

NOTTINGHAMSHIRE COUNTY COUNCIL STATEMENT OF ACCOUNTS 2008/09

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EXPLANATORY FOREWORD

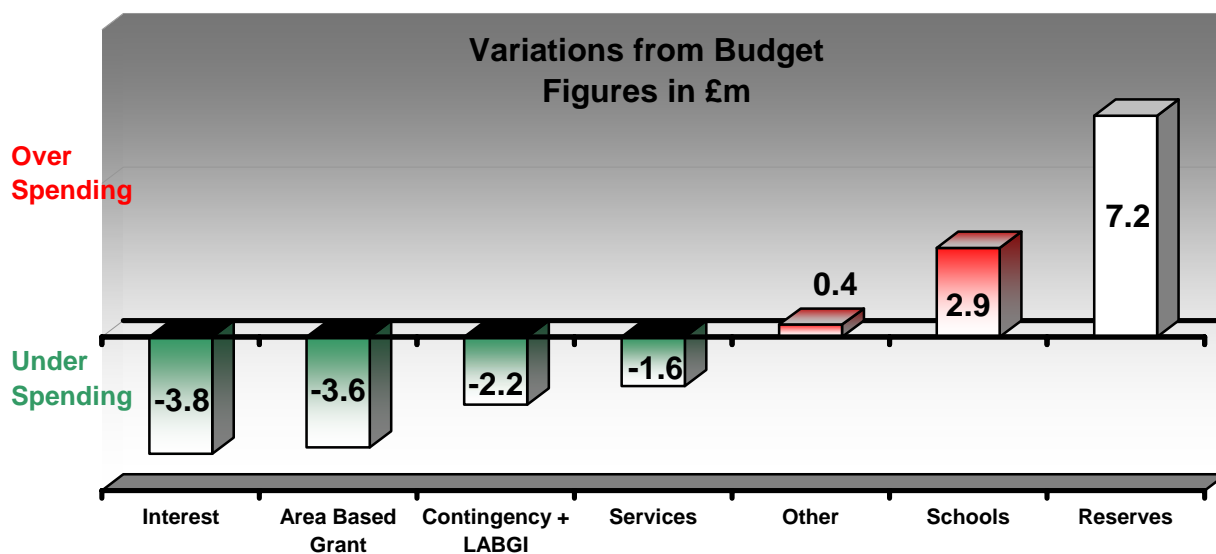
- The County Council's Statement of Accounts for the year 2008/09 is set out on the following pages. It is prepared in accordance with the 2008/09 Code of Practice on Local Authority Accounting Statement of Recommended Practice (SORP) and Best Value Accounting Code of Practice (BVACOP), both issued by 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 (UITFA) as they apply to local authorities.
- This foreword gives a brief summary of the Council's overall financial results for 2008/09. It also indicates the type of expenditure incurred and the ways in which money has been raised to pay for this.

Revenue Expenditure

- The original budget estimated that there would be a contribution of £1.9 million to General Fund balances. The final accounts shows that £2.6 million was added to balances.

	Original Budget £m	Actual £m	Variance from Budget £m
INCOME			
Income raised from taxation:			
Precept Income (Council Tax)	294.1	294.0	0.1
Non Domestic Rate Income	139.2	139.2	-
Revenue Support Grant	19.4	19.4	-
Business Growth Incentive / Flood Grant	-	1.3	(1.3)
	<u>452.7</u>	<u>453.9</u>	<u>(1.2)</u>
NET EXPENDITURE (inc appropriations)	<u>450.8</u>	<u>451.3</u>	<u>0.5</u>
Contribution (to)/from County Fund Balances	<u>(1.9)</u>	<u>(2.6)</u>	<u>(0.7)</u>

- The main variations to net expenditure were:



	£m	£m
Areas where expenditure was reduced:		
Interest on Borrowings	(3.8)	
Area Based Grant underspendings	(3.6)	
Net Underspendings by Services	(1.6)	
Additional LABGI/ Flood Grant	(1.4)	
Unused Contingency	<u>(0.8)</u>	(11.2)
Areas where expenditure increased:		
Net use of Statutory Reserves by Schools	2.9	
Other	<u>0.4</u>	3.3
Movement on reserves created from items above:		
Schools Reserves	(2.9)	
Pay Review	3.0	
Invest to Save	2.0	
Area Based Grant	3.6	
Carry Forwards	1.5	7.2
	<u> </u>	<u> </u>
Overall decrease in net expenditure compared with budget		<u>(0.7)</u>

5. The following table shows the position on the various balances and available reserves held by the County Council and usable for revenue purposes.

	1.4.08	Movement	31.3.09
	£m	during year	£m
		£m	
County Fund Balances	22.2	2.6	24.8
Reserves:			
Area Based Grant	-	3.6	3.6
Bassetlaw PFI	17.7	(3.2)	14.5
Capital Expenditure	4.4	(1.2)	3.2
Earmarked for Budget Carry Forwards	4.5	(3.0)	1.5
Earmarked for Services	18.5	(0.1)	18.4
Earmarked from Contingency	0.2	0.6	0.8
East Leake PFI	2.5	(0.3)	2.2
Invest to Save	-	2.0	2.0
Landfill Allowances	1.1	(1.1)	-
Leasing Alternatives	0.9	0.1	1.0
Lifecycle Maintenance	-	2.3	2.3
Pay Review Reserve	19.0	(6.6)	12.4
Schools Statutory Reserve	45.1	(2.9)	42.2
Trading Organisations	1.4	0.0	1.4
Tram PFI	3.2	0.4	3.6
Tram Phase 2	5.1	(3.6)	1.5
Waste PFI	10.1	5.3	15.4
	<u>155.9</u>	<u>(5.1)</u>	<u>150.8</u>

6. The gross revenue cost of County Council services was £1,306 million in 2008/09. The analysis by type of expenditure is:

	Amount	Proportion
	£m	%
Employees:		
Teachers and Lecturers	277.8	21.3
Other Employees	341.7	26.2
Single Status Back Pay pre April 07	5.3	0.4
Other Running Costs	643.3	49.2
Capital Charges to service revenue accounts	38.0	2.9
	<u>1,306.1</u>	<u>100.0</u>

7. The Government has set local authorities an ambitious target of 3% cashable efficiency savings, for the three years ending 2010/11. The County Council has established a number of projects to help achieve these savings, particularly through shared services, reducing sickness absence, procurement and asset management. Savings from these projects will be taken into account in setting the Council Tax and help fund additional expenditure on essential services, particularly vulnerable children and adults.
8. This year the calculation of FRS17 liabilities has resulted in a decrease in the assessment of the long-term pension liabilities (see Note 14 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 13 to the Accounts).
9. 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 Income and Expenditure Account (Page 25).
10. 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	600.6	46.0
Fees and Charges etc.	134.4	10.3
	<u>735.0</u>	<u>56.3</u>
Council Tax, National Non-Domestic Rate, Formula Grant, LABGI and Area Based Grant	486.2	37.2
Interest and Investment Income	3.0	0.2
Other Items	81.9	6.3
	<u>1,306.1</u>	<u>100.0</u>

Capital Expenditure and Financing

11. The County Council's capital expenditure in 2008/09 was £104.7 million excluding amounts counted as capital expenditure for control purposes. The external capital financing costs amounted to £15.6 million.
12. At 31 March 2009, the insured value of the County Council's buildings was £2,500 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 4,220 hectares of land. The book value of net fixed assets was £1,685 million.
13. The Council's borrowings, used to finance the past acquisitions of assets were £254.6 million at 31 March 2009. This includes long term borrowings, loans to be repaid within 1 year and deferred liabilities. 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 2009 the amount owed of these type of borrowings was £101.3 million.
14. 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 commenced during 2007/08.
 - Waste recycling and energy recovery facilities.

Further details of all PFI contracts are set out in Note 30 to the Accounts.

Explanation of the Statements

15. **Annual Governance Statement**

The Annual Governance Statement sets out the County Council's responsibility for Internal Control and describes both the purpose of internal control and the internal control environment. The Statement also summarises the County Council's review of the effectiveness of internal control and highlights significant internal control issues and the actions to be taken in order to address these.

16. **Other Statements**

The Statement of Accounts is supported by the Statement of Responsibilities, the Statement of Accounting Policies, and the Notes which follow the core financial statements and the pension accounts statements. In addition, there is a glossary of financial terms.

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the County Council during 2008/09. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets consumed and the real projected value of retirement benefits earned by employees in the year. This account shows how net expenditure was financed from the Precept, Revenue Support Grant, Area Based Grant and National Non Domestic Rates.

Statement of the Movement on the General Fund Balance

This is a reconciliation statement which summarises the differences between the deficit on the Income and Expenditure Account and the General Fund surplus balance. The detailed breakdown is shown below the Statement. The Income and Expenditure Account shows the Authority's actual financial performance for the year measured in terms of the resources consumed and generated over the last 12 months. However the County Council is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the County Council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

Statement of Total Recognised Gains and Losses

This Statement brings together all the gains and losses of the County Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Balance Sheet

The Balance Sheet sets out the financial position of the County Council as at the 31 March 2009. It shows the County Council's balances and reserves and its long term indebtedness, as well as the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. The County Council's total liability to pay future retirement benefits to current pension recipients and to current employees who will retire in the future is also represented in the Balance Sheet.

Cash Flow Statement

This Statement summarises all inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Group Financial Statements and Notes

The Group Financial Statements consolidate the accounts of the Council together with those of the companies over which the County Council wields a formal influence. The broad aim of consolidation is to provide readers of the financial statements with an

overall picture of the Council by showing the totality of its operations and available resources.

Pension Fund Account

This Statement shows the income and expenditure relating to the Local Government Pension Scheme (LGPS) administered by Nottinghamshire County Council.

Pension Net Assets Statement

This Statement shows the net current assets and liabilities arising from the operation of the County Council's Pension Scheme (LGPS). This Statement does not take account of liabilities to pay pensions and other benefits after the period end. Such liabilities are shown in the Balance Sheet.

17. **Change in Accounting Policy**

Under the 2008 SORP the Council has adopted the amendment to FRS17, retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that value of scheme assets at 31 March 2008 has been restated from £888.5 million to £879.6 million, a decrease of £8.9 million, resulting in an increase in the pension deficit of £8.9 million. Current and prior year surplus have been unaffected by this change.

18. **Impact of Current Economic Climate**

Due to the current economic climate a general review of valuations has been undertaken in addition to the five-year rolling programme of revaluations of fixed assets. The result of this general review was a reduction in the carrying values of £48.0m. Of this amount £23.4m was written down against previous revaluation gains. The remaining £24.6m was written down through the Income & Expenditure Account.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NOTTINGHAMSHIRE COUNTY COUNCIL

Opinion on the Authority accounting statements

I have audited the Authority and Group accounting statements and related notes of Nottinghamshire County Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The Authority and Group accounting statements comprise the Authority and Group Income and Expenditure Account, the Authority Statement of the Movement on the General Fund Balance, the Authority and Group Balance Sheet, the Authority and Group Statement of Total Recognised Gains and Losses, the Authority and Group Cash Flow Statement and the related notes. The Authority and Group accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Nottinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Service Director (Finance) and auditor

The Service Director's (Finance) responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Authority and Group accounting statements and related notes 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 Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE 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 governance statement covers all risks and controls. Neither am I 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 Authority and Group accounting statements and related notes and consider whether it is consistent with the audited Authority and Group accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Authority and Group accounting statements and related notes. 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 Authority and Group accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority and Group accounting statements and related notes, 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 Authority and Group accounting statements and related notes 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 Authority and Group accounting statements and related notes.

Opinion

In my opinion:

- The Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The Group financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Group as at 31 March 2009 and its income and expenditure for the year then ended.

Opinion on the Nottinghamshire County Council pension fund accounts

I have audited the Nottinghamshire County Council pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies. This report is made solely to the members of Nottinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Service Director (Finance) and auditor

The Service Director's (Finance) responsibilities for preparing the Nottinghamshire County Council pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the pension fund accounts and related notes 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 pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Nottinghamshire County Council pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the pension fund accounts and related notes and consider whether it is consistent with the audited pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements and the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the pension fund accounts and related notes. 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 Nottinghamshire County Council pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the pension fund accounts and related notes, 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 pension fund accounts and related notes 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 pension fund accounts and related notes.

Opinion

In my opinion the Nottinghamshire County Council pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Opinion on the Admission Agreement etc. pension fund accounts

I have audited the Admission Agreement etc. pension fund accounts for the year ended 31 March 2009 under the Audit Commission Act 1998. The Admission Agreement etc. pension fund accounts comprise the Fund Account, the Net Assets Statement and the related notes. The Admission Agreement etc. pension fund accounts have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Nottinghamshire County Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Service Director (Finance) and auditor

The Service Director's (Finance) responsibilities for preparing the Admission Agreement etc. pension fund accounts, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the Admission Agreement etc. pension fund accounts and related notes 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 Admission Agreement etc. pension fund accounts present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Admission Agreement etc. pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I read other information published with the Admission Agreement etc. pension fund accounts and related notes and consider whether it is consistent with the audited Admission Agreement etc. pension fund accounts. This other information comprises the Explanatory Foreword published in the financial statements and the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the Admission Agreement etc. pension fund accounts and related notes. 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 Admission Agreement etc. pension fund accounts and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Admission Agreement etc. pension fund accounts and related notes, 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 Admission Agreement etc. pension fund accounts and related notes 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 Admission Agreement etc. pension fund accounts and related notes.

Opinion

In my opinion the Admission Agreement etc. pension fund accounts and related notes present fairly, in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the Admission Agreement etc. Pension Fund during the year ended 31 March 2009, and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

Andrew Blackburn

(Officer of the Audit Commission)

Littlemoor House

Littlemoor

Eckington

Sheffield

S21 4EF

30th September 2009

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
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 regularly to review the adequacy and effectiveness of these arrangements.

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.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, I am satisfied that, 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 2009.

Delay in certification of completion of the audit

Owing to a court case a local elector has been unable to exercise his rights in respect of the Council's accounts. Until the elector has had sufficient opportunity to exercise his rights, I am unable to certify that I have completed the audit of accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission. I am satisfied that these matters do not have a material effect on the financial statements.

I am also considering the lawfulness of the Council's practice of pooling pension fund surplus cash with its surplus cash to invest the combined surpluses. The audit cannot be formally concluded and an audit certificate issued until I have completed my consideration of this issue. I am satisfied that it does not have a material effect on the financial statements.

Andrew Blackburn

(Officer of the Audit Commission)
Littlemoor House
Littlemoor
Eckington
Sheffield
S21 4EF

30th September 2009

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 Service Director (Finance) 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 Service Director (Finance) Responsibilities

The Service Director (Finance) 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 Service Director (Finance) 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 Service Director (Finance) 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.

Alan Sumby CPFA
Service Director (Finance), Corporate Services
25 June 2009

STATEMENT OF APPROVAL OF THE STATEMENT OF ACCOUNTS

The Statement of Accounts was approved by a meeting of the County Council on 25 June 2009. The Service Director (Finance) is satisfied with the position set out in the Statement of Accounts. As 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 David Taylor
Chairman of the County Council
25 June 2009

ANNUAL GOVERNANCE STATEMENT

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 putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, including the arrangements for the management of risk.

The County Council has approved and adopted a local code on corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how the Authority has complied with the code and also meets the requirements of regulation 4[2] of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit [Amendment] [England] Regulations 2006 in relation to the publication of a statement on internal control.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and 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 Authority'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 governance framework has been in place at the County Council for the year ended 31 March 2009 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

The Authority's governance framework comprises many systems and processes including the arrangements for:-

- Identifying and communicating the Authority's vision of its purpose and intended outcomes for citizens and services users.

The Council's Strategic Plan, 'All Together Better', presents the Authority's vision until March 2010. The Plan was adopted in 2006 and centres on five key themes namely Safer and Stronger, Healthier, Learning and Earning, Cleaner and Greener and Travel and Access. In each of these areas, the Plan identifies a number of specific objectives with targets set to allow progress in achieving them to be monitored and managed. The county wide Community Strategy states the priorities of the Nottinghamshire community and has the support of the wide range of public, voluntary, community and business organisations involved in the Nottinghamshire Partnership. A draft new Sustainable Community Strategy was produced during the year and will be the subject of public consultation before adoption. The Authority recognises the importance of communicating its vision and uses a number of channels to effect this including the County News civic newspaper, the County's website, the Nottinghamshire Partnership website, In Contact and targeted mailings.

- Reviewing the Authority's vision and its implications for the Authority's governance arrangements

The commitments in the Strategic Plan are set in a robust performance framework. They are reviewed quarterly to ensure progress is being made and to ensure action is taken if not. The Authority's vision was reviewed in 2008 and in order to increase engagement and understanding, the overall vision of the County Council was relaunched by expressing it in the commitment to make Nottinghamshire a better place. A revised Local Code of Corporate Governance was adopted in April 2008 emphasising the Authority's objective to deliver excellent corporate governance.

- Measuring the quality of services for users, ensuring that they are delivered in accordance with the Authority's objectives and ensuring that they represent the best use of resources.

The Authority carries out annual resident satisfaction surveys, annual budget consultations and has in place a robust complaints procedure. A Citizens Panel, 'Nottinghamshire Listens', made up of 8000 people is in place and has been used to engage with citizens throughout the County. Progress against Strategic Plan commitments is monitored quarterly and reported to full Council every 6 months, including the commitment to deliver excellent but affordable services. The six monthly Performance Report also includes updates on Comprehensive Performance Assessment inspections and progress against statutory performance indicators. Internal assessments, comparing cost information with service delivery data, are carried out and services identified as high cost and performing below average have been subjected to detailed review. The External Auditor has concluded that value for money provided by the Council overall is improving and is rated as good. The Council had streamlined itself and improved its plans and is delivering them though it is not meeting all of its targets..

- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication.

The Constitution sets out 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 Cabinet, Committees, Scrutiny Committees and the process for determining 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. Appropriate protocols are in place. The Annual Overview and Scrutiny Report provides a summary of the scrutiny work carried out during the year and highlights the recommendations made by members to improve the delivery of public services to the communities of Nottinghamshire.

- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff.

Codes of Conduct, for both Members and staff, are contained within the Constitution together with the Code on Member and Officer Relationships. The Constitution is posted on the Council's website. The Authority's Standards Committee is responsible for promoting and maintaining high standards of conduct by the County's Members. During 2008/9, the Standards Committee responded to a government consultation on a proposed amendment to the Members and officers Codes of Conduct. An employee survey conducted in early 2008 identified a high level of awareness of the Employee Code of Conduct among Council staff.

- Reviewing and updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks.

A new Local Code of Corporate Governance was approved in April 2008 and revised call-in procedures have been agreed. Amendments to the Constitution have also been authorised by Council in relation to the Chief Financial Officer and responses to petitions. The Monitoring Officer is responsible for maintaining an up to date Constitution and reporting any proposed amendments to Council. The Corporate Risk Management Strategy was reviewed in June 2008 and a revised Risk Register produced. Financial Regulations were updated to reflect the revised departmental structures and post titles in early 2009.

- Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees – Practical Guidance for Local Authorities.

In its Review of Internal Audit, completed in early 2008, the External Auditor commented that the Audit Committee was carrying out the functions expected of it and that its role was in line with the expectations of the CIPFA Code. The core functions relate to the review of Internal and External Audit work, the effectiveness of the Authority's control environment, the review of the annual assurance statement and the review of the financial statements. These functions are covered by the Audit Committee.

- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful.

The Monitoring Officer is responsible, after consultation, for reporting to full Council or Cabinet if it is considered that any proposal decision or omission would give rise to unlawfulness. In addition, Legal Comments are contained in reports to Council, the Executive and Committees to advise on compliance with the policy framework and the Constitution. The Service Director (Finance) also has a responsibility to highlight any proposal, decision or course of action which will involve any unlawful expenditure. The External Auditors also carry out an external audit of the Council's accounts

- Whistle-blowing and receiving and investigating complaints from the public.

The Authority's Whistleblowing Policy was reviewed by the Standards Committee during 2007/08 and a number of changes made. These were approved by the County Council and the new Policy was implemented from 1 February 2008. The Whistleblowing Policy was published on the Authority's intranet during 2008/09 and further promotion via the use of payslips and posters are planned in 2009/10. The Authority's complaints procedure is well established and is monitored by the Standards Committee.

- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training.

The Authority adopted a Member Development Strategy in June 2007 and following its adoption, each Member was asked to identify their own development needs which have been used as the basis for a training programme in 2008/09. The programme consisted of a series of member training days reserved in the Council diary. The Standards Committee maintains an overview of the programme and monitors the take up and evaluation of courses. Senior Officers' development needs are identified via the Authority's Performance and Development Review process. Additionally, during 2008/09, there have been a series of corporate leadership events designed to develop senior officers.

- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

Communication channels include the County News civic newspaper delivered to every household in the County, the County website, the Citizens' Panel (made up of 8000 residents) and targeted audiences e.g. service user and carer groups. An annual residents satisfaction survey is conducted and annual budget consultations take place. Specialist consultation forums have also been held covering a range of diversity issues and engagement with children and young people is guided by a participation plan. Regular consultation has occurred on service priorities, service improvements and environment initiatives in 2008/09

- Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the Authority's overall governance arrangements.

During 2008/09 the Leader of the Council chaired the Local Strategic Partnership Board and partnership working has been taken forward through the Local Area Agreement (LAA) Management Group. The Constitution sets out policy guidance for County Council involvement in partnerships and guidance on entering into partnerships has also been produced. An Internal Audit review concluded that the Nottinghamshire Partnership has satisfactory governance in place and the

Government Office for the East Midlands reported good progress was being made by the Partnership on the LAA delivery arrangements.

4. REVIEW OF EFFECTIVENESS

The Authority has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Service Manager of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Throughout 2008/09, the Authority has maintained and reviewed the effectiveness of the governance framework. In particular:-

a) The County Council has considered its executive arrangements deciding to continue with a Leader and Cabinet model. In addition it has received or agreed the:-

- Revised Local Code of Corporate Governance
- Some changes to the Constitution
- Annual Performance Plan 2008/09
- Annual Review of Scrutiny
- Appointment of a new Monitoring Officer
- Statement of Accounts 2007/08
- A Freedom of Information Process Model
- Lending Policy
- Budget Report 2009/10
- Proposed Governance Arrangements for Shared Services

b) Cabinet has considered and approved a number of reports in its role as the Executive including:-

- The Annual Performance Plan 2008/09
- Machinery of Governance Changes
- Delivery Arrangements for Sub Regional Economic Development in Nottinghamshire
- Budget Proposals
- Development of New Local Area Agreement
- Revenue Budget Monitoring
- Waste Partnering Agreement
- Strategic Business Case for East Midlands Shared Services
- NET Phase 2 - Governance

c) The Audit Committee and Scrutiny Committees have considered a wide variety of issues including:-

- Internal Audit Annual Plan 2008/09
- National Fraud Initiative
- Proposed Governance Arrangements for Shared Services
- Annual Governance Report
- Audit Commission Audit and Inspection Plan
- External Audit Governance Report
- Performance Framework
- Sickness Absence
- Crime and Disorder Partnerships
- Budget Consultation process

d) The Standards Committee, in its role as promoting and maintaining high standards of conduct by the County Council has received reports on:-

- Consultation on Member and Officer Code of Conduct
- Travel and Accommodation Policy
- Local Assessment of Complaints
- Outcome of a Standards Board Investigation
- Guidance on the Role of a Standards Committee

- e) 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 Internal Audit's overall opinion of the Authority's system of internal control, based on the audits completed in 2008/09, is that it is adequate.
- f) External Audit's Annual Audit and Inspection Letter 2007/08, stated that the Auditor did not identify any material weaknesses in the design or operation of any internal control which may lead to material errors in the financial statements. Similarly, no issues were identified requiring a report in the public interest..

5. SIGNIFICANT GOVERNANCE ISSUES

The Authority faces another challenging year in 2009/10 and the following represent the key issues to be addressed in relation to significant governance issues:-

- a) Further develop the processes to manage and improve value for money in particular by becoming more strategic in the approach to savings programmes and relationships with partners.
- b) Improve procurement services to deliver anticipated value for money improvements and monitor savings produced.
- c) Embed data quality improvements and work further with partner organisations to underpin the accuracy of joint data.
- d) Monitor the effects of the economic downturn especially on the value of the Council's assets and those of the Pensions Funds.
- e) Ensure continued adherence to the existing robust budgeting process.

We have been advised by the Audit Committee on its review of the governance framework detailed in this statement following its meeting on 27 April 2009. We propose over the coming year to ensure that steps are taken to address the above matters and are satisfied that these steps will address the need for improvements and will monitor their implementation during the course of 2009/10

Councillor Kay Cutts
Leader of the County Council
25 June 2009

Mick Burrows
Chief Executive
25 June 2009

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 (a Statement of Recommended Practice (SORP)) and the Best Value Accounting Code of Practice (BVACOP), 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 (UITFA) 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 Democratic Representation and Management, Corporate Management and Non-Distributed Costs are identified separately in the Income and Expenditure Account. Architectural and Engineering Services provided by the Corporate Director of Corporate Services and the Corporate Director of Communities 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 Children's and Education Services is the contribution rate set by the Department for Children, Schools and Families (DCSF) 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 Fund. 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 Income and Expenditure 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.

In assessing liabilities for retirement benefits at 31 March 2009 for the 2008/09 Statement of Accounts, the actuary made a number of changes in the assumptions underlying the present value of the scheme liabilities. These include changes in the assumed discount rate and inflation. Application of these revised assumptions has resulted in a decrease in liabilities measured at today's prices of £311.5 million (£304.0 million LGPS, £7.5 million Teachers). These adjustments together with other actuarial gains and losses are recognised for the year in the Statement of Total Recognised Gains and Losses.

4. 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)
Buildings	1 - 50
Vehicles and plant	1 - 20
Infrastructure	40
IT and other equipment	3 - 5
Intangible	3 - 5
Furniture & Fittings	5 - 15

5. REVENUE EXPENDITURE FINANCED FROM CAPITAL UNDER STATUTE

Revenue expenditure financed from capital under statute (REFCUS) comprise capital grants to other bodies and revenue expenditure capitalised by permission of the Secretary of State. These amounts do not result in the creation of a fixed asset and are therefore charged to the relevant Service revenue account in the year. For such expenditure funded from capital resources, a contribution from the Capital Adjustment Account to the Income and Expenditure Account ensures that costs amortised to revenue do not affect the amount to be met from government grants and local taxpayers.

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.

A minor change in policy is reflected in these amounts that were previously counted as capital expenditure in the cash flow statements now being counted as revenue expenditure. The comparative cash flow statement for 2007/08 has been adjusted accordingly.

6. 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.

7. 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 2009 issued by the Council's Head of Service (Estate Management & Valuation), D. Buckland MRICS, on 31 May 2009. 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. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income & Expenditure Account where they arise from the

reversal of an impairment loss previously charged to a Service revenue account. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. 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.

The asset amounts shown in the Balance Sheet are the net values after depreciation.

The de minimis levels used for 2008/09 in compiling the assets are as follows:

Land and Buildings	£10,000
Infrastructure	All are included
Community Assets	£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

8. FINANCIAL ASSETS

Financial assets are classified into two types:

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

Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

However, the Council for policy reasons can make loans to voluntary organisations etc. at less than market rates (soft loans). When soft loans are made, a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited at a marginally higher effective rate of interest than the rate receivable from the external organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require

that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Income and Expenditure Account to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account.

Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) are credited to the Income and Expenditure Account when they become receivable by the Council.

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.

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

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis;
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve. In the case of Economic Development, investments are written off to the Income and Expenditure 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.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

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

9. STOCKS AND WORK IN PROGRESS

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

10. 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.

From 2007/08, with the introduction of FRS 25, FRS 26 and FRS 29 the accrued interest on borrowings and investments are now shown as part of the carrying amount of the loan rather than in creditors and debtors.

11. FINANCIAL LIABILITIES

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For all the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

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.

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

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

12. 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 Income and Expenditure Account and the capital element reducing the deferred credit liability.

Lease rentals payable under operating leases are charged to the Income and Expenditure Account in the financial year to which they relate.

13. 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.

14. 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 service revenue accounts. The zero impact on the Income and Expenditure Account is achieved by a transfer to the Capital Adjustment Account.

Specific revenue grants are matched to the expenditure to which they relate. General revenue grants are included in the Income and Expenditure Account in the period in which they are payable.

15. 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.

16. 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 General Fund.

17. LIQUID RESOURCES

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

18. VAT

The Income & Expenditure Account excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue & Customs and all VAT paid is recoverable from it. At the year end any amounts outstanding are represented by a debtor or creditor on the Balance Sheet.

INCOME AND EXPENDITURE ACCOUNT

This statement provides a summary of income and expenditure for the year.

Service	Note	2007/08		2008/09	
		Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Continuing County Council Services					
Children's and Education Services		124,217	828,133	(610,824)	217,309
Environmental Services		25,752	36,373	(5,800)	30,573
Highways, Roads and Transportation	3	43,920	69,432	(15,957)	53,475
Leisure		9,938	10,847	(3,927)	6,920
Libraries		16,187	18,735	(1,629)	17,106
Planning and Development		6,142	9,084	(1,455)	7,629
Adult Social Care		161,279	277,867	(85,225)	192,642
Democratic Representation and Management		5,164	4,510	(2)	4,508
Corporate Management		2,690	15,392	(9,142)	6,250
Non Distributed Costs		25,948	25,896	(143)	25,753
Central Services to the Public		2,927	3,892	(847)	3,045
Exceptional Items					
Single Status - Back Pay		10,898	5,277	-	5,277
Contributions to Other Bodies					
Coroner		639	633	-	633
Net Cost of Services		435,701	1,306,071	(734,951)	571,120
Interest and Investments Income	23	(3,231)	-	(3,033)	(3,033)
Net (surplus)/deficit of Trading Undertakings		1,193	43,871	(41,345)	2,526
Pensions Interest Costs and Expected Return on Pensions Assets	14	11,791	95,269	(61,291)	33,978
Loss on Disposal of Fixed Assets *		14,686	5,664	-	5,664
Other Operating Income and Expenditure		(90)	4	(229)	(225)
Interest Payable	23	16,006	15,722	-	15,722
Insurance Revenue	32	(1,153)	(3,587)	(269)	(3,856)
Net Operating Expenditure		474,903	1,463,014	(841,118)	621,896
Precept Income	7	(282,628)			(293,954)
General Government Grants	7	(19,202)			(19,374)
National Non-domestic Rates Redistribution	7	(114,419)			(139,174)
Local Authority Business Growth Incentive		(2,732)			(630)
Flood Restoration Grant		-			(726)
Area Based Grant	7	-			(32,310)
(Surplus)/Deficit for the Year		55,922			135,728

* The loss on the disposal of fixed assets in the Income and Expenditure Account in 2008/09 relates principally to the transfer of assets at the creation of the Samworth Church Academy (£2.4m)

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The following Statement shows the Income and Expenditure (Surplus)/Deficit and the amounts that are required by statute and non-statutory proper practices to be charged or credited to the General Fund.

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last 12 months. However, the Authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed;
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance. The General Fund Balance is made up of General Fund and Schools' Reserves.

	Note	2007/08 £000	2008/09 £000
(Surplus)/Deficit for the Year:		55,922	135,728
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.	1	(67,692)	(135,382)
Increase in General Fund Balance for the year		(11,770)	346
General Fund Balance brought forward		(55,636)	(67,406)
General Fund Balance carried forward		<u>(67,406)</u>	<u>(67,060)</u>
Amount of General Fund Balance held by governors under schemes to finance schools	38	(38,674)	(38,361)
Other General Fund balances held by schools	38	(6,461)	(3,862)
Amount of General Fund Balance generally available for new expenditure		<u>(22,271)</u>	<u>(24,837)</u>
		<u>(67,406)</u>	<u>(67,060)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year, and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

	2007/08 £000	2008/09 £000
(Surplus)/Deficit for the year on the Income and Expenditure Account	55,922	135,728
(Surplus)/Deficit arising on revaluation of fixed assets	(128,113)	(64,309)
Actuarial (gains)/losses on Pension Fund assets/liabilities	180,911	(54,094)
Any other (gains) and losses	2,834	(1,090)
Total recognised (gains)/losses for the year	<u>111,554</u>	<u>16,235</u>

BALANCE SHEET

This Statement shows the end of year financial position of the County Council as a whole. Assets and liabilities are consolidated and items which reflect internal transactions have been removed.

	31 March 2008	31 March 2009
Note	restated £000	£000
Long Term Assets		
Intangible Fixed Assets	1,817	1,434
Tangible Fixed Assets		
Operational		
Land and Buildings	1,163,678	1,177,086
Vehicles and Plant	11,812	11,440
Equipment, Furniture and Fittings	40,775	43,701
Community Assets	33	33
Infrastructure	344,547	374,070
Non Operational		
Land and Buildings	76,615	63,592
Under Construction	<u>27,518</u>	<u>13,369</u>
Net Fixed Assets	17	1,666,795
Long Term advances	22	1,826
Long Term debtors	26	18,968
Long Term Investments	22	21,585
Total Long-Term Assets		1,709,174
Current Assets:		
Landfill Trading Allowances	28	1,735
Stocks and Work in Progress		4,378
Debtors	26	46,783
Less Bad Debt Provision		<u>(1,984)</u>
Temporary Investments	22	44,799
		144,876
		195,788
Current Liabilities:		
Creditors	22	(130,436)
Bank Overdraft	27	(109,127)
Loans to be repaid within 1 year	22	(8,044)
Temporary Borrowing	22	(110)
		(247,717)
Total Assets less Current Liabilities		1,657,245
Long Term Borrowing	22	(236,187)
Deferred Liability	23	(3,603)
Government Grants Deferred	31	(254,635)
Provisions	34	<u>(26,012)</u>
FRS17 Pensions Liability	14	(645,979)
Total Assets less Liabilities		<u>490,829</u>
Available Reserves		
Capital Reserves	35	4,448
Capital Receipts and Grants Unapplied	36	-
Revenue Reserves	37	84,071
General Insurance	32	8,837
Other Reserves		
Schools Statutory Reserve	38	45,135
Capital Adjustment Account	39	845,667
Revaluation Reserve	40	126,581
FRS17 Pensions Reserve	14	(645,979)
Financial Instruments Adjustment Account	22	(202)
Balances (including Housing Act Advances)	41	22,271
		<u>490,829</u>
		<u>474,594</u>

The 2007/08 figures have been restated to show the effects of changes to the Code of Practice on Local Authority Accounts, see explanation of prior period adjustments.

CASH FLOW STATEMENT

This Statement provides a link between the County Balance Sheet at the beginning of the year, the Income and Expenditure Account for the year and the County Balance Sheet at the end of the year. It looks at where the money came from and how it was spent for both revenue and capital activities, and therefore reflects the changes in the financial structure of the County Council during the year.

	Note	2007/08 £000 restated	2008/09 £000
Revenue Activities			
Cash Outflows:			
Cash - Employees		608,135	624,770
- Other Operating Costs		695,809	882,325
		<u>1,303,944</u>	<u>1,507,095</u>
Cash Inflows:			
Precept Income		(282,628)	(293,954)
Revenue Support Grant/NNDR/GGG		(133,621)	(158,548)
LABGI		(2,732)	(630)
Flood Restoration Grant		-	(726)
Area Based Grant		-	(32,310)
Other Government Grants	5	(617,210)	(600,556)
Cash Received for Goods & Services		(349,548)	(456,551)
		<u>(1,385,739)</u>	<u>(1,543,275)</u>
Revenue Activities Net Cash Flow:		(81,795)	(36,180)
Returns on Investments and Servicing of Finance			
Cash Outflows:			
Interest Paid		16,237	15,655
Cash Inflows:			
Interest Received		(692)	(3,504)
		15,545	12,151
Capital Activities			
Cash Outflows:			
Capital Payments		122,664	104,550
Long Term Advances		923	1,165
		<u>123,587</u>	<u>105,715</u>
Cash Inflows:			
Sale of Fixed Assets		(6,186)	(5,294)
Capital Grants and Contributions Received		(39,369)	(37,725)
Other Capital Income		(776)	(704)
		<u>(46,331)</u>	<u>(43,723)</u>
Capital Activities Net cash flow:		77,256	61,992
Total Net cash flow before financing:		<u>11,006</u>	<u>37,963</u>
Management of Liquid Resources:			
Increase/(Decrease) in short term deposits		20,550	(32,000)
Financing			
Cash Outflows:			
Repayments of amounts borrowed		16,031	3,401
Cash Inflows:			
New loans raised		-	(10,000)
		<u>16,031</u>	<u>(6,599)</u>
(Increase)/Decrease in cash		<u>47,587</u>	<u>(636)</u>

RECONCILIATION TO THE CASH FLOW STATEMENT

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

	2007/08 £000 restated	2008/09 £000
Net (Surplus)/Deficit	55,922	135,728
Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(67,692)	(135,382)
Increase in General Fund Balance for the year		
External Interest Paid	(16,237)	(15,655)
Minimum Revenue Provision	(16,546)	(17,460)
REFfCUS	4,022	9,707
Grants used to fund REFfCUS	(2,588)	(5,099)
Revenue Contributions to Capital Outlay	(10,385)	(8,209)
Contributions (to)/from provisions and reserves	(27,454)	20,175
Other	(25)	55
Increase/(decrease) in revenue debtors	(4,793)	2,723
Increase/(decrease) in stocks/w.i.p.	283	717
Increase/(decrease) in Long term investments (interest)	1,585	(1,585)
Increase/(decrease) in Temporary lending (interest)	1,826	1,114
Increase/(decrease) in PWLB & Long term borrowing (interest)	(5,188)	(67)
Increase/(decrease) in Landfill Trading Allowances	(3,389)	(1,735)
Increase/(decrease) in revenue creditors	(830)	(21,799)
Increase/(decrease) in schools balances	9,002	(2,912)
Deduct interest and investment income	692	3,504
Revenue Activities Net Cash Flow	<u>(81,795)</u>	<u>(36,180)</u>

The 2007/08 cashflow statement has been amended as a consequence of the changes in the SORP relating to the treatment of revenue expenditure financed from capital under statute (REFfCUS)

Movement in current assets and liabilities

	31/3/08 £000	31/3/09 £000	Moved 08/09 £000
Debtors	63,767	69,166	5,399
Creditors	(130,436)	(152,371)	(21,935)
Stocks and Work in Progress	4,378	5,095	717
Temporary Borrowing	(110)	-	110
Temporary Loan Investments	143,050	111,050	(32,000)
Landfill Trading Allowances	<u>1,735</u>	<u>-</u>	<u>(1,735)</u>

Movement in cash reconciled to the opening and closing Balance Sheets amounts

	31/3/08 £000	31/3/09 £000	Moved 08/09 £000
Imprests	86,155	83,275	(2,880)
Cash & bank	(68,931)	(87,254)	(18,323)
Amounts owed to the Pensions Fund	<u>(126,351)</u>	<u>(104,512)</u>	<u>21,839</u>
Net Cash Flow	<u>(109,127)</u>	<u>(108,491)</u>	<u>636</u>

Reconciliation of cash movement to net debt

	£000
Increase/(decrease) in cash in the period	636
Cash inflow from (increase)/decrease in debt	(6,598)
Cash inflow from increase/(decrease) in liquid resources	(32,000)
Movement in net debt for the period	(37,962)
Non Cash Movement	21,047
Net debt at 1 April 2008	(212,195)
Net debt at 31 March 2009	(229,110)

Analysis of net debt

	Balance as at 1 April 2008 £000	Cash flow £000	Non Cash £000	Balance as at 31 March 2009 £000
Cash in hand/(overdrawn)	(109,127)	636	-	(108,491)
Short term deposits	144,876	(32,000)	21,114	133,990
Debt due after 1 year	(239,790)	(5,389)	-	(245,179)
Debt due within 1 year	(8,154)	(1,209)	(67)	(9,430)
	<u>(212,195)</u>	<u>(37,962)</u>	<u>21,047</u>	<u>(229,110)</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	-	-	32,000	(32,000)
Temporary Borrowing	110	-	-	110
PWLB	2,855	-	-	2,855
LOBO	-	(10,000)	-	(10,000)
City and District Councils	437	-	-	437
	<u>3,402</u>	<u>(10,000)</u>	<u>32,000</u>	<u>(38,598)</u>

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

SUMMARY REVENUE ACCOUNTS OF TRADING UNDERTAKINGS

	2007/08			2008/09		
	Turnover	Expend- iture	Surplus/ (Deficit)	Turnover	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>	75,056	76,387	(1,331)	87,467	90,245	(2,778)
Legal Services <i>Provision of legal services to the Authority</i>	2,828	2,766	62	3,025	2,967	58
County Supplies <i>A purchasing and supply service to the Authority and some external public bodies</i>	6,110	5,991	119	6,316	6,193	123
Design, Publications & Print <i>A design and printing service to the Authority</i>	2,145	2,142	3	2,509	2,513	(4)
Clayfields Secure Unit <i>Specialist childrens' services to the Youth Justice Board and Local Authorities</i>	3,803	3,849	(46)	4,218	4,143	75
Total	<u>89,942</u>	<u>91,135</u>	<u>(1,193)</u>	<u>103,535</u>	<u>106,061</u>	<u>(2,526)</u>

Notes:

1. The Contracting Services deficit is a result of the pension costs impact of FRS17, regradings under the NJE scheme and backfunding of pensions

EXPLANATION OF PRIOR PERIOD ADJUSTMENTS

The County Council's Statement of Accounts for the year 2008/09 is prepared in accordance with the 2008/09 Code of Practice on Local Authority Accounting (SORP) and Best Value Accounting Code of Practice (BVACOP), both issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Under the 2008 SORP the Council has adopted the amendment to FRS17, retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that value of scheme assets at 31 March 2008 has been restated from £888.5 million to £879.6 million, a decrease of £8.9 million, resulting in an increase in the pension deficit of £8.9 million.

These changes have had the following impact on the comparative figures for 2007/08 compared with those published in the 2007/08 Statement of Accounts (only figures that have changed are included in the table in detail).

	Balance 2007/08 Statement of Accounts £000	Changes to FRS17 £000	2007/08 Comparatives Balance £000
FRS17 Pensions Liability	(637,094)	(8,885)	(645,979)
Impact on Total Assets Less Liabilities	499,714	(8,885)	490,829
		-	
FRS 17 Pensions Reserve	(637,094)	(8,885)	(645,979)
Impact on Total Reserves & Balances	499,714	(8,885)	490,829

NOTES TO THE STATEMENT OF ACCOUNTS

1. Statement of Movement on the General Fund Balance

Reconciliation of items for the movement on the General Fund.

	Note	2007/08 £000	£000	2008/09 £000	£000
Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the General Fund Balance for the year.					
Amortisation of Intangible Fixed Assets			(717)		(487)
Depreciation of Fixed Assets			(36,601)		(37,557)
Impairment of Fixed Assets			(40,337)		(104,903)
Profit/Loss on disposal of Fixed Assets			(14,686)		(5,664)
Government Grants Deferred Amortisation			9,948		11,533
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute			(4,021)		(9,706)
Amortisation of REFfCUS Grants			2,588		5,099
Net Charges made for retirement benefits in accordance with FRS17.			(63,531)		(72,570)
Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans and premiums and discounts on the early repayment of debt			(202)		13
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the General Fund Balance for the year.					
Minimum Revenue Provision			16,546		17,460
Capital Expenditure charged to the General Fund			10,385		8,209
PFI Adjustments			755		3,690
Employers Contribution to Pension Fund and retirement benefits payable direct to pensioners			45,768		50,436
Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund Balance for the year					
Capital Reserves	35	1,263		(1,195)	
Insurance Revenue Reserves	32	1,153		3,856	
Revenue Reserves	37	3,997		(3,596)	
Net Transfer to Earmarked Reserves			6,413		(935)
Net additional amount to be debited/(credited) to the General Fund Balance for the year			<u>(67,692)</u>		<u>(135,382)</u>

2. Exceptional Item

Exceptional items are ones that are material in terms of the Council's overall expenditure and not expected to recur frequently or regularly. Exceptional items are included on the face of the Income and Expenditure Account where it is felt that the costs are so significant as to warrant a separate disclosure. The back pay costs related to service prior to 1 April 2008, as a consequence of adopting the Single Status Agreement (£5.3 million for 2008/09) fall into this category and have therefore been included on the face of the Income and Expenditure Account as an exceptional item.

3. 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 2008/09 was £442,000 (£255,008 for 2007/08).

4. 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 2008/09 which will be paid to the Audit Commission in 2009/10.

	2007/08	2008/09
	£000	£000
External Audit	250	224
Inspection	15	85
Challenge Work	7	-
Grant Claims	15	15
	<u>287</u>	<u>324</u>

5. Specific Revenue Grants

The value of grants included as income within the Income and Expenditure Account is as follows:

	2007/08	2008/09
Service	£000	£000
Leisure	850	593
Environmental Services	3,934	3,247
Highways, Roads and Transportation	8,618	5,102
Children and Education Services	550,326	558,616
Adult Social Care	46,372	28,890
Planning and Development	1,163	110
Central Services	107	-
Corporate Management	3,108	2,642
General	2,732	1,356
	<u>617,210</u>	<u>600,556</u>
Funding Body		
Dept. for Communities and Local Govt.	51,041	49,872
Department for Children, Schools and Families	530,226	539,341
Department of Health	21,433	1,941
Department for Transport	4,098	502
Department for Works and Pensions	1,852	1,598
European Grants	101	131
Home Office	1,256	1,182
Milk Intervention Board	162	119
Arts Council	278	45
Department for Innovation, Universities and Skills (DIUS)	6,055	5,149
Sport England	410	345
Other	298	331
	<u>617,210</u>	<u>600,556</u>

The 2007/08 figures have been increased by £2.6 million to the previous accounts as a consequence of the changes in the SORP relating to the treatment of grants associated with revenue expenditure financed from capital under statute (REFFCUS)

6. Minimum Revenue Provision

Regulations require local authorities to set aside money to provide for redemption of outstanding debt. This amount is offset against the level of depreciation already charged to the Authority's Income and Expenditure Account to ensure that depreciation charges do not increase the net expenditure of the Authority. The MRP Policy agreed by the Authority (26/02/09) requires that:

- MRP for capital expenditure financed by borrowing prior to 1 April 2007 continues to be based on the previous regulatory method and the Authority continues to set aside 4% of outstanding debt; and
- MRP for capital expenditure financed by borrowing after 1 April 2007 is made on the basis of equal annual instalments over the estimated lives of assets.

The amount required under the MRP regulations for 2008/09 is £17.5 million (£16.5 million for 2007/08) and the amount of depreciation charged was £38.0 million (£37.3 million for 2007/08).

7. Revenue Support Grant, Area Based Grant, NNDR and Council Tax

Revenue Support Grant, Area Based Grant and National Non-Domestic Rates are paid to the County Council directly by the Government. The County Council set the 2008/09 Tax for a Band D property at £1,158.43 (£1,124.69 in 2007/08). 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. Dedicated Schools Grant

The Council's expenditure on schools is funded by grant monies provided by the Department for Children, Schools and Families, the Dedicated Schools Grant (DSG). The DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget. The Schools Budget includes elements for a restricted range of services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each school. Over and underspends on the two elements are required to be accounted for separately. The Council is able to supplement the Schools Budget from its own resources.

Details of the deployment of DSG receivable for 2008/09 are as follows:

Schools Budget Funded by Dedicated Schools Grant

	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Original grant allocation to Schools Budget for the current year in the Authority's budget	31,712	388,365	420,077
Adjustment to finalised grant allocation	<u>(2,746)</u>	—	<u>(2,746)</u>
DSG receivable for the year	28,966	388,365	417,331
Actual expenditure for the year	<u>31,704</u>	<u>389,550</u>	<u>421,254</u>
(Over)/underspend for the year	(2,738)	(1,185)	(3,923)
Planned top-up funding of ISB from Council resources	-	-	-
Use of schools balances brought forward	-	-	-
(Over)/underspends from prior year	<u>7,388</u>	<u>12,603</u>	<u>19,991</u>
(Over)/underspend carried forward to 2009/10	<u>4,650</u>	<u>11,418</u>	<u>16,068</u>

9. Employee Remuneration

The table below shows the number of staff employed by the County Council whose remuneration, taxable expenses and severance (if applicable) amounted to £50,000 or more in the financial year.

The number of employees for 2007/08 has been amended to 438 from 271 (as reported in the 2007/08 statement of accounts). This is due to a change in the method of calculation, as required by the SORP.

Pay Band	Number of Staff	
	2007/08	2008/09
£170,000 - £179,999	-	1
£160,000 - £169,999	-	-
£150,000 - £159,999	2	-
£140,000 - £149,999	-	1
£130,000 - £139,999	-	2
£120,000 - £129,999	1	1
£110,000 - £119,999	3	2
£100,000 - £109,999	1	3
£90,000 - £99,999	6	12
£80,000 - £89,999	22	24
£70,000 - £79,999	28	27
£60,000 - £69,999	61	79
£50,000 - £59,999	314	384
	<u>438</u>	<u>536</u>

10. 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:

	2007/08		2008/09	
	£000 Exp	£000 Income	£000 Exp	£000 Income
Administration and Professional Services				
NHS Trusts	23,769	23,769	25,368	25,368
Other Authorities	5,434	5,454	6,446	6,464
Schools and Colleges	86	86	343	346
Maintenance works				
NHS Trusts	10	14	18	27
Other Authorities	1,051	1,135	914	963
Schools and Colleges	182	205	386	440
	<u>30,532</u>	<u>30,663</u>	<u>33,475</u>	<u>33,608</u>

11. 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. During 2008/09 these powers were not used.

12. 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:

	2007/08 £000	2008/09 £000
Advertising for staff	1,418	1,983
Other advertising, including education courses	624	807
Public Relations - salaries and running costs	626	710
Economic Development promotions	-	-
Other publicity expenditure	626	662
Strategic Services (Publications Group)	166	266
	<u>3,460</u>	<u>4,428</u>
As a percentage of gross expenditure	0.29%	0.34%

13. Pensions – Contributions

Teachers

In 2008/09 the County Council paid £31.9 million to the Teacher's Pension Agency (£31.8 million in 2007/08) in respect of teachers' pension costs, which represents 14.10% of teachers' pensionable pay (14.00% in 2007/08). In addition, the County Council is responsible for all pension payments relating to added years it has awarded, together with the related increases. In 2008/09 these amounted to £4.8 million (£4.5 million in 2007/08), representing 2.10% of pensionable pay (2.00% in 2007/08).

Other Employees

During 2008/09 the net cost of pensions and other benefits amounted to £43.8 million (£37.7 million in 2007/08), which represented 16.10% of pensionable pay (15.50% in 2007/08). The actuarial report upon which the 2008/09 accounts have been prepared was for a 3 year period commencing 1 April 2008. The report indicated that the cost of providing for 100% of pension funding in accordance with SSAP 24 "Accounting for Pension Costs" was 16.1% of pensionable pay. The report sets out the following pension fund contribution rates for the County Council:

2008/09	16.1% of pensionable pay
2009/10	16.7% of pensionable pay
2010/11	17.4% 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 2008/09 these amounted to £1.6 million, (£1.6 million in 2007/08) representing 0.59% of pensionable pay (0.64% in 2007/08). The County Council also paid £1.7 million into the Pension Fund in 2008/09 (£2.2 million for 2007/08) to fund the non-discretionary additional strain on the pension fund of early retirements.

14. Pensions – FRS17

The FRS17 position as at 31 March 2009 was a net liability of £613.6 million (£646.0 million 31/3/08 as restated), comprised of £71.2 million for teachers (£76.6 million 31/3/08) and £542.4 million for other employees (£569.4 million 31/3/08 restated). Assets have been valued using the market value at 31 December 2008 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 Barnett Waddingham LLP, an independent firm of actuaries, based upon the estimated position at 31 March 2009 provided by the County Council during March 2009. The actual figures for 2008/09 are not considered materially different to the estimates provided.

Local Government Pension Scheme

Under the 2008 SORP the Authority has adopted the amendment to FRS17, retirement benefits. As a result, quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid-market value. The effect of this change is that the value of scheme assets at 31 March 2008 has been restated from £888.5 million to £879.6 million, a decrease of £8.9 million, resulting in an increase of the pension deficit of £8.9 million. Current and prior year surplus have been unaffected by this change.

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in the General Fund Balance during the year:

	2007/08 £000 As restated	2008/09 £000
Income and Expenditure Account		
Net cost of Service:		
- current service cost	(39,046)	(34,863)
- past service cost	(11,081)	-
- Gains (losses) on curtailments	-	(1,383)
Net Operating Expenditure		
- interest cost	(68,695)	(90,736)
- expected return on scheme assets	60,438	61,291
Net Charge to the Income and Expenditure Account	<u>(58,384)</u>	<u>(65,691)</u>
Statement of Movement on the General Fund Balance:		
- reversal of net charges made for retirement benefits in accordance with FRS17	58,384	65,691
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers benefits payable to pensioners	<u>41,193</u>	<u>45,592</u>

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £46.6 million (£171.9 million loss 2007/08 restated) were included in the Statement of Total Recognised Gains and Losses.

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities:

	2007/08 £000 As restated	2008/09 £000
Deficit at 1 April	1,263,753	1,449,009
Current service cost	39,046	34,863
Interest cost	68,695	90,736
Actuarial gain (loss)	88,716	(270,134)
Gain (loss) on curtailments		1,383
Benefits paid	(34,167)	(39,486)
Contributions by scheme participants	14,323	16,201
Past service costs	11,081	-
Unfunded pension payments	(2,438)	(2,262)
Deficit at 31 March	1,449,009	1,280,310

Reconciliation of fair value of the scheme assets:

	2007/08 £000 As restated	2008/09 £000
At 1 April	883,148	879,632
Expected return on Scheme assets	60,438	61,291
Actuarial gains (losses)	(83,211)	(223,508)
Employer contributions	41,540	46,046
Contributions by scheme participants	14,322	16,201
Benefits paid	(36,605)	(41,748)
At 31 March	879,632	737,914

The expected return on scheme assets is based on the long-term future expected investment return for each asset class as at the beginning of the period (i.e. as at 1 April 2008 for the year to 31 March 2009). The return on gilts and other bonds are assumed to be gilts yield and corporate bond yields (with an adjustment to reflect default risk) respectively at the relevant date. The return on equities and property is then assumed to be a margin above gilt yields.

Scheme History

	2004/05	2005/06	2006/07	2007/08	2008/09
	£m	£m	As restated £m	As restated £m	£m
Present Value of liabilities	(1,047.9)	(1,237.5)	(1,263.7)	(1,449.0)	(1,280.3)
Fair value of scheme assets	639.5	803.7	883.1	879.6	737.9
Surplus/(deficit) in the scheme	<u>(408.4)</u>	<u>(433.8)</u>	<u>(380.6)</u>	<u>(569.4)</u>	<u>(542.4)</u>

The Council has elected not to restate fair value of scheme assets for 2004/05 and 2005/06 as permitted by FRS17 (as revised).

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 2008 showed that the Authority's contributions to the fund would be increasing by 0.6% of pensionable pay in each of the next 2 financial years and increasing by 0.7% in the final year of the valuation.

The total contributions expected to be made to the Local Government Pensions Scheme by the Council in the year to 31 March 2010 is £42.4 million.

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

	31 March 2008	31 March 2009
Rate of inflation	3.60%	3.00%
Rate of increase in salaries	5.10%	4.50%
Rate of increase in pensions	3.60%	3.00%
Discount rate	6.10%	6.70%
Mortality assumptions:		
Longevity at 65 for current pensioners:		
Men (years)	20.3	20.3
Women (years)	24.0	23.9
Longevity at 65 for future pensioners:		
Men (years)	21.3	21.2
Women (years)	25.0	24.9
Rate of return from equities	7.50%	6.90%
Rate of return from government bonds	4.60%	4.00%
Rate of return from other bonds	6.10%	6.50%
Rate of return from property	6.50%	6.40%
Rate of return from cash/liquidity	5.25%	3.00%
Proportion of employees opting to take an increased lump sum/reduced pension	50.00%	50.00%

The estimated asset allocation of the Whole Fund is as follows:

	31 March 2008	31 March 2009
	%	%
Market Value of Assets:		
Equities	62.1	59.3
Government bonds	11.3	14.6
Other bonds	3.9	6.2
Property	17.0	15.9
Cash/Liquidity	5.7	4.0
Total Assets	<u>100.0</u>	<u>100.0</u>

The County Council publishes a Pension Fund Annual Report which is available upon request. A copy is available on the pension fund website (www.nottspf.org.uk).

History of experience of gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2009:

	2004/05	2005/06	2006/07	2007/08	2008/09
	%	%	As restated %	As restated %	%
Experience adjustments on Scheme assets	4.1	12.8	2.1	(9.5)	(30.3)
Experience adjustments on Scheme liabilities	2.8	(2.3)	-	(2.5)	-

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 2009 was £71.2 million (£76.6 million at 31/3/08). The Past Service Cost for the year was £2.3 million (none in 2006/07) and the Interest Cost was £4.5 million (£3.5 million 2007/08). Actuarial gains of £7.5 million (£9.0 million loss 2007/08) due to changes in assumptions underlying the present value of the scheme liabilities were included in the Statement of Total Recognised and Losses.

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

Amounts treated as capital expenditure by statute are classified as revenue expenditure in accordance with the SORP.

	2007/08 £000	2008/09 £000
Capital Grants	4,021	9,707

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 2008	1,203,545	16,724	67,676	419,066	27,518	35	4,150	76,615	1,815,329
Capital Expenditure	41,705	858	9,322	40,388	6,943	-	104	5,364	104,684
Donations		214							214
Disposals	(7,221)	(382)	(8,363)				(708)	(1,026)	(17,700)
Impairments	(137,299)	(81)						(17,313)	(154,693)
Revaluations	65,989		-					2,845	68,834
Reclassifications	23,939				(21,092)			(2,893)	(46)
Total as at 31 March 2009	1,190,658	17,333	68,635	459,454	13,369	35	3,546	63,592	1,816,622
Depreciation									
As at 31 March 2008 Depn	(39,867)	(4,912)	(26,901)	(74,519)	-	(2)	(2,333)	-	(148,534)
Depn charged in the year	(19,015)	(1,341)	(6,336)	(10,865)	-	-	(487)	-	(38,044)
Disposals		360	8,303				708		9,371
Adj of depn on impairment	17,278								17,278
Revaluations	27,986		-						27,986
Reclassifications	46		-						46
Total as at 31 March 2009	(13,572)	(5,893)	(24,934)	(85,384)	-	(2)	(2,112)	-	(131,897)
Net Fixed Assets									
As at 31 March 2009	1,177,086	11,440	43,701	374,070	13,369	33	1,434	63,592	1,684,725
As at 31 March 2008	1,163,678	11,812	40,775	344,547	27,518	33	1,817	76,615	1,666,795
Nature of asset holding									
Owned	1,173,643	11,440	43,701	374,070	13,369	33	1,434	63,273	1,680,963
Leased	3,443							319	3,762
PFI									-
	1,177,086	11,440	43,701	374,070	13,369	33	1,434	63,592	1,684,725

Notes:

- Assets are revalued in accordance with the rolling five-year programme.
- Revaluations show the net position after capital expenditure and the increased value of assets in the financial year
- Intangible assets comprise software licences.
- An additional general impairment review has been undertaken in 2008/09 to take account of the current economic climate

18. Capital Expenditure and Financing

	Note	2007/08 £000	2008/09 £000
Opening Capital Financing Requirement (CFR)		391,856	440,667
Capital Investment			
Operational assets		111,190	99,321
Non-operational assets		12,120	5,364
Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute		4,020	9,707
Sources of finance			
Capital receipts	36	(10,108)	(3,382)
Less capital receipts brought forward		2,418	-
Government grants and other contributions	15	(43,899)	(43,903)
Sums set aside from revenue (inc. MRP) *		(26,930)	(25,669)
		440,667	482,105

	2007/08 £000	2008/09 £000
Explanation of movements in year		
Increase in underlying need to borrow (supported by Government financial assistance)	24,714	21,738
Increase in underlying need to borrow (unsupported by Government financial assistance)	23,341	19,700
	<u>48,055</u>	<u>41,438</u>

* The 2007/08 figure includes an adjustment for PFI schemes of £0.7m

The effect of capital expenditure upon the value of assets in the Balance Sheet varies according to the type of asset (see paragraph 7 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 2009 are:-

	£000
2009/10	29,122
2010/11	5,968
2011/12	-
2012/13	-
2013/14	-
	<u>35,090</u>

19. Valuation of Fixed Assets

The valuation of Land and Buildings is the responsibility of R. Hanson ARICS, Service Director (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 Assets	Included at cost.
Intangible Assets	Included at cost.

Valuation of fixed assets carried at current value

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The basis for valuation is set out in the Statement of Accounting Policies:

	Op Land & Bldgs £000	Other Land & Buildings £000	Vehicles, Plant & Equipment £000	Total £000
Valued at historical cost		33	44,961	44,994
Valued at current value in				
2008/09	1,017,454	50,410	10,180	1,078,044
2007/08		340		340
2006/07		330		330
2005/06	37,848	2,185		40,033
2004/05	121,784	10,327		132,111
Total	<u>1,177,086</u>	<u>63,625</u>	<u>55,141</u>	<u>1,295,852</u>

Other Land & Buildings includes Community Assets

Impact of current economic climate

Due to the current economic climate a general review of valuations has been undertaken in addition to the five-year rolling programme of revaluations of fixed assets. The result of this general review was a reduction in the carrying values of £48.0m. Of this amount £23.4m was written down against previous revaluation gains. The remaining £24.6m was written down through the Income & Expenditure Account.

20. Foundation Schools

The School Standards and Framework Act 1998 allows schools to obtain Foundation status. In so doing the land and property assets transfer to the governing body, however, since 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 as per FRS5. At 31 March 2009 there are 10 such Foundation Schools and the combined value of their land and buildings is £146.0 million.

21. Information on Assets

	Number of Buildings	
	31/3/08	31/3/09
Nursery & Primary Schools*	304	298
Secondary Schools*	38	37
Special Schools & Pupil Referral Units*	12	13
Foundation Schools**	10	11
Libraries	60	60
Family & Childrens Centres	18	20
Youth & Community Centres	34	37
Residential Homes For The Elderly & Disabled	20	20
Day Centres & Clubs For Elderly & Disabled	30	29
Children's Residential Homes	8	8
Staff & Other Houses	153	144
Other, Including Factories, Depots & Offices	254	239
	<u>941</u>	<u>916</u>

* Excluding PFI Schools

** 10 Foundation schools including one split-site school

The Council owns approximately 4,220 hectares of land, of which some 600.1 hectares are used as Smallholdings. It also has over 4,283 kilometres of roads. For insurance purposes, the reinstatement value of the Council's buildings is £2,500 million.

22. Financial Instruments Balance

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of Financial Instruments:

	Long-term		Current	
	31/3/08	31/3/09	31/3/08	31/3/09
	£000	£000	£000	£000
Financial liabilities at amortised cost	236,187	242,013	93,104	107,453
Financial liabilities at fair value through profit and loss	-	-	-	-
Total borrowings	<u>236,187</u>	<u>242,013</u>	<u>93,104</u>	<u>107,453</u>
Loans and receivables	23,411	2,537	170,751	160,229
Available-for-sale financial assets	-	-	-	-
Unquoted equity investment at cost	-	-	-	-
Total investments	<u>23,411</u>	<u>2,537</u>	<u>170,751</u>	<u>160,229</u>

The County Council does not hold any financial liabilities at fair value through profit and loss or available-for-sale financial assets.

The County Council's borrowings are mostly with the Public Works Loans Board (PWLB) and there are some external loans (LOBOs). These are both classed as 'other liabilities' and measured at amortised cost.

Financial liabilities at amortised cost

Long-term

	2007/08	2008/09
	£000	£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 after 1 year	<u>236,187</u>	<u>242,013</u>
Total Long Term Borrowing at 31 March	236,187	242,013

Current

	2007/08	2008/09
	£000	£000
(b) Borrowing		
Long term borrowing for repayment within 1 year	8,044	9,430
Temporary Borrowing	110	-
Total Borrowing at 31 March	8,154	9,430

Temporary Borrowing relates to loans raised for periods between 1 and 364 days.

	2007/08	2008/09
	£000	£000
(c) Trade Creditors	84,950	98,023

Trade Creditors exclude transactions related to HMRC and Government Grants in accordance with FRS25

Financial Assets - Loans & Receivables

Long-term

	2007/08	2008/09
	£000	£000
Long-term Investments	21,585	-
Economic Development	-	-
House Purchases	3	-
Car Loans	675	625
Nottinghamshire Cricket Club	399	1,041
Adult Care Property Debt - Deferred Payment Scheme	700	824
Private Street Works	9	9
Robin Hood Theatre	40	38
	<u>23,411</u>	<u>2,537</u>

	2007/08	2008/09
	£000	£000
Car Loans Breakdown:		
One year or less	44	44
More than one year	631	581
	<u>675</u>	<u>625</u>

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

House Purchases are the amounts owed to the County Council on loans made for house purchase. No new advances were made in the year and the account has now been cleared.

On the 19 September 2007 Cabinet gave approval of a loan of £1.23m for 20 years to Nottinghamshire Cricket Club to help fund the £8.2m development plans for the Trent Bridge ground. In addition to enhancing the reputation of the cricket club and helping it to retain Trent Bridge as a test match venue there are benefits to the economy and wider community benefits. Consequently, the loan was offered at a discounted rate with a capital repayment holiday for the first 5 years. Security has been set by way of a charge against the fixed assets of the Club to safeguard the interests of the County Council. Since the loan was offered at less than the prevailing rate the figure in the Balance Sheet represents the fair value of the loan carried at its amortised cost

Adult Care Property Debt under the deferred payment scheme (as per section 55 of the Health and Social Care Act, 2001) consists of loans to those with insufficient income and capital, excluding their property, to meet their care home fees. Repayment of such loans is deferred until the residents die or their property is sold.

A loan of £50,000 was made to the Robin Hood Theatre in 2002. The remaining balance on this loan is £37,500.

Current

Temporary investments

	2007/08	2008/09
	£000	£000
Temporary investments with other local authorities and financial institutions	<u>144,876</u>	<u>133,990</u>

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.

Short-term Trade Debtors

	2007/08	2008/09
	£000	£000
Trade Debtors (less bad debt provision)	<u>25,875</u>	<u>26,239</u>

Trade Debtors exclude transactions related to HMRC and Government Grants in accordance with FRS25

Financial Assets - unquoted equity investment at cost

Economic Development: There are equity holdings amounting to £ 0.26 million (£0.26 million in 2007/08) that have been written off to the Income and Expenditure Account to reflect the high risk of the investment. Consequently, their fair value has been assessed as nil in the Balance Sheet.

The County Council holds a share in the local authority controlled CLASP Consortium (14%) and SCAPE System Building Ltd (17%). The CLASP Consortium was originally set up by a number of local authorities in 1957/58 for the design and delivery of a build system known as CLASP especially for school buildings but its role now is with the provision of building design services for local authorities. Some members of the consortium are share holders in SCAPE a limited company set up in 2006/07 to continue with the provision of build design and property consultancy services. The CLASP Consortium no longer undertakes any economic activities with the creation of SCAPE. The County Council is a founder member of the consortium and holds shares in SCAPE Ltd. The Council does not receive any dividends from its holdings. The value of this holding is small and there are conditions on the shares that prevent them being traded on the open market, consequently since the fair value cannot be measured reliably no value is carried on the Balance Sheet.

23. Financial Instruments Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and Statement of Total Recognised Gains and Losses (STRGL) in relation to financial instruments are made up as follows:

	2007/08			2008/09		
	Financial Liabilities	Financial Assets	Total	Financial Liabilities	Financial Assets	Total
	£000	£000	£000	£000	£000	£000
Interest expense	(16,006)		(16,006)	(15,722)	-	(15,722)
Losses on derecognition	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Interest payable and similar charges	<u>(16,006)</u>	<u>-</u>	<u>(16,006)</u>	<u>(15,722)</u>	<u>-</u>	<u>(15,722)</u>
Interest income	-	3,231	3,231	-	3,033	3,033
Gains on derecognition	-	-	-	-	-	-
Interest and investment income	<u>-</u>	<u>3,231</u>	<u>3,231</u>	<u>-</u>	<u>3,033</u>	<u>3,033</u>

The average cost of external borrowing was 6.11% (6.18% in 2007/08).

The interest expense figure includes the cost of administration fees. For most of the transactions entered into by the County Council the transactions costs are negligible. For example, the PWLB charges an administration fee when advancing new loans at the current rate of 35p per £1,000 and LOBO loans taken out through brokers have incurred fees of £24,000 on borrowings of £10 million. Administration fees below 0.5% of the amount borrowed are considered not material and are charged direct to the Income and Expenditure Account.

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.

The balance outstanding on these deferred liabilities is as follows:

	2007/08	2008/09
	£000	£000
Loan taken over from District Councils when the responsibility for services was transferred to the County Council on local government reorganisation in 1974.	3,603	3,166

24. Fair Value of Assets and Liabilities carried at amortised cost

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

- no early repayment or impairment is recognised;
- where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value;
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

For long term borrowings and investments, fair values have been calculated by reference to relevant interest rates in force as at 31 March 2008 and 2009 as follows:

- for PWLB loans, the relevant PWLB rate in force;
- for LOBO loans, the PWLB rate applicable to new loans in excess of 50 years;
- for long term investments, the market rate for a loan of similar value and profile;
- for loans and receivables, the PWLB rate for an annuity commencing on 31 March 2009 of length equal to the remaining scheduled length of the relevant instrument, plus 1% to recognise risk on loans and receivables.

	2007/08		2008/09	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Financial liabilities	236,187	277,822	242,013	293,270

The fair value is greater than the carrying amount because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above current market rates increases the amount that the Authority would have to pay if the lender agreed to early repayment of the loans.

	2007/08		2008/09	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£000	£000	£000	£000
Loans and receivables	23,411	23,252	2,537	2,649

The fair value is higher than the carrying amount because the Authority's portfolio of investments includes a number of fixed rate loans where the interest rate receivable is higher than the rates available for similar loans at the Balance Sheet date. Where the agreed interest is above current market rates, the Authority would have to accept higher repayment if it negotiated early repayment of the loans.

25. Disclosure of nature and extent of risks arising from financial instruments

The Authority's activities expose it to a variety of financial risks:

- credit risk – the possibility that other parties might fail to pay amounts due to the Authority;
- liquidity risk – the possibility that the Authority might not have funds available to meet its commitments to make payments;
- market risk – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. In 2002 the County Council adopted a CIPFA Code of Practice on Treasury Management. In accordance with the Code the County Council sets an annual treasury management strategy, in March each year, that contains a number of measures to control the key financial instrument risks above including:

- treasury management practices;
- prudential indicators for borrowing and investment;
- approved counterparties for lending purposes.

The Council also receives an annual report measuring the performance of the treasury management function each Autumn. A copy of the Council's treasury management policy and strategy is available upon request.

Credit Risk

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amounts at 31/03/09	Historical experience of default	Historical experience adjusted for market conditions at 31/03/09	Estimated maximum exposure to default and uncollect- ibility
	£000	%	%	£000
Deposits with banks and financial institutions	133,990	-	-	-
Customers	<u>14,392</u>	0.17	0.17	<u>24</u> 24

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

Customers are assessed, taking into account their financial position, past experience and other factors. The Council's policy is to set aside a provision for bad debt in order to minimise the effect of default. At the end of 2008/09 the provision for bad and doubtful debt was £2.05m (£1.98m in 2007/08).

The Authority does not generally allow credit for customers, such that £5.5m (£13.6m in 2007/08) of the £14.4m (£20.9m in 2007/08) balance is past its due date for payment. The past due amount can be analysed by age as follows:

Less than three months	4,105
Three to six months	508
Six months to one year	274
More than one year	<u>670</u>
	5,557

Liquidity risk

As the Authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that a significant proportion of borrowings will mature at a time of unfavourable interest rates. Current borrowings are spread over 60 years with a maximum of any one year's maturity around 13% of the total. However, since the Authority's future borrowing requirement is fairly sizeable in relation to current debt, the prudential indicator for debt maturity has been set with an upper limit of 25% in any one year. The strategy for new loans is to borrow each year close to the lowest rate available and, where economic circumstances make it favourable, early repayment of fixed rate loans will be considered.

The maturity analysis of financial liabilities is as follows:

	2007/08		2008/09	
	£000	%	£000	%
Maturity date				
Within 1 year	8,044	3	9,430	4
1 year and up to 2 years	4,175	2	3,950	1
2 years and up to 5 years	12,137	5	14,326	6
5 years and up to 10 years	30,033	12	28,342	11
10 years and up to 15 years	29,217	12	33,172	13
15 years and up to 20 years	36,498	15	32,097	13
20 years and up to 25 years	20,007	8	20,007	8
25 years and over	104,120	43	110,119	44
	<u>244,231</u>	<u>100</u>	<u>251,443</u>	<u>100</u>
	2007/08		2008/09	
	£000		£000	
Source of Borrowing				
Public Works Loan Board	153,029		150,096	
External Bonds and loans	91,202		101,347	
	<u>244,231</u>		<u>251,443</u>	

All trade and other payables are due to be paid in less than one year.

Market risk

Interest rate risk

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

- borrowings at fixed rates – the fair value of the liabilities borrowings will fall;
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise;
- investments at fixed rates – the fair value of the assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or STRGL. However, changes in interest receivable on variable rate investments will be posted to the Income and Expenditure Account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments will be reflected in the STRGL.

The Authority has a number of strategies for managing interest rate risk. The policy for borrowing rates is to achieve a managed decline in the average rate and borrow each year close to the lowest rate available. During periods of falling interest rates, and where economic circumstances make it favourable, early repayment of fixed rate loans will be considered to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs. The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget. The strategy is used to advise investment and borrowing decisions and also whether new borrowing taken out is fixed or variable. This allows any adverse changes to be accommodated.

The Authority has no variable rate borrowings and minimal variable rate investments. A 1% change in interest rates would therefore have no material impact on the Income and Expenditure account. If interest rates had been 1% higher at 31 March 2009, with all other variables held constant, the fair value of fixed rate borrowings would be lower but with no impact on the Income and Expenditure Account or STRGL.

Price risk

The Authority does not hold any equity shares that can be measured and consequently is not exposed to losses from movements in the prices of shares.

Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

26. Debtors and Long Term Debtors

Debtors (less bad debt provision)	31/3/08	31/3/09
	£000	£000
The analysis of debtors by category is:		
Government grants	5,839	4,168
Other short term debt	38,960	43,177
Balance at 31 March	<u>44,799</u>	<u>47,345</u>
Long Term Debtors	31/3/08	31/3/09
	£000	£000
Adult Care Property Debt	525	989
East Leake/Bassetlaw PFI schools prepayments	11,454	10,469
Tram PFI	3,196	3,593
PFI Residual Interest	3,021	6,711
Other	772	59
Balance at 31 March	<u>18,968</u>	<u>21,821</u>

27. 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 £150,000, with surplus funds being invested. The bank account overdraft at 31 March will consist of an overdraft with the Authority's main bank, short term amount owed to the Pension Funds and school deposits either with the Authority's main bank or held with other banks.

The analysis of the bank overdraft is as follows:

	2007/08	2007/08	2008/09	2008/09
	£000	£000	£000	£000
Main overdraft		(68,614)		(87,254)
Amounts owed to Pension Funds		(126,351)		(104,512)
School bank accounts:				
Main County Council accounts	57,267		15,920	
Other bank accounts	28,571	85,838	67,355	83,275
		<u>(109,127)</u>		<u>(108,491)</u>

28. Landfill Allowances Trading Scheme

Since 2005/06 the Authority has received an annual 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 2008/09 this allowance was 192,376 tonnes (206,537 in 2007/08) of which 126,054 (132,430 in 2007/08) were utilised. The Authority is allowed to trade its allowances with other Authorities. The market value of these for 2008/09 was £0.00 per tonne (£5.00 in 2007/08). The following entries have been made to the Income and Expenditure Account.

	2007/08	2008/09
	£000	£000
Reserve b/fwd	(2,489)	(1,073)
Adjustment due to audit of actual Allowances used	(36)	13
Revaluation of Reserve b/fwd to current prices	1,823	1,060
Provision - Payment due to Government	662	-
Income - Allowances from Government	(1,033)	-
Reserve carried forward (see Note 37)	<u>(1,073)</u>	<u>-</u>

The movement in the value of allowances between 2007/08 and 2008/09 is as follows:-

	2007/08	2008/09
	£000	£000
Allowances brought forward	5,124	1,735
Use of allowances to settle liability with DEFRA	(2,599)	(675)
Revaluation of balance of allowances	(1,823)	(1,060)
Allowances for year	1,033	-
Allowances carried forward	<u>1,735</u>	<u>-</u>

29. Leasing of Vehicles, Plant and Equipment

At 31 March 2009 the County Council had annual commitments under non-cancellable operating leases as set out below. There were no finance leases.

	£000
2009/10	493
2010/11	276
2011/12	126
2012/13	-
2013/14	-

All operating lease costs are charged to the Income and Expenditure Account; for 2008/09 this amounted to £0.37million (£0.9 in million 2007/08).

30. Private Finance Initiative (PFI)

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.

The County Council retains the freehold of the land which is valued, after recognising the lease to operator, and included in the Balance Sheet as a fixed asset.

As at the 31 March there were plans for two more tram routes - one to Clifton via Wilford and one to Chilwell via Beeston and QMC. The Transport and Works Act Order for the new integrated system was approved in March 2009. The DfT granted conditional approval for the scheme at the end of July 2009; however, the County Council withdrew from lines 2 and 3 of the scheme in late September 2009. As at the 31 March 2009 the County Council's Balance Sheet held the following balances relating to these lines; expenditure of £4.7 million and grants of £50,000, which will have to be written out in 2009/10.

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 2008/09 was £2.6 million (£2.6 million in 2007/08). The revenue contributions towards this charge from Rushcliffe Borough Council for the community facilities amounted to £0.28 million (£0.28 million in 2007/08).

The County Council retains the freehold of the land which is valued, after recognising the lease to East Leake Schools Limited, and included in the Balance Sheet as a fixed asset.

The Council has also made a payment of £2.9 million which is included in the Balance Sheet as a prepayment, being amortised over the life of the operational contract in equal annual instalments of £20,800

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 estimated value of the new assets at contract end (excluding the land) will be £11.0 million.

Boiler installation and maintenance

The Authority has also signed a £3.2 million Private Finance Initiative (PFI) contract for the supply and maintenance of school boilers. The value of individual items is included in the revaluation of buildings. £2.3 million was financed through a 10 year lease ending in March 2010, with annual rentals of £0.4 million in 2008/09 (£0.4 million in 2007/08).

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 became fully operational during 2007/08. The charge to the County Council for 2008/09 was £17.9 million (£21.0 million in 2007/08). The revenue contribution from Bassetlaw District Council towards this charge for the Community Leisure facilities amounted to £1.0 million (£5.32 million in 2007/08).

The County Council retains the freehold of the land, which is valued, after recognising the licence to Transform Schools Ltd, and included in the Balance Sheet, as a fixed asset.

The Council has made an advance payment of government grant of £9 million. This is included in the Balance Sheet as a prepayment and is amortised from 2007/08 over the life of the operational contract in equal annual instalments of £0.36 million.

The Authority will not be required to make any payment over and above any unitary charge due at 31 July 2032 for the land and buildings to be transferred back to the Council at that date. The estimated value of new assets at contract end (excluding the land) will be £75.6 million.

Waste Recycling

The Authority has 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. The charge to the County Council in 2008/09 was £21.2 million (£19.5 million in 2007/08). The first main new facility became operational in January 2009, the Materials Recycling Facility (MRF). The MRF site is subject to a rental agreement with NCC, 50 years, which is then recharged to Veolia at the same rates. The residual value of the facility as at 31/03/2033 is assessed at £6.87m.

31. Government Grants Deferred

Grants recorded here are used in the capital financing process and amortised over the life of the asset to the service departments in order to offset the depreciation charges.

	2007/08	2008/09
	£000	£000
Balance at 1 April	223,273	254,635
Grants and contributions due on depreciable assets	43,782	38,805
On non depreciable assets	116	-
Donated assets	-	213
Amortised during the year	(12,536)	(11,533)
Balance at 31 March	<u>254,635</u>	<u>282,120</u>

32. Insurance Reserve and Account

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 34. The Insurance Reserve is shown below:

Insurance Reserve	2007/08 £000	2008/09 £000
Ring-fenced at 31 March 1998	1,021	870
Since 1 April 1998	7,816	11,822
	<u>8,837</u>	<u>12,692</u>
Insurance Account	2007/08 £000	2008/09 £000
Premiums paid	2,242	2,522
Claims made	4,075	4,041
Contribution (from)/to Provision **	1,915	(1,116)
	<u>8,232</u>	<u>5,447</u>
Less charges to Departments *	(8,609)	(9,237)
	<u>(377)</u>	<u>(3,790)</u>
Miscellaneous charges	185	203
Total Expenditure	<u>(192)</u>	<u>(3,587)</u>
External Premiums	(15)	(31)
Interest on Old Fund	(121)	(112)
Flood Loss Grant	(193)	-
Recoveries	(632)	(126)
Total Income	<u>(961)</u>	<u>(269)</u>
Net (surplus)/deficit	<u>(1,153)</u>	<u>(3,856)</u>

* Classed as expenditure to avoid double counting in the net cost of services

** Change in provision due to re-appraisal of levels required.

33. Single Status Provision and Reserve

Single Status arises from a national agreement between the employers and the trade unions which requires all local authorities to harmonise the conditions of employment of Local Government Services employees. These conditions were previously agreed by two separate negotiating bodies and there were significant differences between the two sets of conditions. Implementation of the Council's proposals on the final stage of harmonisation of a new pay and grading structure began in April 2002. This process began with non-school based staff and was rolled out across the Authority in 2008/09. As part of the package being implemented any upgradings had an effective date of 1 April 2002.

Significant Single Status costs were incurred in 2008/09 relating to prior years. This has been shown as an exceptional item on the face of the Income and Expenditure Account of £5.3 million (£10.9 million 2007/08). As at 31 March 2009 a total of £16.2 million had been paid out as a consequence of back dating upgradings to 1 April 2002. The total number of employees included in the first phase of Single Status programme is over 28,000 (including former employees) and as at 31 March approximately 77% of the required calculations relating to Single Status had been completed. It is anticipated that this phase of the exercise will be completed by 31 March 2010. It is expected that the balance on the Single Status Reserve will be sufficient to meet the cost of this phase of the programme.

The next phase of the programme is to review non-teaching posts in schools and it is expected that this will be fully implemented by 31 March 2011. The total number of posts included in this category is over 8,000. The Council is at an early stage with this roll-out and it is not possible to accurately determine the financial implication although the anticipated potential cost is in excess of £10 million.

Since 2002/03 the County Council has been setting aside resources to fund Single Status costs. The accumulated balance has been analysed between:

- The estimated settlement costs of outstanding Single Status payments to employees, which forms the Single Status Provision;
- The sum held to cover potential future costs, which is shown as an earmarked reserve.

The balance on the Single Status Provision is shown below.

	2007/08	2008/09
	£000	£000
Balance Brought Forward	-	14,267
Additional Contributions	14,267	-
Payments made during the year	-	<u>(14,267)</u>
Balance Carried Forward	<u>14,267</u>	<u>-</u>

The balance on the Single Status (Pay Review) Reserve is shown below.

	2007/08	2008/09
	£000	£000
Balance Brought Forward	23,651	18,998
Appropriation from the reserve	(14,267)	(8,602)
Appropriation to the reserve	9,614	2,000
Balance Carried Forward	<u>18,998</u>	<u>12,396</u>

34. 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	31/3/08	Movement	31/3/09
	£000	£000	£000
General Insurance Claims prior to 1/4/98	725	(9)	716
General Insurance Claims from 1/4/98	9,851	(1,107)	8,744
Landfill Trading Allowances	662	(662)	-
Single Status Back Pay Provision	14,267	(14,267)	-
Provisions below £200,000	507	(281)	226
Total	<u>26,012</u>	<u>(16,326)</u>	<u>9,686</u>

35. Capital Expenditure Reserve

This reserve is used to meet capital expenditure. The balance brought forward from 2007/08 was £4.4 million. During the financial year, the balance on the reserve was reviewed and increased by £0.02 million. £1.2 million was used to finance capital expenditure leaving a reserve of £3.2 million.

36. 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	Grants and Contributions	Total
	£000	£000	£000
Balance at 1 April 2008	-	-	-
Receivable	3,382	38,805	42,187
Applied	<u>(3,382)</u>	<u>(38,805)</u>	<u>(42,187)</u>
Balance at 31 March 2009	<u>-</u>	<u>-</u>	<u>-</u>

37. Revenue Reserves

	2007/08 £000	Movement £000	2008/09 £000
Contracting Services	504	(42)	462
Other Trading Services	932	19	951
Earmarked for Services	18,306	56	18,362
Earmarked Reserves	4,498	(3,037)	1,461
Leasing Alternatives Reserve	865	175	1,040
Landfill Reserve	1,073	(1,073)	-
Bassetlaw PFI Reserve	17,708	(3,247)	14,461
East Leake PFI Reserve	2,514	(330)	2,184
Tram PFI Reserve	3,236	396	3,632
Waste PFI Reserve	10,078	5,266	15,344
NET Phase 2 Reserve	5,154	(3,658)	1,496
Earmarked from Contingency	205	582	787
Pay Review Reserve	18,998	(6,602)	12,396
Invest to Save	-	2,000	2,000
Area Based Grant	-	3,609	3,609
Lifecycle Maintenance	-	2,289	2,289
	<u>84,071</u>	<u>(3,597)</u>	<u>80,474</u>

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

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

Earmarked Reserves carry forward unspent budget earmarked for use in the following financial year. The balance brought forward from 2007/08 was £4.5 million which was used in 2008/09. Another reserve of £1.5 million has been created in 2008/09 to cover unspent budget that has been approved for use in 2009/10.

Leasing Alternatives Reserve was set up 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. The market value for these allowances has been set at nil as at 31st March 2009.

Bassetlaw, East Leake, Tram and Waste 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.

NET Phase 2 Reserve has been established to fund the anticipated development costs for phase 2 of the Tram Network.

Earmarked from Contingency are amounts set aside to cover allocations from 2008/09 contingency where expenditure has yet to be incurred.

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.

The **Invest to Save Reserve** has been established to provide funding for projects that needed initial investment in order to yield budget savings in future.

Area Based Grant: 2008/09 was the first year of the new Local Area Agreement (LAA) arrangements. Under these arrangements the Area Based Grant is distributed among the partners with an expectation that any underspendings would be carried forward by the services involved to spend in the new year.

Lifecycle Maintenance Reserve was established to spread the cost of maintaining new buildings. A contribution is made annually to the reserve in the earlier years which will be gradually offset by increasing maintenance costs as the new buildings become older.

38. 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 schools and is not available to the Authority for general use.

During 2008/09 the overall Reserve has decreased by £2.9 million to £42.2 million. Within the total reserve school accumulated balances decreased by £1.2m to £30.8 million; a further £7.6 million relates to unspent Standards Fund, £2.7 million of which must be spent by the end of August 2009. The remaining balance of £4.9 million is to fund capital schemes. The Reserve also included £4.7 million relating to the non-ISB (Individual Schools Budgets) element of the Schools Budget.

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.

	31/03/08	Movement in year	31/03/09
	£000	£000	£000
<u>School Balances</u>			
Standards Fund balances held by schools	6,667	919	7,586
Other balances held by schools	32,007	(1,232)	30,775
Total School Balances (held by Governors)	<u>38,674</u>	<u>(313)</u>	<u>38,361</u>
Additional school budget balances to carry forward	-	-	-
	<u>38,674</u>	<u>(313)</u>	<u>38,361</u>
Non ISB Balances	<u>7,388</u>	<u>(2,738)</u>	<u>4,650</u>
<u>Borrowing Against the Reserve</u>			
School Loan Scheme	(927)	139	(788)
Total Borrowing Against Reserve	<u>(927)</u>	<u>139</u>	<u>(788)</u>
School Statutory Reserve Total	<u>45,135</u>	<u>(2,912)</u>	<u>42,223</u>

39. Capital Adjustment Account

The account contains a number of capital accounting entries:

- the amount of capital expenditure financed from revenue and capital receipts;
- 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);
- the adjustments to the Income and Expenditure Account for residual PFI assets;
- the value of Government Grants amortised in the financial year;
- impairments, disposals / losses on sales and other adjustments.

	2007/08	2008/09
	£000	£000
Balance at 1 April	894,304	845,667
MRP less depreciation	(20,771)	(20,583)
Capital Grants to other bodies	(4,021)	(9,707)
PFI East Leake - Residual Interest	549	549
PFI East Leake - Residual Interest impairment	-	(352)
PFI Tram - Residual Interest	207	207
PFI Bassetlaw - Residual Interest	-	3,285
Revenue Contributions	10,385	8,209
Capital Receipts Applied	10,108	3,382
Amortisation of Government Grants	9,948	11,533
Amortisation of Government Grants (REFfCUS)	2,588	5,099
Impairments	(40,337)	(104,903)
Disposals / Losses on Sales	(17,823)	(6,837)
Revaluation Reserve depreciation	-	1,030
Other Adjustments	530	-
Balance at 31 March	<u>845,667</u>	<u>736,579</u>

The 2007/08 Capital Adjustment account has been amended as a consequence of the changes in the SORP relating to the treatment of revenue expenditure financed from capital under statute (REFfCUS)

40. Revaluation Reserve

The revaluation reserve was established in 2007/08 following the change in accounting for fixed assets introduced by the Code of Practice on Local Authority Accounting in 2007/08. Consequently the revaluation reserve only shows revaluation gains accumulated since 1 April 2007

	2007/08 £000	2008/09 £000
Balance at 1 April	-	126,581
Revaluations	128,113	96,820
Depreciation	-	(1,030)
Impairments of fixed assets	-	(32,510)
Disposal of fixed assets	(1,532)	(1,491)
Balance at 31 March	<u>126,581</u>	<u>188,370</u>

41. Balances

	2007/08 £000	2008/09 £000
General Fund	22,270	24,837
Housing Act Advances	1	-
	<u>22,271</u>	<u>24,837</u>

42. Members' Allowances

The Authority makes payments to Councillors for work undertaken in the course of their duties. The cost during the financial year was £1,420,092 (£1,372,308 in 2007/08). In addition to this, Members were reimbursed a total of £174,467 (£146,831 in 2007/08) for expenses incurred on Council business.

43. 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 5.

Councillors have direct control over the Council's financial and operating policies. Grants totalling £1,093,160 were made to 38 organisations in which 30 Members and 4 Chief Officers had an interest (£719,548 in 2007/08 to 30 organisations and 33 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.pdf>.

44. 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:

Department/Service	Balance at 31/03/08 £000	Income £000	Expend- iture £000	Investment Movement £000	Balance at 31/03/09 £000
Children and Young People	150	7	21	5	141
Adult Social Care & Health	130	32	18	-	144
Community Services	29	4	-	10	43
Nottinghamshire Charitable Grants Fund	73	3	1	-	75
	<u>382</u>	<u>46</u>	<u>40</u>	<u>15</u>	<u>403</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 Invest- ments £000 31/03/08	Movement £000	Value of Invest- ments £000 31/03/09
Children and Young People	34	(5)	29
Adult Social Care & Health	91	-	91
Community Services	60	(10)	50
Nottinghamshire Charitable Grants Fund	12	-	12
	<u>197</u>	<u>(15)</u>	<u>182</u>

45. 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.

46. 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
Nottinghamshire County PCT	Nottingham City Council (Host)
Bassetlaw PCT	Nottingham City PCT
	Nottinghamshire County PCT

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	2007/08 £000	2008/09 £000
Funding		
Nottinghamshire County Council ASCH	762	763
Nottinghamshire County Council CYP	-	106
Bassetlaw PCT	294	339
Nottinghamshire County Teaching PCT	844	940
British Red Cross Compensation funding	-	160
Total Funding	<u>1,900</u>	<u>2,308</u>

Expenditure	2007/08 £000	2008/09 £000
Partnership Management & Administration costs	61	69
Project & One-off set up costs	29	160
Contract Management Fee	-	55
Specialist Equipment	-	-
Equipment	1,651	1,786
Minor Adaptations	159	238
Total Expenditure	<u>1,900</u>	<u>2,308</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 £0.9 million in 2008/09 (£0.8 million in 2007/08) to the partnership.

47. Movement on Reserves

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory purposes, some are needed to comply with proper accounting practice and others have been set up voluntarily to earmark resources for future spending plans.

Reserve	Purpose of the Reserve	Balance at 1 April 2008 £000	Movement in Year £000	Balance at 31 March 2009 £000
Revaluation Reserve	Store of gains on revaluation of fixed assets not yet realised through sales	126,581	61,322	187,903
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure	845,667	(108,623)	737,044
Usable Capital Receipts & Grants Unapplied Reserve	Proceeds of fixed asset sales and grants received available to meet future capital investment	-	-	-
Financial Instruments Adjustment Account	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	(202)	13	(189)
Pensions Reserve	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	(645,979)	32,337	(613,642)
General Fund	Resources available to meet future running costs	67,406	(346)	67,060
Other Reserves	Earmarked Reserves, inc. insurance and capital reserves	97,356	(938)	96,418
Total		<u>490,829</u>	<u>(16,235)</u>	<u>474,594</u>

48. Contingent Liabilities

- The Authority has contingent liabilities relating to insurance.
- The Authority has set aside a reserve in the accounts for the implementation of the Single Status Agreement from 1 April 2002. Harmonisation of a new pay and grading structure began in April 2008. The process began with non-school based staff and was rolled out across the Authority in 2008/09. However, there remains a potential low liability in relation to individuals pursuing equal pay claims. There will be additional costs with the roll-out of Single Status to non-teaching posts in schools, see note 33.

49. Post Balance Sheet Events

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

GROUP FINANCIAL STATEMENTS AND NOTES

Introduction

The Accounting Code of Practice requires that where a local authority has material financial interests and a significant level of control over one or more organisations, it should prepare Group Financial Statements. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The Council has reviewed the relationships it has with its partner organisations to determine the scope of the Local Authority group. There is one organisation, Connexions Nottinghamshire, that the Council considers falls within the legal definitions of the group accounts and which would have a material effect on the Accounts because this organisation is an associate of the Council, which owns half of the company.

The Company was founded in 2001 but did not pass into the ownership of Nottinghamshire County Council and Nottingham City Council, from the Learning & Skills Council, until 1 April 2008. Consequently, the Company has been consolidated into the Group Accounts on the basis of merger accounting.

Group Financial Statements

The following statements have been prepared:

- Group Income and Expenditure Account - this statement shows the expenditure and income for the group analysed by service and how it was financed. This analysis reflects the requirements of the Best Value Accounting Code of Practice for Local Authorities.
- Reconciliation of the Single Entity Surplus or Deficit for the Year to the Group Surplus or Deficit - this statement shows how the various group entities have contributed to the overall surplus/deficit on the Group Income and Expenditure.
- Group Statement of Total Recognised Gains and Losses - this statement summarises all the gains and losses that have been recognised in the Group Balance Sheet
- Group Balance Sheet - this statement incorporates the Council's Balance Sheet with those of the group.
- Group Cashflow Statement - this statement consolidates the cash flows for the group.

Group Accounting Policies

There are no significant differences to the group accounting policies to those of Nottinghamshire Nottinghamshire County Council.

GROUP INCOME AND EXPENDITURE ACCOUNT

Service	Note	2007/08		2008/09	
		Restated Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
		£000	£000	£000	£000
Continuing County Council Services					
Children's and Education Services		124,217	828,133	(610,824)	217,309
Environmental Services		25,752	36,373	(5,800)	30,573
Highways, Roads and Transportation		43,920	69,432	(15,957)	53,475
Leisure		9,938	10,847	(3,927)	6,920
Libraries		16,187	18,735	(1,629)	17,106
Planning and Development		6,142	9,084	(1,455)	7,629
Adult Social Care		161,279	277,867	(85,225)	192,642
Democratic Representation and Management		5,164	4,510	(2)	4,508
Corporate Management		2,690	15,392	(9,142)	6,250
Non Distributed Costs		25,948	25,896	(143)	25,753
Central Services to the Public		2,927	3,892	(847)	3,045
Share of Operating Result of Associate		90	-	(279)	(279)
Exceptional Items					
Single Status - Back Pay		10,898	5,277	-	5,277
Contributions to Other Bodies					
Coroner		639	633	-	633
Net cost of services		435,791	1,306,071	(735,230)	570,841
Interest and Investment Income		(3,231)	-	(3,033)	(3,033)
Share of interest and investment income of Associate		(61)	-	(307)	(307)
Net (Surplus)/Deficit of Trading Undertakings		1,193	43,871	(41,345)	2,526
Pensions Interest Costs and Expected Return on Pensions Assets		11,791	95,269	(61,291)	33,978
Share of Pensions Interest Costs and Expected Return on Pensions Assets of Associate		(47)	670	(633)	37
Loss on Disposal of Fixed Assets		14,686	5,664	-	5,664
Other Operating Income and Expenditure		(90)	4	(229)	(225)
Interest Payable		16,006	15,722	-	15,722
Insurance Revenue		(1,153)	(3,587)	(269)	(3,856)
Share of taxation of Associate		(4)	84	-	84
Net operating expenditure		474,881	1,463,768	(842,337)	621,431
Precept Income		(282,628)			(293,954)
General Government Grants		(19,202)			(19,374)
Non-Domestic Rates Distribution		(114,419)			(139,174)
Local Authority Business Growth Initiatives		(2,732)			(630)
Flood Restoration Grant		-			(726)
Area Based Grant		-			(32,310)
(Surplus)/Deficit for the Year		<u>55,900</u>			<u>135,263</u>

RECONCILIATION OF THE SINGLE ENTITY SURPLUS OR DEFICIT FOR THE YEAR TO THE GROUP SURPLUS OR DEFICIT

Reconciliation of NCC Income and Expenditure	2007/08	2008/09
Surplus or Deficit to Group Surplus or Deficit	£000	£000
(Surplus)/deficit on Nottinghamshire County Council's Income & Expenditure Account for the year	55,922	135,728
Add: (Surplus)/Deficit arising from other entities included in the group accounts:		
- Connexions Nottinghamshire Ltd	(22)	(465)
Group Accounts (surplus)/deficit for the year	<u>55,900</u>	<u>135,263</u>

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Group Statement of Total Recognised Gains and Losses	2007/08	2008/09
	£000	£000
(Surplus)/Deficit for the year on the Group Income and Expenditure Account	55,900	135,263
(Surplus)/Deficit arising on revaluation of fixed assets	(128,113)	(64,308)
Actuarial (gains)/losses on pension fund assets/liabilities	180,972	(54,591)
Any other (gains) and losses	2,815	(951)
Total recognised (gains)/losses for the year	<u>111,574</u>	<u>15,413</u>

GROUP BALANCE SHEET

	31 March 2008		31 March 2009	
	£000	£000	£000	£000
Long Term Assets				
Intangible Fixed Assets	1,817		1,434	
Tangible Fixed Assets				
Operational				
Land & Buildings	1,163,678		1,177,086	
PFI - Reversionary Interest	-		-	
Vehicles & Plant	11,812		11,440	
Equipment, Furniture & Fittings	40,775		43,701	
Community	33		33	
Infrastructure	344,547		374,070	
Non-Operational				
Land & Buildings	76,615		63,592	
Under Construction	27,518		13,369	
Net Fixed Assets		1,666,795		1,684,725
Long-term advances	1,826		2,537	
Long-term debtors	18,968		21,821	
Long-term Investments	21,698		552	
Total Long-term Assets		1,709,287		1,709,635
Current Assets				
Landfill Usage Allowances	1,735		-	
Stocks and work in progress	4,378		5,095	
Debtors	46,783		49,396	
Less Bad Debts Provision	<u>(1,984)</u>		<u>(2,051)</u>	
	44,799		47,345	
Temporary Investments	144,876		133,990	
		195,788		186,430
Current Liabilities				
Creditors	(130,436)		(152,371)	
Bank Overdraft	(109,127)		(108,491)	
Loans to be repaid within 1 year	(8,044)		(9,430)	
Temporary Borrowing	(110)		-	
		(247,717)		(270,292)
Total Assets less Current Liabilities		1,657,358		1,625,773
Long-term borrowing	(236,187)		(242,013)	
Deferred Liability	(3,603)		(3,166)	
Government Grants Deferred	(254,635)		(282,120)	
General Provisions	(26,012)		(9,686)	
		(520,437)		(536,985)
FRS17 Pensions Liability		(647,304)		(614,584)
Total Assets less Liabilities		<u>489,617</u>		<u>474,204</u>
Available Reserves				
Capital Reserves		4,448		3,252
Capital Receipts & Grants Unapplied		-		-
Revenue Reserves		82,859		80,084
General Insurance		8,837		12,692
Other Reserves etc				
Schools Statutory Reserves		45,135		42,223
Capital Adjustment Account		845,667		736,579
Revaluation Reserve		126,581		188,368
FRS17 Pensions Reserves		(645,979)		(613,642)
Financial Instruments Adj Account		(202)		(189)
Balances		22,271		24,837
		<u>489,617</u>		<u>474,204</u>

GROUP CASH FLOW STATEMENT

	2007/08 £000	2008/09 £000
Net Cash(Inflow)/Outflow from Revenue Activities	(81,817)	(36,645)
Dividends from Associates		
Cash inflows		
Dividends received	-	-
Returns on Investments and Servicing of Finance		
Cash outflows		
Interest Paid	16,237	15,655
Interest on Finance leases	-	-
Cash inflows		
Interest received	(692)	(3,504)
Taxation	-	-
Capital Expenditure and Financial Investment		
Cash outflows		
Purchase of fixed assets	122,664	104,550
Purchase of long-term investments	-	-
Other capital payments	923	1,165
Cash inflows		
Sale of fixed assets	(6,186)	(5,294)
Capital Grants and Contributions Received	(39,369)	(37,725)
Other capital cash receipts	(776)	(704)
Total Net cash flow before financing	10,984	37,498
Management of Liquid Resources		
Net (increase)/decrease in short-term deposits	20,550	(32,000)
Financing		
Cash outflows		
Repayments of amounts borrowed	16,031	3,401
Cash inflows		
New loans raised	-	(10,000)
(Increase)/Decrease in cash	47,565	(1,101)

RECONCILIATION OF NET (SURPLUS)/DEFICIT ON GROUP INCOME AND EXPENDITURE ACCOUNT TO NET CASH FLOWS BEFORE FINANCING

	2007/08 £000	2008/09 £000
(Surplus)/deficit for the year on the Group Income and Expenditure Account	55,900	135,263
Net additional amount required by statute and non-statutory proper practices to be debited or (credited) to the General Fund	(67,692)	(135,382)
Adjustments for Non-Cash Transactions	(36,978)	2,731
Items classified elsewhere in the Cashflow statement		
Adjust for Returns on Investment and Servicing of Finance	(27,707)	(20,898)
Cash Movements		
Increase/(decrease) in Stocks	283	717
Increase/(decrease) in Debtors	(4,793)	2,723
Increase/(decrease) in Creditors	(830)	(21,799)
Revenue Activities Net Cash Flow	(81,817)	(36,645)

NOTES TO GROUP ACCOUNTS

Details of Associates included in the Group Accounts

Connexions Nottinghamshire Limited (Registered Number 4172770)

Nature of Business and Relationship with the Authority

This company is a Local Authority Controlled Company, owned equally between Nottingham City Council and Nottinghamshire County Council specifically to deliver information, advice and guidance (IAG) provision to 13 - 19 year olds, and to fulfil the statutory duty that local authorities have to deliver IAG on behalf of the Councils from the 1 April 2008.

Accounts

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

Audit Opinion

There was no qualification to the audit opinion on the 2008/09 audited accounts of this company.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

Introduction

Nottinghamshire County Council is the administering authority for the Local Government Pension Scheme (LGPS) within Nottinghamshire. It invests and administers two separate pension funds with over 100 contributing employers and 40,000 contributing members. The two Funds are:

(a) **The Main Fund**

This includes the major employers, such as the County Council, the City Council and all District Councils and organisations which used to be part of local government such as Nottingham Trent University, Colleges of Further Education and Police Civilian Staff.

(b) **The Admission Agreement etc. Pension Fund**

This includes those organisations which satisfy the conditions to participate in the LGPS and have been approved by the County Council. Generally speaking these organisations are non-profit making, or are undertaking a service which was, or could be carried out by the Local Authority.

Both funds are operated on a similar basis as set out in a number of published policy statements. Under the Governance Compliance Statement, the functions as administering authority of the pension funds are delegated to the Pensions Committee supported by two advisory sub-committees.

The Funding Strategy Statement sets out the aims and purpose of the pension funds and the responsibilities of the administering authority as regards funding the scheme.

The Statement of Investment Principles sets out more detailed responsibilities relating to the overall investment strategy of the funds including the proposed asset allocation, restrictions on investment types, the type of investment management used and performance monitoring. It also states the funds' approach to responsible investment and governance issues.

The Communications Strategy Statement details the overall strategy for involving stakeholders in the pension funds. A key part of this strategy is a dedicated pension fund website which is available at www.nottspf.org.uk.

All new employees are brought into the pension scheme automatically, unless a positive election not to participate is received from the employee. The membership of the funds at 31 March 2009 was:

	Main Fund	Admitted Bodies
Contributors	40,289	1,120
Deferred Benefits	25,837	823
Pensioners	23,255	461

The accounts of both funds are set out over the following pages. A separate annual report for the pension funds is also available. This includes the accounts and the published policies as well as information on the investment performance of the funds.

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

FUND ACCOUNT FOR YEAR ENDED 31 March 2009

	Notes	2007/08 £000	2008/09 £000
<i>Dealings with members (employees), employers and others directly involved in the scheme</i>			
Contributions	11		
Receivable from:			
Employees - normal		37,311	42,454
- additional voluntary		426	427
Employers - normal		65,049	85,431
- augmentation		5,065	6,125
- deficit funding		36,578	23,828
- other		-	-
Transfers In - individuals		18,420	10,070
Transfers In - groups		-	-
Other income		-	-
		162,849	168,335
 Benefits payable	 11		
Pensions		80,909	87,835
Lump Sums Payable:			
Retiring Allowances		18,640	21,377
Ill-health Retirement Grants		159	13
Death Grants		2,868	2,580
Compensation		35	1
		102,611	111,806
 Payments to and on account of leavers			
Transfers Out - individuals		9,157	4,876
Transfers Out - groups		-	-
Refunds		60	92
State Scheme		11	36
		9,228	5,004
 Administration Expenses		 1,126	 1,372
 Net additions from dealings with members		 <u>49,884</u>	 <u>50,153</u>
 Returns on Investments			
Investment Income	5	81,379	82,910
Change in market value of investments		(171,706)	(541,051)
Taxation	1	-	(1,012)
Investment management expenses		(4,089)	(3,745)
		(94,416)	(462,898)
 Net increase/(decrease) in the Fund during the year		 (44,532)	 (412,745)
Opening net assets of the scheme		2,417,735	2,373,203
Closing net assets of the Fund		<u>2,373,203</u>	<u>1,960,458</u>

NOTTINGHAMSHIRE COUNTY COUNCIL PENSION FUND

NET ASSETS STATEMENT

	Notes	31 March 2008 £000	31 March 2009 £000
Investments	5		
Fixed Interest Securities:			
UK Public Sector		157,727	150,913
UK Other		88,092	120,677
Overseas Public Sector		90,403	81,522
Overseas Other		3,790	30,238
Index Linked Securities			
Public Sector		8,254	13,202
Other		10,882	12,744
Equities - listed			
UK		712,434	522,678
Overseas		365,997	275,147
Unlisted		664	1,095
Pooled Investment Vehicles			
Unit Trusts		174,477	127,892
Unitised Insurance Policies		102,635	86,663
Other Managed Funds		121,265	126,986
Property Unit Trusts		93,927	81,398
Property	5	307,285	213,195
Hedging		-	-
Cash and Currency	8	122,202	103,294
Total Investments		2,360,034	1,947,644
Investment Liability FFX		-	(522)
Net Current Assets/(Liabilities)	6	13,169	13,336
		2,373,203	1,960,458

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

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 (the Pensions SORP). 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.

DEBTORS AND CREDITORS

The accruals concept for debtors and creditors is applied to these accounts in compliance with Financial Reporting Standard 18.

INVESTMENTS

Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid price. Other quoted investments are valued on the basis of the most recent value quoted on the relevant stock market.

Unit Trusts and managed funds are valued at the closing single price or the bid price where applicable. These reflect the market value of the underlying investments.

The difference in overall valuation resulting from the change to a bid rather than a mid price basis is immaterial and so comparative figures have not been restated.

Unquoted securities and pooled private equity investments are valued at fair value 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 a quarterly independent valuation at the Balance Sheet date.

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 recognised (in accordance with the Pensions SORP). From 2008/09, overseas equity dividends are accounted for gross of withholding tax, where this is deducted at source. Partial reclaims of withholding tax, where allowed, are 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 can 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 Scheme 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 Scheme. They take account of transfers where the trustees (or administering authority) 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. Late changes to regulations have adversely affected the calculation of transfer values relating to 2008/09.

There were no scheme mergers or group transfers, in or out, in either 2007/08 or 2008/09.

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

	31/3/08	Numbers at 31/3/09				Total
	Total	County Council	City Council	District Councils	Other	
Contributors	39,281	18,265	10,185	4,178	7,661	40,289
Deferred Beneficiaries	23,567	12,737	5,733	2,923	4,444	25,837
Pensioners	22,034	11,572	4,582	3,959	3,142	23,255

4. OPERATION OF THE FUND

(a) **Contributions and Solvency**

With effect from 1 April 2008 The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 were introduced in conjunction with the Local Government Pension Scheme Regulations 1997. The principal changes from the 1997 regulations were: the replacement, for future service, of the existing benefits structure (based on a pension of 1/80th of pensionable pay for each year of pensionable service plus an automatic lump sum of three times this amount) by one based on 1/60th of pensionable pay for each year of pensionable service and no automatic lump sum.

Employees are required by the combined Regulations to make percentage contributions by deduction from earnings at a rate between 5.5% and 7.5% depending on salary. 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. In 2008/09, 17 authorities made additional contributions totalling £6.1 million above their normal employer's contributions (2007/08 : 13 Authorities : £5.1 million).

(b) **Actuarial Valuations**

As required by the Regulations an Actuarial Valuation of the Fund was carried out as at 31 March 2007. The market value of the Fund's assets at the valuation date was £2,417.7 million. The Actuary has estimated that the value of the Fund was sufficient to meet 83.3% of its expected future liabilities in respect of service completed to 31 March 2007. The new contribution rates are 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 valuation. The assumptions used within the valuation were as follows:

	Past Service	Future Service
Investment return:		
- pre retirement	7.15% pa	6.50% pa
- post retirement	5.40% pa	6.50% pa
Pensionable pay increases	4.30% pa	4.30% pa
Pension increases	2.80% pa	2.80% pa

Valuation of assets is based upon market values.

The employers' contribution rates paid in 2007/08 were set by the 31 March 2004 valuation. Those to be paid from 2008/09 to 2010/11 were set by the 31 March 2007 valuation. The following list shows the rates payable by the main employers:

Percentages of Pensionable Pay	2007/8	2008/9	2009/10	2010/11
	%	%	%	%
Nottinghamshire County Council	15.5	16.1	16.7	17.4
Bassetlaw District Council	21.9	20.9	21.0	21.1
Plus	£453,000	£604,000	£637,000	£670,000
Mansfield District Council	19.1	19.8	20.0	20.3
Newark and Sherwood District Council	20.1	20.1	21.0	21.9
Ashfield District Council	20.2	21.8	22.1	22.4
Broxtowe Borough Council	16.7	17.3	17.5	17.7
Gedling Borough Council	16.2	17.6	17.6	17.6
Rushcliffe Borough Council	19.7	19.2	19.2	19.2
Plus		£163,600	£163,600	£163,600
Nottingham City Council	15.8	16.3	16.8	17.4

(c) **Investment Policy**

The investment policy of the Fund is designed to maximise growth within acceptable risk parameters to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1997 (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 11 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 representatives of the Service Director (Finance).

5. INVESTMENTS

The original values of investments are based on purchase cost plus expenses. If any investments have been held since 1 April 1974 (when the County Council was given the responsibility for the Fund) these are included at the market value as at that date. At 31 March 2009 an analysis of the management arrangements was as follows:

	31/3/08		31/3/09	
	£000	%	£000	%
In-house	957,695	40.6	773,922	39.7
Aegon	359,147	15.2	409,296	21.0
Schroder Investment Management	517,644	21.9	410,374	21.1
Martin Currie	11,198	0.5	8,074	0.4
Aberdeen (prev. Arlington) Property Investors	338,832	14.4	225,994	11.6
Hermes Focus Asset Management	100,624	4.3	61,155	3.1
Standard Life	42,299	1.8	44,234	2.3
Keills (prev. Noble Group)	20,081	0.8	7,392	0.4
Governance 4 Owners	12,514	0.5	7,203	0.4
Total Market Value	2,360,034	100.0	1,947,644	100.0
Original Value	1,958,605		2,097,865	
Excess/(Deficit) of Market Value over Original Value	401,429		(150,221)	

Property

Direct property is shown at open market value (as defined by the International Valuation Standards Committee) as determined by Savills Commercial Limited.

The analysis of property is:

	31/3/08	31/3/09
	£000	£000
Freehold	296,860	205,470
Leasehold more than 50 years	10,425	7,725
	307,285	213,195
Original Value	255,084	252,404

Individual Investments over 5% of the Fund

At 31 March 2009 the fund held no investment representing over 5% of the fund (2007/08 also nil).

Investment Income by Type of Investment

	2007/08 £000	2008/09 £000
Fixed Interest	12,728	12,972
Equities	49,200	44,667
Index-linked	40	170
Pooled Vehicles	719	891
Property Unit Trusts	450	1,916
Property	12,106	17,487
Cash	6,131	4,791
Other	5	16
	<u>81,379</u>	<u>82,910</u>

Purchases and Sales of Investments

	2007/08 £000	2008/09 £000
Purchases at cost	1,121,776	1,025,042
Sales at market value net of cost of sales	1,038,546	877,993
Net Purchases/(Sales)	<u>83,230</u>	<u>147,049</u>

Transaction costs are included in the cost of purchases and sale proceeds. The costs charged directly to the fund, such as fees, commissions and stamp duty, amounted to £1,166,516 in 2008/09 (£3,697,704 in 2007/08). In addition, indirect costs are incurred through the bid-offer spread on investments. This amount is not separately provided.

6. NET CURRENT ASSETS - DEBTORS AND CREDITORS

	31 March 2008 £000	31 March 2009 £000
Debtors		
- sale of investments	561	3,884
- other	17,865	14,399
Creditors		
- purchase of investments	(75)	0
- other	(5,182)	(4,947)
	<u>13,169</u>	<u>13,336</u>

7. MEMBERS ADDITIONAL VOLUNTARY CONTRIBUTIONS

During the period the County Council received additional voluntary contributions (AVCs) from members amounting to £1,191,425 (2007/08 £1,139,576). 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.

8. RELATED PARTY TRANSACTIONS

The Net Assets Statement includes cash of £103.3 million (2007/08 £122.2 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 2008/09 was £153 million (2007/08 £134 million).

During the financial year 2008/09 County Councillors Mr J Carter and Mr D Taylor were members of Nottinghamshire County Council Pensions Committee and were 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. AUDIT FEES

From 2008/09, a separate fee is payable to the Audit Commission for audit of the pension fund. All fees have been included in the accounts for the period to which they relate. The fee for 2008/09 is £47,274.

10. MEMBERS' REPORT

A summarised version of these accounts is circulated to all members of the Fund. A separate annual report for the Nottinghamshire Funds is also produced.

11. ANALYSIS OF CONTRIBUTIONS AND BENEFITS

	County Council		Scheduled Bodies	
	2007/08	2008/09	2007/08	2008/09
	£000	£000	£000	£000
Contributions from employers	39,919	45,519	66,773	69,865
Contributions from employees	14,258	17,017	23,479	25,864
Benefits payable	44,333	46,410	58,278	65,396

12. STATEMENT OF INVESTMENT PRINCIPLES

The Pensions Committee has determined a Statement of Investment Principles for the Fund. A copy is available on the pension fund website (www.nottspf.org.uk) or by writing to the Service Director (Finance), County Hall, West Bridgford, Nottingham, NG2 7QP.

ADMISSION AGREEMENT ETC. PENSION FUND

FUND ACCOUNT FOR YEAR ENDED 31 March 2009

	Notes	2007/08 £000	2008/09 £000
Contributions			
Receivable from:			
Employees	- normal	1,405	1,560
	- additional voluntary	21	12
Employers	- normal	2,095	3,101
	- augmentation	93	266
	- deficit funding	619	455
	- other	-	-
Transfers In - individuals		1,510	749
Transfers In - groups		-	-
Other income		-	-
		5,743	6,143
Benefits			
Pensions		1,698	1,934
Lump Sums:			
Retiring Allowances		695	681
Ill Health		-	-
Death Grants		66	7
Compensation		1	-
		2,460	2,622
Payments to and on account of Leavers			
Transfers Out - individuals		357	40
Transfers Out - groups		-	-
Refunds		1	-
State Scheme		-	-
		358	40
Administration expenses		38	50
Net additions from dealings with members		<u>2,887</u>	<u>3,431</u>
Returns on investments			
Investment Income		5 2,210	1,945
Change in market value of investments		(5,502)	(16,445)
Taxation		1 -	(18)
Investment management expenses		(108)	(110)
Net returns on investments		<u>(3,400)</u>	<u>(14,628)</u>
Net increase/(decrease) in the Fund during the year		(513)	(11,197)
Opening net assets of the scheme		73,619	73,106
Closing net assets of the Fund		<u>73,106</u>	<u>61,909</u>

ADMISSION AGREEMENT ETC. PENSION FUND

NET ASSETS STATEMENT

	Notes	31 March 2008 £000	31 March 2009 £000
Investments	5		
Fixed Interest Securities:			
Public Sector		-	-
Other		-	-
Equities - listed			
UK		21,048	16,706
Overseas		8,207	6,324
Index Linked Securities		-	-
Pooled investment vehicles:			
Fixed Interest OEICs		8,701	11,780
Index Linked OEICs		1,107	1,333
Unit Trusts		10,209	9,631
Unitised Insurance Policies		5,190	4,007
Other Managed Funds		4,452	3,216
Property		8,414	5,070
Property		-	-
Cash	7	5,215	3,000
Total Investments		72,543	61,067
Net Current Assets/(Liabilities)	6	563	842
		73,106	61,909

The Fund's financial statements do not take account of liabilities to pay pensions and other benefits after the period end.

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 (the Pensions SORP). 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.

DEBTORS AND CREDITORS

The accruals concept for debtors and creditors is applied to these accounts in compliance with Financial Reporting Standard 18.

INVESTMENTS

Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid price. Other quoted investments are valued on the basis of the most recent value quoted on the relevant stock market.

Unit Trusts and managed funds are valued at the closing single price or the bid price where applicable. These reflect the market value of the underlying investments.

The difference in overall valuation resulting from the change to a bid rather than a mid price basis is immaterial and so comparative figures have not been restated.

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 recognised (in accordance with the Pensions SORP). From 2008/09, overseas equity dividends are accounted for gross of withholding tax, where this is deducted at source. Partial reclaims of withholding tax, where allowed, are 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 can 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 Scheme 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 Scheme. They take account of transfers where the trustees (or administering authority) 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. Late changes to regulations have adversely affected the calculation of transfer values relating to 2008/09.

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 establish this fund and it is governed in accordance with the Local Government Pension Scheme Regulations 1997 (as amended).

3. CONTRIBUTORS AND PENSIONERS

	Number at 31/3/08	Number at 31/3/09
Contributors	1,127	1,120
Deferred beneficiaries	785	823
Pensioners	400	461

4. OPERATION OF THE FUND

(a) Contributions and Solvency

With effect from 1 April 2008 The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 were introduced in conjunction with the Local Government Pension Scheme Regulations 1997. The principal changes from the 1997 regulations were: the replacement, for future service, of the existing benefits structure (based on a pension of 1/80th of pensionable pay for each year of pensionable service plus an automatic lump sum of three times this amount) by one based on 1/60th of pensionable pay for each year of pensionable service and no automatic lump sum.

Employees are required by the combined Regulations to make percentage contributions by deduction from earnings at a rate between 5.5% and 7.5% depending on salary. 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 2007.

The market value of the Fund's assets at the valuation date of 31 March 2007 was £73.60 million. The Actuary has estimated that the value of the Fund was sufficient to meet 85.4% of its expected future liabilities in respect of service completed to 31 March 2007.

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	7.15% pa	6.50% pa
- post retirement	5.40% pa	6.50% pa
Pensionable pay increases	4.30% pa	4.30% pa
Pension increases	2.80% pa	2.80% pa

Valuation of assets is based upon market values. The employers' contribution rates payable are set out in Note 10.

(c) **Investment Policy**

The investment policy of the Fund is designed to maximise growth within acceptable risk parameters to help meet the future liabilities. The powers of investment are governed by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1997 (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 11 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 representatives of the Service Director (Finance).

5. INVESTMENTS

The original values of investments are based on purchase cost plus expenses. If any investments have been held since 1 April 1974 (when the County Council was given the responsibility for the Fund) these are included at the market value as at that date. At 31 March 2009 an analysis of the management arrangements was as follows:

	31/3/08		31/3/09	
	£000	%	£000	%
In-house	30,437	42.0	22,282	36.5
Aberdeen (prev. Arlington) Property Investors	2,707	3.7	1,217	2.0
Aegon	9,809	13.5	13,113	21.4
Hermes	1,093	1.5	793	1.3
Martin Currie	3,359	4.6	2,422	4.0
Schroder Investment Management	25,138	34.7	21,240	34.8
Total Market Value	72,543	100.0	61,067	100.0
Original Value	62,603		67,616	
Excess/(Deficit) of Market Value over Original Value	<u>9,940</u>		<u>(6,549)</u>	

Individual Investments over 5% of the Fund

At 31 March 2009 the Fund held £8.31 million of Aegon Long Balanced Fund, £3.85 million of Schroders Property Unit Trust, and £3.47 million of Aegon Overseas Bond Fund representing 13.6%, 6.3% and 5.7% of the Fund respectively. (At 31 March 2008 the Fund held £6.63 million of Aegon Long Balanced Fund, and £5.71 million of Schroders Property Unit Trust, representing 9.1% and 7.9% of the Fund respectively.)

Investment Income by Type of Investment

	2007/08 £000	2008/09 £000
Fixed Interest	-	-
Equities	1,624	1,441
Index-linked	-	-
Pooled vehicles	15	6
Property Unit Trusts	321	310
Property rents	-	-
Cash interest	250	187
Other	-	1
	<u>2,210</u>	<u>1,945</u>

Purchases and Sales of Investments

	2007/08 £000	2008/09 £000
Purchases at cost	6,419	8,951
Sales at market value	<u>3,781</u>	<u>1,768</u>
Net Purchases/(Sales)	<u>2,638</u>	<u>7,183</u>

Transaction costs are included in the cost of purchases and sale proceeds. The costs charged directly to the fund, such as fees, commissions and stamp duty, amounted to £22,638 in 2008/09 (£12,130 in 2007/08). In addition, indirect costs are incurred through the bid-offer spread on investments. This amount is not separately provided.

6. NET CURRENT ASSETS - DEBTORS AND CREDITORS

	31 March 2008 £000	31 March 2009 £000
Debtors		
- sale of investments	-	10
- other	624	864
Creditors		
- purchase of investments	-	-
- other	<u>(61)</u>	<u>(32)</u>
Net Current Assets/(Liabilities)	<u>563</u>	<u>842</u>

7. RELATED PARTY TRANSACTIONS

The net assets statement includes cash of £3.0 million (2007/08 £5.2 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 2008/09 was £7.0 million (2007/08 £5.7 million) There are no other related party transactions between members and officers of the Council and the Fund.

8. AUDIT FEES

From 2008/09, a separate fee is payable to the Audit Commission for audit of the pension fund. All fees have been included in the accounts for the period to which they relate. The fee for 2008/09 is £1,462.

9. MEMBERS' REPORT

A summarised version of these accounts is circulated to all members of the Fund. A separate annual report for the Nottinghamshire Funds is also produced.

10. ADMITTED BODIES

The employers' contribution rates paid in 2007/08 were set by the 31 March 2004 valuation, and those to be paid in the years 2008/09 to 2010/11 were set by the 31 March 2007 valuation. The rates are shown as a percentage of pensionable pay.

	2007/08	2008/09	2009/10	2010/11
	%	%	%	%
Ashfield CAB	11.6	12.6	14.1	15.5
Ashfield Women's Centre	11.6	12.6	14.1	15.5
Bassetlaw CAB	11.6	12.6	14.1	15.5
Bestwood Partnership Forum	11.6	12.6	14.1	15.5
Broxtowe CAB	11.6	12.6	14.1	15.5
Bulwell Vision	11.6	12.6	14.1	15.5
Catholic Children's Society	11.6	12.6	14.1	15.5
Centre for Contemporary Art Nottingham Ltd		9.0	9.0	9.0
Child Migrants Trust	11.6	12.6	14.1	15.5
Clifton Advice Centre	11.6	12.6	14.1	15.5
Connexions Nottinghamshire Ltd	12.8	13.8	14.5	14.5
Disabilities Living Centre	11.6	12.6	14.1	15.5
Eastwood Volunteer Bureau	11.6	12.6	14.1	15.5
EMFEC	11.6	12.6	14.1	15.5
EM Media	11.6	12.6	14.1	15.5
EMMLAC	11.6	12.6	14.1	15.5
Enviroenergy Ltd	11.6	12.6	14.1	15.5
Experience Nottingham Ltd	11.6	12.6	14.1	15.5
Family Care	11.6	12.6	14.1	15.5
Gedling Homes		23.6	23.6	23.6
Greater Nottingham Partnership	11.6	12.6	14.1	15.5
Greenfields Centre Ltd	11.6	12.6	14.1	15.5
Groundwork Greater Nottingham	11.6	12.6	14.1	15.5
Institute of Burial Cremation Admin	11.6	12.6	14.1	15.5
Jesse Boot Community Basketball & Sports	11.6	12.6	14.1	15.5
Kirkby Trust	11.6	12.6	14.1	15.5
Mansfield CAB	11.6	12.6	14.1	15.5
Mansfield Rd Baptist Housing	11.6	12.6	14.1	15.5
Meadows Advice Group	11.6	12.6	14.1	15.5
Meadows Partnership Trust	11.6	12.6	14.1	15.5
Meden Valley Making Places Ltd	11.6	12.6	14.1	15.5
Newark Emmaus Trust	11.6	12.6	14.1	15.5
Neighbourhood Development Company	11.6	12.6	14.1	15.5
NORSACA	11.6	12.6	14.1	15.5
Nottingham Association of Local Councils	11.6	12.6	14.1	15.5
Nottingham & District Racial Equality Council	11.6	12.6	14.1	15.5
Nottingham CAB	11.6	12.6	14.1	15.5
Nottingham Deaf Society	11.6	12.6	14.1	15.5
Nottingham Development Enterprise	11.6	12.6	14.1	15.5
Nottingham Independent Venture	11.6	12.6	14.1	15.5

	2007/08	2008/09	2009/10	2010/11
	%	%	%	%
Nottingham Ice Centre	11.6	12.6	14.1	15.5
Nottingham Regeneration	11.6	12.6	14.1	15.5
Nottinghamshire County Scout Association	11.6	12.6	14.1	15.5
Nottinghamshire Rural Community Council	11.6	12.6	14.1	15.5
Ollerton and District CAB	11.6	12.6	14.1	15.5
Regeneration East Midlands	11.6	12.6	14.1	15.5
Rushcliffe Homes (Metropolitan Housing Trust)	10.4	11.4	12.0	12.0
SLM Ltd	12.4	13.4	12.2	12.2
Southwell Leisure Centre	11.6	12.6	14.1	15.5
Technical Aid for Nottingham Communities	11.6	12.6	14.1	15.5
The Carers' Federation	11.6	12.6	14.1	15.5
The Partnership Council	11.6	12.6	14.1	15.5
The Pearson Centre for Young People	11.6	12.6	14.1	15.5
The Renewal Trust	11.6	12.6	14.1	15.5
Trent University Students' Union	11.6	12.6	14.1	15.5
UPP (Nottm)	13.2	14.2	13.7	13.7

11. STATEMENT OF INVESTMENT PRINCIPLES

The Pensions Committee has determined a Statement of Investment Principles for the Fund. A copy is available on the pension fund website (www.nottspf.org.uk) or by writing to the Service Director (Finance), 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.
Actuary	An actuary is an expert on pension scheme assets and liabilities. The Local Government Pension Scheme actuary reassesses the rate of employer contributions to the Pension fund every three years.
Added Years	Additional years of service awarded to increase benefits of employees taking early retirement.
Amortisation	The process of charging capital expenditure, usually on intangible fixed assets, to the Income & Expenditure Account over a suitable period of time.
Area Based Grant (ABG)	This is a non-ringfenced general grant, made up of a wide range of former specific grants from seven Government Departments. Authorities are free to use the totality of their non-ringfenced general funding (Revenue Support Grant and ABG) to support national, regional and local priorities as they see fit.
Balance Sheet	The accounting statement which sets out the Council's total net assets and how they were financed.
Budget	The Council's statement of spending plans and policies for a financial year, expressed in financial terms.
Capital Adjustment Account (CAA)	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.
CFR	Capital financing Requirement
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.
Creditors	Persons or bodies owed monies by the Authority that have not been paid by the end of the financial year.
DEFRA	Department for Environment, Food and Rural Affairs
DCSF	Department for Children, Schools and Families
DCLG	Department for Communities and Local Government
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.

Financial Instruments	A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another. For instance financial assets could be bank deposits, loans receivable, shares etc, whilst financial liabilities could be borrowings, debtors, financial guarantees etc.
Fixed Assets	Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year.
General Fund	This balance is a general revenue reserve, part of this fund is earmarked to provide a number of Reserves.
Government Grants Deferred Account	The amount of money given to the Council 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.
Income and Expenditure Account	The account which sets out the Council's Income and Expenditure for the year.
Infrastructure Assets	Fixed assets such as roads and bridges.
Impairments	An impairment or loss of value may arise on a fixed asset upon revaluation.
Intangible Assets	Tangible assets that yield benefits to the Authority and the services it provides for a period of more than one year, e.g. software
LOBO	Lender Option Borrower Option
Local Authority Business Growth Incentive Scheme (LABGI)	The Local Authority Business Growth Incentive Scheme provides an incentive for local authorities to promote economic growth in the area by allowing them to retain a proportion of any increase in business rates revenues.
Landfill Allowance Trading Scheme (LATS)	The scheme allocates tradable landfill allowances to each waste disposal authority in England and authorities can buy, sell or carry forward landfill allowances depending on usage requirements.
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'.
Local Government Pension Scheme (LGPS)	Nottinghamshire County Council is the administrating authority for the LGPS within Nottinghamshire. The two funds are the Main Fund and the Admission Agreement etc. Pension Fund.
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.
NNDR	National Non-Domestic Rate
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.

PCT	Primary Care Trust
PFI	Public Finance Initiative
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'.
PWLB	Public Works Loans Board
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 General Fund and not to service revenue accounts.
Revaluation Reserve	Represents the difference between the revalued amount of fixed assets as shown in the accounts and actual costs.
Revenue Expenditure Financed from Capital Under Statute (REFCUS)	These were previously known as deferred charges and included such items as work on property not owned by the authority and grants for economic development purposes.
Trust Funds	Funds established where the Authority acts as trustee. These amounts do not form part of the County Council's resources.

Notes

Notes