Dispute

Periodically, software vendors undertake audits of licence usage by the City Council which can potentially lead to a financial claim against the City where licence terms have allegedly been breached. A provision was established at 31 March 2003 in relation to such a claim which has now been satisfactorily resolved.

Local Government Elections

A contribution is set aside each year towards the cost of the Local Government Elections, which are currently held every 4 years. The balance of £89,000 represents the amount currently held towards the May 2007 election.

Local Land Charges

This provision was raised many years ago. There is currently no apparent justification for the provision and consequently it has been written back to revenue in 2005-2006.

Local Plan

The City Council has responsibility for statutory development plans. There are four statutory development plans. The structure plan (overview), the local plan, the waste local plan and the mineral plan. The total costs of production of these statutory development plans is estimated to be in excess of £400,000 over a five year period, therefore it was agreed to establish a provision with annual contributions from the revenue budget towards meeting these costs. The movement during the year represents the use of funds to meet preparatory costs incurred in the production of the Local Plan and the Local Transport Plan 2.

Neighbourhood Services – Parks Improvement and Refurbishment

This is a combination of contributions from Developers under s106 and insurance payments due to vandalism.

Neighbourhood Services – Health & Safety

A total of £1,093,000 (£520,600 2004-2005) has been set-aside in the Catering Accounts for Health and Safety Provisions. This can be split into two areas. Firstly a large number of ovens and extractor fans do not meet current safety standards, and must be replaced. Secondly a Health and Safety Review has been conducted and established issues at a number of sites.

Race Equality Scheme

The Race Relations Amendment Act 2000 (Best Value Performance Indicator 2a) requires Local Authorities to show the level of equality standard aimed for and reached. Nottingham City Council has declared that it is currently striving to reach level 4. There is further anticipated expenditure around development of systems and practice in relation to monitoring, reporting of performance and equal pay, which will take place over the next two financial years.

Rank Xerox

This provision was raised many years ago in relation to the photocopier contract then in existence. The provision is no longer required and has been written back to revenue in 2005-2006.

Workplace Parking Enquiry

This provision is set aside to fund the costs of the Workplace Parking Levy (WPL) Enquiry which is not eligible for either Local Transport Plan or Department for Transport funding. WPL is a fundamental part of the City Council's transportation strategy, with future phases of the NET being dependant on its implementation. If implemented, it could realise up to £90 million over the next 10 years. This was as agreed at Executive Board on 20th July 2004. The provision has not moved in the year as, in order to progress, the Council is still waiting for decisions to be made by the Department for Transport.

37. Financial Reporting Standard 13 (FRS13)–Derivatives and Other Financial Instruments

The requirements of FRS13 apply to Nottingham City Council because it has previously issued stock that is publicly traded on the stock exchange. The objective is to “provide information about the impact of financial instruments on the entity’s risk profile, how the risks from financial instruments might affect the entity’s performance and financial condition and how these risks are managed”.

Debt as at 31st March 2006

Nottingham City Council has long-term borrowing commitments totalling £426m, raised from a combination of Public Works Loans Board loans, market loans, Local Authority issued bonds and a stock issue. All of these loans were at fixed rates of interest for fixed periods and were raised for the purposes of financing capital expenditure. The debt portfolio is managed as part of the overall Treasury Management Strategy, to minimise the revenue costs of the debt, whilst ensuring future stability and predictability, at an acceptable level of risk.

Investments as at 31st March 2006

Nottingham City Council’s cash investments amounted to £120m, of which the majority were held as short-term sterling fixed-rate deposits. There were also two externally managed funds, each amounting to £11m, held as a combination of Certificates of Deposit and Government gilts. The investments represent surplus cash within the balance sheet, mainly in the form of reserves, and the investment income is credited to the revenue account to offset the costs of external debt.

38. Insurance Provision

Nottingham City Council maintains an insurance provision to meet the cost of claims arising from self insured risks and those falling under the external policy excesses. The major costs falling on the fund arise from fire losses, liability claims made against the Council and accidental damage to Council vehicles. In order to limit the Council’s exposure to these risks the external fire and liability policies have been arranged with excesses of £100,000 and £50,000 respectively. To further limit the Council’s exposure stop losses are in place which limit the total value of claims falling within excess that the Council will have to fund; the stop losses for the 2005-2006 policy year were, £3m on the fire policy and £4m on the liability policy. Other costs falling on the fund include self insured risks such as claims arising from damage to and theft of school IT equipment.

At unitary status the fund operated by the County Council was “closed” and the balance is used purely to fund claims arising from pre unitary status. The fund is managed by the County Council. In the event that the closed fund is insufficient to meet claims then the City Council will have to fund a pre agreed proportion of all claim costs arising after the fund is exhausted. At 1st October 2005 Nottinghamshire County Council were predicting a deficit on the closed fund of £1.154m, Nottingham City Council’s share of this deficit would be £0.272m.

The contribution to the insurance provision is calculated as part of the budget process and is met from service areas budget provision.

The insurance provision will be reviewed in 2006-2007.

39. Notes to the Cashflow Statement

39.1 Reconciliation of Net Movement of General Fund and Housing Revenue Account to Revenue Activities Net Cash Inflow

	2004-2005 £000	2005-2006 £000
Movement in Reserve:		
General Fund	(3,905)	(1,267)
Housing Revenue Account	(152)	(2,503)
Collection Fund	(911)	(357)
Adjustment for Non-Cash Transactions	(29,472)	(27,111)
Other net expenditure and adjustments for non-cash items:		
Interest Paid	(24,818)	(25,576)
Interest Received	3,946	6,684
Dividends Received	525	419
Items on an accrual basis:		
Stocks	(947)	(789)
Debtors	15,776	11,245
Creditors	(18,910)	(7,452)
Revenue Activities Net Cash Inflow:	(58,868)	(46,707)

39.2 Movement in Cash

	31-Mar-05 £000	31-Mar-06 £000	Movement £000
Cash in Hand/(Overdrawn)	(166)	(5,270)	5,104

39.3 Movement in Other Current Assets and Liabilities

	31-Mar-05 £000	31-Mar-06 £000	Movement £000
Stock and Work in Progress	2,150	1,361	789
Debtors	74,923	86,350	(11,427)
Creditors	(104,917)	(112,369)	7,452

39.4 Movement in Financing Items

	31-Mar-05 £000	31-Mar-06 £000	Movement £000
Long Term Borrowing	384,613	426,140	41,527
Temporary Borrowing	14,233	8,356	(5,877)
			<u>35,650</u>

39.5 Movement in Liquid Resources

	31-Mar-05 £000	31-Mar-06 £000	Movement £000
Short Term Investments	78,161	119,559	41,398
Long Term Investments	4,829	4,988	159

40. Notes to the Statement of Total Movement in Reserves

40.1 Movement in Revenue Reserves

	General Fund Balances £000	HRA Balances £000	Earmarked Revenue Reserves £000	Pensions Reserve £000
Surplus/(Deficit) for 2005-2006	1,267	2,503		
Appropriations to/from revenue			20,124	
Movements in Pensions Reserve				26,816
	1,267	2,503	20,124	26,816
Balance b/fwd as at 1st April 2005	9,549	1,584	31,979	(344,036)
Balance c/fwd as at 31st March 2006	10,816	4,087	52,103	(317,220)

40.2 Movements in realised capital resources

	Usable Capital Receipts £000	Unapplied capital grants and contributions £000
Amounts receivable	17,692	31,536
Amounts applied to finance new capital investment	(11,496)	(31,280)
Amounts voluntarily set aside to repay debt	(6,198)	0
Total increase/(decrease) in realised capital resources	(2)	256
Balance b/fwd 1st April 2005	29	2,495
Balance c/fwd 31st March 2006	27	2,751

40.3/4 Movement in unrealised value of fixed assets

	Fixed Asset Restatement Account £000
Gains/Losses on revaluation of fixed assets	(51,699)
Capital Expenditure not adding value to fixed assets	(55,766)
Total increase/(decrease) in unrealised capital resources	(107,465)
Value of assets sold, disposed of or decommissioned	
Amounts written off fixed asset balances for disposals	(28,629)
Total movement on reserve	(136,094)
Balance b/fwd 1st April 2005	1,346,690
Balance c/fwd 31st March 2006	1,210,596

40.5 Movements in amounts set aside to finance capital investment

-Other Grants to fund capital	219	9,551	9,770
-Release of Government Grants to Capital Financing Reserve	2,425	(2,425)	0
-Release of Other Grants to Capital Financing Reserve	874	(874)	0
Total capital receipts set aside	23,938	25,078	49,016
<i>Revenue resources set aside</i>			
-Capital Expenditure financed from Revenue	18,986		18,986
-Reconciling amount for provision for loan repayment	(29,601)		(29,601)
Total revenue resources set aside	(10,615)	0	(10,615)
<i>Other Movements</i>			
- Write Off of Deferred Charges	(4,809)		(4,809)
- Net Line 1 - Reversionary and Residual Interest	971		971
Other Movements	(3,838)	0	(3,838)
Total increase/(decrease) in amounts set aside to finance capital investment			34,563
Total movement on reserve	9,485	25,078	
Balance b/fwd 1st April 2005	427,677	82,472	
Balance c/fwd 31st March 2006	437,162	107,550	

40.6 Movements relating to the Actuarial Losses

The actuarial losses identified as movements on the Pensions Reserve in 2005-2006 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31st March 2006.

Local Government Pension Scheme		
	£000	%
Differences between the expected and actual return on assets	(75,167)	12.9
Differences between actuarial assumptions about liabilities and actual experience	20,659	2.4
Changes in the assumptions used to estimate liabilities	72,680	8.1
	18,172	
FRS 17 Current Service Costs	23,709	
Actual Employer Contribution to fund	(22,950)	
Actual Past Service Costs	(56,301)	
Net Interest/Return on Assets	10,554	
	(26,816)	

41. Outstanding Undischarged Obligations arising from Long-Term Contracts

The City 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. The total undischarged sum at 31st March 2006 amounts to £553m, payable over the next 24 years, and funded from PFI grants payable by Central Government. The specific liability in the next five years is:

Year	Total £m
2006-2007	20.3
2007-2008	20.8
2008-2009	21.1
2009-2010	21.6
2010-2011	22.0

42. Date of Issue

The Statement of Accounts was authorised for issue in June 2006, by Tim Render, Acting Director of Corporate Services.

OTHER **FINANCIAL** **STATEMENTS**

HOUSING REVENUE ACCOUNT

The City Council is required by the provisions of the Local Government and Housing Act 1989 to maintain a separate Housing Revenue Account (HRA). The purpose of this account is to report transactions relating to dwellings available to provide accommodation and other properties ancillary to the housing function.

Resource Accounting in the HRA

In 2001-2002 the Government introduced a new financial framework for local authority housing based on resource accounting. The purpose behind resource accounting is to increase the transparency of financial reporting, particularly with regard to the use of resources. The HRA's primary capital resource is its housing stock. Major changes included the introduction of a notional capital asset charge against the value of the Council's housing stock and a depreciation charge to reflect the cost of maintaining its capital value.

The Major Repairs Allowance

The introduction of the new financial framework changed the way in which capital expenditure on housing assets is financed. A Major Repairs Allowance (MRA) has now largely displaced borrowing approvals. The MRA is an element of housing subsidy and represents an annual amount deemed equivalent to the cost of maintaining the housing stock in its current condition. The allowance is calculated using a range of national and regional cost factors applied to the City's stock profile. The calculated allowance is intended to reflect the annual cost to our authority of replacing individual building components as they reach the end of their useful life.

Rent Rebates

On 1st April 2004, rent rebates ceased to be accounted for within the HRA. The administering of rent rebates is now the responsibility of the General Fund. This is in accordance with the Local Government Act 2003. Rebates and associated subsidy receipts are accounted for within the General Fund. These changes are reflected in the statement set out below. In recognition of the fact that responsibility for rent rebates transferring to the General Fund could disadvantage General Fund services, a transitional scheme was introduced which allowed authorities to transfer funds up to individually specified limits, from the HRA to General Fund services. £400,000 was transferred from the HRA to the General Fund in 2004-2005 and £200,000 in 2005-2006, as a result of the transitional scheme.

Arms Length Management Fee

On the 1st April 2005 an Arms Length Management Organisation, Nottingham City Homes, was created to manage the housing stock. In 2005-2006, a £33,976,900 management fee was paid to Nottingham City Homes Limited (NCH Ltd). The management fee has been allocated across the various activities within the HRA, based on the original contractual split and any subsequent agreed amendments to the fee.

Housing Revenue Account

	2004-2005 £000	2005-2006 £000
Income		
Gross Rental Income		
Dwelling Rents	(75,335)	(76,873)
Non Dwelling Rents	(1,812)	(1,290)
Charges for Services and Facilities	(523)	(416)
HRA Subsidy Receivable	(6,666)	(8,479)
Contributions towards expenditure	(475)	(42)
	(84,811)	(87,100)
Expenditure		
Repairs and Maintenance	25,149	25,232
Supervision and Management	25,200	25,474
Rents, rates, taxes and other charges	1,677	1,620
Rents Rebates	400	200
Increased Provision for Bad or Doubtful Debts	1,408	613
Cost of Capital Charge	34,916	44,442
Depreciation of fixed assets	16,793	16,633
Impairment of fixed assets	(450)	0
Debt Management Costs	137	141
	105,230	114,355
Net Cost of Services		
	20,419	27,255
Adjusting transfer from AMRA	(21,758)	(31,655)
DSO Surplus	(500)	0
Amortised premiums and discounts	1,786	2,164
Mortgage Interest	(118)	(83)
	(171)	(2,319)
Appropriations		
Transfer to Major Repairs Reserve	19	(184)
(Surplus)/Deficit for the Year	(152)	(2,503)
Housing Revenue Account Balance		
Surplus brought forward 1st April 2004	(1,432)	(1,584)
(Surplus)/Deficit for the year	(152)	(2,503)
Surplus carried forward 31st March 2005	(1,584)	(4,087)

NOTES TO THE HOUSING REVENUE ACCOUNT

1. Housing Stock

The City Council was responsible for managing the following housing stock:

	31-Mar-05 Number	31-Mar-06 Number
House and Bungalows		
- 1 Bedroom	1,039	1,020
- 2 Bedroom	6,233	6,114
- 3 Bedroom	11,711	11,410
- 4 or more Bedrooms	631	619
Flats		
- 1 Bedroom	7,984	7,582
- 2 Bedrooms	3,456	3,430
- 3 or more Bedrooms	322	329
Total	31,376	30,504

2. HRA Assets

The value of land, houses and other property within the HRA in 2005-2006 was as follows:

	Value at 31 March 2005 £000	Value at 31 March 2006 £000
Operational Assets		
Council Dwellings	1,252,486	1,088,493
Other Land and Buildings		
Land	478	516
Buildings	1,004	1,090
Vehicles, IT and Other Equipment	1,510	2,531
Infrastructure	10,528	14,847
	1,266,006	1,107,477
Non-operational Assets		
Land	2,832	2,827
Buildings	3,797	11,808
	6,629	14,635
Total value of Assets	1,272,635	1,122,112

3. Asset Value of Dwellings

The vacant possession valuation of Council dwellings at 1st April 2006 was £2,205.51m. The Balance Sheet value of dwellings was £1,088.49m. The difference of £1,117.02m 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.

4. The Major Repairs Reserve

The purpose of this reserve is to earmark funding to provide for the long-term maintenance of the housing stock. Movements on the reserve in 2005-2006 were as follows:

	2004-2005 £000	2005-2006 £000
Balance as at 1st April 2005	(4,029)	(3,070)
Credits to the Reserve		
Depreciation on HRA Assets	(16,793)	(16,633)
Appropriation from HRA	(19)	184
	<u>(20,841)</u>	<u>(19,519)</u>
Debits to the Reserve		
Capital Expenditure	17,771	16,999
Total	<u>(3,070)</u>	<u>(2,520)</u>

5. Financing of Capital Expenditure

Capital expenditure of £33,638,393 (£37,063,609 2004-2005) in respect of HRA Assets was financed from a range of sources in 2005-2006. This is set out below:

	2004-2005 £000	2005-2006 £000
Capital Expenditure	<u>37,063</u>	<u>33,638</u>
Financed by:		
Borrowing	6,769	7,113
Capital Receipts	12,304	9,303
Major Repairs Allowance (MRA)	17,771	16,999
Government Grants	174	150
Other Grants and Contributions	45	73
	<u>37,063</u>	<u>33,638</u>

6. Capital Receipts

Capital receipts of £26,647,555 (£34,684,030 2004-2005) arose from the sale of land, houses and other property within the HRA in 2005-2006. Of this total, £23,179,212 (£29,788,350 2004-2005) related to the disposal of houses and flats under the right to buy scheme.

7. Cost of Capital Charge

The cost of capital charge is now an established feature of the Housing Revenue Account. It was introduced in 2001-2002 as part of the new financial framework for the HRA and is a key element of resource accounting. Historically, the HRA has been debited with the actual costs of its borrowing. This cost reflected the real charges associated with financing the accumulated debt within the HRA. Local authorities, however, can have different debt profiles even where their stock levels and operational circumstances may be broadly similar. It is considered that actual financing charges do not adequately reflect the efficiency with which assets are being utilized and this creates difficulty in comparing local authorities' performance.

The cost of capital charge disregards an authority's actual debt financing cost and replaces it with a percentage charge on the value of operational assets within the HRA. This charge takes the form of a rate of return applied to the value of the HRA's operational assets and demonstrates the opportunity cost of employing capital resources. When the new financial framework was introduced, the charge was set at 6%. The rate was reduced to 3.5% in 2003-2004. The specified rate has remained at 3.5% for 2004-2005 and 2005-2006.

Clearly, however, the authority cannot ignore the true costs of servicing debt. The true cost of debt is charged to the Asset Management Revenue Account (AMRA). This account is external to the HRA. In order to ensure, therefore, that the financial position of the HRA remains neutral, an adjustment between the HRA and AMRA is required. This is referred to as the Capital Asset Charges Accounting Adjustment, and it is made below the Net Cost of Services line in the HRA. This is exemplified in the table below.

	2004-2005 £000	2005-2006 £000
Cost of Capital Charge		
Cost of Capital Charge	34,916	44,442
Impairment of Fixed Assets	(450)	0
Representing 3.5% of the value of HRA Operational assets at 1 April	34,466	44,442
Interest Payable on HRA Debt		
Borne within Asset Management Revenue Account (AMRA)	(12,708)	(12,787)
Excess of notional charge over actual	21,758	31,655
Adjusting AMRA credit to HRA	(21,758)	(31,655)

8. Depreciation

Depreciation was charged in respect of HRA operational assets in 2005-2006 as follows:

	2004-2005 £000	2005-2006 £000
Depreciation		
Dwellings	15,961	15,592
Other Operational HRA Assets	832	1,041
	16,793	16,633

9. Housing Subsidy

The Housing Revenue Account records the receipt of £8.478m (£6.666m 2004-2005) in Housing Subsidy in 2005-2006. This is an estimate, the amount claimed being subject to audit. Housing Subsidy comprises a number of components reflecting the main elements of income and expenditure within the HRA. These are broken down as follows:

	2004-2005 £000	2005-2006 £000
Subsidy elements:		
Charges for Capital	17,680	18,040
Admissible Allowance	319	212
Interest on Receipts (minus)	(159)	(102)
Maintenance Allowance	27,439	28,348
Major Repairs Allowance	16,812	16,449
Management Allowance	15,508	17,915
Anti-Social Behaviour Allowance	1	0
Rent (minus)	(70,599)	(72,383)
Rent Rebates	(335)	0
Total Subsidy	6,666	8,479

10. Rent Arrears and Bad Debt Provision

Gross rent arrears (including service charges and overpaid housing benefit) in respect of current and former tenants amounted to £8,038,552 at 31st March 2006 (£10,499,046 at 31st March 2005). A total bad debt provision of £7,037,948 has been established at 31st March 2006 (£8,799,386 at 31st March 2005).

11. Average Rent for HRA Dwellings

Year	Average Rent (£)
2004-2005	45.83
2005-2006	48.07

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

12. HRA set-aside

Under the 1989 Act capital finance system, authorities had to set aside a minimum amount from revenue each year as provision to meet credit liabilities. The Local Government Act 2003 abolished this requirement as of 1st April 2004. Prior to 1st April 2004 an element of the Housing Revenue Account subsidy known as the admissible set aside was received to subsidise the set aside. The subsidy received by some authorities was higher than the set aside, meaning they benefited. Transitional arrangements have been introduced to help authorities manage the loss of subsidy. The transitional arrangements are that 75% of the difference between the set aside and the admissible set aside as at 2003-2004 will be received in subsidy in 2004-2005, known as the admissible allowance. This will reduce to 50% in 2005-2006, 25% in 2006-2007, after which no allowance will be received. In 2003-2004 the HRA set aside was £4,367,000 and the admissible set aside was £4,843,040. In 2004-2005 the HRA set aside was nil and the admissible allowance was £319,000. In 2005-2006 the HRA set aside was nil and the admissible allowance was £212,000.

WORKS DEPARTMENTS' REVENUE AND APPROPRIATION ACCOUNT

For management purposes the City Council's Works Departments operated under the Directors responsible for Neighbourhood Services and Leisure Management.

<u>Works Revenue Account</u>	2004-2005	Income	2005-2006	Net (Surplus)
	Net (Surplus)		Expenditure	or Deficit
	or Deficit	£000	£000	or Deficit
	£000		£000	£000
Neighbourhood Services				
Highways and Sewer Work	(931)	17,995	16,634	(1,361)
Grounds Maintenance	229	13,312	13,730	418
Cleansing Services	(159)	7,622	7,489	(133)
Building Cleaning	(15)	4,025	4,103	78
Education Catering	(211)	6,746	6,488	(258)
				0
Nottingham City Building Works	(645)	0	0	0
Leisure and Community Services				
Leisure Management	121	8,073	8,465	392
Other - Directors Fund	0		48	48
Other - Radio Maintenance	0	2,604	2,540	(64)
Other - Garage Revenue	4	31	25	(6)
Other - Security Service	43	0	0	0
Other - Central Services	0	4,014	3,635	(379)
Other - Street Wardens	(1)	0	0	0
Other - 100 day cleaning	165	121	129	8
Other - Gritting	(154)	253	183	(70)
(Surplus)/Deficit for the Year	(1,554)	64,796	63,469	(1,327)

The City Council's Direct Service Organisations (DSOs) were set up in response to the Compulsory Competitive Tendering (CCT) legislation. Although CCT has been abolished with effect from 2nd January 2000, the existing management arrangements for these organisations has continued on the previous basis, apart from Housing Management which has now transferred to the Housing Revenue Account. DSO accounting arrangements now form part of the Best Value Accounting Code of Practice, which recommends continuing the trading accounts for these organisations but no longer requires the work to be split between defined and non-defined activities. All the functions within Nottingham City Building Works have now moved to Nottingham City Homes.

COLLECTION FUND

This account shows the income received from Council Tax payers, Community Charge payers and Business Rate payers.

		2004-2005	2005-2006
		£000	£000
<u>INCOME</u>			
(Surplus)/Deficit Brought Forward		1,515	604
COUNCIL TAX			
Income from Council Tax	Note 1	(69,405)	(73,602)
TRANSFER FROM GENERAL FUND			
Council Tax Benefit	Note 3	(23,072)	(24,256)
Contribution towards previous years' deficit	Note 2	(663)	(524)
NON DOMESTIC RATE			
Income collectable from business ratepayers	Note 4	(92,783)	(105,570)
RESIDUAL POLL TAX			
Release of excess Bad Debts Provision		(17)	(5)
TOTAL INCOME		<u>(184,425)</u>	<u>(203,353)</u>
<u>EXPENDITURE</u>			
COUNCIL TAX			
Precepts- Police Authority		8,745	9,242
- Fire Authority		4,155	4,254
- City Council General Fund		78,585	82,972
Amounts written off and provision for losses		744	1,667
NON DOMESTIC RATE			
Payment to national pool		89,860	104,909
Cost of collection		512	508
Amounts written off and provision for losses		1,825	(83)
Interest on refunds		586	236
RESIDUAL POLL TAX - Payment to General Fund		17	5
TOTAL EXPENDITURE		<u>185,029</u>	<u>203,710</u>
(SURPLUS)/DEFICIT CARRIED FORWARD		<u>604</u>	<u>357</u>

NOTES TO THE COLLECTION FUND

1. Amounts Collectable from Taxpayers

Source	2004-2005 £000	2005-2006 £000
Gross Income	(116,042)	(123,222)
LESS:		
Exemptions	10,784	11,806
Disabled Relief	95	99
Write Offs	2	0
Discounts	12,684	13,457
INCOME FROM TAXBASE	(92,477)	(97,860)
LESS:		
Council Tax Benefit	23,072	24,258
Council Tax Income from Taxpayers	(69,405)	(73,602)

The income generated from the tax base is primarily dependent on the number of properties and the Council Tax valuation bands into which they fall. The tax base is normally expressed in terms of Band D equivalent dwellings, and at 31st March 2006 equated to 75,283.8 Band D dwellings (74393.7 2004-2005). An analysis of the tax base is shown below and reveals that the vast majority of properties in the City fall into Bands A, B and C. This is based on a snapshot of the number of properties at a particular date and will not tie up exactly to the income from tax base figure below.

Band	Average Number of Properties	Taxable Properties after discounts, exemptions etc.	Conversion Factor to Band D	Band D Equivalents
A	83,009	66,536	6/9	44,339
B	19,749	15,290	7/9	11,892
C	13,563	10,713	8/9	9,522
D	5,899	4,900	9/9	4,900
E	2,202	1,865	11/9	2,279
F	955	857	13/9	1,238
G	681	600	15/9	1,000
H	110	57	18/9	114

The original estimate of the number of Band D equivalents multiplied by the Band D tax for the year gives the amount payable to the Police, Fire and City Council from the Collection Fund:

	2004-2005	2005-2006
Band D Equivalents	72,800	73,343
Band D Tax	£1,256.67	£1,315.30
	£'000	£'000
Amount payable to Police, Fire and the City	91,485	96,468

2. Deficit on Council Tax Element of the Collection Fund

A deficit of £523,700 in 2004-2005 (£663,000 2003-2004) on the Council Tax element of the Collection Fund has been distributed in 2005-2006 as follows:

	2004-2005 £000	2005-2006 £000
City Council	600	450
Police Authority	63	50
Fire Authority	0	24
	663	524

3. General Fund

The General Fund reimburses the Collection Fund in respect of income not collectable due to the granting of Council Tax benefit. The General Fund is then substantially reimbursed from Government grant.

General Fund	2004-2005 £000	2005-2006 £000
Re: Council Tax Benefit	(23,072)	(24,256)

4. National Non-Domestic Rates

The Council collects Non Domestic Rates for its area, which is based on local rateable values multiplied by a uniform rate. The District Valuer and the Government determine these factors respectively.

Non Domestic Rate Transactions	2004-2005 £000	2005-2006 £000
Due based on Rateable Values	(98,375)	(124,370)
<i>Transitional Relief</i>		
Gainers	(584)	(58)
Losers	(342)	11,493
	(99,301)	(112,935)
Less		
Mandatory Relief	6,340	6,043
Discretionary Relief	178	184
Small Business Relief	0	1,097
Hardship Fund	0	41
DUE FROM RATEPAYERS	(92,783)	(105,570)

This income was applied as follows:

Application of Non Domestic Rate Income	2004-2005 £000	2005-2006 £000
Towards City's Costs of Collection	512	508
Amounts written off and provision for losses	1,825	(83)
Interest paid on refunds	586	236
Paid to national pool	89,860	104,909
	92,783	105,570

As shown above, the residual amount of income is paid to a national pool managed by the Government. All local authorities receive a distribution from the pool based on a standard amount per head of resident population and on the services they provide. In 2005-2006 the City received £91,262,508 (£75,425,487 in 2004-2005) and these amounts are shown in the Consolidated Revenue Account.

Relevant statistics are as follows:

Non Domestic Rate Statistics	2004-2005	2005-2006
Average Number of properties rated	10,401	10,398
Rateable value at 31 March	£258,930,704	£325,138,311
Uniform rate per £ rateable value:	45.6p	41.5p
Supplement for properties not in receipt of Small Business Relief	0	0.07p

On 1st April 2005 all properties in England were re-valued. This occurs at five-year intervals. The national uniform rate decreased as a consequence so that the Government's desired level of non-domestic rate income to the national pool could be achieved.

GROUP ACCOUNTS

GROUP ACCOUNTS

1. Introduction

The Accounting Code of Practice requires that where a local authority has material financial interests and a significant level of control over one or more organisations, it should prepare Group Accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities. For 2005-2006, the Code of Practice requirements for inclusion in and the preparation of the Group Accounts have been amended.

2. Inclusion within the Group Accounts

The Council maintains relationships with a number of organisations over which it has varying degrees of control or influence. For 2005-2006 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.

3. Accounting policies used in preparing the Group Financial Statements

The financial statements produced by individual group entities have been re-aligned 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 authority's primary financial statements only in the following respects:

- a 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.
- b Any trust funds which the Council controls and which generate economic benefits or deliver goods or services in accordance with the authority'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.

Group Income and Expenditure Account

	2004-2005			2005-2006
	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Net Cost of General Fund Services	330,410	683,320	(386,795)	296,525
Housing Revenue Account	(152)	0	(2,504)	(2,504)
(Profit)/Loss on Disposal of Fixed Assets	(6,776)	1,553		1,553
Exceptional Items	475	23		23
Share of operating profit in joint venture	(407)		(429)	(429)
Net Cost of Services	323,550	684,896	(389,728)	295,168
Asset Management Revenue Account	14,681			16,985
Contribution to/(from) DSO	(1,554)			(1,327)
Contribution to/(from) Trading Undertakings	(11,394)			(10,691)
Interest/Investment Income	(3,480)			(5,797)
Losses on Repurchase of Borrowing	134			326
Pensions interest costs and expected return on pensions assets	11,167			10,555
Net Operating Expenditure/(Income)	333,104			305,219
Transfer to/(from) Housing Revenue Account	152			2,504
Pensions FRS17 Adjustment	(14,881)			45,747
Provision for Repayment of Debt	(13,119)			(12,156)
Deferred Charges	(4,919)			(4,809)
NET Residual Interest	827			971
Transfer to/(from) Earmarked Reserves	18,262			15,169
Transfer to/(from) Collection Fund	583			445
Transfer to Schools LMS Reserve	1,865			2,692
Tax on Profit on Ordinary Activities	(261)			(360)
Appropriation from Fixed Asset Restatement Account	(6,227)			(9,987)
Appropriation to Usable Capital Receipts	13,003			8,434
Amount to be met from Government Grant and Local Taxpayers	328,389			353,869
Revenue Support Grant	(177,544)			(178,038)
Non-Domestic Rate Income	(75,425)			(91,263)
Council Tax Income	(78,585)			(82,971)
(Surplus)/Deficit for the Year	(3,165)			1,597

Group Balance Sheet

	31st March 2005		31st March 2006	
	£000	£000	£000	£000
Fixed Assets		2,280,989		2,203,987
Long Term Investments		6,358		10,136
Long Term Debtors		35,167		33,752
Total Long Term Assets		2,322,514		2,247,875
Current Assets				
Stocks and Work in Progress	2,749		3,828	
Debtors	73,772		69,504	
Investments	84,737		126,884	
Cash in hand	2,184		8,814	
	163,442		209,030	
Current Liabilities				
Temporary Borrowing	(14,233)		(8,356)	
Creditors: amounts falling due within one year	(114,850)		(121,945)	
	(129,083)		(130,301)	
Net Current Liabilities		34,359		78,729
Total Assets less Current Liabilities		2,356,873		2,326,604
Long Term Borrowing	(384,613)		(426,140)	
Creditors: amounts falling due after more than one year	(19,636)		(19,250)	
Provisions	(18,794)		(24,070)	
Deferred Liability	0		(912)	
Pensions Liability	(344,036)	(767,079)	(322,470)	(792,842)
Net Assets		1,589,794		1,533,762
Capital and Reserves				
Called up Share Capital	2,738		3,337	
Share Premium Account	599		6,784	
Fixed Asset Restatement Reserve	1,346,690		1,210,596	
Capital Financing Reserve	429,476		440,367	
Pensions Reserve	(344,036)		(322,139)	
Government Grants Deferred Account	82,472		107,550	
Housing Revenue Account	1,585		4,087	
Housing Revenue Account-Major Repairs Reserve	3,070		2,520	
Earmarked Reserves	34,661		55,051	
Unearmarked Reserves	9,549		11,705	
Profit & Loss Account	22,990		13,904	
		1,589,794		1,533,762

Group Cashflow Statement

	2004-2005	2005-2006
	£000	£000
Net Cash Inflow from Revenue Activities	62,966	62,762
Dividends from Joint Ventures and Associates	1,071	846
Returns on Investments and Servicing of Finance	(22,434)	(19,056)
Taxation	(105)	268
Capital expenditure and financial investment	(26,006)	(27,277)
Equity Dividend Paid	(525)	(604)
Net Cash Inflows before Financing	14,967	16,939
Management of Liquid Resources	(33,992)	(42,663)
Financing	16,352	31,725
Opening Cash balance	0	66
Net Increase/(Decrease) in Cash	(2,673)	6,067

Group Statement of Total Movement in Reserves 2005-2006

	Fixed Asset Restatement Account £000	Capital Financing Account £000	Pensions Reserve £000	Government Grants Deferred Account £000	HRA Balance £000	Major Repairs Reserve £000	General Fund £000	Earmarked Reserves £000	Group Profit and Loss £000	Called up Share Capital £000
Balance B/Fwd 1st April 2005	1,346,690	429,476	(344,036)	82,472	1,585	3,070	9,549	34,661	22,990	2,738
Net Surplus/(Deficit) for the year			21,897		2,502		2,156	20,137	(9,086)	599
Increase/(decrease) in realised capital resources								253		
Increase/(decrease) in unrealised value of fixed assets	(102,991)									
Value of assets sold disposed of or decommissioned	(33,103)									
Increase/(decrease) in amounts set aside to finance capital investment		10,891		25,078		(550)				
Balance C/Fwd 31st March 2006	1,210,596	440,367	(322,139)	107,550	4,087	2,520	11,705	55,051	13,904	3,337

NOTES TO GROUP ACCOUNTS

1 Details of Subsidiary and Associated Entities included in the Group Accounts

a Subsidiary Entities

Nottingham City Transport Limited (Registered Number: 2004967)

This Company is controlled by the City Council and commenced trading on 26 October 1986. The company's main activities are the operation of buses primarily in Nottinghamshire.

The Company has the following shares in issue

- 4,532,000 "A" Ordinary shares at £1 each, which are owned by the City 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.

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

EnviroEnergy Limited (Registered Number: 4131345)

EnviroEnergy Ltd is wholly owned by the City Council who acquired the business and associated assets of the company on 28 June 2001.

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.

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

Nottingham Ice Centre (Registered Number: 3563341)

Nottingham Ice Centre is controlled by the City Council who own 100% of the issued ordinary share capital.

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

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

Bridge Estate, Harvey Hadden and Highfields Trust

See Trust Funds section for further information on the above.

Nottingham City Homes Limited (Registered Number: 05292636)

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

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

2. Group Income and Expenditure Account

The following adjustments have been made to the Consolidated Revenue Account in order to prepare the group income and expenditure account.

	(Profit)/Loss on Disposal of Assets £000	Govn Grants Deferred £000	Less Notional Interest Charges £000	Total 2005-2006 £000
Income		(3,299)		(3,299)
Expenditure			(27,972)	(27,972)
(Profit)/Loss on Disposal of Fixed Assets	1,553			1,553
Asset Management Revenue Account		3,299	29,222	32,521
Contribution to/(from) Trading Undertakings			(1,250)	(1,250)
Appropriation from Fixed Asset Restatement Account	(9,987)			(9,987)
Appropriation to Usable Capital Receipts	8,434			8,434
	0	0	0	0

3. Reconciliation of Net Surplus on Group Income and Expenditure Account to Net Cash Inflows before financing

	Total £'000
Net Movement in:	
General Fund	(1,267)
Nottingham Ice Centre	(6)
Nottingham City Transport	(492)
Enviroenergy	763
Nottingham City Homes	2,599
Adjustment for Non-Cash Transactions	(37,883)
Items classified elsewhere in the Cashflow Statement	
Adjust for Returns on Investment and Servicing of Finance	(18,564)
Cash Movements	
(Increase)/Decrease in Stocks	1,098
(Increase)/Decrease in Debtors	5,667
Increase/(Decrease) in Creditors	(14,677)
REVENUE ACTIVITIES NET CASH INFLOW	(62,762)

The Group's cash flow has not been impacted by any relevant, material acquisitions within the financial year 2005-2006.

TRUST FUNDS

The following Trust Fund Accounts fall outside the City Council's Consolidated Balance Sheet.

BRIDGE ESTATE

Historical Background

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.

In 1882 the Corporation obtained powers to apply the income from the Estate, firstly to the maintenance and repair of Trent Bridge, secondly to accumulate a fund for building new bridges over the River Trent, and thirdly any residue to the improvement of the Borough and the public benefit of its inhabitants.

Accounting Principles

The principles used to prepare Bridge Estate's accounts are the same as for the City Council's accounts, except that no charges to revenue are made for the use of capital assets. Additionally, the valuation of fixed assets is based on historical cost, as modified by the revaluation of Land and Buildings.

Bridge Estate Revenue Account	2004-2005 £000	2005-2006 £000
Rents Received	(1,709)	(1,634)
Interest on Investments	(87)	(156)
Other Income	(70)	(67)
	<u>(1,866)</u>	<u>(1,857)</u>
Less Running Expenses	304	301
(Surplus) Transferred to Consolidated Revenue Account	<u>(1,562)</u>	<u>(1,556)</u>

Bridge Estate Balance Sheet	31-Mar-05 £000	31-Mar-06 £000
Fixed Assets	21,166	21,730
Current Assets	868	788
Current Liabilities	(336)	(393)
TOTAL NET ASSETS	<u>21,698</u>	<u>22,125</u>
Represented by:		
Investment Property Fund	19,741	18,750
Capital Receipts		
Usable	1,450	2,799
Deferred	349	406
Renewal and Repairs Fund	158	170
	<u>21,698</u>	<u>22,125</u>
Market value of investments	1,426	2,980

HIGHFIELDS LEISURE PARK TRUST

The Highfields Trust was created by indenture in 1920 as a gift from Sir Jesse Boot, founder of Boots the Chemist. One of the primary aims was to provide a public park and recreation ground for the benefit of the inhabitants of the City of Nottingham and the surrounding neighbourhood. The City Council is the sole trustee.

Highfields Trust Revenue Account	2004-2005	2005-2006
	£000	£000
Income		
Fees & Charges	(25)	(24)
Rents	(20)	(20)
Concessions	(22)	(22)
Other Miscellaneous Income	(6)	0
Interest on Capital Receipts	(41)	(41)
	<u>(114)</u>	<u>(107)</u>
Expenditure		
Premises Costs	242	255
Supplies & Services	4	(1)
Bad Debt Provision	0	0
	<u>246</u>	<u>254</u>
Net (Income)/Expenditure	<u>132</u>	<u>147</u>

Highfields Trust Balance Sheet	31-Mar-05	31-Mar-06
	£000	£000
Fixed Assets	0	0
Investments	889	889
Current Assets	17	18
Current Liabilities	<u>(17)</u>	<u>(18)</u>
Total Net Assets	<u>889</u>	<u>889</u>
Represented by:		
Capital Receipt	<u>889</u>	<u>889</u>

NOTTINGHAM DERBY ROAD BRITISH SCHOOL EXHIBITION FUND

The 'Derby Road Trust' exists for the purpose of financial assistance to children and young people who are residents of the City of Nottingham and under the age of 21, for promoting their education including social and physical training.

Nottingham Derby Road British School Exhibition Fund		
	£	£
Assets @ 1st April 2005		76,226
Assets - 2.5% Treasury Stock		1,442
Total Assets @ 1st April 2006		77,668
Income	26,989	
Expenditure	(11,852)	15,137
		92,805

EDUCATION TRUST FUNDS

The following Educational Trust Funds were transferred from Nottinghamshire County Council. They are currently administered by the Education Department (Student Awards Section).

Trust	Date Set-Up	Total Cash & Investments @	Income	Total Cash & Investments @
		31.03.05		31.03.06
		£		£
A R Chamberlain	1932	5,684	165	5,849
Agnes Mellers & Parker Exhibition	1939	2,480	111	2,591
All Saints Scholarship Fund	1863	4,685	132	4,817
Amy Stockwin Music Scholarship	1932	1,693	44	1,737
Haywood Scholarship	1929	30,790	1,262	32,052
Helen Monica Hayton	1948	7,777	265	8,042
Lenton Exhibition		3,307	96	3,403
Others		4,340	153	4,493
Vincent Curzon Buckingham	1948	2,642	119	2,761
		63,398	2,347	65,745

HARVEY HADDEN STADIUM TRUST

The Harvey Hadden Stadium Trust was created under a court order & scheme in 1955. The stadium was erected using the bequest of Harvey Hadden. Nottingham City Council maintains the stadium built with these funds 'under the name of Harvey Hadden Stadium in good order & condition in perpetuity for the purposes of public recreation'. The City Council is the sole trustee.

Harvey Hadden Revenue Account	2004-2005 £000	2005-2006 £000
Income		
Fees & Charges	0	0
Rents	(5)	(14)
	<u>(5)</u>	<u>(14)</u>
Expenditure		
Premises Costs	211	213
Supplies and Services	1	0
	<u>212</u>	<u>213</u>
Net (Income)/Expenditure	<u>207</u>	<u>199</u>

Harvey Hadden Balance Sheet	31-Mar-05 £000	31-Mar-06 £000
Fixed Assets	0	0
Investments	0	0
Current Assets (Cash)	64	62
Current Liabilities	(64)	(62)
Total Net Assets	<u>0</u>	<u>0</u>
Represented by:		
Capital Receipt	<u>0</u>	<u>0</u>

GLOSSARY OF **FINANCIAL TERMS**

Items in ***bold italics*** are described further within the glossary.

Accounting Period

The period of time covered by an authority's accounts. Normally twelve months, beginning on 1 April. Also known as the Financial Year.

Accrual

A sum included in the final accounts attributable to that ***accounting period*** but for which an actual payment is yet to be made or income received. Accruals are made for ***revenue*** and ***capital expenditure*** and income.

Agency Services

Services provided by a public authority where the costs of that provision are reimbursed by another public authority.

Asset

An item 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 where current assets can be readily converted into cash.

Asset Register

A list of all fixed ***assets*** such as land, houses, other buildings, parks, vehicles and computers.

Audit Commission

The body responsible for appointing ***external auditors*** to local authorities and for setting the standards that those auditors are required to follow. The Commission will also carry out studies designed to promote the effective and efficient provision of local authority services.

Budget Profiling

Annual revenue budgets are broken down into shorter periods, usually months, in order that comparisons may be made between the proportion of the budget expected to be spent by a given time and the amount actually spent.

Business Rates - see Non-Domestic Rates

Capital Charges

A charge to service revenue accounts to reflect the cost of fixed assets used in the provision of services.

Capital Expenditure

Expenditure incurred in the relation to fixed **assets**. Expenditure may be classified as capital where it enhances the related property, where enhancement is defined as an action which either:

- lengthens the asset's useful life, or
- Increases the asset's open market value, or
- Increases the extent to which the asset may be used for the purposes of the local authority.

Capital Receipt

The proceeds from the disposal of land or other assets. Proportions of capital receipts can be used to finance new **capital expenditure**, within rules laid down by the Government, but they cannot be used to support **revenue expenditure**. The remaining proportions must be set aside to repay loans.

Collection Fund

A separate fund recording the expenditure and income relating to **Council Tax, Non-Domestic Rates** and residual community charges.

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.

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 Liability

A cost for which an accrual is included within the final accounts where it is probable that a future event will confirm a material cost which can be estimated with reasonable accuracy.

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 their homes.

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.

Credit Arrangement

A lease or other contractual arrangement, which allows a local authority to spread the cost of the acquisition of a fixed **asset** over a number of years, other than by simply borrowing the required funds. See **Finance Lease** and **Operating Lease**.

Creditor

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.

Debtor

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.

Depreciation

The theoretical loss in value of an asset due to age, wear and tear, deterioration or obsolescence.

Exceptional Items

Material items that 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.

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 that derive from events or transactions that fall outside the ordinary activities of the authority.

Finance Lease

A lease, which transfers substantially all of the risks and rewards of ownership of a fixed **asset** to the lessee. Finance leases result in a charge against the local authority's capital resources.

General Fund

The common name for the account, which accumulates balances for all services except Housing Revenue.

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.

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.

Liability

An amount owed by an authority that will be paid at some time in the future.

Minimum Revenue Provision (MRP)

The statutory minimum amount that authorities must set aside each year as provision for debt repayment. In general 4% of Capital Financing Requirement for General Fund Debt.

Net Revenue Expenditure

This represents the authority's budget requirement and use of *reserves*.

Non-Domestic Rates

These rates are 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.

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*.

Objective Analysis of Expenditure

A way of categorising expenditure depending on the function or service for which each item of expenditure has been incurred. Categories would include Education, Social Services, Housing and Leisure. See *Subjective Analysis of Expenditure*.

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*.

Precept

The amount of **Council Tax** income County Councils, Police authorities, Parish Councils and Fire authorities (precepting authorities) need to provide their services. The amounts for all local authorities providing services in an area appear on one Council Tax bill, issued by a billing authority.

Provision

An amount set aside to cover a **liability** that is likely to occur, but where the amounts or dates on which the cost will arise are uncertain.

Public Works Loans Board (PWLB)

A Central Government agency which provides loans, for terms one year and above, to local authorities. The interest rates applied are only slightly higher than those at which the Government can borrow.

Reserves

This is the accumulated surplus income (in excess of expenditure), which can be used to finance future spending.

Resource Accounting and Budgeting

The use of **accruals** accounting techniques for reporting on expenditure and a framework for relating expenditure to departmental aims and objectives.

Revenue Contributions to Capital Outlay (RCCO)

The use of revenue resources to finance **capital expenditure**. Also referred to as Direct Revenue Financing (DRF) and Capital Expenditure financed from the Revenue Account (CERA).

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 Support Grant

A Government grant designed to make up the shortfall between a local authority's Standard Spending Assessment and the amount it would receive from Council Tax at Standard Spending and redistributed **business rates**.

Section 137 Expenditure

Under Section 137 of the Local Government and Housing Act 1972, local authorities are allowed to spend a limited amount to undertake functions that they are not otherwise empowered to undertake.

Special Transitional Grant (STG)

This grant funds each year's new caseload on social services arising as a result of the move towards providing more care in the community.

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.

Subjective Analysis of Expenditure

A way of categorising expenditure depending on the item or service actually purchased. Categories would include Printing and Stationery, Salaries and Transport. See ***Objective Analysis of Expenditure***.

Temporary Loans

Money borrowed for a period of less than one year.

Trust Funds

Funds administered by a local authority for purposes such as prizes, charities, and specific projects and on behalf of minors.