

NOTTINGHAMSHIRE COUNTY COUNCIL

STATEMENT OF ACCOUNTS 2005/06

CONTENTS	PAGE
 County Council Accounts	
Explanatory Foreword	2
Independent Auditor's Report – Financial Statements	5
Independent Auditor's Report – Use of Resources	6
Statement of Responsibilities	7
Statement of Approval by Chairman	8
Statement of Internal Control	9
Statement of Accounting Policies	13
Consolidated Revenue Account	17
Consolidated Balance Sheet	18
Cash Flow Statement	19
Summary Revenue Accounts of Trading Undertakings	22
Statement of Movement on Reserves	23
Notes to the Accounts	24
 Pension Funds Accounts	
Nottinghamshire County Council Pension Fund	
Fund Account	41
Net Assets Statement	42
Notes to the Accounts	43
 Admission Agreement etc. Pension Fund	
Fund Account	48
Net Assets Statement	49
Notes to the Accounts	50
 Glossary of Terms	 55

EXPLANATORY FOREWORD

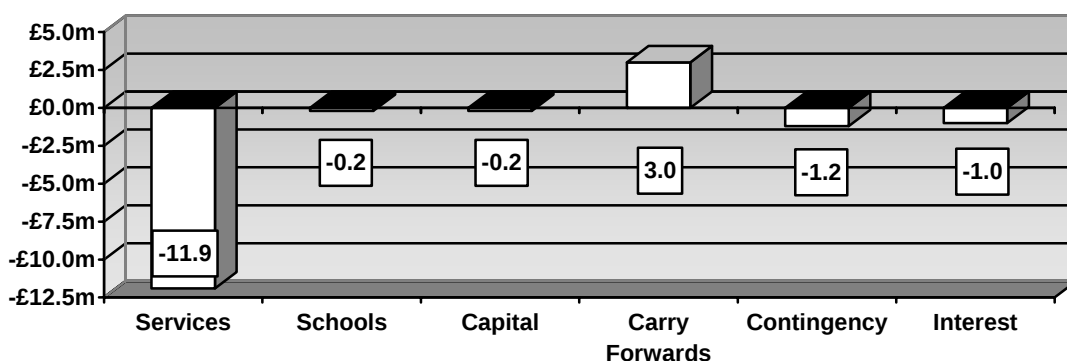
1. The County Council's Statement of Accounts for the year 2005/2006 is set out on the following pages. It is prepared in accordance with the appropriate code of practice on local authority accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
2. This foreword gives a brief summary of the Council's overall financial results for 2005/2006. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

Revenue Expenditure

3. The final accounts show that net expenditure was £11.5 million less than assessed in the original budget:

	Adjusted Original Budget £m	Actual £m	Variance from Budget £m
EXPENDITURE			
Net Expenditure Budgeted/Actual	723.6	712.1	(11.5)
INCOME			
Income raised from taxation:			
National Non-Domestic Rates	229.9	229.9	0.0
Business Growth Incentive	0.0	1.0	1.0
Revenue Support Grant	251.7	251.7	0.0
Council Tax	257.2	257.2	0.0
	<u>738.8</u>	<u>739.8</u>	<u>1.0</u>
Contribution (to)/from reserves and balances	<u>(15.2)</u>	<u>(27.7)</u>	<u>(12.5)</u>
	<u>723.6</u>	<u>712.1</u>	<u>(11.5)</u>

4. The main variations to net expenditure were:



Areas where net expenditure was reduced:

	£m	£m
Net underspendings by Services	(11.9)	
Net contribution to statutory reserves by Schools	(0.2)	
Contributions to Capital Expenditure	(0.2)	
Use of balances for contingency items	(1.2)	
Interest on borrowings	(1.0)	(14.5)

Areas where net expenditure was increased:

Additional budget carry forwards from previous years	3.0	3.0
--	-----	-----

Overall decrease in net expenditure compared to budget

(11.5)

5. In 2005/06 the Government introduced the Local Authority Business Growth Incentive scheme (LABGI). Under this scheme the Authority receives additional grant where the increase in business rates exceeds a target set by Government. The Authority was not aware of the level of grant that would be received until February 2006 and so these accounts show additional income for the year of £1 million related to LABGI.
6. The following table shows the position on the various balances and available reserves held by the County Council and usable for revenue purposes.

	1.4.05	Movement	31.3.06
	£m	during year	£m
		£m	
County Fund Balances	7.3	5.2	12.5
Reserves:			
Capital Expenditure	1.6	0.2	1.8
Charging Policy	1.0	(1.0)	0.0
Earmarked for Budget Carry Forwards	4.3	5.9	10.2
Earmarked for Services	5.5	1.7	7.2
East Leake PFI	1.6	0.2	1.8
Leasing Alternatives	0.1	0.3	0.4
Pay Review Reserve	13.5	4.6	18.1
Trading Organisations	1.6	(0.4)	1.2
Tram PFI	1.8	0.5	2.3
Bassetlaw PFI	0.0	6.0	6.0
Landfill Allowances	0.0	1.3	1.3
Schools Statutory reserve	<u>22.8</u>	<u>0.9</u>	<u>23.7</u>
	<u>61.1</u>	<u>25.4</u>	<u>86.5</u>

7. The gross revenue cost of County Council services was £1,035.5 million in 2005/06. The analysis by type of expenditure is:

	Amount	Proportion
	£m	%
Employees:		
Teachers and Lecturers	276.1	26.7
Other Employees	<u>284.6</u>	27.5
	560.7	54.2
Other Running Costs	402.9	38.9
Capital Charges to service revenue accounts	<u>71.9</u>	<u>6.9</u>
	<u>1,035.5</u>	<u>100.0</u>

8. The County Council has embarked upon an ambitious drive to reduce its support service costs by £21 million per annum over the next 2 financial years. This is to fund additional expenditure on essential services, particularly vulnerable children and adults.
9. This year, in spite of a very good return on investments, changes to the assumptions used in calculating FRS17 liabilities have resulted in an increase in the assessment of the long-term pension liabilities (see note 13 to the Accounts). The annual contribution required from the County Council gives the current impact of future liabilities and shows a moderate increase (see note 12 to the Accounts).
10. From 1 April 2005 Magistrates Courts have been administered by the Department for Constitutional Affairs. The impact upon the County Council's balance sheet is set out in note 4 to the Accounts.
11. The County Council continues to provide services and support to the Coroner's Service which is now a separate entity from the Authority. The revenue effect is shown under Contributions to Other Bodies within the Consolidated Revenue Account (CRA).

12. The methods of financing the gross revenue cost of services are shown in the following table:

	Amount £m	Proportion %
Specific Revenue Grants paid to County Council	179.7	17.4
Fees and Charges etc.	120.5	11.6
	<u>300.2</u>	<u>29.0</u>
Council Tax, National Non-Domestic Rate & Revenue Support Grant and LABGI	739.8	71.4
Interest and Investment Income	1.0	0.1
Other Items	(5.5)	(0.5)
	<u>1,035.5</u>	<u>100.0</u>

13. From this financial year the Pension Fund Accounts include dividends on an accruals basis rather than when they are received. This brings forward about £6 million of income from 2006/07 to 2005/06. This has a one-off effect on income. The year-on-year impact between 2004/05 and 2005/06 is insignificant.

Capital Expenditure and Financing

14. The County Council's capital expenditure in 2005/06 was £99.6 million excluding amounts counted as capital expenditure for control purposes. The external capital financing costs amounted to £15.1 million.
15. At 31 March 2006, the insured value of the County Council's buildings was £1,407 million. This sum excludes the considerable investment in roads and other infrastructure works that has taken place over the years. In addition the Council owns approximately 5,500 hectares of land. The book value of net fixed assets was £1,303 million.
16. The Council's long term borrowings, used to finance the past acquisitions of assets were £232.6 million at 31 March 2006, of which £3.6 million was due for repayment within one year. The County Council now makes use of financial instruments called Lender Option Borrower Option (LOBO) which offer attractive borrowing rates of interest as well as greater flexibility. At 31 March 2006 the amount owed was £70.0 million.
17. The Authority has entered into Private Finance Initiative (PFI) partnerships. The major schemes are as follows:
- The provision of a tram service by Arrow Consortium. The County and City Councils are 20% and 80% partners in the contract. The Tram became operational on 9th March 2004.
 - The provision of schools at East Leake. Service commenced during 2003/04.
 - The provision of schools and leisure facilities in Bassetlaw. The contract was signed during 2005/06.
 - Waste recycling and energy recovery facilities. The contract is expected to be signed in the first quarter of 2006/07.

Further details of all PFI contracts are set out in note 32 to the accounts.

18. During the financial year Nottingham Trent University repaid the Long Term Advance made to them when they became separate from the County Council in 1989. The amount outstanding at 1 April 2005 was £8.3 million. See note 22 to the Accounts.

INDEPENDENT AUDITOR'S REPORT TO NOTTINGHAMSHIRE COUNTY COUNCIL

Opinion on the financial statements

I have audited the financial statements and both pension fund accounts of Nottinghamshire County Council for the year ended 31 March 2006 under the Audit Commission Act 1998. The financial statements comprise the Consolidated Revenue Account, the Consolidated Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement and the related notes. Both pension fund accounts comprise the Fund Account, the Net Assets Statement, and the related notes. The financial statements and pension fund accounts have been prepared under the accounting policies set out within them.

This report is made solely to Nottinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Director of Resources and Auditors

The Director of Resources responsibilities for preparing the financial statements, including the pension fund accounts, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005 are set out in the Statement of Responsibilities. My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements and the pension fund accounts present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of both pension funds during the year and the amount and disposition of the funds' assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended; and
- Both pension fund accounts present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2005, the financial transactions of the Pension Funds during the year ended 31 March 2006, and the amount and disposition of the fund's assets and liabilities as at 31 March 2006, other than liabilities to pay pensions and other benefits after the end of the scheme year.

David Brumhead

28 September 2006

Littlemoor House
Littlemoor
Eckington
Sheffield S21 4EF

INDEPENDENT AUDITOR'S REPORT TO NOTTINGHAMSHIRE COUNTY COUNCIL

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

Authority's Responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

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

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

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Nottinghamshire County Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006

Best Value Performance Plan

I issued my statutory report on the audit of the authority's best value performance plan for the financial year 2005/06 on 29 November 2005. I did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

David Brumhead 28 September 2006

Littlemoor House
Littlemoor
Eckington
Sheffield S21 4EF

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. The Director of Resources is the responsible officer.
- * to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- * to prepare and publish a Statement of Accounts in accordance with the Accounts and Audit Regulations 2003, as amended ("the Regulations") .

The Director of Resources' Responsibilities

The Director of Resources is responsible for the preparation of the Authority's statement of accounts, in accordance with the appropriate CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code").

In preparing this statement of accounts, the Director of Resources has:

- * selected suitable accounting policies and then applied them consistently;
- * made judgements and estimates that were reasonable and prudent;
- * complied with the Code and the Regulations.

The Director of Resources has also:

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

I certify that the accounts present fairly the financial position at the accounting date and its income and expenditure for the year ended on that date.

A Deakin, CPFA
Director of Resources
16 June 2006

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by a meeting of the County Council on 29 June 2006. The Director of Resources is satisfied with the position set out in the Statement of Accounts. As Vice-Chairman of Nottinghamshire County Council I am satisfied that the approval process for the Statement of Accounts has now been completed satisfactorily and that the Statement of Accounts may now be issued.

Councillor John Allin
Vice-Chairman of the County Council
29 June 2006

STATEMENT OF INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

Nottinghamshire County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the County Council is responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the County's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place at Nottinghamshire County Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts and, except for the details of significant internal control issues at section 5, accords with proper practice.

3. THE INTERNAL CONTROL ENVIRONMENT

The Authority's internal control environment comprises the many systems, policies, procedures and operations in place to:-

- establish and monitor the achievement of the Authority's objectives

The Council's objectives are contained in the Strategic Plan, Community Strategy, Annual Plan and other specific Strategies and Plans. Progress against these objectives is monitored by the Authority on a six monthly basis via the six-month Progress Report and the Annual Performance Plan. In addition, all departments have business plans which link to the Strategic Plan and which are monitored on a regular basis. The Scrutiny function is well established and has an agreed programme of scrutiny reviews.

- facilitate policy and decision making

The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. Responsibility for decision making, the role of full Council, the Executive, Committees, Select Committees and the process for determining the Authority's Key Decisions are defined in the Constitution. Delegations are detailed so that the functions of full Council, Cabinet, Cabinet Members, Committees and Officers are specified.

- ensure compliance with established policies, procedures, laws and regulations

The Authority has in place Budget and Policy Framework Procedure Rules which set out how budget and policy decisions are made. Key roles are performed by statutory officers, including the Authority's Monitoring Officer and Section 151 Officer. A regular programme of work is carried out by Internal Audit reviewing compliance with established procedures. In addition, Scrutiny Committees, External Audit and External Inspection Agencies contribute to the review of the Authority's compliance with its policies, procedures, laws and regulations. A Risk Management Strategy is in place and key risks have been identified in a corporate Risk Register.

- ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the Authority's functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty.

The Council's budget process establishes the resources required to deliver its services and objectives which involves a review of the overall use of resources. The Authority has completed a value for money review and is currently about to restructure and in some cases reduce service levels to cut expenditure. A Procurement Strategy is in place designed to ensure the Authority uses its resources efficiently and effectively. Internal Audit's annual plan of work includes reviewing the use of resources and public surveys/reference groups are used to gauge the public's perception of services provided.

- provide appropriate financial management of the Authority and reporting of financial management

The Authority sets a balanced budget with revenue and capital budgets integrated and presented as such to Members. A risk assessment of material items of income and expenditure is carried out and reported to members as part of the budget setting process. Appropriate limits have been approved in line with the Prudential Code for Capital Accounting. Budgets are monitored regularly and members receive financial information which is relevant, understandable and consistent with underlying financial records. Financial reserves are kept under review and the Authority maintains an adequate internal audit function. Financial procedures are identified in approved Financial Regulations which include an anti-fraud and anti-corruption policy. An Audit Committee is in place which meets regularly and receives relevant reports on audit issues.

A Treasury Management policy has been adopted and approved by Council. The Authority prepares its accounts in accordance with professional guidance and complies with the statutory timetable for publication.

- ensure adequate performance management of the Authority and the reporting of performance management

A Performance Management Framework is in place which includes regular review by the Corporate Performance Group (an internal working group) that meets regularly to assess the Authority's progress against its targets. Benchmarking is a regular feature of performance reporting and the Comprehensive Performance Assessment, carried out by the External Auditor, reviews the operation of the Authority's Performance Management Framework.

4. REVIEW OF EFFECTIVENESS

The County Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the Authority's Assurance Framework which includes the work of the Internal Audit Section and the executive managers within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the External Auditors and other review agencies and inspectorates in their Annual Audit Letter and other reports.

Throughout 2005/6 the Authority has maintained and reviewed its system of internal control in a number of ways. In particular:-

- (a) the County Council has reviewed the Authority's senior management structure. In addition it has received or agreed the:-
 - Annual Performance Plan 2005/6
 - Statement of Accounts 2004/5
 - Authority's Six Month Performance Report
 - Treasury Management Policy and Strategy Statement
 - Annual Audit Letter 2004/5
 - Community Strategy
 - Public Engagement Policy
 - High Level Information Security Policy

- (b) Cabinet have considered and approved a number of reports in its role as the Executive including:-
- Scrutiny Committee Reports
 - Best Value Service Reviews
 - Revenue Budget Monitoring
 - Annual Performance Plan 2005/6
 - Budget Proposals 2006/7
 - Annual Audit Letter 2004/5
 - Comprehensive Performance Assessment Result
 - PFI Waste Contract
 - Risk Management and Resilience
 - Medium Term Financial Strategy
 - Local Area Agreement
 - Public Service Agreement Performance Target
- (c) The Audit Committee has received both Internal Audit and External Audit Plans and Reports over the course of 2005/6 as well as considering weaknesses revealed in the internal control system highlighted in Internal Audit reports. The Committee is aware of the CIPFA guidance on Audit Committees in Local Government and has revised its Terms of Reference accordingly. It has also received this Statement on Internal Control for 2005/6.
- (d) The Overview Scrutiny Committee and other Select Committees have carried out a programme of reviews during 2005/6, including Strategic Property, Promotion of Independence and Short Breaks Provision and reported the results of these to Cabinet.
- (e) The County's Standards Committee over a number of years has implemented a Members' Code of Conduct, a maladministration policy and played an active role in the review of the Constitution. It has received reports on the Authority's complaints procedure and established a Sub Committee to investigate issues related to the Members' Code of Conduct.
- (f) Internal Audit has undertaken planned reviews of internal control procedures across all departments and across a range of functions in the Authority. Each review contains an opinion on the internal controls in place and any unsatisfactory audit opinions are followed up and if necessary reported to the Audit Committee. Internal Audit's overall opinion on the Authority's system of internal control, based on the sample of audits completed, is that it is adequate.
- (g) The Annual Audit Letter 2004/5 made positive comments on the internal controls in place. The Letter contained some recommendations and an action plan has been produced to ensure that these are implemented.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Audit Committee.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The Authority faces another challenging year in 2006/7 and the following represent the key issues in relation to internal control:-

(a) HR Strategy

The County's Personnel Committee has recently received an update on the progress made with the implementation of the Human Resources Strategy. Further development work needs to be done and the Personnel Committee has endorsed the future proposed actions. Progress against these actions will be monitored during 2006/7.

(b) Final Accounts Closedown Process

The deadline for the closedown of the accounts process has been brought forward by a month so that the accounts need to be ready for audit by 30 June 2006. This will be challenging and adequate resources will need to be provided to enable the Authority to meet the timing and quality requirements involved.

(c) Revised Redundancy Policy

The Authority has revised its redundancy policy though negotiations with the trade unions are continuing. Compliance with the new policy once implemented will need to be monitored to ensure that discretion is exercised lawfully during 2006/7.

(d) Pay Phase II

This is a major project with significant financial and business implications for the Authority. A detailed project structure is in place and this needs to be appropriately applied to manage the implementation of this strategy by the target date of March 2007.

(e) Restructuring

The restructuring of the Council's Officer structure and the integration of new arrangements proposed will have significant implications for the work of the Authority and will need to be carefully monitored.

R A Latham
Chief Executive
16 June 2006

Councillor D Kirkham
Leader of the Council
16 June 2006

STATEMENT OF ACCOUNTING POLICIES

1. GENERAL POLICIES

The Statement of Accounts has been prepared in accordance with the appropriate Code of Practice on Local Authority Accounting and Best Value Accounting Code of Practice, both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The statements also comply with appropriate guidance notes issued by CIPFA covering the Statements of Standard Accounting Practice (SSAPs), Financial Reporting Standards (FRSs) and Urgent Issues Task Force Abstracts (UITFs) as they apply to local authorities. Any variations are shown in notes to the accounts or in the policies set out below. The statement of accounts has been prepared on an historical cost basis, modified for certain fixed assets held at valuation.

2. COSTS OF SUPPORT SERVICES

All costs of support services are fully allocated. The costs of office accommodation are recharged in proportion to floor area occupied. Other central administrative expenses are recharged on the basis of allocation of staff time. The costs of the Corporate and Democratic Core and Non-Distributed Costs are identified separately in the Consolidated Revenue Account. Architectural and Engineering Services provided by the Director of Environment relating to the capital programme are recharged to capital accounts on the basis of professional scale fees.

3. PENSIONS

The County Council participates in two different pension schemes which meet the needs of employees in particular services. The net pension costs included in the accounts have been determined in accordance with relevant statutory regulations and are unchanged by FRS17. The requirements of FRS17 have been complied with and are set out in the Pensions note to the Statement of Accounts. Both schemes are classed as defined benefit schemes, providing members with defined benefits related to pay and service. The schemes are as follows:-

a) Teachers Pension Scheme

This is an unfunded scheme administered by the Teachers Pension Agency. The pension cost charged to the Education Service is the contribution rate set by the DfES on the basis of a notional fund. This scheme is accounted for on a defined contribution basis.

b) Local Government Pension Scheme

This is a funded pension scheme. Non-teaching employees, subject to certain qualifying criteria, are eligible to join the Local Government Pension Scheme. The Council's Actuary calculates, every three years, the amount of the Employer's Contribution Rate for each of the following three financial years. This is the statutory amount charged to the Accounts each year and paid over in full to the Pension Fund.

FRS17 requires an annual snapshot of the assets and liabilities of the scheme. This is undertaken by the Council's Actuary. The Actuary also calculates the charges to be made to the Revenue Accounts under FRS17. These are split into the Current Service Cost (CSC), the Past Service Cost (PSC), the Interest Cost (IC) and the Expected Return on Assets (ERA). The CSC is charged to the Service Revenue Accounts with the PSC charged to Non-Distributed Costs, both of which are grouped within the Net Cost of Services. The IC and ERA are charged to Net Operating Expenditure. The Balance Sheet shows the calculated actuarial position of the assets and liabilities of the fund as at 31 March each year. The bases for the actuarial calculations are set out in the Notes to the Accounts.

For both teachers and other employees, further costs arise in respect of certain pensions paid on an unfunded basis and these amounts are charged to Non-Distributed Costs in the Consolidated Revenue Account in the financial year to which they relate. The Council's Actuary has also calculated the Authority's liabilities in accordance with FRS17 for these unfunded amounts and these are included in the Accounts and the Notes to the Accounts.

4. CAPITAL CHARGES

The capital charges made to service revenue accounts, central support services and trading undertakings, comprise depreciation and notional interest charges on operational assets. Charges are based upon the gross value of assets at the start of the financial year less the cumulative depreciation brought forward. No charge is made in the year of acquisition but a full year's charge is made in the year of disposal.

Depreciation charges are outlined below. The notional rates of interest for assets included in the balance sheet are set out in note 5 to the accounts. Infrastructure, community assets and assets under construction (AUC) are held at historic cost whereas other assets are held at valuation as set out in the policy on fixed assets below. No charges are levied on AUC because they are not yet operational.

5. DEPRECIATION

All operational assets, other than land, are depreciated over their useful economic lives. Where depreciation is provided for, assets are depreciated using the straight line method. The lives of the assets vary and are within the following ranges:

Asset Type	Useful Life In Years
Land and buildings	1 - 50
Vehicles and plant	1 - 20
Infrastructure	40
IT and other equipment	3 - 5
Intangible	3 - 5
Furniture & Fittings	5 -15

6. DEFERRED CHARGES

Deferred charges comprise capital grants to other bodies and revenue expenditure capitalised by permission of the Secretary of State. These amounts are charged to Service revenue accounts during the period over which they represent continuing value to the Authority which, in general, means they are fully amortised in the year of expenditure. Where they represent value for more than one financial year they would be included in Intangible Assets. For such expenditure funded from capital resources, a contribution from the Capital Financing Account to the Consolidated Revenue Account appropriation section ensures that costs amortised to revenue do not affect the amount to be met from government grants and local taxpayers. Where revenue expenditure has been capitalised by permission of the Secretary of State, the charges to the Consolidated Revenue Account appropriation section may be increased in later years in accordance with the regulations governing the Minimum Revenue Provision.

Capital grants made to other bodies are written off to the appropriate service revenue account during the financial year because they do not represent value to the authority beyond the end of the financial year. This includes grants made to bodies where the authority is the accountable body and exercises control over grant distribution.

7. CAPITAL EXPENDITURE

The de minimis level for expenditure to be classified as capital is set at £6,000 for capital financing purposes. Amounts below this are classified as revenue expenditure.

8. FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. This includes assets acquired under finance leases which have been capitalised on the same basis as assets acquired by other methods of financing.

Operational assets are fixed assets held and used by the authority in the direct delivery of services or used for functions which are directly related to the support of such services.

Asset values have been included in the balance sheet as follows:

- a) The current land and building values used in the statement of accounts are based upon a certificate as at 31 March 2006 issued by the Council's Professional Services Manager, David Buckland MRICS, on 31 May 2006. A rolling five year revaluation programme is in place to maintain the accuracy of the valuations and when significant changes occur in any year they are included in the revaluation work undertaken during that year. Operational assets have been included in the balance sheet at the lower of net current replacement cost and net realisable value in existing use. Non-operational assets have been included at the lower of net current replacement cost and net realisable value.
- b) Infrastructure and equipment have been included at debt outstanding at 31 March 1994 plus actual expenditure since that date.
- c) Vehicles and plant have been included at written down valuation at 1 April 1994 with subsequent acquisitions included at cost as an appropriate approximation of valuation.
- d) Intangible assets comprise software licences which are included at cost and are not subject to revaluation. They are amortised in equal amounts over their useful lives.
- e) Furniture and fittings are included at cost, plus the value of items as at 31 March 2004 which are still in operational use.
- f) Assets under construction are included at actual cost.
- g) Community assets are included at nil except recent acquisitions which are held at cost and land or buildings which are held at valuation as set out in a) above.

The asset amounts shown in the balance sheet are the net values after depreciation.

The de minimis levels used for 2005/06 in compiling the assets are as follows:

Land and Buildings	£10,000
Infrastructure	All are included.
Community	£10,000
Vehicles and plant	£6,000
Intangible	£6,000
IT and communications equipment	£6,000
Finance leased equipment	£6,000
Other equipment	£6,000
Furniture and Fittings	£6,000
Under Construction	All are included.

9. INVESTMENTS

Investments are carried at their original cost price unless otherwise stated in the notes to the accounts. Economic Development investments are written off to the revenue account in the year of advance to reflect the high risk of the investment but the nominal value is shown in the notes to the accounts. From 2005/06 dividends are credited to revenue when the authority has a right to receive them. For dividends from quoted securities, this is when they are quoted ex-dividend. For unquoted securities, this is when the dividend is declared, unless the security is sold before it becomes receivable. Previously dividends were included when received.

10. STOCKS AND WORK IN PROGRESS

These are valued at the lower of cost and net realisable value.

11. DEBTORS AND CREDITORS

Revenue and capital transactions during the year are recorded on an income and expenditure basis. In order to comply with the accruals concept of FRS18, year end debtors and creditors are raised where goods are supplied or services rendered by the County Council in the financial year, but payment or receipt does not occur until the following financial year. Accounting instructions require accruals to be raised where amounts are in excess of £1,000. Schools are asked to take responsibility for accruing for employee costs where individual amounts owing are in excess of £1,000.

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.

12. EXTERNAL DEBT

The Authority makes provision each year for scheduled debt repayments. The amount of these repayments is dependent upon the type and period of loans raised. The Authority may also redeem or restructure debt early to make most effective use of available resources.

13. LEASING OF VEHICLES, PLANT AND EQUIPMENT

Where assets are acquired under finance leases, the assets are capitalised above the de minimis level of £6,000 and the related outstanding lease commitment shown as a deferred credit liability in the balance sheet in accordance with SSAP21. The leasing rentals payable are split with the interest element charged to the asset management revenue account and the capital element reducing the deferred credit liability.

Lease rentals payable under operating leases are charged to the revenue account in the financial year to which they relate.

14. PRIVATE FINANCE INITIATIVE (PFI)

The Authority has entered a number of Private Finance Partnerships. These schemes are accounted for in accordance with FRS5 and SSAP21. Rental charges are made to the appropriate service revenue accounts. Assets and residual or reversionary interest assets are shown in the balance sheet where appropriate.

15. GRANTS RECEIVED

Grants received for capital purposes are taken to the government grants deferred account. Where the associated asset is depreciated the grant is amortised over its useful life through a contribution to the asset management revenue account. The zero impact on the revenue account is achieved by a transfer to the Capital Financing Account. Where an asset is not depreciated the amortisation amount is transferred to the Capital Financing Account in the financial year the asset is financed.

Specific revenue grants are matched to the expenditure to which they relate. General revenue grants are included in the revenue account in the period in which they are payable.

16. PROVISIONS AND RESERVES

The authority makes appropriate provisions for bad debts. Provisions are made for any liabilities which have been incurred using the best estimate of the amount and timing. Provisions are utilised for the purposes for which they were established. All other amounts set aside are classified as reserves. Expenditure incurred is charged to the appropriate provision or to the revenue account where a contribution is made from a reserve.

17. CAPITAL RECEIPTS

When assets are sold or disposed of, the capital receipt is held in a reserve account (Capital Receipts Unapplied) until it is used to finance further capital expenditure. Interest earned on cash from capital receipts unapplied is credited to the County Fund.

18. LIQUID RESOURCES

Liquid resources are identified and accounted for in accordance with FRS1 and comprise current asset investments.

CONSOLIDATED REVENUE ACCOUNT

Service	Note	2004/2005	Gross Expenditure £000	2005/2006	Net Expenditure £000
		Net Expenditure £000		Income £000	
Continuing County Council Services					
Education		429,625	583,920	(140,143)	443,777
Environmental Services		21,955	31,364	(7,087)	24,277
Highways, Roads and Transportation	1	44,665	70,629	(12,194)	58,435
Leisure		5,343	10,345	(4,651)	5,694
Libraries		13,217	15,576	(1,680)	13,896
Planning and Development		19,393	14,291	(4,652)	9,639
Social Services		175,308	290,824	(105,869)	184,955
Democratic Representation & Management		4,940	4,993	(4)	4,989
Corporate Management		2,938	9,326	(4,754)	4,572
Non Distributed Costs		3,652	-	(18,425)	(18,425)
Central Services to the Public		2,053	3,695	(710)	2,985
Discontinued County Council Services					
Magistrates Courts	4	1,427	-	-	-
Contributions to Other Bodies					
Coroner		565	540	-	540
Net Cost of Services		725,081	1,035,503	(300,169)	735,334
Interest & investments income		(1,312)	-	(983)	(983)
Net (surplus)/deficit of Trading Undertakings		398	1,860	(487)	1,373
Pensions Interest Costs & Expected Return on Pensions Assets		13,991	60,593	(42,685)	17,908
Other Operating Income & Expenditure		(118)	7	(1,717)	(1,710)
Asset Management Revenue Account	5	(31,865)	15,054	(52,351)	(37,297)
Insurance Revenue (surplus)/deficit		-	1,687	(4,241)	(2,554)
Net Operating Expenditure		706,175	1,114,704	(402,633)	712,071
Capital Expenditure Reserve	36	(1,235)			217
Contributions from Reserves towards Capital Expenditure		(3,384)			-
Insurance Revenue Reserves	34	1,000			2,554
Other Revenue Reserves	38	5,773			19,237
Schools Statutory Reserve	39	9,441			932
Contribution from Pensions Reserve		(13,917)			(962)
Capital Financing Account	40	(7,910)			546
Amounts to be met from government grants and local taxpayers		695,943			734,595
Precept Income	7	(243,857)			(257,151)
Non-Domestic Rate Income	7	(189,878)			(229,921)
Revenue Support Grant	7	(261,316)			(251,684)
Local Authority Business Growth initiatives		-			(1,007)
(Surplus)/Deficit for the Year:		892			(5,168)
County Fund balance at 1 April b/fwd		(8,186)			(7,294)
County Fund balance at 31 March c/fwd		(7,294)			(12,462)

The County Fund Balance excludes schools balances which are maintained as a reserve. Movements on schools balances are shown separately in the Consolidated Revenue Account and the Consolidated Balance Sheet and are explained in more detail in note 39.

CONSOLIDATED BALANCE SHEET

		31 March 2005		31 March 2006	
Long Term Assets	Note	£000	£000	£000	£000
Intangible Fixed Assets		1,337		1,940	
Tangible Fixed Assets					
Operational					
Land and Buildings		898,570		914,686	
Vehicles and Plant		6,537		7,628	
Equipment, Furniture & Fittings		42,356		39,433	
Community		35		34	
Infrastructure		259,465		282,264	
Non Operational					
Land and Buildings		67,857		40,714	
Under Construction		<u>43,263</u>		<u>16,533</u>	
Net Fixed Assets	17		1,319,420		1,303,232
Deferred Assets	32	23,713		22,751	
Long-term advances	22	9,602		1,196	
Long-term debtors	23	4,572		6,363	
Total Long-Term Assets			1,357,307		1,333,542
Current Assets:					
Investments	21	8,315		-	
Landfill Trading Allowances	27	-		4,493	
Stocks and work in progress		4,137		3,646	
Debtors	23	40,298		52,673	
Less Bad Debt Provision		<u>(3,213)</u>		<u>(3,197)</u>	
		37,085		49,476	
Temporary Investments	24	<u>87,000</u>	136,537	86,400	
Bank		-		<u>701</u>	144,716
Current Liabilities:					
Creditors	25	(97,476)		(105,094)	
Bank Overdraft	26	(15,200)		-	
Pension Funds Cash	26	(70,683)		(55,349)	
Loans to be repaid within 1 year	28	(3,375)		(3,611)	
Temporary Borrowing	30	(85)		(85)	
Other Balances		<u>(536)</u>	(187,355)	-	(164,139)
Total Assets less Current Liabilities			1,306,489		1,314,119
Long term borrowing	28	(198,147)		(224,536)	
Deferred Liability	28	(4,822)		(4,433)	
Provisions	35	<u>(7,243)</u>	<u>(210,212)</u>	<u>(10,491)</u>	<u>(239,460)</u>
FRS17 Pensions Liability	13		(472,693)		(502,093)
Total Assets less Liabilities			<u>623,584</u>		<u>572,566</u>
Available Reserves					
Capital Reserves	36		1,579		1,796
Capital Receipts & Grants Unapplied	37		-		-
Revenue Reserves	38		29,358		48,487
General Insurance	34		4,586		7,140
Other Reserves					
Government Grants Deferred	33		161,139		188,312
Schools statutory reserve	39		22,830		23,762
Capital Financing Account	40		273,173		286,000
Fixed Asset Restatement Account	41		596,318		506,702
FRS17 Pensions Reserve	13		(472,693)		(502,093)
Balances (including Housing Act Advances)	42		7,294		12,460
			<u>623,584</u>		<u>572,566</u>

CASH FLOW STATEMENT

	Note	2004/05 £000	2005/06 £000
Revenue Activities			
Cash Outflows:			
Cash paid			
- Employees		525,523	560,701
- Other Operating Costs		512,616	531,280
		1,038,139	1,091,981
Cash Inflows:			
Precept Income		(243,857)	(257,151)
Revenue Support Grant/NNDR		(451,194)	(481,605)
LAGBI		-	(1,007)
Other Government Grants	3	(166,550)	(179,706)
Cash Received for Goods & Services		(226,829)	(235,648)
		<u>(1,088,430)</u>	<u>(1,155,117)</u>
Revenue Activities Net Cash Flow:		(50,291)	(63,136)
Returns on Investments and Servicing of Finance			
Cash Outflows:			
Interest Paid		13,994	15,054
Cash Inflows:			
Interest Received		(1,312)	(983)
		12,682	14,071
Capital Activities			
Cash Outflows:			
Capital Payments		125,033	101,005
Purchase of Long Term Investments		188	440
Capital Grants		1,547	1,456
		<u>126,768</u>	<u>102,901</u>
Cash Inflows:			
Sale of Fixed Assets		(11,206)	(10,697)
Capital Grants and Contributions Received		(39,524)	(30,634)
Sale of Long Term Investments		(1,019)	(16,904)
		<u>(51,749)</u>	<u>(58,235)</u>
Capital Activities Net cash flow:		75,019	44,666
Total Net cash flow before financing:		37,410	(4,399)
Management of Liquid Resources			
Increase/(Decrease) in short term deposits:		(13,650)	(600)
Financing			
Cash Outflows:			
Repayments of amounts borrowed		3,469	3,764
Cash Inflows:			
New loans raised		(30,306)	(30,000)
		<u>(26,837)</u>	<u>(26,236)</u>
(Increase)/Decrease in cash:		<u>(3,077)</u>	<u>(31,235)</u>

RECONCILIATION TO THE CASH FLOW STATEMENT

Reconciliation of (Surplus)/Deficit to the Cash Flow Statement

	2004/05 £000	2005/06 £000
Net (Surplus)/Deficit	892	(5,168)
External Interest Paid (in AMRA)	(13,994)	(15,054)
Minimum Revenue Provision	(11,393)	(13,291)
Revenue Contributions to Capital Outlay	(14,225)	(8,447)
Contributions (to)/from provisions and reserves	(14,098)	(26,077)
Other	40	(258)
Increase/(decrease) in revenue debtors	(2,957)	1,909
Increase/(decrease) in stocks/w.i.p.	(188)	(491)
Increase/(decrease) in Landfill Trading Allowances	-	4,493
Increase/(decrease) in revenue creditors	4,320	(2,271)
Increase/(decrease) in other balances	-	536
Deduct interest and investment income	1,312	983
Revenue Activities Net Cash Flow	<u>(50,291)</u>	<u>(63,136)</u>

Movement in current assets and liabilities:

	31/3/05 £000	31/3/06 £000	Moved 05/06 £000
Debtors	48,455	55,840	7,385
Creditors	(104,273)	(105,094)	(821)
Other balances	(536)	-	536
Stocks and Work in Progress	4,137	3,646	(491)
Temporary Loan Investments	87,000	86,400	(600)
Landfill Trading Allowances	-	4,493	4,493
	<u> </u>	<u> </u>	<u> </u>

Movement in cash reconciled to the opening and closing balance sheets amounts:

	31/3/05 £000	31/3/06 £000	Moved 05/06 £000
Imprests	33,170	37,509	4,339
Cash & bank	(48,370)	(36,808)	11,562
Pensions Fund Cash	<u>(70,683)</u>	<u>(55,349)</u>	<u>15,334</u>
Net Cash Flow	<u>(85,883)</u>	<u>(54,648)</u>	<u>31,235</u>

Reconciliation of cash movement to net debt

	£000
Increase/(decrease) in cash in the period	31,235
Cash flow from (increase)/decrease in debt	(26,236)
Cash flow from increase/(decrease) in liquid resources	(600)
Investments	(8,315)
Movement in net debt for the period	(3,916)
Net debt at 1 April 2005	(196,997)
Net debt at 31 March 2006	<u>(200,913)</u>

Analysis of net debt

	Balance as at 1 April 2005 £000	Cash flow £000	Non Cash £000	Balance as at 31 March 2006 £000
Cash in hand/(overdrawn)	(85,883)	31,235	-	(54,648)
Long term investments	8,315	(8,063)	(252)	-
Short term deposits	87,000	(600)	-	86,400
Debt due after 1 year	(202,969)	(26,000)	-	(228,969)
Debt due within 1 year	(3,460)	(236)	-	(3,696)
	<u>(196,997)</u>	<u>(3,664)</u>	<u>(252)</u>	<u>(200,913)</u>

Reconciliation of Financing and Management of Liquid Resources

	Repayments of Amounts Borrowed £000	New Loans Raised £000	Repayment of Short Term Deposits £000	(Increase)/Decrease in Cash and Cash Equivalents £000
Short term deposits	-	-	(600)	(600)
Long Term borrowing	-	(30,000)	-	(30,000)
Public Works Loans Board	3,375	-	-	3,375
City and District Councils	389	-	-	389
	<u>3,764</u>	<u>(30,000)</u>	<u>(600)</u>	<u>(26,836)</u>

There have been no policy changes in the management of liquid resources.

SUMMARY REVENUE ACCOUNTS OF TRADING UNDERTAKINGS

	Turnover	2004/05 Expend- iture	Surplus/ (Deficit)	Turnover	2005/06 Expend- iture	Surplus/ (Deficit)
	£000	£000	£000	£000	£000	£000
Contracting Services <i>Cleaning, catering, vehicle maintenance, building and grounds maintenance and highways maintenance to the Authority. Some work is undertaken on behalf of external clients.</i>	65,240	65,896	(656)	71,118	72,268	(1,150)
Legal Services <i>Provision of legal services to the Authority</i>	2,447	2,477	(30)	2,678	2,636	42
County Supplies <i>A purchasing and supply service to the Authority and some external public bodies</i>	6,036	6,011	25	5,952	5,947	5
Design, Publications & Print <i>A design and printing service to the Authority</i>	2,147	2,161	(14)	2,319	2,258	61
Clayfields Secure Unit <i>Specialist childrens' services to the Youth Justice Board and Local Authorities</i>	3,590	3,313	277	3,685	3,306	379
Total	<u>79,460</u>	<u>79,858</u>	<u>(398)</u>	<u>85,752</u>	<u>86,415</u>	<u>(663)</u>

Notes:

1. The Contracting Services deficit is a result of the pension costs impact of FRS17.
2. During 2005/06 there has been an additional charge to the Consolidated Revenue Account of £710,000 for Contracting Services.

STATEMENT OF MOVEMENT ON RESERVES

	Fixed Asset Restate- ment 41	Capital Financing 40	Capital Expend 36	Capital Receipts/ Grants 37	County Fund 42	Pensions 13	Other Revenue 34,38,39	Total
Note	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2005	596,318	273,173	1,579	-	7,294	(472,693)	56,774	462,445
Appropriations to/(from)			290			(962)	22,615	21,943
Net Surplus/(deficit) for the year					5,168			5,168
Unrealised gain/(loss) from:								
revaluation of Fixed Assets	(49,650)							(49,650)
Magistrates Courts Transfer	(33,757)	1,583						(32,174)
Impairment Losses on Fixed Assets arising from revaluation	(2,206)	2,206						0
Capital Receipts and Grants received				46,051				46,051
Minimum Revenue Provision		12,310						12,310
Local Govt. Reorganisation SCA		981						981
Depreciation Charge for the year		(28,332)						(28,332)
Capital Grants		(1,456)						(1,456)
Effects of disposals of fixed assets:								
Assets disposed of in the year	(4,003)							(4,003)
Financing of fixed assets		10,697	(73)	(46,051)				(35,427)
PFI East Leake - Deferred Asset		(962)						(962)
PFI East Leake - Residual Interest		548						548
PFI Tram - Residual Interest		207						207
Grants and Contributions applied to non depreciable assets		-						-
Amortisation of depreciable assets		6,598						6,598
Other Financing		8,447						8,447
Increase/(decrease) in Pensions reserve						(28,438)		(28,438)
Balance at 31 March 2006	506,702	286,000	1,796	-	12,462	(502,093)	79,389	384,256

NOTES TO THE STATEMENT OF ACCOUNTS

1. Agency Work

The County Council carries out work on behalf of the Highways Agency, mainly relating to traffic signal maintenance and payment of energy charges for Area 7 of the Trunk Road network. Expenditure is fully reimbursed by the Highways Agency and the amount for 2005/06 was £518,000 (£728,000 2004/05).

2. Audit Fees

The Authority has been advised of the following fees payable to the Audit Commission. All fees have been included in the accounts for the period to which they relate except grant claims. The fees included for grant claims are an estimate of the cost of the certification of grant claims and returns relating to 2005/06 which will be paid to the Audit Commission in 2006/07. The fees for non-audit work in 2004/05 are related to the Social Services Review (£5K) and the National Fraud Initiative (£2K).

	2004/05	2005/06
	£000	£000
External Audit	232	230
Inspection	17	9
Grant claims	80	55
Non-Audit Work	7	-
	<u>336</u>	<u>294</u>

3. Specific Revenue Grants

The value of grants included as income within the revenue account is as follows:

	2004/05	2005/06
Service	£000	£000
Leisure	429	1,158
Libraries	45	37
Environmental Services	249	318
Highways and Transportation	6,732	7,004
Education	93,887	108,849
Social Services	59,139	58,394
Planning and Development	3,918	2,043
Central Services	361	1,903
	<u>164,760</u>	<u>179,706</u>
Funding Body		
Countryside Commission	24	1
Office of the Deputy Prime Minister	35,843	43,391
Department for Education and Skills	94,785	103,314
Department of Health	25,799	24,516
Children's Fund	2,016	1,454
Department for Transport	1,019	2,366
Cabinet Office	211	-
Department for Works and Pensions	2,144	1,072
European Grants	1,234	1,714
Home Office	867	889
Milk Intervention Board	152	160
DEFRA - Recycle Waste	138	155
Arts Council	400	509
Rural Development Council	19	-
Neighbourhood Renewal	36	12
Other	73	153
	<u>164,760</u>	<u>179,706</u>

The National Lottery monies are not a government grant and the 2004/05 figures have been reduced by 1.79m to reflect this.

4. Magistrates Courts

From 1 April 2005 Magistrates Courts have been directly funded by the Department for Constitutional Affairs (DCA). The assets have been transferred to the DCA from that date, removed from fixed assets in the consolidated balance sheet and debited to the fixed asset restatement account. Government Grants Deferred relating to Magistrates Courts have also been removed from the consolidated balance sheet. Details are as set out below:

01 April 2005	Gross Value £000	Depreciation £000	Net Value £000
Land and Buildings	(32,922)	-	(32,922)
Equipment	(1,908)	1,073	(835)
Fixed Asset Restatement Account	34,830	(1,073)	33,757
Government Grants Deferred	1,583		
Capital Financing Account	<u>(1,583)</u>	<u></u>	<u></u>

5. Asset Management Revenue Account

This account is credited with the capital charges made to service revenue accounts for the use of capital assets (depreciation, notional interest charges and impairment of fixed assets) and the amount of government grants and contributions amortised. For assets held at current value notional interest was charged at 3.5% in 2005/06 (3.5% 2004/05) and for assets held at historic cost it was charged at 4.95% (4.8% 2004/05). This account is debited with the depreciation charged against assets in the balance sheet and the actual external interest charges on external debt. The balance on the account is credited to the consolidated revenue account to ensure that the notional capital charges do not increase the net expenditure of the Authority.

	2004/05 £000	2005/06 £000
Notional interest charges for the year	40,978	45,753
Impairment	-	(2,205)
Depreciation charges for the year	<u>37,242</u>	<u>28,332</u>
Total charged to services	78,220	71,880
Amortisation of grants and contributions	4,881	6,598
Impairment	-	2,205
Depreciation of fixed assets	(37,242)	(28,332)
Net external interest charges	<u>(13,994)</u>	<u>(15,054)</u>
Balance to Consolidated Revenue Account	<u>31,865</u>	<u>37,297</u>

6. Minimum Revenue Provision

Regulations require local authorities to set aside money to provide for redemption of at least 4% of outstanding debt. This amount is offset against the level of depreciation already charged to the authority's revenue accounts to ensure that depreciation charges do not increase the net expenditure of the authority. The amount required under the MRP regulations for 2005/06 was £13.3 million (£11.4 million 2004/05) and the amount of depreciation charged was £28.3 million (£37.2 million 2004/05).

7. Revenue Support Grant, National Non-Domestic Rates and Council Tax

Revenue Support Grant and National Non-Domestic Rates are paid to the County Council directly by the Government. The County Council set the 2005/06 Tax for a Band D property at £1,032.88 (£994.11 in 2004/05). This was suitably adjusted for other bands of property and a precept was issued to the District Councils to recover the relevant amounts. Any variances in the amounts actually collected by the District Councils on behalf of the County Council will be adjusted in the amounts payable next year.

8. Employee Remuneration

The table below shows the number of staff employed by the County Council whose taxable remuneration amounted to £50,000 or more in the financial year. Remuneration includes salary, lump sum payments made by the County Council, expenses and the money value of benefits in kind. The amounts exclude pension contributions made by the County Council and the employee.

Pay Band	Number of Staff	
	2004/05	2005/06
£120,000 - £129,000	1	1
£110,000 - £119,999	-	-
£100,000 - £109,999	2	2
£90,000 - £99,999	3	3
£80,000 - £89,999	-	1
£70,000 - £79,999	10	28
£60,000 - £69,999	34	29
£50,000 - £59,999	78	97
	<u>128</u>	<u>161</u>

9. Income from bodies under the Local Authority (Goods and Services) Act 1970

The County Council is empowered by this Act to provide goods and services to other public bodies. The Authority provided the following:

	2004/05 £000	2004/05 £000	2005/06 £000	2005/06 £000
	Exp	Income	Exp	Income
Administration and Professional Services				
NHS Trusts	16,182	16,182	17,032	17,032
Other Authorities	6,199	6,199	6,581	6,582
Schools and Colleges	150	150	126	126
Maintenance works				
NHS Trusts	5	9	6	10
Other Authorities	1,306	1,548	983	1,069
Schools and Colleges	20	42	179	208
	<u>23.862</u>	<u>24.130</u>	<u>24.907</u>	<u>25.027</u>

10. Section 137 of the Local Government Act 1972

Local authorities are empowered by section 137 of the Local Government Act 1972, as amended, to make contributions to certain charitable funds, not for profit bodies providing a public service and mayoral appeals. There is a financial limit to this type of expenditure equivalent to £1.90 per head of population and for Nottinghamshire in 2005/06 this amounted to £1.44 million (£1.43 million 2004/05). During 2005/06 these powers were not used.

11. Publicity Work

Local authorities are required to disclose their expenditure on publicity. The definition of publicity includes a number of routine items of expenditure. The County Council's expenditure is summarised below:

	2004/05 £000	2005/06 £000
Advertising for staff	1,551	1,357
Other advertising, including education courses	643	528
Public Relations - salaries and running costs	487	509
Economic Development promotions	56	27
Other publicity expenditure	666	789
	<u>3.403</u>	<u>3.210</u>
As a percentage of gross expenditure	0.32%	0.29%

12. Pensions – Contributions

Teachers

In 2005/06 the County Council paid £28.5 million to the Teacher's Pension Agency (£27.3 million in 2004/05) in respect of teachers' pension costs, which represents 13.50% of teachers' pensionable pay (13.50% in 2004/05). In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2005/06 these amounted to £4.1 million (£3.9 million in 2004/05), representing 1.94% of pensionable pay (1.94% in 2004/05).

Other Employees

During 2005/06 the net cost of pensions and other benefits amounted to £31.8 million (£29.7 million in 2004/05), which represented 14.35% of pensionable pay (14.35% in 2004/05). The actuarial report upon which the 2005/06 accounts have been prepared was for a 3 year period commencing 1 April 2005. The report indicated that the cost of providing for 100% of pension funding in accordance with SSAP 24 "Accounting for Pension Costs" was 14.3% of pensionable pay. The report sets out the following employer pension fund contribution rates for the County Council:

2005/2006	14.3% of pensionable pay
2006/2007	14.9% of pensionable pay
2007/2008	15.5% of pensionable pay

The County Council is responsible for all pension payments relating to discretionary added years benefits it has awarded, together with the related inflation increases. The annual costs are funded by charges to Services. In 2005/06 these amounted to £1.4 million, (£1.3 million in 2004/05) representing 0.63% of pensionable pay (0.65% in 2004/05). The County Council also paid £0.2 million into the pension fund in 2005/06 (£0.6 million 2004/05) to fund the non-discretionary additional strain on the pension fund of early retirements.

13. Pensions – FRS17

The FRS17 position as at the 31 March 2006 was a net liability of £502.1 million (£472.7 million 31/3/05), comprised of £68.3 million for teachers (£64.3 million 31/3/05) and £433.8 million for other employees (£408.4 million 31/3/05). Assets have been valued using the market value at 31 December 2005 increased by market index returns for the last three months of the accounting period. Liabilities have been valued using the projected unit method which assesses the future liabilities of the fund discounted to their present value. This work was undertaken by Mercer Human Resource Consulting Limited, an independent firm of actuaries, based upon the estimated position at 31 March 2006 provided by the County Council during March 2006. The actual figures for 2005/06 are not considered materially different to the estimates provided.

Teachers

Under FRS17 the Teachers added years scheme is classed as an unfunded defined benefit scheme and the Actuary has calculated that the Council's liability as at 31 March 2006 was £68.3 million (£64.3 million at 31/3/05). The Past Service Cost for the year was £0.5 million (£2.1 million 2004/05) and the Interest Cost was £3.4 million (£3.3 million 2004/05).

Local Government Pension Scheme

	31 March 2005		31 March 2006	
	£000	%	£000	%
Market Value of Assets:				
Equities	404,781	63.3	557,750	69.4
Government Bonds	88,246	13.8	64,294	8.0
Other Bonds	29,415	4.6	50,631	6.3
Property	91,443	14.3	114,925	14.3
Cash/Liquidity	12,789	2.0	16,073	2.0
Other	12,789	2.0	-	-
Total Assets	639,463	100.0	803,673	100.0
Liabilities	1,047,860		1,237,510	
Surplus/(Deficit)	<u>(408,397)</u>		<u>(433,837)</u>	

The movement in the deficit during the financial year is set out below:

	2004/05	2005/06
	£000	£000
Deficit at 1 April	(209,343)	(408,397)
Current Service Cost	(32,726)	(39,562)
Employer Contributions	32,301	34,229
Past Service (Cost)/Gain	(601)	20,356
Curtailment Cost	(748)	(304)
Expected Return on Assets	36,616	42,685
Interest on Pension Liabilities	(47,355)	(57,233)
Actuarial Gain (Loss)	(186,541)	(25,611)
Deficit at 31 March	<u>(408,397)</u>	<u>(433,837)</u>

The difference between the expected and actual return on assets showed an actuarial gain of £102.8 million representing 12.8% of the scheme assets (2004/05 showed a gain of £26.4 million or 4.1%). In 2005/06 the interest rate used to discount liabilities was reduced from 2.5% in 2004/05 to 2.0%. The impact of this was to increase scheme liabilities by £100.1 million or 8.1%. There were actuarial liability losses of £28.4 million representing 2.3% of the scheme liabilities resulting from other changes to the underlying financial assumptions (£29.3 million or 2.8% in 2004/05).

The past service gain of £20.4 million for 2005/06 has been based upon the assumption that 50% of members will decide to exercise the option to reduce their pension and take an increased lump sum payment. This option applies to employees retiring after 6 April 2006. The 50% is based upon the advice of our Actuary. For each 1% increase in the take-up rate the past service gain would increase by £0.4 million and the calculated FRS17 deficit would decrease by the same amount. A decrease of 1% in the take-up rate would have an exactly opposite effect. The gain has been included within Non Distributed Costs in the Consolidated Revenue Account.

The increase/(decrease) in the Pensions Reserve shown in the Statement of Movement on Reserves relates to the Local Authority Pension Schemes and is analysed below, measured as absolute amounts and as a percentage of the assets or liabilities at the 31 March:

		2002/03		2003/04		2004/05		2005/06	
		£000	%	£000	%	£000	%	£000	%
Differences between expected and actual return on assets	Officers	(134.6)	30.2	52.7	9.8	26.4	4.1	102.8	12.8
	Teachers	-	-	-	-	-	-	-	-
Differences between actuarial assumptions about liabilities and actual experience	Officers	-	-	-	-	(29.3)	2.8	(28.3)	2.3
	Teachers	-	-	-	-	(1.0)	1.6	-	-
Changes in demographic and financial assumptions used to estimate liabilities	Officers	-	-	-	-	(183.6)	17.5	(100.1)	8.1
	Teachers	-	-	-	-	(7.3)	11.5	(3.1)	4.5
		(134.6)		52.7		(194.8)		(28.7)	

The actuarial assumptions used to calculate the position in accordance with FRS17 were as follows:

	31 March 2005	31 March 2006
Rate of Inflation	2.90%	2.90%
Rate of increase in salaries	4.65%	4.65%
Rate of increase in pensions	2.90%	2.90%
Discount rate	5.40%	4.90%
Rate of return from equities	7.50%	7.00%
Rate of return from Government bonds	4.70%	4.30%
Rate of return from Other bonds	5.40%	4.90%
Rate of return from Property	6.50%	6.00%
Rate of return from Cash/Liquidity	4.75%	4.50%
Rate of return from other investments	7.50%	n/a
Proportion of employees opting to take an increased lump sum/reduced pension	n/a	50.00%

FRS17 requires the Authority to determine the surplus or deficit of its pension fund on an annual basis. In the short-term, changes in the value of investments can lead to a significant variation to the surplus or deficit on the fund which might be expected to show a smoother trend over the longer term. Every three years the Authority reviews its contributions to the fund based upon a detailed actuarial exercise which takes account of existing liabilities and likely investment returns and sets out an approach to meeting 100% of liabilities over a period of time. This takes a longer-term view of the fund position than that required by FRS17 and is expected to be less prone to significant changes in fund value as a result of short-term fluctuations in market values. The Authority does not expect the deficit shown to make a significant impact upon reserves or revenue funding requirements in the short term. The triennial revaluation effective 1 April 2005 shows that the Authority's contributions to the fund will be increasing by 0.6% of pensionable pay in each of the next 3 financial years.

The County Council publishes a Pension Fund Annual Report which is available upon request.

14. Capital Expenditure – Financing

During the financial year capital expenditure on fixed assets was £99.55 million, including £2.11 million accruals. In addition there was £1.46 million of deferred charges. This made a total of £101.01 million to finance in 2005/06 (£130.14 million in 2004/05). The methods of financing are set out below.

		2004/05 £000	2005/06 £000
	Note		
External Borrowing Approval		41,440	26,315
Prudential Borrowing		18,660	20,197
Government and European Grants and Contributions	15	44,610	35,354
Revenue Contributions		14,225	8,447
Capital receipts		11,206	10,697
		<u>130,141</u>	<u>101,010</u>

The effect of capital expenditure upon the value of assets in the balance sheet varies according to the type of asset (see paragraph 8 of the Accounting Policies). The estimated commitments for capital expenditure in future years from schemes that had started and a legal contract had been entered into by 31 March 2006 are:-

	£000
2006/2007	19,939
2007/2008	1,815
2008/2009	571
2009/2010	486
2010/2011	386
	<u>23,197</u>

15. Specific Capital Government and European Grants and Contributions

These relate to contributions from Central Government and the European Union used to finance specific schemes in the Council's capital programme, mainly grant aid for reclamation schemes, certain road improvements and education. Where capital grants are receivable, these are used, as far as possible, to finance capital expenditure to which they relate in the year that the grants are receivable. Contributions are also received from district councils and other organisations towards capital expenditure incurred by the Council.

16. Capital Grants to Other Bodies

Capital Grants to other bodies result in deferred charges which are amortised to revenue in the year in which they are made and therefore are not included in fixed assets in the balance sheet.

	2004/05 £000	2005/06 £000
Balance at 1 April	-	-
Capital Grants	1,547	1,456
Amortised to Revenue	(1,547)	(1,456)
Balance at 31 March	<u>-</u>	<u>-</u>

17. Fixed Assets

	Op Land & Buildings £000	Vehicles & Plant £000	Equip. Furn. & Fitts £000	Infra- Structure £000	Under Constrn £000	Comm- unity £000	Intangible Assets £000	Non-Op Land & Buildings £000	TOTAL £000
Gross Book Value									
As at 31 March 2005	947,523	11,181	52,323	307,409	43,263	35	1,908	67,857	1,431,499
Capital Expenditure	46,399	2,055	3,582	30,745	14,770	-	1,023	980	99,554
Disposals	(1,022)	(1,413)	(106)	-	-	-	-	(2,650)	(5,191)
Magistrates Court transfer	-	-	(1,908)	-	-	-	-	(32,922)	(34,830)
Revaluations - Capital Expenditure	(12,331)	145	(352)	-	(41,371)	-	-	1,096	(52,813)
Reclassifications	(6,353)	-	-	129	(129)	-	-	6,353	0
Total as at 31 March 2006	974,216	11,968	53,539	338,283	16,533	35	2,931	40,714	1,438,219
Depreciation									
As at 31 March 2005	(48,953)	(4,644)	(9,967)	(47,944)	-	-	(571)	-	(112,079)
Amount charged in the year	(13,758)	(782)	(5,296)	(8,075)	-	(1)	(420)	-	(28,332)
Magistrates Court transfer			1,072						1,072
Disposals	85	1,086	17	-	-	-	-	-	1,188
Revaluations	3,096	-	68	-	-	-	-	-	3,164
Reclassifications	-	-	-	-	-	-	-	-	-
Total as at 31 March 2006	(59,530)	(4,340)	(14,106)	(56,019)	-	(1)	(991)	-	(134,987)
Net Fixed Assets									
As at 31 March 2006	914,686	7,628	39,433	282,264	16,533	34	1,940	40,714	1,303,232
As at 31 March 2005	898,570	6,537	42,356	259,465	43,263	35	1,337	67,857	1,319,420

Notes:

- Assets are revalued in accordance with the rolling five-year programme. Where capital expenditure is 15% or more of an existing asset value, the asset is revalued in the year of expenditure.
- Revaluations show the net position after capital expenditure and the increased value of assets in the financial year.
- Intangible assets comprise software licences.
- Capital Expenditure for the financial year is set out in the table above. In addition capital grants were made to other bodies making capital expenditure of £101.0 million in total:

Capital Expenditure	2005/06
	£000
County Council	99,554
Capital Grants to other bodies	1,456
	<u>101,010</u>

18. Valuation of Fixed Assets

The valuation of Land and Buildings is the responsibility of Richard Hanson ARICS, Assistant Director of Resources (Corporate Property). A five-year rolling programme of revaluation is in place to maintain the accuracy of valuations. The basis of fixed asset valuations is set out below:

Operational Properties	Open Market Value in existing use, or, where this cannot be assessed because there is no market for the subject asset, the Depreciated Replacement Cost.
Non-operational Properties	Open Market Value.
Fixed Plant and Machinery	Included in the valuation of the buildings.
Furniture & Fittings	Included at cost, plus the value of items as at 31 March 2004 which are still in operational use.
Vehicles and Plant	Included at cost.
Equipment	Included at cost.
Fixed assets under construction	Included at cost.
Community	Included at cost.
Intangible Assets	Included at cost.

19. Foundation Schools

Grant Maintained schools became Foundation schools from 1 September 1999 although the Authority became responsible for their funding from 1 April 1999. These schools continue to own

the land and buildings but as the provision of schooling forms part of the Education Service of the authority, their assets and liabilities have been included in the Authority's balance sheet. There are two such schools and the combined value of their land and buildings is £9.43 million.

20. Information on Assets

	Number of Buildings	
	31/3/05	31/3/06
Nursery & Primary Schools	304	307
Secondary Schools	47	56
Special Schools	11	15
Libraries	67	60
Community Homes & Family Centres	19	24
Homes for Elderly & Disabled	22	20
Day Centres & Clubs for Elderly & Disabled	30	30
Staff and other houses	130	148
Other, including Factories, Depots & Offices	365	319
	<u>995</u>	<u>979</u>

The Council owns approximately 5,500 hectares of land, of which some 900 hectares are used as Smallholdings. It also has 4,262 kilometres of roads. For insurance purposes, the reinstatement value of the Council's buildings is £1,407 million.

21. Investments

Gilt Investments

During March 1999 the Authority purchased United Kingdom Treasury 8½% 2005 Bonds to the value of £9.8 million as part of its investment strategy. They were held until maturity in December 2005. The nominal value was £8.1 million and the difference of £1.7 million was amortised in equal proportion over the seven financial years ending 2005/06. The balance sheet value is shown net after cumulative amortisation.

Economic Development

There are equity holdings amounting to £ 0.26 million (£0.26 million 2004/05) that have been written off to the revenue account to reflect the high risk of the investment.

22. Long Term Advances

	31/3/05	31/3/06
	£000	£000
Economic Development	1,180	1,137
Nottingham Trent University	8,330	-
House Purchases	4	4
Other	88	55
	<u>9,602</u>	<u>1,196</u>
	31/3/05	31/3/06
	£000	£000
Economic Development Breakdown:		
One year or less	212	16
More than one year	968	1,121
	<u>1,180</u>	<u>1,137</u>

Economic Development Loans are made to local businesses to improve employment prospects in the County Council area.

Nottingham Trent University debt is the outstanding amount on assets transferred to the university on 1 April 1989. This advance has now been repaid in full.

House Purchases are the amounts owed to the County Council on loans made for house purchase. No new advances were made in the year. Net repayments of capital amounted to £80 in the year (£991 in 2004/05). Interest charges to borrowers were £375 (£428 in 2004/05). Charges to borrowers are designed to cover the running costs. The deficit for the year was £182 (£45 deficit in 2004/05). There is an accumulated deficit of £1,555 at the end of 2005/06 (£1,373 accumulated deficit in 2004/05).

23. Debtors and Long Term Debtors

Debtors	31/3/05	31/3/06
	£000	£000
The analysis of debtors by category is:		
Government grants	4,558	11,568
Other short term debt	32,527	37,908
Balance at 31 March	<u>37,085</u>	<u>49,476</u>

Long Term Debtors	31/3/05	31/3/06
	£000	£000
Adult Care Property Debt	1,003	1,592
Car Loans	1,206	1,061
Tram PFI	1,492	2,086
Other	871	1,624
Balance at 31 March	<u>4,572</u>	<u>6,363</u>

A change in accounting practice, applied in 2005/06, would have increased the government grant debtors by £6.7 million in 2004/05.

24. Temporary investments with other local authorities and financial institutions

The County Council invests any cash surplus which it has. The amount invested at the year end depends on the cash flow position at that date.

25. Creditors

	31/3/05	31/3/06
	£000	£000
The analysis of creditors by category is:		
Government grants	15,678	26,981
Other	81,798	78,113
Balance at 31 March	<u>97,476</u>	<u>105,094</u>

A change in accounting practice, applied in 2005/06, would have increased the government grant creditors by £6.7 million in 2004/05.

26. Bank Overdraft

The Authority monitors the cash balances on a daily basis to make maximum use of the funds available and aims to keep any balance within a daily ceiling of £250,000, with surplus funds being invested. Cash due to the Pension Fund is now shown separately in the balance sheet in accordance with revised accounting requirements.

27. Landfill Allowances Trading Scheme

From 2005/06 the Authority receives a landfill tonnage allowance which is the maximum amount of waste which should be disposed of by landfill. This target reduces each year. From 2010 any landfill in excess of the cumulative targets will require the Authority to pay a penalty to the Government of £150 per tonne. For 2005/06 this allowance was 222,000 tonnes of which 157,558 were utilised. The Authority is allowed to trade its allowances with other Authorities. The market value of these for 2005/06 was £20.20 per tonne. The following entries have been made to the consolidated revenue account.

	2005/06
	£000
Provision - Payment due to Government	3,183
Income - Allowances from Government	(4,493)
Trading Surplus to Revenue Reserves	<u>(1,310)</u>

28. Long Term Borrowing and Deferred Liabilities

	2004/05 £000	2005/06 £000		
(a) Long Term Borrowing				
Amounts still owed on loans received from external sources to acquire capital assets such as roads, buildings & equipment.				
Long term borrowing for repayment within 1 year	3,375	3,611		
Long term borrowing for repayment after 1 year	<u>198,147</u>	<u>224,536</u>		
Total Long Term Borrowing at 31 March	201,522	228,147		
	2004/05 £000	%	2005/06 £000	%
Maturity date				
Within 1 year	3,375	2	3,611	2
1 year and up to 2 years	3,611	2	5,492	2
2 years and up to 5 years	12,522	6	10,980	5
5 years and up to 10 years	24,548	12	26,796	12
10 years and up to 15 years	26,072	13	23,875	10
15 years and up to 20 years	37,573	19	41,975	18
20 years and up to 25 years	27,695	14	23,294	10
25 years and over	<u>66,126</u>	<u>33</u>	<u>92,124</u>	<u>40</u>
	<u>201,522</u>	<u>100</u>	<u>228,147</u>	<u>100</u>
Source of Borrowing				
Public Works Loan Board	161,522		158,147	
External Bonds and loans	<u>40,000</u>		<u>70,000</u>	
	<u>201,522</u>		<u>228,147</u>	
(b) Deferred Liabilities				
Loan taken over from District Councils when the responsibility for services was transferred to the County Council on local government reorganisation in 1974.	4,822		4,433	

29. Interest paid on External Borrowing

This is the principal source of financing for capital expenditure, with repayments being spread over the estimated life of the asset and interest charged on the amount outstanding.

	2004/05 £000	2005/06 £000
Net Interest paid to lenders	13,904	14,994
Management Expenses	90	60
Total Revenue Costs	<u>13,994</u>	<u>15,054</u>

The average cost of external borrowing was 6.75% (2004/05 7.32%).

Following Local Government re-organisation in 1974, the County Council took over assets from other local authorities on which there were repayments of advances still outstanding. These debts are administered by the other authorities and the amounts recharged to the County Council are included in the above figures.

30. Temporary Borrowing

Temporary Borrowing relates to loans raised for periods between 1 and 364 days. There was £85,000 outstanding at the end of the financial year 2005/06 (£85,000 2004/05.)

31. Leasing of Vehicles, Plant and Equipment

At 31 March 2006 the County Council had annual commitments under non-cancellable operating leases as set out below. There were no finance leases.

	£000
2006/2007	861
2007/2008	400
2008/2009	191
2009/2010	54
2010/2011	33

All operating lease costs are charged to the revenue account; for 2005/06 this amounted to £1.5 million (£1.7 million 2004/05).

32. Private Finance Initiative (PFI)

FRS5 requires accounting recognition of reversionary interests, which are assets transferred to the operator for use in the scheme, and residual interests, which are assets provided by the operator as part of the contract; both of which return to the Authority at the end of the contract. Where FRS5 requires amortisation or accumulation, these calculations will be spread over the period of the contract. Any resulting charges to the Consolidated Revenue Account are adjusted by entries to the Capital Financing Account so that accounting entries relating to PFI reversionary and residual interests do not impact upon the Council Tax funding requirements.

Greater Nottingham Light Rapid Transport (Tram)

The County and City Councils are 20% and 80% partners in the contract for the provision of a tram service by the Arrow Consortium. The service became operational in 2004. A PFI credit of £174.2 million has been approved and the revenue costs are expected to be funded in the early years by the additional Government Grant received. Any surplus in the early years will be transferred to reserves to meet any excess costs in later years. The residual interests of the County Council are estimated to be £5.6 million which will be accumulated in equal instalments of £0.21 million over the financial years 2004/05 to 2030/31.

East Leake Schools

The Council has a contract with East Leake Schools Limited for the provision of a new secondary and primary school and community leisure facilities in East Leake. £17.2 million of PFI credits have been approved. Service commenced during 2003/04. The charge to the County Council for 2005/06 was £2.5 million (2004/05 £2.3 million). The revenue contributions from Rushcliffe Borough Council for the community leisure facilities amounted to £0.27 million (2004/05 £0.26 million).

The Authority has transferred land to the provider to be used within the scheme. This is a reversionary interest which was valued during 2003/04 at £15.0 million. It is estimated that this has reduced the annual unitary charge by £1.5 million. The Authority will not be required to make any payment over and above any unitary charge due at 31 July 2027 for the land and buildings to be transferred back to the Council at that date. The value of this reduction is recognised in the balance sheet as a deferred asset which was valued at £22.75 million as at 31 March 2006 (£23.71 million as at 31 March 2005). The deferred asset is being amortised to the Education Service Revenue Account in instalments using a Net Present Value basis. In 2005/06 the amortisation amounted to £0.96 million in 2005/06 (£0.38 million 2004/05) and will rise to £1.4 million in 2027/28.

Lighting and Boilers

The authority has also signed a £3.3 million Private Finance Initiative (PFI) contract for the supply of lighting and boilers. The value of individual items is included in the revaluation of buildings. £2.1 million was financed through 5 and 10 year leases ending in March 2005 and March 2010 respectively, with annual rentals of £0.4 million in 2005/06 (£0.4 million 2004/05).

Bassetlaw Schools

The Council has a contract with Transform Schools (Bassetlaw) Ltd for the provision of 5 secondary schools, 2 post-16 centres, 1 special school and 2 Community Leisure centres. PFI credits of £131.6 million have been allocated by government for the scheme in Bassetlaw that started interim operations during 2005/06. This included caretaking of existing schools and the commencement of construction on the new schools. The Council will not be required to make any payment over and above any unitary charge due at 31st July 2032 for the land and buildings to be transferred back to the Council at that date.

Waste Recycling

The Authority has recently received government support for a Nottinghamshire Waste PFI scheme which involves the commissioning of Materials Recycling Facilities and an Energy Recovery Facility. A PFI credit of £38.3 million has been allocated. The contract was signed on 26 June 2006 and the main facilities are expected to become operational over the next five years.

33. Government Grants Deferred

Only grants relating to depreciable assets are recorded here. Grants recorded here are used in the capital financing process and amortised to the appropriation account over the life of the asset via the Asset Management Revenue Account (AMRA) in order to offset the depreciation charges. Where assets are not depreciated the amounts are recorded in the Capital Financing Account (CFA).

	2004/05 £000	2005/06 £000
Balance at 1 April	121,523	161,139
Grants and contributions due on		
Depreciable assets	44,497	35,354
Magistrates Courts transfer	-	(1,583)
Amortised during the year	(4,881)	(6,598)
Balance at 31 March	<u>161,139</u>	<u>188,312</u>

34. Insurance Provision and Reserve

The Authority operates a self-insurance scheme and covers each kind of risk up to set limits which are reviewed annually. External insurers cover risks in excess of the internally insured amounts. The major areas where significant risks are covered externally are Fire, Liability and Motor. The insurance provision covers known liabilities. Amounts are also set aside in the insurance reserve to cover possible insurance claims losses that are not yet known about.

The total of the insurance provision and reserve as at 31 March 1998 has been ring-fenced for liabilities arising up to that date. The balance and the liabilities are being shared by the County and City Councils in the proportion of 23.55 % City and 76.45% County.

The amount set aside in the insurance provision is detailed in Note 35. The insurance reserve is shown below:

Insurance Reserve	2004/05 £000	2005/06 £000
Ring-fenced at 31 March 1998	1,229	1,269
Since 1 April 1998	3,357	5,871
	<u>4,586</u>	<u>7,140</u>

35. General Provisions

Where events have happened which are likely to result in costs to the Authority, an estimate of the likely impact is made and a provision is set aside. The provisions made are set out in the table below.

Description	31/3/05 £000	Movement £000	31/3/06 £000
General Insurance Claims prior to 1/4/98	768	(150)	618
General Insurance Claims from 1/4/98	5,919	240	6,159
Landfill Trading Allowances	-	3,183	3,183
S117 Mental Health Act	212	(176)	36
Provisions below £200,000	344	151	495
Total	<u>7,243</u>	<u>3,248</u>	<u>10,491</u>

36. Capital Expenditure Reserve

This reserve is used to meet capital expenditure. The balance brought forward from 2004/05 was £1.6 million. During the financial year, the balance on the reserve was reviewed and increased by £0.3 million. £0.1 million was used to finance capital expenditure leaving a reserve of £1.8 million.

37. Capital Receipts and Grants Unapplied

These comprise capital grants from the Government and the usable part of the capital receipts from the sale of assets. The County Council has approved the use of Capital receipts for the financing of capital expenditure.

	Capital Receipts £000	Grants and Contribut- ions £000	Total £000
Balance at 1 April 2005	-	-	-
Receivable	10,697	35,354	46,051
Applied	(10,697)	(35,354)	(46,051)
Balance at 31 March 2006	<u>-</u>	<u>-</u>	<u>-</u>

38. Revenue Reserves

	2004/05 £000	Movement £000	2005/06 £000
Contracting Services	957	(694)	263
Other Trading Services	688	257	945
Earmarked for Services	4,299	5,926	10,225
Earmarked Reserves	5,475	1,727	7,202
Leasing Alternatives Reserve	86	272	358
LATS Reserve	-	1,310	1,310
Bassetlaw PFI Reserve	-	5,929	5,929
East Leake PFI Reserve	1,603	243	1,846
Tram PFI Reserve	1,732	604	2,336
Charging Policy Reserve	1,000	(1,000)	-
Pay Review Reserve	13,518	4,555	18,073
	<u>29,358</u>	<u>19,129</u>	<u>48,487</u>

Contracting Services and **Other Trading Services** reserves comprise accumulated revenue surpluses plus or minus any transfer between those reserves and the County Fund

Earmarked Reserves carry forward unspent budget earmarked for use in the following financial year. The balance brought forward from 2004/05 was £4.3 million which was used in 2005/06. Another reserve of £10.2 million has been created in 2005/06 to cover unspent budget that has been approved for use in 2006/07.

Earmarked for Services are amounts set aside to cover expected events where the accounting criteria for the creation of provisions are not met.

Leasing Alternatives Reserve was to allow for equipment to be financed by outright purchase rather than lease arrangements.

Landfill Allowance Trading Scheme (LATS) Reserve is the value of allowances which have not been utilised or sold by the Authority. Each year the Government sets the number of tonnes of landfill which the Authority should not exceed. This target reduces each year. From 2010 any landfill in excess of the cumulative targets will require the Authority to pay a penalty to the Government of £150 per tonne. Where the Authority uses less landfill than the target, the excess allowances are held in a reserve at market value, which was £20.20 per tonne as at 31st March 2006.

Tram, East Leake and Bassetlaw PFI Reserves are surplus funding amounts set aside during the early years of the PFI contracts. These contributions from central government and the County Council will be required in later years to finance the unitary charge.

Charging Policy Reserve. This reserve was set up to cover an anticipated delay in implementing revised charging arrangements for the Home Care service, pending a public consultation process that has been initiated.

Pay Review Reserve has been set aside for the implementation of the County Council's review of pay structures. Pay increases arising from the review will be backdated.

39. Schools Statutory Reserve

Surplus and deficit balances relating to schools must be carried forward from one financial year to the next in accordance with the requirements of Section 48 of the School Standards and Framework Act 1998. The Schools Statutory Reserve is committed to be spent on the Education Service and is not available to the Authority for general use.

During 2005/06 the overall reserve has increased by £0.9 million to £23.8 million. Within the total reserve is £0.3m worth of additional school budget balances which it has been agreed to be carried forward. These balances relate to issues such as pupil retention grant and special education needs (SEN), pupil retention units and the staff absence scheme.

In 2004/05, funding from the reserve was utilised to further support improvements in SEN on a temporary basis. The reserve has now been rebuilt from extra resources that were made available as part of the County Council's medium term financial strategy.

Part of the reserve is used to finance a school loan scheme, whereby schools are advanced funding for major capital items and then repay this over a three year period.

	31/03/05 Movement 31/03/06		
	in year		
	£000	£000	£000
<u>School Balances</u>			
Standards Fund balances held by schools	5,266	1,259	6,525
Other balances held by schools	20,000	(1,720)	18,280
Total School Balances	<u>25,266</u>	<u>(461)</u>	<u>24,805</u>
Additional school budget balances to carry forward	0	299	299
	<u>25,266</u>	<u>(162)</u>	<u>25,104</u>
<u>Borrowing Against the Reserve</u>			
School Loan Scheme	(1,709)	367	(1,342)
To support additional SEN expenditure	(727)	727	0
Total Borrowing Against Reserve	<u>(2,436)</u>	<u>1,094</u>	<u>(1,342)</u>
School Statutory Reserve Total	<u>22,830</u>	<u>932</u>	<u>23,762</u>

40. Capital Financing Account

This account contains a number of capital accounting entries: a) the amount of capital expenditure financed from revenue and capital receipts; b) the difference between the amount

of depreciation charged in the year and the amount required to be charged to revenue to repay the principal element of external loans (The Minimum Revenue Provision); c) the adjustments to the Consolidated Revenue Account for residual and reversionary PFI assets; and d) the value of Government Grants amortised in the financial year.

	2004/05	2005/06
	£000	£000
Balance at 1 April	270,058	273,173
MRP less depreciation and City contribution	(25,849)	(15,040)
Capital Grants to other bodies	(1,547)	(1,456)
PFI East Leake - Reversionary Interest	(375)	(962)
PFI East Leake - Residual Interest	548	548
PFI Tram - Residual Interests	207	207
Reinstatement of Impaired Assets	-	2,205
Magistrates Courts Transfer	-	1,583
Capital Financing:		
Revenue Contributions	14,225	8,447
Capital Receipts Applied	11,206	10,697
Amortisation of Government Grants:		
Assets not depreciated	111	-
Assets depreciated	4,881	6,598
Prior year adjustment	(292)	-
Balance at 31 March	<u>273,173</u>	<u>286,000</u>

41. Fixed Asset Restatement Account

This account contains the increase in valuation of assets resulting from the introduction of the current system of capital accounting. It is adjusted for the effect of the revaluation of fixed assets. It is reduced by the value of capital expenditure not increasing the asset valuation and by the net book value of disposed assets.

	2004/05	2005/06
	£000	£000
Balance at 1 April	557,688	596,318
Revaluations/Capital Expenditure	60,308	(49,649)
Disposal of fixed assets	(21,678)	(4,005)
Fixed Asset Impairment	-	(2,205)
Magistrates Courts assets transfer	-	(33,757)
Balance at 31 March	<u>596,318</u>	<u>506,702</u>

42. Balances

	31/03/05	31/03/06
	£000	£000
County Fund	7,295	12,462
Housing Act Advances*	(1)	(2)
	<u>7,294</u>	<u>12,460</u>

* See note 22 on Long Term Advances

43. Members' Allowances

The authority makes payment to councillors for work undertaken in the course of their duties. The cost during the financial year was £1,200,203 (£1,145,683 2004/05). In addition to this members were reimbursed a total of £150,500 (£148,438 2004/05) for expenses incurred on council business.

44. Related Party Transactions

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent

to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

Central government exercises control over the general operations of the council – it is responsible for providing the statutory framework within which the council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the council has with other parties. Details of specific revenue grants are set out in note 3.

Councillors have direct control over the council's financial and operating policies. Grants totalling £1,661,818 were made to twenty six organisations in which nineteen members had an interest (2004/05 £1,755,379 to twenty-nine organisations and twenty-three members). The grants were made with proper consideration of declarations of interest.

The Register of Members' Interests is open to public inspection and is also available via the Council's website at <http://www.nottinghamshire.gov.uk/registerofmembersinterests.doc>.

45. Trust Funds

The Council acts as trustee for a number of separate trust funds, most of which are relatively small amounts. For example, many of the Education Trust Funds relate to legacies left by individuals for the benefit of specified schools. The balances have been restated to show the cash balances held by the Authority which are summarised below:

	Original Balance at 31/03/05 £000	Restated Balance at 31/03/05 £000	Income £000	Expend- iture £000	Balance at 31/03/06 £000
Education	39	31	3	2	32
Social Services	75	75	92	50	117
Community Services	78	18	3	-	21
Nottinghamshire Charitable Grants Fund	92	80	4	7	77
	<u>284</u>	<u>204</u>	<u>102</u>	<u>59</u>	<u>247</u>

In addition to cash balances held, the Authority has invested surplus funds, principally in gilt-edged securities, and the values are set out below:

	Value of Investments	
	£000 31/03/05	£000 31/03/06
Education	15	23
Social Services	202	234
Community Services	60	60
Nottinghamshire Charitable Funds	12	12
	<u>289</u>	<u>329</u>

46. European Monetary Union

It is unclear at present if and when the United Kingdom will change its currency to the Euro. If it does, the Authority will incur substantial additional costs related to changing systems and equipment and additional staffing and training costs. The extent and timing of these costs cannot be estimated at present.

47. Pooled Budgets

Under Section 31 of the Health Act 1999, Nottinghamshire County Council has entered into the following Pooled Budget Arrangements with the partners set out below. The County Council is the Host Authority for one of the pooled budgets and has responsibility for its financial management. The details are set out below:

Integrated Community Equipment Service (ICES) – North County	Integrated Community Equipment Service (ICES) – South County
Nottinghamshire County Council (Host)	Nottinghamshire County Council
Ashfield Primary Care (NHS) Trust	Nottingham City Council (Host)
Bassetlaw Primary Care (NHS) Trust	Nottingham City Primary Care (NHS) Trust
Mansfield Primary Care (NHS) Trust	Broxtowe & Hucknall Primary Care (NHS) Trust
Newark Primary Care (NHS) Trust	Gedling Primary Care (NHS) Trust
	Rushcliffe Primary Care (NHS) Trust

Integrated Community Equipment Service (ICES) – North County

The partnership is established to provide an integrated service providing equipment and minor adaptations for home nursing and daily living needs in line with Department of Health Guidance. The funding of the partnership, which commenced in February 2006, is set out in the statement below.

Pooled Budgets Memo Account North County	2005/06 £000
Funding	
Nottinghamshire County Council	123
Bassetlaw PCT	30
Newark PCT	32
Mansfield PCT	28
Ashfield PCT	24
Total Funding	<u>237</u>

Expenditure	
Partnership Management & Administration costs	17
Project set up costs	19
Specialist Equipment	9
Equipment	171
Minor Adaptations	21
Total Expenditure	<u>237</u>

Integrated Community Equipment Service (ICES) – South County

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. The County Council contributed £718k in 2005/06 (£585k in 2004/05) to the partnership.

48. Contingent Liabilities

- The Authority is aware of substantial claims from contractors on both the Tram and East Leake Schools PFI schemes. These claims are being vigorously contested. Following an independent hearing on the Tram claim, an adjudicator, appointed under the terms of the concession agreement, found in favour of the Councils. However, the concessionaire has not accepted this ruling and continues to pursue a financial claim.
- There is a potential liability from part-time staff exercising their back-dated rights to join the Pension Fund and requiring the employer to make contributions. The amount will depend on how many staff decide to take up this option.
- The Authority has contingent liabilities relating to insurance – see note 34.
- The Authority has made provision for all known claims made under S117 of the Mental Health Act (see note 35) but there is a possibility of further claims being made, the extent of which are unknown at this point in time.
- The Authority is discussing with the Coal Authority an agreement with its predecessor to use land at Rufford Colliery as a waste disposal site. Subsequent environmental laws prevent such usage and there is a potential moderate liability.
- A potential dispute over rights of way/highway issues. The County Council continues to seek a resolution by dialogue rather than litigation.

49. Post Balance Sheet Events

There are no material events to report since the accounts were prepared which are not reflected in the accounts.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

FUND ACCOUNT FOR YEAR ENDED 31 March 2006

	Notes	2004/05 £000	2005/06 £000
Contributions			
Receivable from:			
Employees - normal		32,304	33,893
- additional voluntary		353	472
Employers - normal		81,904	85,521
- special		-	-
- additional		1,582	3,470
Transfers In - individuals		22,861	18,505
Transfers In - groups		-	-
Other income		-	-
		<u>139,004</u>	<u>141,861</u>
 Benefits payable			
Pensions		64,957	69,628
Lump Sums Payable:			
Retiring Allowances		11,188	12,834
Ill-health Retirement Grants		70	111
Death Gratuities		1,814	1,340
Compensation		140	109
		<u>78,169</u>	<u>84,022</u>
 Payments to and on account of Leavers			
Transfers Out - individuals		13,560	19,831
Transfers Out - groups		-	-
Refunds		438	234
State Scheme		203	168
		<u>14,201</u>	<u>20,233</u>
 Administration Expenses		1,389	1,384
 Net additions from dealings with members		<u>45,245</u>	<u>36,222</u>
 Returns on Investments			
Investment Income	5	58,728	68,095
Change in market value of investments		126,345	348,722
Taxation	1	-	-
Investment management expenses		(3,236)	(3,997)
Net Returns on Investments		<u>181,837</u>	<u>412,820</u>
 Net increase/decrease in the Fund during the year		227,082	449,042
Opening net assets of the scheme*		1,508,730	1,735,812
Closing net assets of the scheme		<u>1,735,812</u>	<u>2,184,854</u>

* Dividends have been included on an accruals basis from this financial year and the 2004/05 opening assets have been increased by £5.895 million as a result.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

NET ASSETS STATEMENT

	Notes	31 March 2005 £000	31 March 2006 £000
Investments	5		
Fixed Interest Securities:			
UK Public Sector		147,486	141,073
UK Other		85,670	99,580
Overseas Public Sector		72,447	43,970
Overseas Other		-	18,304
Index Linked Securities		20,295	16,515
Equities - listed			
UK		643,537	810,546
Overseas		206,538	313,804
Pooled Investment Vehicles			
Unit Trusts		125,115	193,249
Unitised Insurance Policies		58,719	79,045
Other Managed Funds		42,534	78,426
Property Unit Trusts		29,462	62,824
Unlisted Investments		520	588
Property		225,645	260,530
Hedging		(110)	-
Cash and Currency		75,979	56,766
Total Investments		1,733,837	2,175,220
Net Current Assets/(Liabilities)	6	1,975	9,634
		<u>1,735,812</u>	<u>2,184,854</u>

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The Pension Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - a Statement of Recommended Practice, except for income from property, which is accounted on a cash received basis, and the treatment of irrecoverable withholding tax on dividends, which are not recorded in the Accounts. Disclosures in the Pension Fund accounts have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

DEBTORS AND CREDITORS

The accruals concept for debtors and creditors is applied to these accounts in compliance with Financial Reporting Standard 18 except for income from securities which is brought into the accounts on the due date of payment.

INVESTMENTS

Equities traded through the Stock Exchange Electronic Trading Service SETS, are valued on the basis of the latest mid market price. *Other quoted investments* are valued on the basis of the mid-market value quoted on the relevant stock market.

Unit Trusts and managed funds are valued at the average of the bid and offer prices provided by the relevant fund managers, which reflect the market value of the underlying investments.

Unquoted securities are valued by the fund managers at the year end in accordance with generally accepted guidelines.

The market value of *fixed interest investments* includes income accrued at 31 March but not yet due for payment.

Property investments are stated at open market value based on an annual independent valuation at 31 December 2005, with subsequent purchases included at cost.

Acquisition costs are included in the purchase cost of investments.

Overseas investment values are translated at the closing exchange rate ruling at the balance sheet date.

The *change in market value* of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

INVESTMENT INCOME

Income is accounted for on an accruals basis, apart from *Income from property* which is accounted for on a cash received basis as it is collected and paid over by the Fund's property manager, Arlington Property Investors.

TAXATION

UK equity dividends are quoted and accounted for at the net rate. The tax credit, which the Fund is unable to recover, is not accounted for. Overseas equity dividends are also accounted for net of withholding tax, where this is deducted at source. Partial reclaims of withholding tax, where allowed, are accounted for when received and adjusted at the year end by outstanding claims.

FOREIGN CURRENCIES

Where forward exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated into sterling at the rate ruling on the date of the transaction.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments

CONTRIBUTIONS

Normal contributions, both from the members and from employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from the employer are accounted for in accordance with the agreement under which they are paid, or in the absence of such an agreement, when received.

BENEFITS PAYABLE

Under the rules of the Scheme, members receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose whether to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

Other benefits are accounted for on the date the member leaves the Plan or on Death.

TRANSFERS TO AND FROM OTHER SCHEMES

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the Plan. They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty.

There were no scheme mergers or group transfers, in or out, in either 2004/5 or 2005/6.

OTHER EXPENSES

Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

Nottinghamshire County Council charges the Fund with the costs it incurs in administering the scheme and investing the Fund.

2. CONSTITUTION OF THE FUND

The Nottinghamshire County Council Pension Fund is governed in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). The Fund covers both County, City and District Council employees within Nottinghamshire, except Teachers and Lecturers for whom separate pension arrangements apply, together with other bodies who are specifically authorised by the Regulations.

Local Act powers were obtained in June 1985 by the Nottinghamshire County Council (Superannuation) Act 1985 to enable the Pension Fund to be split into two parts - one for local government employees and the other for employees of admitted bodies. This was done with effect from 1 April 1986 when the assets and the accrued pension fund liabilities for employees of all the admitted bodies were transferred into the new fund, called the Admission Agreement etc. Pension Fund. Both Funds are operated on a similar basis.

3. CONTRIBUTORS AND PENSIONERS

	31/3/05 Total	County Council	City Council	Numbers at 31/3/06 District Councils	Other	Total
Contributors	39,786	17,756	9,884	4,369	7,646	39,655
Deferred Beneficiaries	15,033	7,911	4,318	2,261	3,274	17,764
Pensioners	19,335	9,863	3,896	3,715	2,430	19,904

4. OPERATION OF THE FUND

(a) **Contributions and Solvency**

Employees are required by the Regulations to make percentage contributions by deduction from earnings at the rate of 6% for officers and either 5% or 6% for manual workers. Employers are required to make such balancing contributions, determined by the Fund's actuary, as will maintain the Fund in a state of solvency, having regard to existing and prospective liabilities. In 2004/05 11 authorities made additional contributions totalling £1.58 million above their normal employer's contributions (2003/04 : 11 Authorities : £3.09 million).

(b) **Actuarial Valuations**

As required by the Regulations an Actuarial valuation of the Fund was carried out as at 31 March 2004. The market value of the Fund's assets at the valuation date of 31 March 2004 was £1,502.8 million. The actuary has estimated that the value of the Fund was sufficient to meet 73% of its expected future liabilities in respect of service completed to 31 March 2004. The new contribution rates were expected to improve this to 100% within a period of 20 years.

The actuarial valuation was carried out using the projected unit method and the contribution rates were calculated following the completion of the actuarial valuation. The assumptions used within the valuation were as follows:

	Past Service	Future Service
Investment return:		
- pre retirement	7.35% pa	6.50% pa
- post retirement	5.60% pa	6.50% pa
Pensionable pay increases	4.25% pa	4.25% pa
Pension increases	2.50% pa	2.50% pa

Valuation of assets is based upon market values.

The employers' contribution rates paid in 2004/05 were set by the 31 March 2001 valuation, whilst those to be paid from 2005/06 to 2007/08 were set by the 31 March 2004 valuation. The following list shows the rates payable by the main employers:

	Percentages of Pensionable Pay			
	2004/5	2005/6	2006/7	2007/8
	%	%	%	%
Nottinghamshire County Council	13.7	14.3	14.9	15.5
Bassetlaw District Council	17.1	21.9	21.9	21.9
Plus	£151,000	£302,000	£453,000	
Mansfield District Council	17.0	17.7	18.4	19.1
Newark and Sherwood District Council	16.2	17.5	18.8	20.1
Ashfield District Council	15.4	17.0	18.6	20.2
Broxtowe Borough Council	14.9	15.5	16.1	16.7
Gedling Borough Council	13.6	14.5	15.4	16.2
Rushcliffe Borough Council	14.2	16.0	17.8	19.7
Nottingham City Council	14.2	14.7	15.2	15.8

(c) **Investment Policy**

The investment policy of the fund is designed to maximise growth to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended). Strategic decisions on investment policy are made by the Pensions Committee, advised by a Pensions Investment Sub-Committee, but the day to day investments are managed by organisations specialising in the management of pension fund assets. The Sub-Committee meets on a quarterly basis to review the investments of the Fund. Its membership consists of elected County Councillors, 3 representatives of Nottingham City Council, 2 representatives of the District Councils, 2 representatives of the trade unions, and a representative elected by the other scheduled bodies. It is also attended by an independent adviser and the Director of Resources.

5. INVESTMENTS

The original values of investments are based on market values at 1 April 1974 for investments held at that date and at cost plus expenses for subsequent purchases. At 31 March 2006 an analysis of the management arrangements was as follows:

	31/3/05		31/3/06	
	£000	%	£000	%
In-house	690,545	40	861,790	39
Hendersons Investors	387,590	22	-	-
Aegon	-	-	319,442	15
Schroder Investment Management	348,624	20	452,089	21
Martin Currie	-	-	126,104	6
Arlington Property Investors UK Ltd	243,303	14	288,333	13
Hermes Lens Asset Management	51,970	3	92,440	4
Standard Life	11,805	1	14,274	1
Noble Group	-	-	20,748	1
Total Market Value	1,733,837	100	2,175,220	100
Original Value	1,447,543		1,597,226	
Excess of Market Value over Original Value	286,294		577,994	

The analysis of investment income by type of investment shows:

	2004/05	2005/06
	£000	£000
Fixed Interest	11,759	13,263
Equities	30,567	36,214
Index-linked	456	243
Pooled Vehicles	770	846
Property Unit Trusts	578	516
Property	11,384	13,724
Cash	3,211	3,289
Joint Ventures	-	-
Other	3	-
	<u>58,728</u>	<u>68,095</u>

Purchases and Sales of investments were as follows:

	2004/05	2005/06
	£000	£000
Purchases at cost	1,120,041	1,017,635
Sales at market value net of cost of sales	1,004,465	905,760
Net Purchases/(Sales)	<u>115,576</u>	<u>111,875</u>

Individual Investments over 5% of the Fund

At 31 March 2006 the fund held no investment representing over 5% of the fund (2004/05 also nil).

Property

Property is shown at open market value (as defined by the International Valuation Standards Committee) as determined by Messrs Nelson Bakewell, Property Consultants, as at 31 December 2005 with subsequent additions to 31 March 2006 at cost. The analysis of property is:

	31 March 2005 £000	31 March 2006 £000
Freehold	203,855	245,955
Leasehold more than 50 years	21,790	14,575
	<u>225,645</u>	<u>260,530</u>
Original Value	191,880	200,227

6. NET CURRENT ASSETS - DEBTORS AND CREDITORS

	31 March 2005 £000	31 March 2006 £000
Debtors - sale of investments	-	1,425
- other	9,914	13,381
Creditors - purchase of investments	(7,115)	(4,112)
- other	(824)	(1,060)
	<u>1,975</u>	<u>9,634</u>

7. MEMBERS ADDITIONAL VOLUNTARY CONTRIBUTIONS

During the period the County Council received additional voluntary contributions (avc) from members amounting to £973,038 (2004/05 £1,044,699). These were separately invested with Prudential Assurance and Scottish Widows, and are not disclosed within the assets or liabilities of either the main or the admitted bodies funds. From January 2001 new AVC schemes were invested with Scottish Widows, although members may choose to continue existing schemes with Prudential Assurance. From 2005 members may invest with either Prudential Assurance or Scottish Widows.

8. RELATED PARTY TRANSACTIONS

The net assets statement includes cash of £57 million (2004/05 £76 million) which is held by Nottinghamshire County Council and earns interest at the 7-day local government rate. The cash is the property of the Pension Fund and is not used for the purposes of the County Council. The maximum amount held with the County Council during 2005/06 was £93 million (2004/05 £98 million).

County Councillors Mr J Carter and Mr D Taylor are members of Nottinghamshire County Council Pensions Committee and are in receipt of pensions from this fund. There are no other related party transactions between members and officers of the Council and the Fund.

9. MEMBERS' REPORT

A summarised version of these accounts is circulated to all members of the fund.

10. ANALYSIS OF CONTRIBUTIONS AND BENEFITS

	County Councils		Scheduled Bodies	
	2004/5	2005/6	2004/5	2005/6
	£000	£000	£000	£000
Contributions from employers	30,408	32,144	53,079	56,847
Contributions from employees	12,469	13,414	20,188	20,951
Benefits payable	32,938	34,432	45,231	49,590

11. STATEMENT OF INVESTMENT PRINCIPLES

The Pensions Committee has determined a Statement of Investment Principles for the Fund. A copy may be obtained by writing to the Director of Resources, County Hall, West Bridgford, Nottingham, NG2 7QP.

ADMISSION AGREEMENT ETC. PENSION FUND

FUND ACCOUNT FOR YEAR ENDED 31 March 2006

	Notes	2004/05 £000	2005/06 £000
Contributions			
Receivable from:			
Employees - normal		1,200	1,232
- additional voluntary		22	22
Employers - normal		2,120	2,428
- special		-	-
- additional		-	-
Transfers In - individuals		1,544	1,149
Transfers In - groups		-	-
Other income		-	-
		4,886	4,831
Benefits			
Pensions		1,275	1,324
Lump Sums:			
Retiring Allowances		215	314
Ill Health		-	-
Death Gratuities		106	36
Compensation		-	-
		1,596	1,674
Payments to and on account of Leavers			
Transfers Out - individuals		885	740
Transfers Out - groups		-	-
Refunds		15	23
State Scheme		-	-
		900	763
Administration expenses		52	53
Net additions from dealings with members		<u>2,338</u>	<u>2,341</u>
Returns on investments			
Investment Income	5	1,257	1,617
Change in market value of investments		4,003	10,927
Taxation	1	-	-
Investment management expenses		(67)	(92)
Net returns on investments		<u>5,193</u>	<u>12,452</u>
Net increase/(decrease) in the Fund during the year		7,531	14,793
Opening net assets of the scheme*		43,659	51,190
Closing net assets of the scheme		<u>51,190</u>	<u>65,983</u>

* Dividends have been included on an accruals basis from this financial year and the 2004/05 opening assets have been increased by £0.197 million as a result.

ADMISSION AGREEMENT ETC. PENSION FUND

NET ASSETS STATEMENT

	Notes	31 March 2005 £000	31 March 2006 £000
Investments	5		
Fixed Interest Securities:			
Public Sector		-	-
Other		-	-
Equities - listed			
UK		19,148	23,421
Overseas		4,231	6,401
Index Linked Securities		-	-
Pooled investment vehicles:			
Fixed Interest OEICs		7,833	8,021
Index Linked OEICs		521	904
Unit Trusts		5,415	9,674
Unitised Insurance Policies		3,366	4,806
Property		8,013	9,389
Property		-	-
Cash		2,199	2,986
Total Investments		50,726	65,602
Net Current Assets/(Liabilities)	6	464	381
		<u>51,190</u>	<u>65,983</u>

ADMISSION AGREEMENT ETC. PENSION FUND

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The Admission Agreement etc Pension Fund accounts have been prepared in accordance with the accounting recommendations of the Financial Reports of Pension Schemes - a Statement of Recommended Practice, except for the treatment of irrecoverable withholding tax on dividends, which are not recorded in the Accounts. Disclosures in the Admission Agreement etc Pension Fund accounts have been limited to those required by the Code of Practice on Local Authority Accounting in the United Kingdom: a Statement of Recommended Practice. The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

DEBTORS AND CREDITORS

The accruals concept for debtors and creditors is applied to these accounts in compliance with Financial Reporting Standard 18 except for income from securities which is brought into the accounts on the due date of payment.

INVESTMENTS

Equities traded through the Stock Exchange Electronic Trading Service SETS, are valued on the basis of the latest mid market price. *Other quoted investments* are valued on the basis of the mid-market value quoted on the relevant stock market.

Unit Trusts and managed funds are valued at the average of the bid and offer prices provided by the relevant fund managers, which reflect the market value of the underlying investments.

The market value of *fixed interest investments* includes income accrued at 31 March but not yet due for payment.

Acquisition costs are included in the purchase cost of investments.

Overseas investment values are translated at the closing exchange rate ruling at the balance sheet date.

The *change in market value* of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

INVESTMENT INCOME

Income is accounted for on an accruals basis

TAXATION

UK equity dividends are quoted and accounted for at the net rate. The tax credit, which the Fund is unable to recover, is not accounted for. Overseas equity dividends are also accounted for net of withholding tax, where this is deducted at source. Partial reclaims of withholding tax, where allowed, are accounted for when received and adjusted at the year end by outstanding claims.

FOREIGN CURRENCIES

Where forward exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is translated into sterling at the rate ruling on the date of the transaction. Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

CONTRIBUTIONS

Normal contributions, both from the members and from employers, are accounted for in the payroll month to which they relate at rates as specified in the rates and adjustments certificate. Additional contributions from the employer are accounted for in accordance with

the agreement under which they are paid, or in the absence of such an agreement, when received.

BENEFITS PAYABLE

Under the rules of the Scheme, members receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for from the date of retirement. Where a member can choose whether to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis from the date the option is exercised.

Other benefits are accounted for on the date the member leaves the Plan or on Death.

TRANSFERS TO AND FROM OTHER SCHEMES

Transfer values represent the capital sums either receivable in respect of members from other pension schemes of previous employers or payable to the pension schemes of new employers for members who have left the Plan. They take account of transfers where the trustees of the receiving scheme have agreed to accept the liabilities in respect of the transferring members before the year end, and where the amount of the transfer can be determined with reasonable certainty.

OTHER EXPENSES

Administration and investment management expenses are accounted for on an accruals basis. Expenses are recognised net of any recoverable VAT.

Nottinghamshire County Council charges the Fund with the costs it incurs in administering the scheme and investing the Fund.

2. CONSTITUTION OF THE FUND

Local Act powers were obtained in 1985 to the establishment of this fund and it is governed in accordance with the Local Government Pension Scheme Regulations 1997 (as amended).

3. CONTRIBUTORS AND PENSIONERS

	Number at 31/3/05	Number at 31/3/06
Contributors	1,071	1,074
Deferred beneficiaries	603	663
Pensioners	300	329

4. OPERATION OF THE FUND

(a) Contributions and Solvency

Employees are required by the Regulations to make percentage contributions by deduction from earnings at the rate of 6% for officers and either 5% or 6% for manual workers. Employers are required to make such balancing contributions, determined by the Actuary, as will maintain the fund in a state of solvency, having regard to existing and prospective liabilities.

(b) Actuarial Valuations

As required by the Regulations an Actuarial valuation of the Fund was carried out as at 31 March 2004.

The market value of the Fund's assets at the valuation date of 31 March 2004 was £43.50 million. The actuary has estimated that the value of the Fund was sufficient to meet 80% of its expected future liabilities in respect of service completed to 31 March 2004.

The actuarial valuation was carried out using the projected unit method and the contribution rates were calculated following the completion of the actuarial valuation. The assumptions used within the valuation were as follows:

	Past Service	Future Service
Investment return:		
- pre retirement	7.35% pa	6.5% pa
- post retirement	5.6% pa	6.5% pa
Pensionable pay increases	4.25% pa	4.25% pa
Pension increases	2.5% pa	2.5% pa

Valuation of assets is based upon market values. The employers' contribution rates payable are set out in note 9.

(c) **Investment Policy**

The investment policy of the fund is designed to maximise growth to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 (as amended). Strategic decisions on investment policy are made by a Pensions Committee, advised by a Pensions Investment Sub-Committee. This meets on a quarterly basis to review the investments of the Fund. Its membership consists of elected County Councillors, 3 representatives of Nottingham City Council, 2 representatives of the District Councils, 2 representatives of the trade unions, and a representative elected by the other scheduled bodies. It is also attended by an independent adviser and the Director of Resources.

5. INVESTMENTS

A comparison with original values of investments is given in the table below. The original values of investments are based on market values at 1 April 1974 for investments held at that date and at cost plus expenses for subsequent purchases. At 31 March 2006 an analysis of the management arrangements was as follows:

	31/3/05 £000	%	31/3/06 £000	%
In-house	20,921	42	27,874	42
Arlington Property Investors	3,000	6	3,551	5
Hendersons Investors	8,354	16	-	-
Aegon	-	-	8,925	14
Schroder Investment Management	18,451	36	25,252	39
Total Market Value	50,726	100	65,602	100
Original Value	45,755		51,828	
Excess of Market Value over Original Value	<u>4,971</u>		<u>13,774</u>	

The analysis of investment income by type of investment shows:

	2004/05 £000	2005/06 £000
Fixed Interest	22	4
Equities	858	1,115
Index-linked	2	-
Pooled vehicles	13	17
Property Unit Trusts	172	342
Property rents	-	-
Cash interest	190	138
Joint ventures	-	-
Other	-	1
	<u>1,257</u>	<u>1,617</u>

Purchases and Sales of Investments were as follows:

	2004/05	2005/06
	£000	£000
Purchases at cost	7,342	15,924
Sales at market value	2,736	12,762
Net Purchases/(Sales)	<u>4,606</u>	<u>3,162</u>

Individual Investments over 5% of the Fund

At 31 March 2006 the fund held £6.30 million of Aegon Long Balanced Fund, £5.84 million of Schroders' Property Unit Trust, £3.55 million of Arlington UK Balanced Property Fund and £3.43 million of Schroder Institutional European Fund representing 9.5%, 8.9%, 5.4% and 5.2% of the fund respectively. (2004/05 the fund held £5.01 million of Schroders' Property Unit Trust and £3.61 million of Henderson UK Gilt Fund representing 9.8% and 7.1% respectively.)

6. NET CURRENT ASSETS - DEBTORS AND CREDITORS

	31 March 2005	31 March 2006
	£000	£000
Debtors - sale of investments	-	-
- other	529	441
Creditors - purchase of investments	(32)	(15)
- other	(33)	(45)
Net Current Assets/(Liabilities)	<u>464</u>	<u>381</u>

7. RELATED PARTY TRANSACTIONS

The net assets statement includes cash of £3.0 million (2004/05 £2.2 million) which is held by Nottinghamshire County Council and earns interest at the 7-day local government rate. The cash is the property of the Pension Fund and is not used for the purposes of the County Council. The maximum amount held with the County Council during 2004/05 was £4.0 million (2004/05 £5.2 million) There are no other related party transactions between members and officers of the Council and the Fund.

8. MEMBERS' REPORT

A summarised version of these accounts is circulated to all members of the fund.

9. ADMITTED BODIES

The employers' contribution rates paid in 2004/05 were set by the 31 March 2001 valuation, and those to be paid in the years 2005/6 to 2007/8 were set by the 31 March 2004 valuation. The rates are shown as a percentage of pensionable pay.

Employer	2004/05	2005/06 to 2007/08
	%	%
Ashfield CAB	9.5	11.6
Ashfield Women's Centre	10.0	11.6
Bassetlaw CAB	10.3	11.6
Bestwood Advice Centre	9.5	11.6
Broxtowe Partnership Trust	10.0	11.6
Bulwell Vision	10.3	11.6

Catholic Children's Society	9.5	11.6
Child Migrants Trust	10.3	11.6
City Arts	10.3	11.6
City of Nottingham Scout District	10.0	11.6
Clifton Advice Centre	9.5	11.6
Connexions Nottinghamshire (incl Guideline Careers)	12.1	12.8
Disabilities Living Centre	10.0	11.6
Eastwood & District CAB	10.3	11.6
Eastwood Volunteer Bureau	10.0	11.6
EMFEC	9.5	11.6
EM Media	10.3	11.6
EMMLAC	10.3	11.6
Enviroenergy Ltd	10.3	11.6
Experience Nottingham Ltd	10.3	11.6
First Data (Training) Ltd	10.0	11.6
Greater Nottingham Partnership	10.3	11.6
Greenfields Centre Ltd	9.5	11.6
Groundwork Ashfield and Mansfield	9.5	11.6
Groundwork Greater Nottingham	9.5	11.6
Hyson Green Boys Club	10.3	11.6
Institute of Burial Cremation Admin	10.3	11.6
Jesse Boot Community Basketball & Sports	10.3	11.6
Kirkby Youth Housing Trust	10.0	11.6
Mansfield CAB	9.5	11.6
Mansfield Rd Baptist Housing	10.0	11.6
Meadows Advice Group	9.5	11.6
Meadows Partnership Trust	10.3	11.6
Meden Valley Making Places Ltd	10.3	11.6
NECTA	10.0	11.6
Newark Emmaus Trust	10.0	11.6
New Deal for Radford & Hyson Green	10.3	11.6
NORSACA	9.5	11.6
Nottingham Association of Local Councils	10.3	11.6
Nottingham & District Racial Equality Council	9.5	11.6
Nottingham CAB	9.5	11.6
Nottingham Deaf Society	9.5	11.6
Nottingham Development Enterprise	9.5	11.6
Nottingham Independent Venture	10.0	11.6
Nottingham Ice Centre	10.0	11.6
Nottingham Regeneration	10.3	11.6
Nottinghamshire County Scout Association	9.5	11.6
Nottinghamshire Rural Community Council	9.5	11.6
Ollerton and District CAB	9.5	11.6
Profile Nottingham	10.0	11.6
Pro-Vision Catering	10.5	14.0
Regeneration East Midlands	10.3	11.6
Rushcliffe Homes	12.4	10.4
SLM Ltd	12.6	12.4
Southwell Council for Family Care	9.5	11.6
Southwell Leisure Centre	9.5	11.6
Technical Aid for Nottingham Communities	9.5	11.6
The Carers' Federation	10.3	11.6
The Partnership Council	10.0	11.6
The Pearson Centre for Young People	10.0	11.6
The Renewal Trust	10.0	11.6
Trent University Students' Union	9.5	11.6
UPP (Nottm)	12.6	13.2
VOSE	10.0	11.6

10. STATEMENT OF INVESTMENT PRINCIPLES

The Pensions Committee has determined a Statement of Investment Principles for the Fund. A copy may be obtained by writing to the Director of Resources, County Hall, West Bridgford, Nottingham, NG2 7QP.

Glossary of Terms

Accruals	The concept that income and expenditure are recognised as they are earned or incurred, not as money happens to be received or paid.
Added Years	Additional years of service awarded to increase benefits of employees taking early retirement.
Asset Management Revenue Account (AMRA)	The revenue account which contains the credit for capital charges and government grants deferred contributions, offset by charges for depreciation and external interest payments.
Budget	The Council's statement of spending plans and policies for a financial year, expressed in financial terms.
Capital Charge	A charge to the service revenue accounts for the use of fixed assets used in provision of services.
Capital Financing Account (CFA)	Contains the elements previously recorded in the Provision for Credit Liabilities, together with amounts to be set aside to repay debt and the amount of capital expenditure financed by capital receipts and revenue. It also contains the difference between the amounts provided for depreciation and the amount for Minimum Revenue Provision.
Capital Receipts	Income received from the sale of capital assets and available, subject to rules laid down by Government, to finance new capital expenditure or to repay debt.
Cash Flow Statement	Summarises the inflows and outflows of cash arising from transactions with third parties for capital and revenue purposes.
Consolidated Balance Sheet	The accounting statement which sets out the Council's total net assets and how they were financed.
County Fund	This balance is a general revenue reserve, part of this fund is earmarked to provide a number of Reserves.
Creditors	Persons or bodies owed monies by the Authority that have not been paid by the end of the financial year.
Debtors	Persons or bodies owing sums to the Authority that have not been paid by the end of the financial year.
Direct Labour/Service Organisations	Workforces employed directly by local authorities to carry out works of repair, maintenance, construction etc. of buildings, grounds and roads and to provide catering and cleaning services and repairs and maintenance of vehicles.
Earmarked Reserves	Reserves set aside for a specific purpose.
Fixed Asset Restatement Account (FARA)	Represents the difference between the revalued amount of fixed assets as shown in the accounts and actual costs.
Fixed Assets	Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.

Government Grants Deferred Account	The amount of money given to us to spend on depreciable assets that have a lasting value, for example vehicles. This amount is reduced each year as the value of the asset reduces due to wear and tear.
Infrastructure Assets	Fixed assets such as roads and bridges.
Leasing	A method of financing capital expenditure where a rental charge for an asset is paid for a specific period. There are two forms of lease, 'finance leases' which transfer substantially all the risks and rewards of ownership to the lessee and other leases which are known as 'operating leases'.
Minimum Revenue Provision (MRP)	The minimum amount which must be charged to revenue in the year for the repayment of debt (credit liabilities and credit arrangements). An authority may voluntarily set aside amounts in excess of the minimum required.
Non-Operational Assets	Fixed assets held which are not used in the provision of services.
Operational Assets	Fixed assets held and occupied, used or consumed by the Authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility.
Precept Income	County Councils obtain part of their income from precepts levied on the district councils in their area. Precepts, based on the 'council tax bases' of the district councils, are levied on each district's 'collection fund'.
Provision for Credit Liabilities	This is required by the Local Government and Housing Act 1989. It contains the prescribed proportion of capital receipts, required to be set aside for debt redemption and European Capital Grants. The total amount credited is then available to repay external borrowing or to reduce external borrowing by financing capital projects for which credit approval is held.
Provisions	Sums of money set aside to meet specific expenses which are likely or certain to be incurred, but where the amounts cannot be accurately determined or dates on which they will arise. The sums set aside are charged to the appropriate service revenue accounts.
Reserves	Sums of money set aside to cover future eventualities. The sums set aside are charged to the County fund and not to service revenue accounts.
Revenue Account	The account which sets out the Council's Income and Expenditure for the year.
Revenue Support Grant (RSG)	The main Government grant to support Local Authority services.
Trust Funds	Funds established where the Authority acts as trustee. These amounts do not form part of the County Council's resources.